

Memorandum



CITY OF DALLAS

DATE: April 4, 2008

TO: Members of the Economic Development Committee
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Mitchell Rasansky, Linda Koop,
Dwayne Caraway, Sheffie Kadane, Jerry R. Allen, Steve Salazar

SUBJECT: **Public/Private Partnership Program**

At the April 7, 2008 Economic Development Committee meeting, you will be briefed on the Public/Private Partnership Program. A copy of the briefing is attached.

Should you have any questions, please contact me at (214) 670-3314.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez'.

A.C. Gonzalez
Assistant City Manager

Attachment

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
Judge Jay E. Robinson
Ryan S. Evans, First Assistant City Manager
David O. Brown, Interim Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ramon F. Miguez, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jeanne Chipperfield, Interim Director, Office of Financial Services
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Chandra Marshall-Henson, Assistant to the City Manager



City of Dallas

Public/Private Partnership Program

Economic Development Committee

April 7, 2008



Purpose

- Review the City's Public/Private Partnership Program "Guidelines & Criteria".
- Secure a recommendation from the Committee on adoption of new guidelines on April 9, 2008 (existing guidelines expire on April 12, 2008).

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



City of Dallas

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. (“But for” assumed met in Southern Dallas)
- 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 participation, etc.
- A project must meet predetermined minimum eligibility criteria relative to the particular site under consideration in order to receive a staff recommendation to the City Council.

Issue: Public/Private Eligibility

- Primary minimum eligibility criteria is job number and investment based on location within the city
 - Recent City Council discussions of economic incentives have introduced other factors that could be considered such as wage rates and resident employment
 - Staff recommends no change in this policy but will take wage rates and resident employment in consideration during project negotiations

Issue: Project Information Provided to Committee

- In addition to project deal points, the Committee has requested additional information such as induced or indirect economic impacts (from economic modeling and multipliers) and the impacts on other taxing jurisdictions
- Exhibit B provides a project summary example proposed for all Public/Private Partnership Program projects submitted to the Committee
- A project pro forma will be provided for new developments as applicable
 - Competitive corporate relocation projects and company owned developments will not include a pro forma

Conclusion:

- Staff recommends adoption of the Public/Private Partnership Program (as described in Exhibit A) on April 9, 2008



City of Dallas

Exhibit A



City of Dallas

Exhibit B

EXHIBIT A

Part I: 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 for which 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 ad valorem or business personal property taxes for a period not to exceed 10 years. 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 creation requirements. City staff may consider Dallas resident employment, contracting with local and minority-and women-owned businesses (M/WBE), 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, the City's real property tax abatement agreements for new construction may include a Fair Share and local contractor component. Real property tax abatement is not available in Tax Increment Financing (TIF) Districts within the Central Business District (CBD) or in an improvement project financed by tax increment bonds. All financial incentive terms must begin by January 1 of the second calendar year following City Council authorization.

Infrastructure Cost Participation

Without complying with competitive sealed bidding procedures, the City may participate in the costs of constructing infrastructure improvements at a level not to exceed 30 percent of the total contract price or at a level not to exceed 100 percent of the total cost for any over sizing of improvements required by the City, including, but not limited to increased capacity of the improvements to future development in the area. Projects wherein City participation exceeds 30 percent of infrastructure costs require compliance with public competitive sealed bidding procedures.

Development Fee Rebates

On a 'case-by-case' basis and in consideration of investment or job creation, the City may approve an economic development grant agreement in the amount of fees charged in the regulation of land development on a not-to-exceed basis. The rebate is payable after a Certificate of Occupancy (CO) is issued for the project and contingent upon funding availability.

Right of Way (ROW) Abandonment Rebates and Credits

In consideration of investment or job creation, the City may approve an economic development grant agreement in the amount of monetary fees charged by the City for abandonment of public ROW and contingent upon funding availability. Such rebates are payable after City issues a CO; 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 to funding limitations and investment or job creation requirements. 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 Northern Dallas and mixed-income housing in Southern Dallas. Further, projects must meet the City's established Good Faith Effort guidelines for M/WBE participation.

Economic Development General Obligation (GO) Bond Program for Southern Dallas

GO Bond funding may be used as described in this paragraph for private commercial, industrial, retail, residential, and mixed-use development in the Southern sector of the City that promotes economic development. Funding may be provided as a catalyst to promote private economic development and may be used for planning, designing, extending, constructing and acquiring land for public streets, utilities and other related infrastructure facilities or uses consistent with this purpose. Funding is also available in support of mixed-use or residential development, for the acquisition of improved and unimproved properties and for the cost of demolishing existing structures. Private developments may be eligible for economic development grants and loans pursuant to Chapter 380 of the Texas Local Government Code. Grants and loans will be considered for infrastructure improvements and/or land acquisition consistent with the scope of funding and other uses described above. Grants or loans will be considered on a 'case-by-case' basis subject to funding limitations and development agreements approved by City Council, which agreements will contain appropriate conditions, safeguards and benchmarks to ensure that the public purpose of economic development will be carried out. Residential developments will be required to have a mixed-income set aside. Further, it is anticipated that resources and other forms of development assistance from other applicable City economic development programs may be utilized to support this program.

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 special consideration under this designation.

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 Projects must create/retain 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 areas meeting the criteria for reinvestment zone pursuant to the Property Redevelopment and Tax Abatement Act (Texas Tax Code Chapter 312).

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.

Brownfields

The City's Brownfields Program may provide no-cost Phase I and/or Phase II Environmental Site Assessments for eligible properties. To be eligible, each site must: be within City limits and abandoned or underutilized; have a near-term economic redevelopment plan; not be under federal or state enforcement actions or a Resource Conservation and Recovery Act (RCRA) permitted facility. In addition, the owner and applicant must authorize, in writing, permission to designate the site a Brownfield and applicant or prospective purchaser will consider entering the site into the Texas Voluntary Cleanup Program. Brownfield sites are real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.

Other Sources of Financial Assistance

Tax Increment Districts (TIF)

Special districts funding TIF-eligible projects costs and 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' 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; alternatively, if they are shipped to international markets then no duty is levied.

Enterprise Zone Project Designation

For qualified and approved businesses of 100 or more new jobs to the state of Texas, the City may nominate a company to the State to rebate sales and use taxes paid, on a per-job basis. Also available is a reduction of franchise taxes for companies on a firms franchise tax. The City of Dallas may also waive the associated fee for accelerated permit procedures for Enterprise Zone-nominated projects.

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 Non-Residential Projects

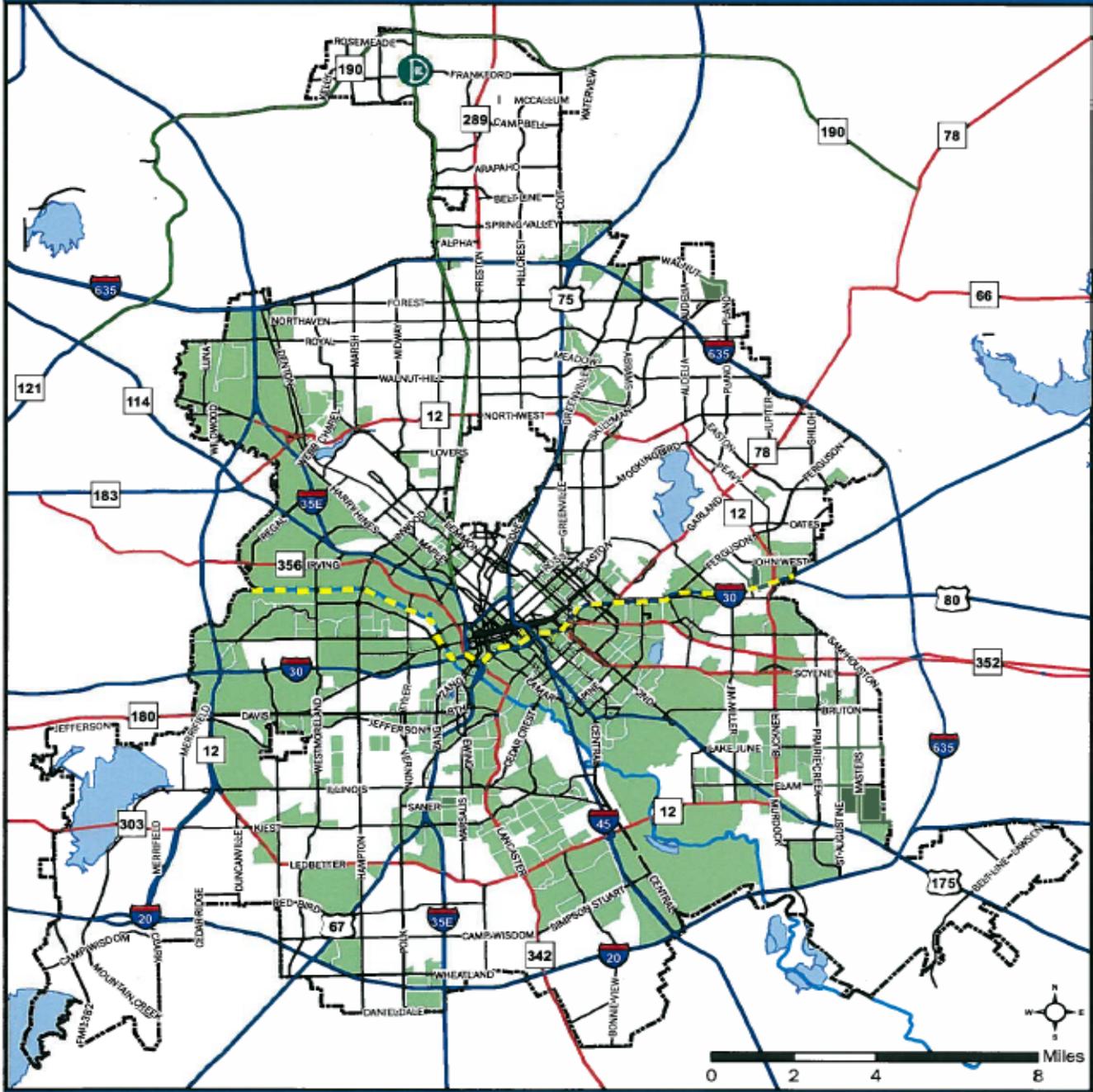
Office of Economic Development
Dallas City Hall, Room 5CS
Dallas, Texas 75201
Phone
Fax: (214) 670-0158

	<i>Minimum Eligibility Criteria</i>	Tax Abatement*	Infrastructure Cost Participation	Development Fee Rebates	ROW Abandonment Rebates/Credits
		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
SOUTHERN DALLAS ENTERPRISE ZONES and COMMERCIAL ZONE (Non-EZ Sites)	<ul style="list-style-type: none"> projects creating or retaining 25 plus jobs <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> minimum \$1 million investment 	<ul style="list-style-type: none"> up to 90% abatement for 10 years on added real estate value <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> up to 50% abatement for 5 years on net new business personal property 	<ul style="list-style-type: none"> case-by-case up to 50% maximum over 30% requires City bidding procedures participation shall not exceed 25% of total on site improvement costs 	<ul style="list-style-type: none"> case-by-case 100% rebate on not-to-exceed basis payable after Certificate of Occupancy issued 	<ul style="list-style-type: none"> 100% rebate credit for special public improvements
NORTHERN DALLAS ENTERPRISE ZONES	<ul style="list-style-type: none"> projects creating or retaining 200 plus jobs <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> minimum \$10 million investment 	<ul style="list-style-type: none"> up to 50% abatement for 10 years on added real estate value <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> up to 50% abatement for 5 years on net new business personal property 	<ul style="list-style-type: none"> case-by-case up to 50% maximum over 30% requires City bidding procedures participation shall not exceed 25% of total on site improvement costs 	<ul style="list-style-type: none"> case-by-case 100% rebate on not-to-exceed basis payable after Certificate of Occupancy issued 	<ul style="list-style-type: none"> 100% rebate credit for special public improvements
NORTHERN DALLAS COMMERCIAL ZONE (Non-EZ Sites)	<ul style="list-style-type: none"> projects creating or retaining 250 jobs <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> minimum \$15 million investment 	<ul style="list-style-type: none"> case-by-case 	<ul style="list-style-type: none"> not available 	<ul style="list-style-type: none"> not available 	<ul style="list-style-type: none"> not available
CENTRAL BUSINESS DISTRICT	<ul style="list-style-type: none"> projects creating or retaining 250 plus jobs <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> minimum \$25 million investment 	<ul style="list-style-type: none"> up to 75% abatement for 5 years on net new business personal property <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> case-by-case up to 50% maximum over 30% requires City bidding procedures participation shall not exceed 25% of total on site improvement costs 	<ul style="list-style-type: none"> case-by-case 100% rebate on not-to-exceed basis payable after Certificate of Occupancy issued 	<ul style="list-style-type: none"> rebate not available credit for special public improvements
NON-CONFORMING	<ul style="list-style-type: none"> case-by-case 	<ul style="list-style-type: none"> negotiable terms 	<ul style="list-style-type: none"> negotiable terms 	<ul style="list-style-type: none"> negotiable terms 	<ul style="list-style-type: none"> negotiable terms

The information contained herein shall not be construed as implying or suggesting that the City of Dallas is offering or is under obligation to provide tax abatement or other incentives to any applicant, and all applicants shall be considered on a case-by-case basis. Pawnshops, Sexually Oriented Businesses, Bars, Truck Stops and Truck Dealerships are excluded from consideration for incentives provided under this program.

- Firms willing to pay at or above Living Wage levels for certain job classifications may be considered for 10% bonus tax abatement.

Enterprise Zones - City of Dallas



City of Dallas
Office of Economic Development



Research & Information Division
(214) 670-1685
<http://www.Dallas-EcoDev.org>

Created 1/31/2008

Legend

- City Boundary
- Enterprise Zones
- Commercial Zones
- North / South Division
- Lakes
- Trinity River
- Freeway
- Tollway
- Highway
- Major Arterial

Sources: Enterprise Zones - Texas Office of the Governor, 2008; Streets & Lakes - City of Dallas, 2007

**Part II: 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 ad valorem 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 (DC) or City Center (CC) 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 CBD are considered on a 'case-by-case' basis and may be approved by a super majority (3/4) vote from the voting members of City Council. City council may not approve tax abatement for property located in an area financed by tax increment bonds.

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 2/3 of the City's real property tax abatement agreements or economic development grants in lieu of tax abatement agreements may 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 10 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. Tax abatement agreements may only be executed with the owner of the real property.

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 of every year the agreement is active based on applicable tax payments made.

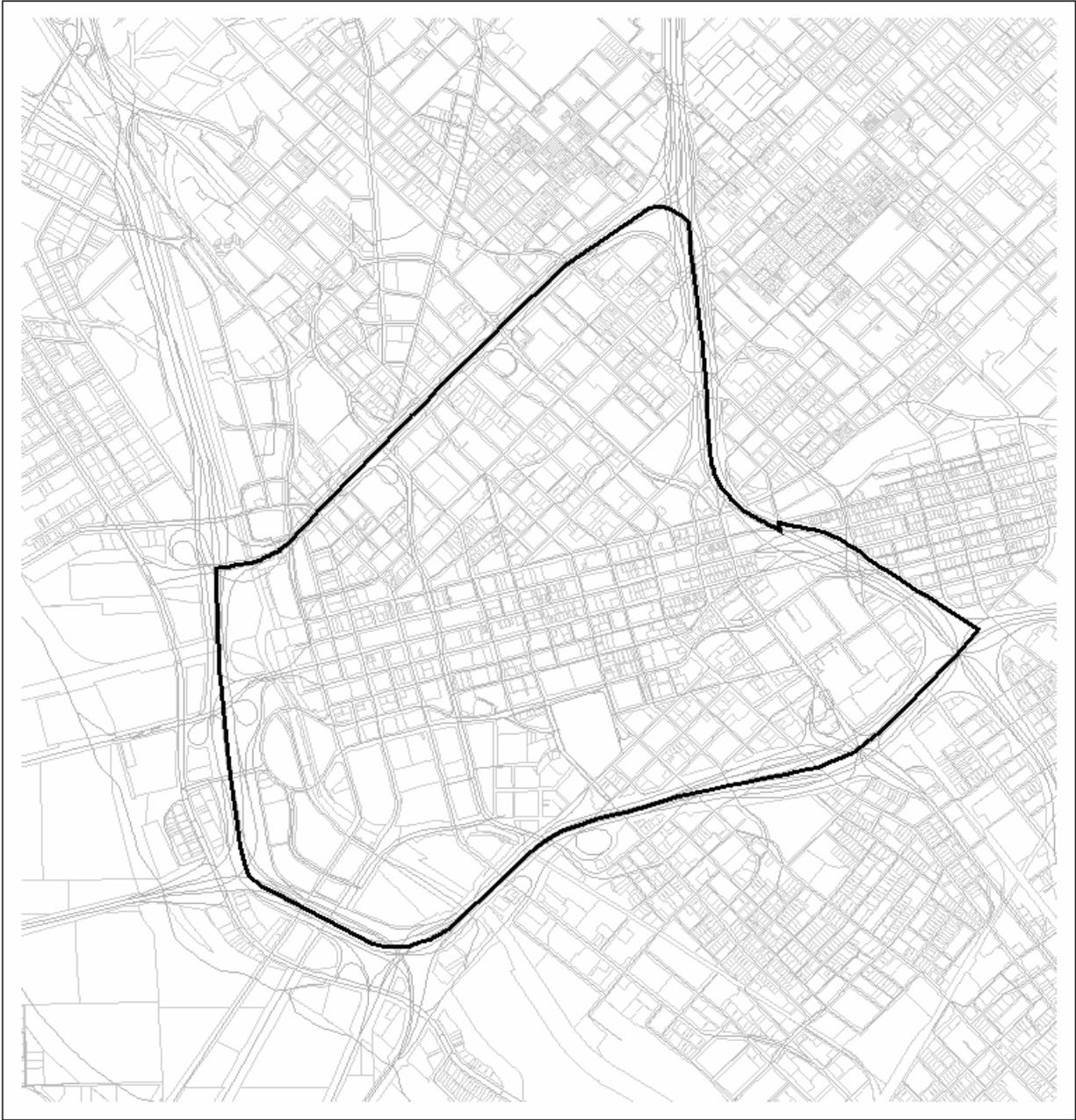


City of Dallas Public/Private Partnership Program Guidelines and Criteria for Residential Projects

Office of Economic Development
Dallas City Hall, Room 2CN
Dallas, Texas 75201
Phone
Fax: (214) 671-9821

Tax Abatement

	<i>Minimum Eligibility Criteria</i>	<i>Percentage on <u>Added</u> Real Estate Property Value</i>
CENTRAL BUSINESS DISTRICT (Inside Freeway Loop)	<ul style="list-style-type: none"> • minimum of 75 residential units added and more than four floors, • minimum of \$15 Million in private investment, • located within the CBD downtown freeway loop but outside DC and CC TIF Districts, • project must be developed in conjunction with another project located within either DC and CC TIF Districts and within CBD downtown freeway loop, • project not receiving tax abatement must have a minimum of 75 residential units, \$15 Million in private investment, and develop more than four floors, • both projects are required to have the same developer. 	<ul style="list-style-type: none"> • Projects that meet the minimum eligibility criteria can qualify for tax abatement on real property up to 90% for up to 10 years or for an economic development grant in lieu of a tax abatement in an amount to be based on this criteria.



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

 Central Business District
Inside the Freeway Loop



Exhibit B

Proposed Project Information Worksheet

Economic Development Committee

A. Project Summary

City Council District		
Project/Company Name		
Project Location		
Project Type		
Facilities (Square Feet)		
Construction Schedule	Begin	
	Complete	
Private Improvement Investment	Real Property	
	Business Property	
Jobs	Created	
	Retained	
Average Wage Rate	Salary	
	Hourly	
City Incentive Summary	Tax Abatement	
	Infrastructure	
	Other	

B. Economic Impact Estimates (Dallas City Economy Only, \$ Million)

	10-Year		30-Year	
	Jobs	Economic Output	Jobs	Economic Output
Direct Impact				
Indirect and Induced Impact*				
Total Impact				

C. City of Dallas General Fund Fiscal Impact (\$ Million)

(From direct, indirect and induced economic impacts)

	10-Year	30-Year
Total City GF Revenue Generated		
Total City GF Service Costs		
Net Impact Before Incentives		
City Incentives		
Net City Fiscal Impact		

* Indirect impacts represent supplier effects, induced impacts represent spin-off household effects.

D. Other Taxing Jurisdiction 10-yr Estimated Tax Revenue

	Property Taxes	Sales Taxes
DISD		
Dallas County		
DCCCD		
Parkland Hospital		
DART		