

Memorandum



DATE August 31, 2007

TO Honorable Mayor and Members of the City Council

SUBJECT **Office of Economic Development Proposed FY 2007/2008 Budget Briefing**

On your City Council Briefing Agenda for September 5, 2007, you will be briefed on the proposed FY 2007/2008 Budget for the Office of Economic Development.

Please contact me should you have any questions.



A.C. Gonzalez
Assistant City Manager

- C: Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge Jay Robinson, Judiciary
Ryan S. Evans, First Assistant City Manager
Charles W. Daniels, Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Maria Alicia Garcia, 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



Office of Economic Development Proposed FY 2007/2008 Budget Briefing

September 5, 2007



Strategic Objectives

- Economic growth (jobs, income, output)
- Opportunities for residents (employment, retail services)
- Sustainable City revenue (property, sales, & hotel taxes)

Development Enablers

- Successful economic development depends on (OED does not control but promotes):
 - ❑ A safe City (investment confidence)
 - ❑ Strong public schools (middle class families)
 - ❑ A well-trained workforce (productivity)
 - ❑ A diverse quality housing stock (new demographics)
 - ❑ Dependable, ample and quality natural resources (water, energy, clean air)
 - ❑ A globally competitive infrastructure (roads, railways, airports, water systems, electrical grids, sewer systems)
 - ❑ A “can do” attitude



Economic Growth Objective: Status

	Last Year*	Since 2001**
• Jobs in Dallas***	Up 4.5%	Up 1.7%
• Commercial construction permits	Up 9.1%	Up 16.6%
• Commercial permit value	Up 7.0%	Up 52.6%
• Economic output	Up 5.3%	Up 17.2%

*Twelve month changes ending in various months.

** Through most recent full calendar year.

*** Dallas job recovery did not begin until 2004.



Economic Opportunity Objective: Status

	Last year*	Since 2001**
• Workforce in Dallas	Down 0.5%	Down 1.5%
• Unemployment rate	Down 1.0 points (5.9% to 4/9%)	Down 1.6 points (6.5% to 4.9%)
• Per capita personal income	Up 5.5%	Up 16.3%
• Commercial occupancy rates	Up 0.4%	Down -0.8%
• Median home values	Up 0.2%	Up 43.2%

*Twelve month changes ending in various months.

** Through most recent full calendar year except unemployment rate which is through July 2007.

Sustainable Revenue Objective: Status

	Last Year*	Since 2001**
• Property tax revenue	Up 8.0%	34.5%
• Sales tax revenue***	Up 9.5%	3.1%
• Hotel occupancy tax revenue	Up 21.4%	8.2%

- Property tax base has almost doubled since 1995, annual growth rates: residential = 8.5%; commercial = 3.3%, 5.2 percent overall
- 40,493 new housing units (gross) were added since 2000
- Sales tax is volatile and follows the business cycle (5-year annual change = 4.4%)
 - Steady increases through 2000
 - Three years of decline following technology job losses
 - Four years of increase through 2007

*Twelve month changes ending in various months.

** Through most recent full calendar year. Dallas recovery trailed the national recovery after the 2001 recession.

*** Sales tax revenue did not begin recovery until 2004.



Development Enablers: Status

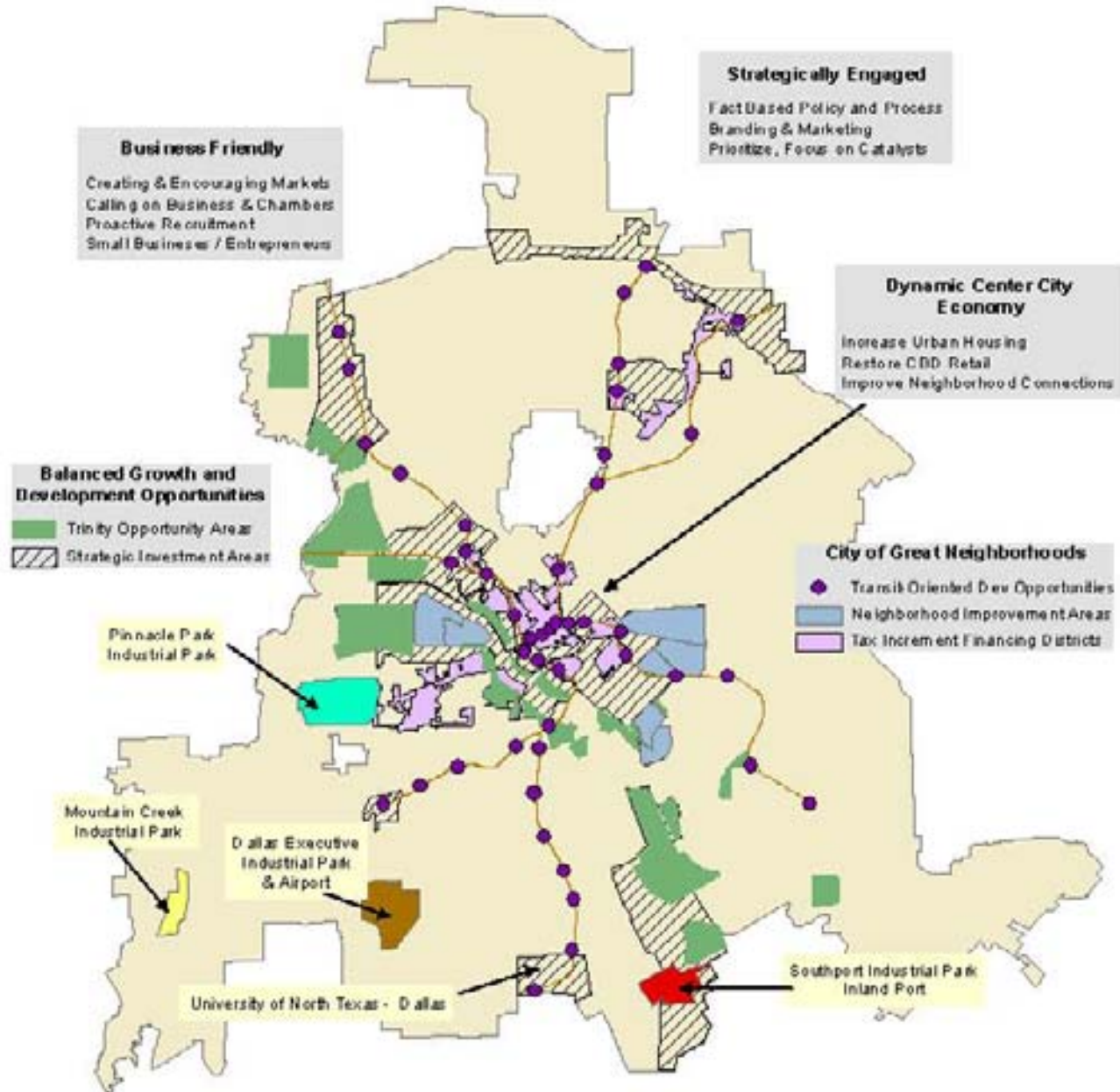
- A safe city: Violent crime down 12.3%, nonviolent crime down 1.1%, total crime down 2.8% (YTD June)
- Well trained workforce: H.S. graduates up 3.4%, AA degrees up 11% (2005 to 2006)
- Strong public schools: Exemplary/recognized schools down 36.3% (2006 to 2007) under new stricter standards.
- Diverse quality housing stock: Housing opportunity index up 3%, home ownership down 3.8% (2005 to 2006)
- Dependable, ample and quality natural resources: New measurement indicators pending
- Globally competitive infrastructure, new measurement indicators pending



Three Primary Growth Drivers

- **Sustained national growth** – economy was strong going into housing crunch, business confidence now falling rapidly, recession still less likely than continued expansion
- **Continued North Texas growth** – better than national average performance, national leader in 12 month job growth through May, second in population growth since 2000
- **City proactively leverages its strategic strengths** – continuing to capitalize on legacy assets

Strategic Vision



Build on Strengths

- **Strength as a city of professionals**
- **Strength as a city of trade**
- **Strength as an urban city**

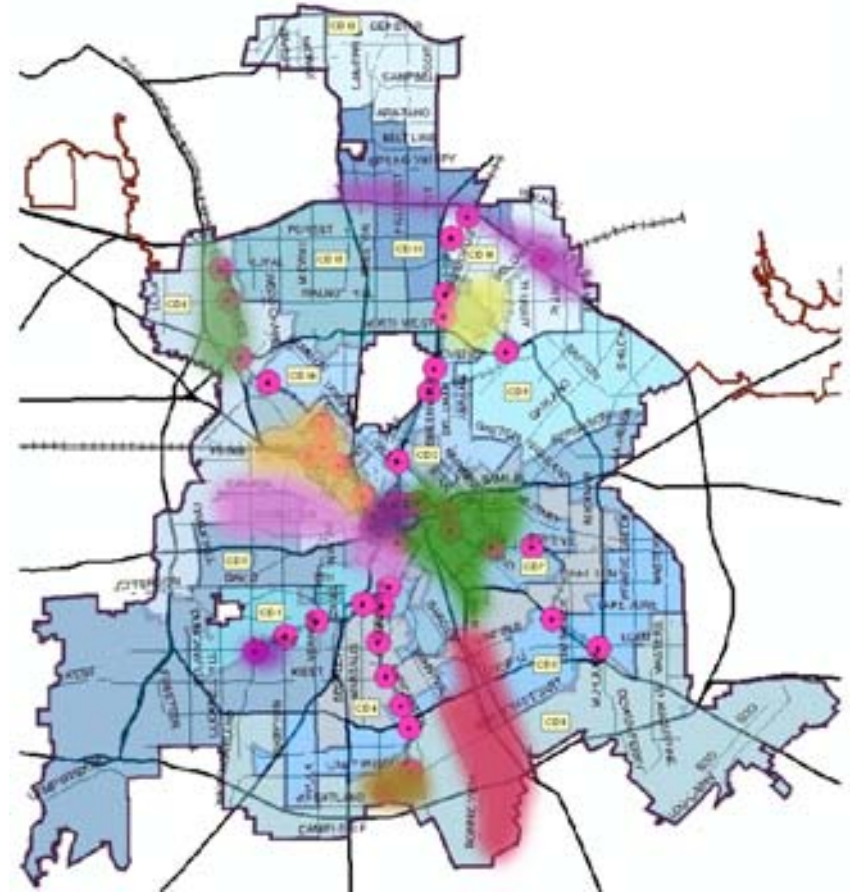


Infrastructure is Critical to Global Competitiveness

- The vision is a **wholesale rebuilding of the City over the next 25 years** – massive infrastructure investments to overcome deferred maintenance and accommodate anticipated growth (200K more households and 400K more jobs by 2030)
- These **investments are needed to:**
 - **Differentiate Dallas from surrounding cities:** High quality, urban design & mixed-use development to nurture, retain and attract globally competitive firms
 - **Enable Dallas to increase its share of global and regional trade**
- Must be focused and of **sufficient magnitude to change market dynamics in strategic areas** where the maximum amount of private investment can be leveraged by public investments

Strategic Approach to 2006 Bond Program

- **\$41.5M specifically dedicated to Economic Development (Prop 8)**
- Similar project-specific bonds from 1998 and 2003 leveraged \$25 for each public \$ expended
- **Coordinated operating and capital priorities** for all ED related departments and added ED criteria to project selection process
- **Identified 10 Priority Areas:**
 - ❑ New infrastructure leverages largest capital investment
 - ❑ Identified areas represent **33% of commercial land, but only 12% of tax base**
 - ❑ \$600M (44%) of \$1.35B total concentrated in priority areas (\$165M to CBD and \$322M to Southern Dallas)





Property Tax Drivers

- TIF Districts/Public Private Partnership Programs
- Transit-Oriented Development
- Industrial Park Development / IIPOD



Property Tax Drivers: TIF Districts/Public Private Partnership Programs

- Since last recession (2000), **Public/Private Partnership Program** projects resulted in **10,155 jobs** and **\$820M in new tax base (excludes TIFs)**
- **TIF Districts** saw a **65.8% increase** in taxable value over their **base year**
- **Total investment** in all **TIF Districts** to date = **\$4.1B**, of which **\$3.8B** was private
- **TIFs generating a ratio of private to public investment of 16 to 1**
- Currently 14 TIF Districts plus 2 recently approved
 - ❑ 7 initial TIFs formed in 90s in and around the CBD
 - ❑ **Initial TIFs will be fully funded by 2013** and will be generating an estimated **\$30M annually to general fund** (State Thomas \$4M annually since '04, City Place \$5M annually commencing '08-'09)
 - ❑ 7 new generation TIFs formed since 2005 and expand further from City Center (projected to add \$4.2B in new investment and 15,000 residential units over 25 years)
- TIF District investments also enhance and protect property values in surrounding neighborhoods and help change investor perceptions (State Thomas, City Place, Victory, Uptown, Midtown)



Property Tax Drivers: Transit Oriented Development

- 27 existing DART rail stations and an additional 18 funded and under development
- Need to capitalize on this asset:
 - ❑ **Development successes not evenly distributed** and large areas remain underserved
 - ❑ **Need increased private investment** to meet **long term revenue and service challenges**
 - ❑ Growing **DART rail system** provides **opportunity to leverage in-town successes** (to jump start denser high quality mixed-use, pedestrian-friendly development in the south)
- New collaborative initiative between City, DART and private sector partner Cherokee to develop 4 transit sites (minimum 2 in Southern Sector)
 - ❑ TIFs are primary tool to stimulate this initiative

Property Tax Drivers: Industrial Park Development

- Mountain Creek
 - ❑ 410 acres targeting corporate and research
 - ❑ Over \$15M for roads and infrastructure improvements
 - ❑ \$130M in real property improvement
 - ❑ **800 jobs** created/committed
 - ❑ Up to **3,000 new jobs anticipated**
- Pinnacle Park
 - ❑ 1,240 acre park area targeting retail, distribution and office
 - ❑ \$35M dedicated for roads and infrastructure improvements
 - ❑ \$300M in real property Improvements
 - ❑ **5,000 jobs created/retained**
- Southport / IIPOD
 - ❑ 2,500 developable acres targeting IIPOD office and retail support facilities as well as industrial properties and an additional intermodal facility
 - ❑ \$32.5M dedicated for infrastructure improvement in 2006 capital bond program
 - ❑ \$50M in real property Improvements
 - ❑ **400 jobs created**
 - ❑ Up to **7,000 new direct jobs anticipated** in Dallas City portion of the IIPOD area, **30,000 total jobs in IIPOD area**



Sales Tax Drivers

- Household growth and major new retail development
- Retail program initiatives



Sales Tax Driver: Household Growth and Major New Retail Development

- Household growth since 2000
 - 27,582 new households
 - 11,047 new single family building permits issued
 - \$6.7B increase in total City personal income
- North Park Center Expansion
- Park Lane Place under construction
- West Village
- Bishop Arts District
- Big Box Developments
 - WalMart: Pinnacle Park, Forest/Abrams, Beltline @ Montfort
 - Target: Hampton/I20
 - Carnival: Westmoreland @ Illinois

Sales Tax Driver

Retail Program Initiatives

- Dallas has **highest number of shopping centers per capita in US** and 42K square feet per 1,000 population (double national average)
- **76% of retail locations (33M sq ft) and 82% of retail sales (\$16B) outside of Southern Sector**, causing residents to shop in surrounding communities
- Immediate focus is to **connect anchor development opportunities** in I-20 corridor to Center City via **DART and Transit Oriented Development**
 - **Priority areas** are DART stations in areas of **Westmoreland/Illinois, Lancaster-Kiest/VA Medical Center, Fair Park and Cedars**

Sales Tax Driver

Retail Program Initiatives (cont'd)

- Selective redevelopment opportunities in neighborhood infill locations where population concentrations sustain retail demand
 - ❑ Primary development **barrier** is **lack of population concentrations** and **significant employment centers**

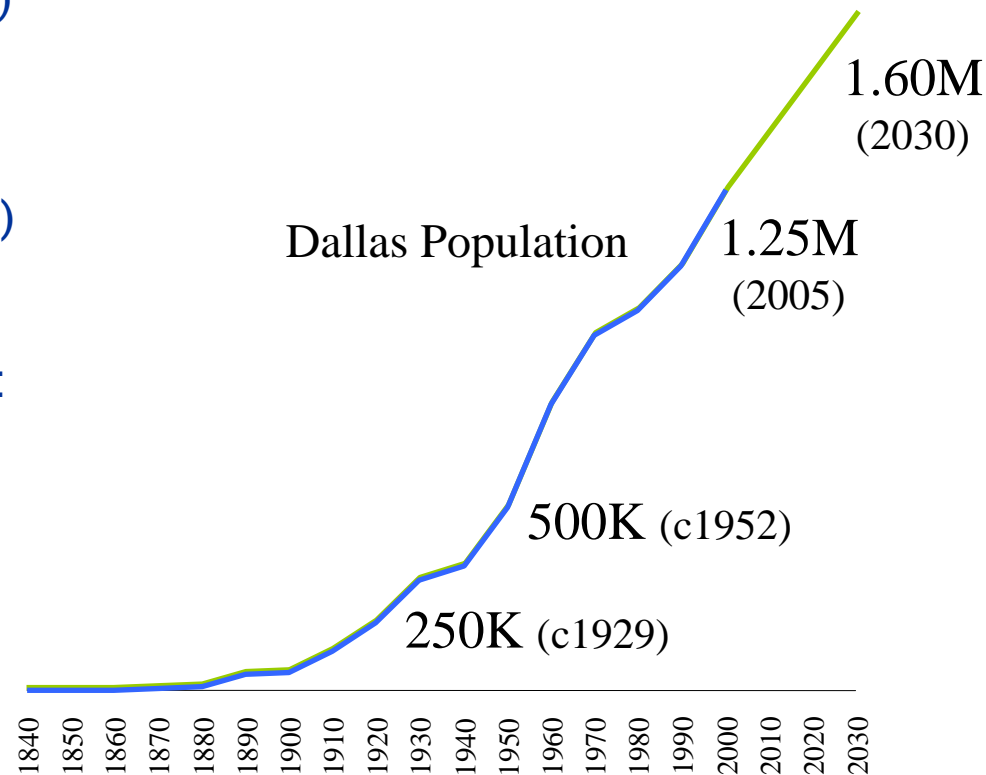
- **Success stories since 2000** include:
 - ❑ WalMart, Lowe's, Best Buy, Starbucks, Conn's etc @ Pinnacle Park
 - ❑ Home Depot @ Fort Worth Ave.
 - ❑ WalMart and Petsmart @ Wheatland
 - ❑ Fiesta @ Buckner
 - ❑ Carnival @ W. Illinois
 - ❑ Minyards @ Camp Wisdom
 - ❑ Numerous bank branches and pharmacies



Catalyst Initiatives Drive Growth

- Dallas grew due to its strategic location and catalyst developments:
 - ❑ Railroad Crossing (1873)
 - ❑ Trinity Levees (1930)
 - ❑ Centennial Exhibition - Fair Park (1936)
 - ❑ DFW International (1973)

- Next generation growth depends on same approach:
 - ❑ **DART rail and TOD**
 - ❑ **Trinity River Corridor Project**
 - ❑ **Revitalized and connected Downtown**
 - ❑ **Inland Port**
 - ❑ **UNT Dallas**
 - ❑ **Frazier**





Challenges / Opportunities

- Covering investment gaps in key Southern Sector retail locations
- Converting IIPOD from a vision to a reality (jobs and sustainable neighborhoods)
- Promoting entrepreneurial activity and small business growth
- Maintaining TOD momentum
- Achieving critical mass in downtown
- Redeveloping aging apartments and building mixed income communities
- Expanding, retaining, recruiting target industries
- Promoting Dallas as an international city and global trading hub

Addressing the Challenges: Covering Investment Gaps in Key Southern Sector Retail Locations

- Focus on recruiting redevelopment partners for strategic locations (Lancaster-Kiest, Southwest Center Mall, Wynnewood)
- Connect anchor development opportunities in I-20 corridor to center city via DART/TOD
- Selective neighborhood infill redevelopment

Goal: 250,000 sq. ft. of new or redeveloped Southern Sector retail space in FY '07-'08



Addressing the Challenges: Converting IIPOD from Vision to Reality

- Renew and expand interlocal agreements with Dallas County and southern cities
- Provide public infrastructure investment ('06 Bonds) to support recruitment of BNSF rail intermodal
- Expand the existing foreign trade zone
- Promote Public/Private funding of IIPOD master plan and agile port feasibility analysis
- Explore longer term freight rail solutions with Houston and Mexico
- Renegotiate Dean International contract

Goal: Commence construction of 1M sq. ft. of new industrial space in FY '07-'08

Addressing the Challenges: Promoting Entrepreneurial Activity and Small Business Growth

- Attract/recruit target industry entrepreneurs
- Look for resources to establish a target industry incubator with key industry clusters such as hospitals and healthcare
- Develop Small Business Public/Private Partnership Program to stimulate small business growth
- Support Small Business Commerce for targeted redevelopment projects (ie Bexar St., Spring St., Jubilee)
- Promote Small Business opportunities related to Capital Bond Projects for southern sector contractors

GOAL:

- Add 100 new jobs through small business growth/expansion and start up
- Bring needed amenities to underserved neighborhoods

Addressing the Challenges: Maintaining TOD Momentum

- Support zoning overlay to facilitate development (Pilot programs to market-test code amendments)
- Facilitate assembly of real estate with TOD Master Developer (Cherokee) and DART
- Strategically align various city programs and initiatives to support and integrate into TOD

GOAL: Assemblage of 2 TOD sites one of which must be in the Southern Sector, in FY 07-08

Addressing the Challenges: Achieving Critical Mass Downtown

- Complete Downtown Initiatives prioritization analysis and brief Council
- Finalize a downtown affordable housing policy
- Institute a retail support program that incorporates public and private sector buy-in and financial backing
- Strengthen partnerships with Downtown Stakeholders including Downtown Dallas
- Serve as point of contact for internal and external stakeholders to facilitate resolution of Downtown issues

GOAL: Add 1,100 residential units to downtown core and recruit 2 Main street core retailers in FY 07-08



Addressing the Challenges: Redeveloping Aging Apartments and Building Mixed Income Communities

- Expedite the approval of final plan and financial plan of Fort Worth Ave. and RZ 16 TIFs
- Proactively identify areas to transition deteriorated multi-family properties into sustainable mixed income communities. Use TIF incentives appropriately
- Recruit nationally for private sector development partners with a proven track record in the revitalization of urban neighborhoods

GOAL: 3 aging apartment redevelopment projects under construction in FY 07-08

Addressing the Challenges: Expanding, Retaining and Recruiting Target Industries

- Focus proactive business development operations on targeted existing industries that best fit Dallas' strengths and opportunities
- Priority emphasis on major employers and corporate tenants in addition to targeted industries and geographies
- Support high employment clusters unique to Dallas and pursue growth opportunities in supply, support, and next generation service and product providers
- Integrate community needs assessment analysis with development opportunities that support targeted recruitment including retail in southern Dallas

GOAL: 1,500 jobs created or retained and \$100M of private investment leveraged

Addressing the Challenges: Promoting Dallas As An International City and Global Trading Hub

- Focus primary efforts on Asia and Latin America with concentration on China, Mexico and Dallas' top trading partners
- Focus on high net worth individuals and entrepreneurs
- Utilize local business leaders on International Advisory Taskforce for strategic guidance and business contacts
- Leverage relationships with World Affairs Council, Greater Dallas Chamber, Dallas Committee on Foreign Relations and U.S. Mexico Chamber

GOAL: Recruit 6 companies and create 100 jobs



FY 2007/08 Proposed Budget

	FY 06/07 Budget	FY 07/08 Proposed
Salaries & Benefits	3,624,787	3,705,550
Supplies & Materials	140,387	172,307
Other Services & Charges	1,404,749	1,428,445
Capital Outlays	43,000	0
Total Gross Expenses	5,121,923	5,306,302 (1)
Reimbursements	(1,369,448)	(982,754) (2)
Total	3,843,475	4,324,548
FTE	44.2	46.6

- (1) \$184.3 increase from 06-07 Budget to Proposed reflects enhancements for special projects team and increased EBS allocations offset by pension benefits decreases and completion of International Business/Protocol Office redesign
- (2) Reimbursements decreased by \$386,994 because ECO no longer funded from building inspection fees. Partially offset by increased TIF reimbursements



Budget Enhancements

- \$140.3K Executive General Manager (1.0 FTE) and Management Development Associate (1.0 FTE) to oversee portfolio of major projects
- \$30K Economic Development Analyst (0.4 FTE) to staff two new TIF Districts and evaluate proposals for future districts

\$220.3K



QUESTIONS?



Appendix 1

Major 2005-2006 Development Projects (Mechanism of City support in parenthesis)

- Victory Park (TIF District)
 - ❑ \$3B investment
 - ❑ Master plan calls for 4,000 residences and 4M sq. ft. of retail and office space
 - ❑ W Hotel and Mandarin Oriental

- Arts District (Public Private Partnership Program, Infrastructure, Land)
 - ❑ One Arts Plaza, Hunt Consolidated Headquarters, Dallas Center for the Performing Arts
 - ❑ \$495M combined investment

- City Center (TIF District, Retail Program, Infrastructure)
 - ❑ Mercantile, Mosaic, Gulf States, Joule Hotel, Republic Center, Metropolitan
 - ❑ \$1,800 residential units, 32,000 sq ft. retail, 120 hotel rooms, 1 parking garage
 - ❑ \$474M combined investment



Major 2005-2006 Development Project (cont'd)

- Park Lane Place (TIF District)
 - ❑ 1.5M sq. ft., 497 residential units, 750,000 sq. ft. retail (under construction)
 - ❑ Phase 1 investment \$280M, total final investment \$450M
- North Park Center
 - ❑ 600,000 sq. ft. expansion (new Nordstrom, AMC theaters, sculpture garden)
- Inland Port/IPOD (Infrastructure, marketing, intergovernmental coordination)
 - ❑ 6,000 acre Allen Group Dallas Intermodal Hub (60M sq. ft. at completion)
 - ❑ 30,000 direct jobs and 30,000 indirect jobs at build out
- UNT-Dallas (land donation, intergovernmental coordination, planning)
 - ❑ New 26,000 student master planned university)
 - ❑ \$17M first building complete with 1,487 students enrolled
 - ❑ City deeded 202 acres valued at \$3M



Major 2005-2006 Development Project (cont'd)

- Other Urban/Mixed-Use (TIF Districts)
 - ❑ Medical District: \$30M, 278 units, 45,000 sq. ft. retail
 - ❑ Cedars: 122 condo units, multiple townhouse developments
 - ❑ Oak Cliff: \$47M Lake Cliff Tower and 91 townhomes

- Big Box/Super Center Retail Sites
 - ❑ Forest/Abrams - WalMart
 - ❑ Beltline/Montfort - WalMart
 - ❑ Hampton/I-20 - Target
 - ❑ Westmoreland/Illinois - Carnival

- Other Industrial Development
 - ❑ I-20 /I-35: \$65M Trammel Crow distribution facility
 - ❑ Pinnacle Park: New Industrial building under construction