



City of Dallas

# Public/Private Partnership Program

## Economic Development Committee

### December 11, 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.



# Public/Private Program Review

- “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.





City of Dallas

# 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
- \$4,000,000 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.



# Public/Private Program Review

## Example Project Summary

<b>Summary of City Direct Revenue – With Project/Without Project</b>		
	<b>With</b>	<b>Without(*)</b>
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 Taxable Value	\$16,017,000	\$4,949
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.



City of Dallas

# Exhibit A



# City of Dallas

## Public/Private Partnership Program Guidelines and Criteria for Non-Residential Projects

	<i>Minimum Eligibility</i>	Tax Abatement*	Infrastructure Cost Participation	Development Fee Rebates	ROW Abandonment Rebates/Credits
	<i>Criteria</i>	percentage on <u>added</u> real estate or personal property value	City pays portion of required City infrastructure within ROWs or easements	rebate of fees charged by the City in the regulation of land development	rebate and/or credit of fees charged by City for public right-of-way abandonment
<b>SOUTHERN DALLAS ENTERPRISE ZONES and COMMERCIAL ZONE "S"</b>	<ul style="list-style-type: none"> <li>projects creating or retaining 25 plus jobs</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>minimum \$1 million investment</li> </ul>	<ul style="list-style-type: none"> <li>up to 90% abatement for 10 years on added real estate value</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>up to 50% abatement for 5 years on net new business personal property</li> </ul>	<ul style="list-style-type: none"> <li>case-by-case</li> <li>up to 50% maximum</li> <li>over 30% requires City bidding procedures</li> <li>participation shall not exceed 25% of total on site improvement costs</li> </ul>	<ul style="list-style-type: none"> <li>case-by-case</li> <li>100% rebate on not-to-exceed basis</li> <li>payable after Certificate of Occupancy issued</li> </ul>	<ul style="list-style-type: none"> <li>25% rebate</li> <li>credit for special public improvements</li> </ul>
<b>NORTHERN DALLAS ENTERPRISE ZONES</b>	<ul style="list-style-type: none"> <li>projects creating or retaining 200 plus jobs</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>minimum \$10 million investment</li> </ul>	<ul style="list-style-type: none"> <li>up to 50% abatement for 10 years on added real estate value</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>up to 50% abatement for 5 years on net new business personal property</li> </ul>	<ul style="list-style-type: none"> <li>case-by-case</li> <li>up to 50% maximum</li> <li>over 30% requires City bidding procedures</li> <li>participation shall not exceed 25% of total on site improvement costs</li> </ul>	<ul style="list-style-type: none"> <li>case-by-case</li> <li>100% rebate on not-to-exceed basis</li> <li>payable after Certificate of Occupancy issued</li> </ul>	<ul style="list-style-type: none"> <li>25% rebate</li> <li>credit for special public improvements</li> </ul>
<b>NORTHERN DALLAS COMMERCIAL ZONE "N"</b>	<ul style="list-style-type: none"> <li>projects creating or retaining 250 jobs</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>minimum \$15 million investment</li> </ul>	<ul style="list-style-type: none"> <li>case-by-case</li> </ul>	<ul style="list-style-type: none"> <li>not available</li> </ul>	<ul style="list-style-type: none"> <li>not available</li> </ul>	<ul style="list-style-type: none"> <li>not available</li> </ul>
<b>CENTRAL BUSINESS DISTRICT (ZONE "C")</b>	<ul style="list-style-type: none"> <li>projects creating or retaining 250 plus jobs</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>minimum \$25 million investment</li> </ul>	<ul style="list-style-type: none"> <li>up to 75% abatement for 5 years on net new business personal property</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>projects in non-TIF District sites require a minimum 750 jobs and \$100M investment for a tax abatement on real property up to 90% for 10 years</li> </ul>	<ul style="list-style-type: none"> <li>case-by-case</li> <li>up to 50% maximum</li> <li>over 30% requires City bidding procedures</li> <li>participation shall not exceed 25% of total on site improvement costs</li> </ul>	<ul style="list-style-type: none"> <li>case-by-case</li> <li>100% rebate on not-to-exceed basis</li> <li>payable after Certificate of Occupancy issued</li> </ul>	<ul style="list-style-type: none"> <li>rebate not available</li> <li>credit for special public improvements</li> </ul>
<b>NON-CONFORMING</b>	<ul style="list-style-type: none"> <li>case-by-case</li> </ul>	<ul style="list-style-type: none"> <li>negotiable terms</li> </ul>	<ul style="list-style-type: none"> <li>negotiable terms</li> </ul>	<ul style="list-style-type: none"> <li>negotiable terms</li> </ul>	<ul style="list-style-type: none"> <li>negotiable terms</li> </ul>

Office of Economic Development  
 Dallas City Hall, Room 5CS  
 Dallas, Texas 75201  
 Phone: (214) 670-1685  
 Fax: (214) 670-0158

## City of Dallas Public/Private Partnership Program Summary for Non-Residential Projects

### City of Dallas Public/Private Programs

It is the purpose of the following programs to provide assistance only for projects where such assistance is necessary to stimulate private investment. Accordingly, these programs are available when agreements between the City and private parties that are not tax-exempt are approved by City Council prior to private investment occurring. Projects seeking economic incentives must provide written assurance that 'but for' the incentives sought, the proposed project would be substantially altered such that the economic returns to the city would be reduced or the project would not otherwise occur in the city. Projects occurring in Southern Dallas and Strategic Investment Areas are provided special consideration.

### Tax Abatement

Temporary abatement of either real estate or personal property taxes. In limited cases, Southern Dallas projects may be considered for a combination of both real and personal property tax abatement when the combined amount does not exceed 90 percent of the City taxes on total new improvement value. Recipient firms provide initial certification of required improvements and annual certification of job requirement. City staff may consider Dallas resident employment, contracting with local and minority and women owned businesses, efforts to exceed minimum environmental regulations, wage rates, community activities, and target industry projects when negotiating this incentive. In support of the City's M/WBE Program, a goal is set that two-thirds of the City's real property tax abatement agreements for new construction include a Fair Share and local contractor component. Real property tax abatement is not available in TIF Districts within the Central Business District (CBD) or in portions of the Downtown Connection TIF District located outside the CBD. All financial incentive terms must begin by January 1 of the second calendar year following City Council authorization.

### Infrastructure Cost Participation

City pays some or all of required City infrastructure (within ROWs or easements dictated to City). Participation is considered on a 'case by case' basis up to a maximum of 50 percent of eligible costs and contingent upon funding availability. Participation above 30 percent requires City bidding procedures.

### Development Fee Rebates

'Case by case' rebate of City fees charged in the regulation of land development on a not-to-exceed basis. Rebate payable after Certificate of Occupancy and contingent upon funding availability.

### ROW Abandonment Rebates and Credits

Rebate of and/or credit against monetary fees charged by the City for abandonment of public right-of-way and contingent upon funding availability. Rebates payable after City issues a Certificate of Occupancy; credits are offset against the costs of constructing certain negotiated public improvements which are not otherwise required of the developer.

### Business Development Grant Program

Companies considering a relocation/expansion in the city of Dallas may be eligible for a grant in lieu of tax abatement or to defray project costs such as: land purchase, building costs, loan guarantees, training costs, relocation costs, etc. Grants will be considered on a case-by-case basis and are subject funding limitations. Companies will be required to meet eligibility requirements of the Public/Private Partnership Program.

### Transit-Oriented Development (TOD) Program

Minimum eligibility for consideration of city incentives through the Public/Private Partnership Program will require a cumulative investment of \$300 million for new mixed-use, commercial, retail and/or residential development in proximity of at least two DART light-rail transit (with one or both in Southern Dallas) stations. TOD projects are eligible for consideration for the full complement of necessary and appropriate incentives available through this program including, but not limited to, tax increment financing, tax abatement, grants and loans, infrastructure cost participation. Residential developments seeking incentives will be required to have a 20 percent affordable housing set aside in North Dallas and mixed-income housing in Southern Dallas. Further, projects must meet the City's established Good Faith Effort guidelines for M/WBE participation.

### Local Government Corporation (LGC) Grant Program

The City of Dallas will consider making grants from its general fund to a LGC, subject to annual appropriation of funds and the approval of the Dallas City Council. These funds will be restricted to the payment of project costs, including the payment of debt service on any bonds issued by the LGC to finance project costs, and the funding of any necessary reserve fund or capitalized interest accounts and the payment of the cost of issuance of bonds.

### Target Industry Projects

Target Industry projects are generally defined as follows: Brownfields or recycling, information technology, building materials, media, advanced instruments and food processing/distribution. Target Industry projects must be confirmed in advance by the City in order to receive consideration under this designation.

## City of Dallas Public/Private Partnership Program Summary for Non-Residential Projects

### Non-Conforming Projects

Non-Conforming projects are considered on a case by case basis for high impact projects, unique developments and competitive situations where projects may receive competing offers of incentives. These projects require a simple majority vote of City Council in Southern Dallas and a 3/4 vote of City Council in the CBD and in Northern Dallas. High Impact Project - Projects creating/retaining a minimum of 500 jobs with substantial capital investment. In addition, this status may be granted to major projects by Fortune 500, Manufacturers 400 or Global 500 listed firms.

### Unique and Special Developments

Projects which have a metro-wide market area, and bring significant outside income into the City's economy and/or non-residential projects located in blighted areas as defined by the reinvestment zone provision in the Property Redevelopment and Tax Abatement Act.

### Competitive and Retention Projects

In special cases, companies receiving competing offers of incentives or those currently located in the city of Dallas considering a relocation/expansion are eligible to apply for financial incentives with negotiable terms. Existing firms must expand job base by 25 percent to be eligible for consideration. Incentives may be offered in specific cases to 'match other offers.' Companies may be required to demonstrate competing cities, offers, land/lease costs, taxes at current rates, utility rates, relocation costs, other significant costs and 'gap' to be filled, etc.

### Other Sources of Financial Assistance

#### Tax Increment Districts

Special districts funding public improvements (not services) with increased tax revenues resulting from new private development. Tax rates are the same as elsewhere in the City and no added cost to private parties is incurred.

### Public Improvement Districts

Special districts created by petition to privately fund public improvements or special supplemental services over and above those provided by City, when such services are supportive of related City investments in capital improvements.

### Freeport Exemption

The City offers property tax exemption on eligible goods 'in transit'-those to be sent out of state within 175 days from acquisition to be assembled, stored, manufactured, processed or fabricated. Oil and natural gas do not qualify.

### Foreign Trade Zone

Allows duty-free importing of foreign-made components into the Zone, where they may be assembled, manufactured, processed or packaged. Duties are charged only when products are subsequently distributed into the U.S. market- if they are shipped to international markets, no duty is levied.

### Enterprise Zone Project Designation (State)

For qualified and approved businesses of 100 or more new jobs to the state of Texas, the City may apply to the State to rebate sales and use taxes paid, on a per-job basis. Also available is a reduction on a firm's franchise tax.

### Grants and Loans

For qualified and approved businesses, the City will consider special programs for loans and grants to promote local economic development.

To obtain more detail on these programs, or to inquire regarding other assistance, contact: Office of Economic Development, Dallas City Hall, Room 5CS, Dallas, Texas 75201, Phone: (214) 670-1685, Fax: (214) 670-0158



# City of Dallas

## Public/Private Partnership Program Guidelines and Criteria for Residential Projects

	<i>Minimum Eligibility Criteria</i>	Tax Abatement*
		percentage on <u>added</u> real estate or personal property value
CENTRAL BUSINESS DISTRICT	<ul style="list-style-type: none"> <li>• minimum of 75 residential units added and more than four floors,</li> <li>• Minimum of \$15 million in private investment,</li> <li>• located within the CBD downtown freeway loop but outside DC and CC TIF Districts and within CBD downtown freeway loop,</li> <li>• Project not receiving tax abatement must have a minimum of 75 residential units, \$15 Million in private investment, and develop more than four floors,</li> <li>• Both projects are required to have the same developer .</li> </ul>	<ul style="list-style-type: none"> <li>• Projects that meet the minimum eligibility criteria can qualify for tax abatement on real property up to 90% for up 10 years on added real estate value</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>• Economic development grant in lieu of a tax abatement in an amount to be based on this criteria.</li> </ul>

Office of Economic Development  
 Dallas City Hall, Room 5CS  
 Dallas, Texas 75201  
 Phone (214) 670-1685  
 Fax: (214) 670-0158

# City of Dallas Public/Private Partnership Program Summary for Non-Residential Projects

## EXHIBIT A-1

### City of Dallas Public/Private Partnership Program Guidelines and Criteria Summary for Residential Projects

#### City of Dallas Public/Private Programs

It is the purpose of the following program to provide assistance for projects in the Central Business District (the "CBD") only where such assistance is necessary to stimulate private investment. Accordingly, this program is available when agreements between the City and private parties that are not tax-exempt are approved by City Council prior to private investment occurring. Projects seeking economic incentives must provide written assurance that "but for" the incentives sought, the proposed project would be substantially altered such that the economic returns to the city would be reduced or the project would not otherwise occur in the city.

#### Tax Abatement / Grant in Lieu of Tax Abatement

These mechanisms will allow for temporary abatement of real estate property taxes or economic development grants in lieu of tax abatement for an amount not to exceed 90 percent of the City's taxes on the total new improvement value of a property for a period of up to 10 years. To qualify for this type of incentive the project must be a residential project within the Downtown Freeway Loop but outside the Downtown Connection or City Center TIF District during the term of each district. A "Residential Project" receiving tax abatement must be a development or redevelopment that will create a minimum of 75 additional residential units, will have more than four floors and will include a minimum of \$15,000,000 in private investment. The residential development must be developed in conjunction with another development project located within either the Downtown Connection or City Center TIF Districts and within the CBD downtown freeway loop by the same or affiliated developer/owner. The second project not receiving tax abatement must have a minimum of 75 residential units, \$15,000,000 in private investment, and have more than four floors. Catalyst projects that create a minimum of 375 residential units and \$55,000,000 in private investment may have the two project criteria waived.

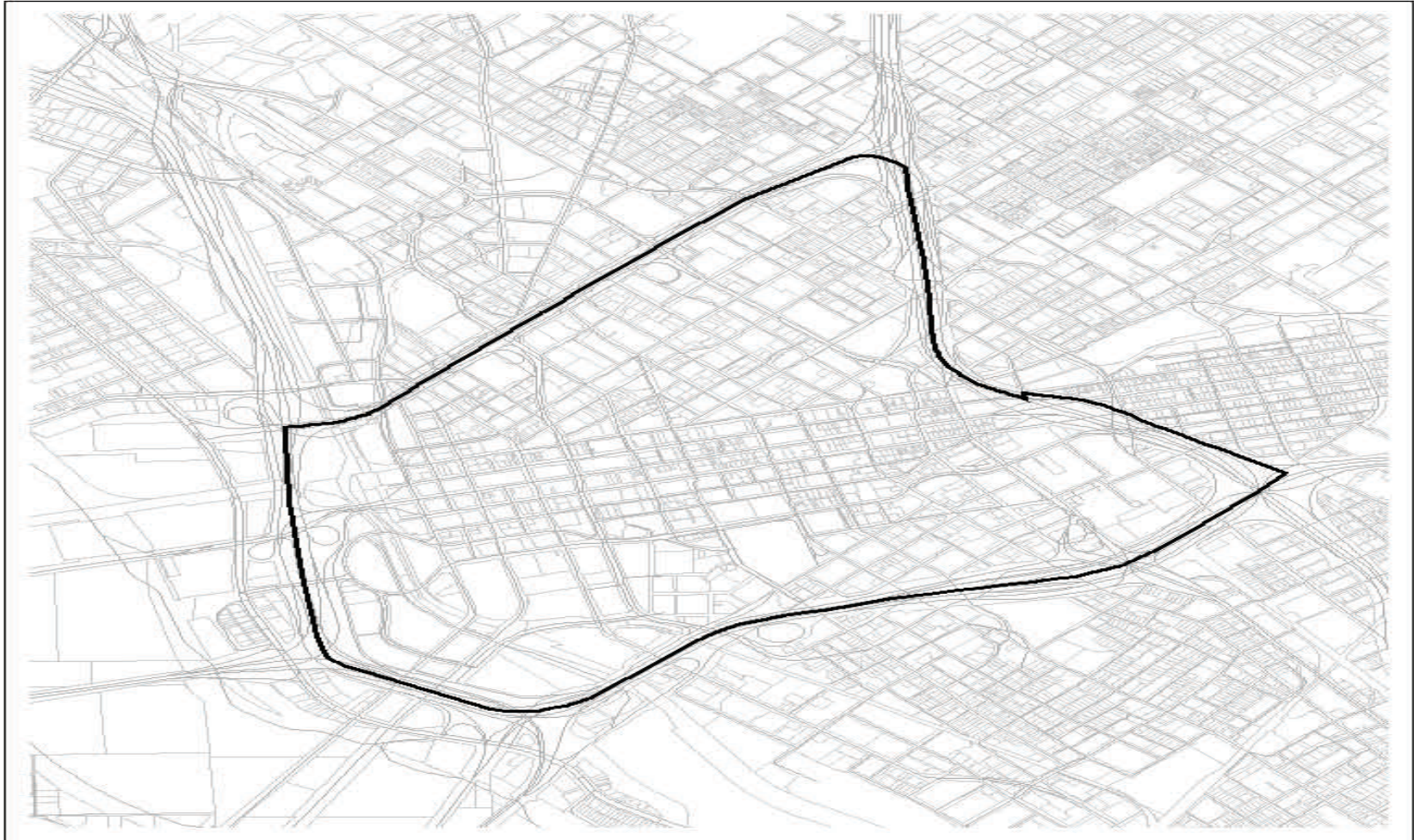
Non-conforming projects within the Central Business District are considered on a case by case basis and may be approved by a super majority (three-fourths) vote from the voting members of City Council.

Any developer receiving incentives for a residential project must verify the completion of the required improvements to City Staff and complete all contingencies outlined in the agreement. In support of the City's Good Faith Effort Program, a goal is set that two-thirds of the City's real property tax abatement agreements or economic development grants in lieu of tax abatement agreements include a Fair Share and local contractor component. In addition, all residential projects approved for tax abatement or such economic development grants will be subject to a ten percent affordable housing set-aside requirement. All Residential Project incentives are provided at the City's discretion and are subject to City Council approval.

For residential development projects that are rental-occupied, the tax abatement agreements will outline all required contingencies that must be met before tax abatements may be granted each year. The agreement may only be entered into with the developer/owner of the project.


For residential development projects that are owner-occupied, the economic development grant agreements will outline all required contingencies that must be met before grant payments will be made each year. An agreement may be entered into with the developer/owner of the project. In addition, economic development grant amounts will be determined as of January 31<sup>st</sup> of every year the agreement is active based on applicable tax payments made.





**Public/ Private  
Partnership Program -  
Residential Projects**

**Exhibit B-1**

 Central Business District  
Inside the Freeway Loop

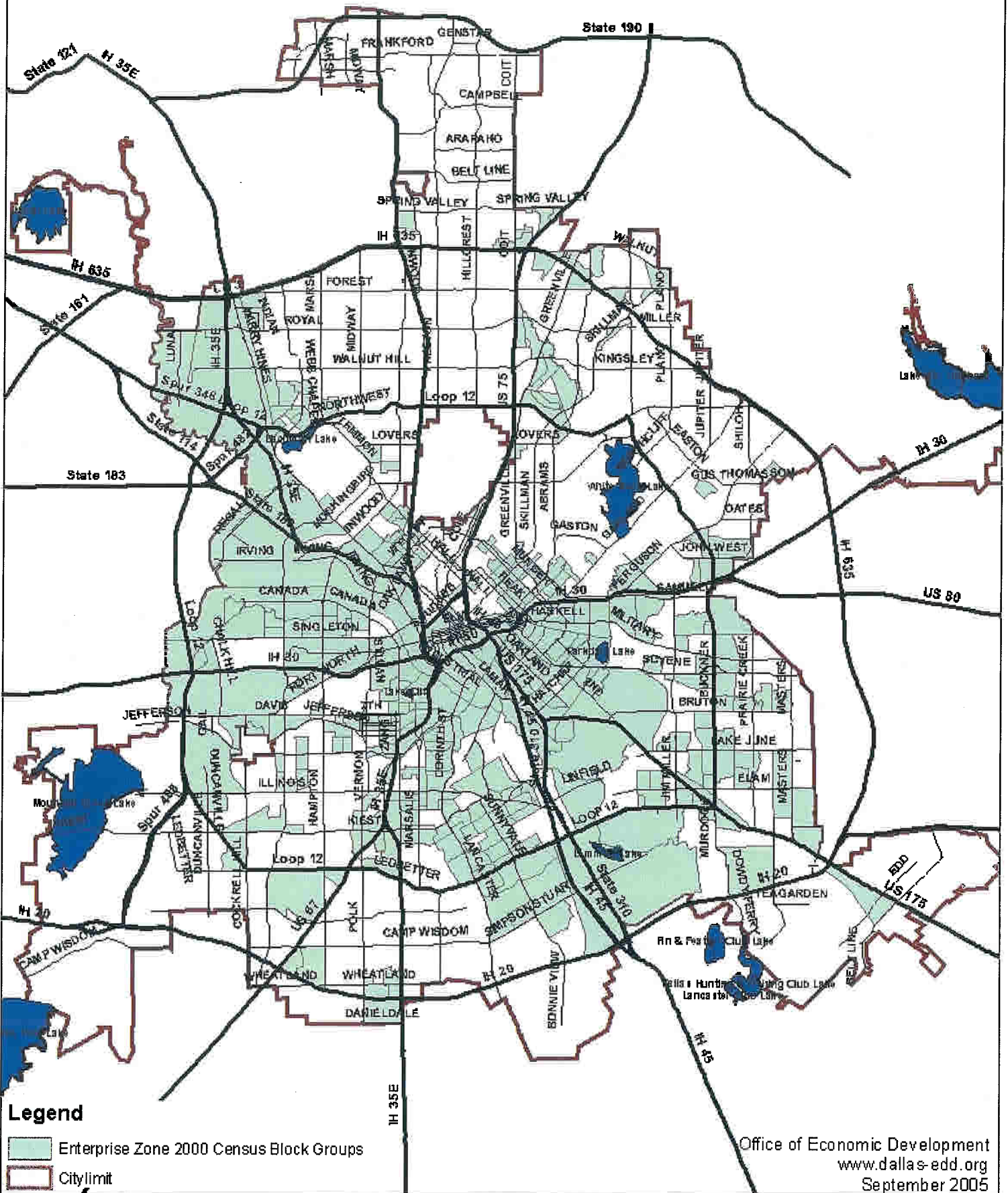


**City of Dallas**  
Office of Economic Development  
October 2006





# City of Dallas Enterprise Zone



### Legend

- Enterprise Zone 2000 Census Block Groups
- City limit

Office of Economic Development  
[www.dallas-edd.org](http://www.dallas-edd.org)  
 September 2005