



City of Dallas

Public/Private Partnership Program

Economic Development Committee

December 3, 2007



Purpose

- Review the City's Public/Private Partnership Program "Guidelines & Criteria" in preparation for adoption of new guidelines in April 2008
- Receive input from the committee on potential new or revised policy goals in preparation for future briefings

Public/Private Program Review

- The Public/Private Partnership Program is designed to provide City of Dallas economic support to private for-profit projects with an emphasis on targeted geographies for the following purposes:
 - ✓ Increase the commercial tax base
 - ✓ Create and retain quality job opportunities for Dallas residents
 - ✓ Target investment and job growth in Southern Dallas and Enterprise Zones
 - ✓ Foster the attraction and expansion of targeted industries and existing firms
 - ✓ Maintain a competitive position relative to non-city of Dallas sites
 - ✓ Encourage the redevelopment of sites and areas experiencing disinvestment
- The Program Guidelines & Criteria provide a framework for negotiations with businesses/developers on potential projects and are attached as Exhibit A. Residential projects can be considered downtown pursuant to a December 2006 program amendment.



Public/Private Program Review

- The program typically supports the following non-residential project types:
 - Business Recruitment/Attraction
 - Business Expansion and Retention
 - Retail Development
 - Commercial Real Estate Development
 - Brownfields Redevelopment

Public/Private Program Review

- Public/Private Economic Development Tools
 - Tax Abatement – an agreement to forego future real property or business property tax revenue from new investment
 - Development Fee Rebates – a rebate of fees charged in the permitting, inspection and regulation of land and building development
 - Public Infrastructure Participation – offset of capital infrastructure costs such as streets, water and other utilities
 - Right-of-Way Abandonment Fee Rebates/Credits – offset of processing fees for abandonment of City property (not to real estate value)
 - Other Program Tools – State law allows for the creation of programs for grants and/or loans pursuant to Chapter 380 of the Local Government Code, such as our TOD program.
- Eligible projects may be supported by the program through the Public/Private Partnership Fund (PILOT payments from Water Utilities) and proceeds from GO Bond propositions for Economic Development



Public/Private Program Review

- In accordance with City Council-approved Guidelines & Criteria, staff will make proposals to projects that are subsequently considered for approval by the City Council.
- Incentives are proposed for projects wherein, “but for” the incentive, the project would not otherwise occur in the City, or it would be substantially modified in a way that reduces the benefits accruing to the City.
- Factors considered prior to making incentive proposals include job creation or retention, private investment, competition for the project, financial gaps, location, zoning, wages, industry type, M/WBE, etc.



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- “But for” is assumed to be met in Southern Dallas. For these purposes, Southern Dallas is defined as south of the Trinity River west of downtown and south of Interstate 30 east of downtown.
- A project must meet predetermined minimum eligibility criteria relative to the particular site under consideration to receive City incentives.



Public/Private Program Review

- Since inception of the program in 1989, City Council has considered over 250 projects associated with the creation or retention of 53,000 jobs and \$5.1 billion in new investment.
- For 2007, there were 63 certified tax abatement agreements pursuant to the program that have resulted in 15,401 jobs (10,418 were contractually required), \$1,554,351,475 in direct tax value and \$2,331,630 in direct tax revenue.
 - Tax revenue foregone in 2007 from certified abatements is \$9,293,760. A Texas Instruments tax abatement accounts for \$4,877,206 of this amount (52.5% of the total). Texas Instruments' abatement expires in 2007 so the City will capture its full tax revenue on this account next year.
- Additional project benefits not included in direct tax revenue include sales taxes, taxes on non-abated property, revenue to other taxing jurisdictions such as DISD and Dallas County, direct and indirect revenues from company and employee purchases, hotel taxes and future taxes when the abatements expire.



Public/Private Program Review

Example Project

- Company X desires a new 250,000 s.f. facility wherein it will employ 200 persons in frozen food packaging and distribution
- Project specifics:
 - company considering sites in four area cities and desires to lease facility from local developer
 - 30 acre site needed
 - \$8,750,000 estimated value of new facility
 - \$4,000,000 estimated value of new equipment/fixtures
 - \$32,000 average annual salary (\$15.40 hr.)



Public/Private Program Review

Example Project - continued

- Company representative, consultant, local developer, or a Chamber of Commerce may contact the four cities to investigate potential economic incentives
- City staff evaluate project specifics including job creation or retention, private investment, competition for the project, financial gaps, location, zoning, wages, industry type, M/WBE, etc.
- Staff will conduct due diligence on the project, negotiate appropriate and necessary incentives in light of project needs, and then provide a formal proposal pursuant to Public/Private Partnership Program guidelines



Public/Private Program Review

Example Project - continued

- City of Dallas staff propose a 50% tax abatement on the value of real property improvements for 10 years and public infrastructure participation of \$400,000 (30% of total public infrastructure costs).
- If Dallas site is selected, the proposed incentive agreement will be presented to Economic Development Committee for recommended action at City Council.



Public/Private Program Review

Example Project - continued

- **Example Project Summary**

- 200 new jobs with \$32,000 salary
- 250,000 s.f. facility with \$8,750,000 real property (RP) tax value
- \$400,000 business personal property (BPP) tax value
- \$1,200,000 new public infrastructure required

- **Incentive Summary**

- Tax Abatement 50% for 10 years on \$8,750,000 improvement value results in **\$327,205** city tax revenue foregone
 - $(\$8.75m \times .007479) \times 0.50 = \$32,720$ (annual taxes forgone on RP improvement value)
- **\$400,000** infrastructure participation from bond or Public/Private Fund resources - thirty percent (30%) of \$1,200,000 total public infrastructure cost
- Total incentives **\$727,205**

- **City Revenue Summary**

- Direct property tax revenue on improvements for 10 year period is **\$626,960**
 - $(\$8.75M \times 0.007479) \times 0.50 = \$32,720$ (annual RP tax revenue)
 - $\$4,000,000 \times .007479 = \$29,976$ (annual BPP tax revenue)
- Other non-property tax or indirect revenue include sales taxes, hotel taxes, employee expenditures, etc.



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Example Project Summary

Summary of City Direct Revenue – With Project/Without Project		
	With	Without(*)
Jobs	200	0
Taxable Land Value (30 acres @ \$2.50 sf)	\$3,267,000	\$4,949*
Real Property Investment	\$8,750,000	\$0
Business Prop. Investment	\$4,000,000	\$0
Total Value	\$16,017,000	\$0
Annual Tax Revenue	\$87,070	\$37
10 year Tax Revenue (no appreciation)	\$870,700	\$370
15 year Tax Revenue (no appreciation)	\$1,469,656	\$555
Total City Incentives (abatement & infrastructure)	\$727,205	\$0
Total 15 Year Net Direct City Revenue	\$742,451	\$555
Private Investment Leveraged Per Public Dollar	22 to 1	0
*Undeveloped 30 acres with Agricultural Exemption		



Public/Private Program Review

Issues for Discussion

- Minimum eligibility criteria
- Continue to assume “but for” is met in Southern Dallas?
- Program provides limited assistance to Small Business

Public/Private Program Review

Issue: Public/Private Eligibility

- Primary minimum eligibility criteria is job number and investment based on location within the city, but...
 - As part of the City’s Fair Share program, City Council has included a “Good Faith Effort” to attain 25% M/WBE participation on private construction for projects considered for real property tax abatement.
- Other factors that could be considered are wage rates and resident employment



Public/Private Program Review

Issue: “But for” in S. Dallas

- The “but for” test is assumed met for projects in Southern Dallas
 - Recent City Council discussions of economic incentives to projects in Southern Dallas lean toward all projects needing to meet the “but for” test



Public/Private Program Review

Issue: Small Business Program

- Many small business projects are not supported by the Public/Private Partnership Program because the level of private investment does not generate a meaningful incentive relative to the available program tools.
- An alternative program tool that may be considered for discussion is the creation of a Small Business Initiative Loan/Grant Program.
 - The program can be initiated with \$500,000 from the Public/Private Partnership Fund
- Staff can present suggested program guidelines to Economic Development Committee in early 2008.



Exhibit A