

Memorandum



DATE May 16, 2014

TO Members of the Economic Development Committee: Tennell Atkins (Chair),
Rick Callahan (Vice Chair) Scott Griggs, Adam Medrano, Jerry R. Allen, Lee Kleinman

SUBJECT **Public/Private Partnership Program**

On Monday, May 19, 2014, the Economic Development Committee will be briefed on the Public/Private Partnership Program.

Briefing material is attached

Should you have any questions, please contact me at (214) 670-3296.



Ryan S. Evans
Interim First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A. C. Gonzalez, City Manager
Rosa Rios, City Secretary
Warren M.S. Ernst, City Attorney
Judge Daniel Solis, Administrative Judge Municipal Court
Craig Kinton, City Auditor
Ryan S. Evans, Interim First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer, Office of Financial Services
Shawn Williams, Interim Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager and Mayor and Council

Public/Private Partnership Program

May 19, 2014



**DALLAS
ECONOMIC
DEVELOPMENT**



City of Dallas

Purpose

- Additional review of the City's Public/Private Partnership Program "Guidelines & Criteria"
- Present historical data relative to the program
- Consider modifications previously suggested by the Committee
 - Enhance small business support
 - Reduce eligibility requirements in the north

Public/Private Program Review

- The Public/Private Partnership Program is designed to provide City of Dallas economic support to private for-profit commercial 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 is attached as Exhibit A.
- Guidelines and Criteria require adoption every two years by state statute.

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

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
 - Business Development Chapter 380 Grants – a grant in lieu of tax abatement or to defray project costs such as land purchase, building costs, public infrastructure costs, development fees, right of way abandonment fees, loan guarantees, training costs, relocation costs, etc.
 - 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
- Eligible projects are presently 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 addition to the Public/Private Partnership Program, other programs or tools used to financially support economic development include:
 - Tax Increment Financing
 - Public/Business Improvement Districts
 - CDBG
 - State and County Programs
 - COD Regional Center
 - New Market Tax Credits/Federal
 - Dallas Entrepreneur Network (The DEN)

Public/Private Program Review

- In accordance with City Council approved Guidelines & Criteria, staff makes 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.
- Considerations when making incentive proposals include primary factors of job creation/retention and private investment as well as secondary factors such as competition for the project, financial gaps, location, zoning, wages, industry type, M/WBE, etc.

Public/Private Program Review

- A project generally must meet predetermined minimum eligibility criteria relative to the particular site under consideration to receive incentive proposals but the Program allows for exceptions, non-conforming and competitive projects.

Historical Data

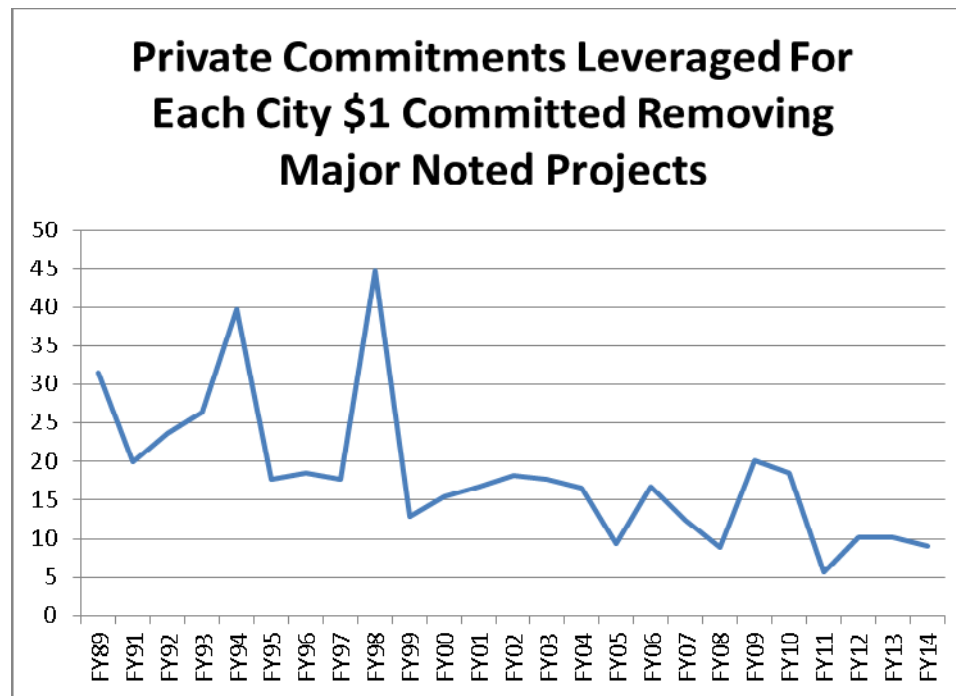
- Since inception of the program in 1989, the City Council has approved 322 projects for City incentives with an associated creation or retention of 60,800 jobs and \$6 billion in new investment.
 - Note: Project and job figures above differ from prior briefing due to the removal of certain projects from the data set for analytical purposes (such as they were considered by the City Council for state assistance not City assistance).

Area	Projects	Anticipated Jobs	Anticipated Private Investment (\$B)	Ave. Project Jobs	Ave. Project Investment (\$M)
Northern	107	25,942	\$1.0	242	\$9.3
Texas Instruments	3	1,950	\$2.62	650	\$873
CBD	44	12,201	\$0.9	277	\$20.5
Southern	168	20,752	\$1.69	124	\$10.1
Total	322	60,845	\$6.2	189	\$19.3

Historical Data

- On average, the city leverages \$14.3 of private investment for each public dollar committed (after removing projects like Texas Instruments' that distort the data).
- Chart 1 depicts a trend of reduced return on the City's investments.

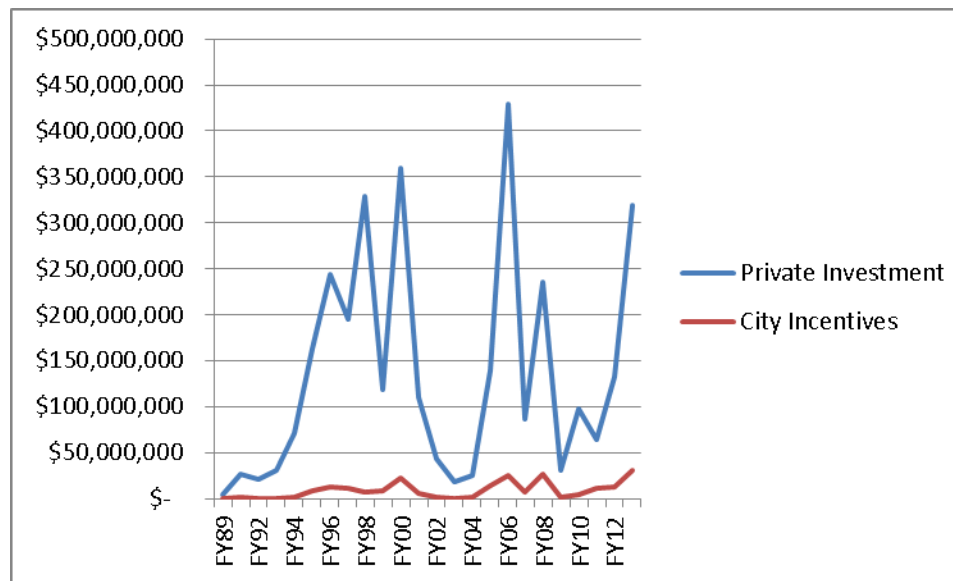
Chart 1



Historical Data

- Chart 2 below is a time series of private investment commitments relative to approved City incentives for the projects.
- Observe the impact of national market conditions like the dotcom crash and the subprime mortgage crisis on Dallas.

Chart 2



Note: Projects that distort the data like Texas Instruments are removed from the model so the data is not skewed and otherwise more representative of the typical investment leverage.

Historical Data

- What are the causes for reduced leveraging of city incentives?
 - The City's focus on areas experiencing disinvestment and lacking infrastructure is expensive
 - Periods of tight capital markets for developers
 - Regional sprawl has created more real estate opportunities outside of Dallas for developers and companies alike
 - Competitive incentives from suburbs

Program Modifications

- At the November briefing, discussion focused on two primary areas:
 - 1) Small Business Assistance, and
 - 2) Reduction of minimum criteria for consideration of incentives available through the program in the northern sector.

Program Modifications

- On April 23rd of this year, the City Council adopted two new programs designed to support small businesses in targeted areas of southern Dallas:
 1. Re-established the South Dallas/Fair Park Area Business Façade/Revitalization Program for buildings with operating businesses along Martin Luther King Jr. Boulevard from Robert B. Cullum to S.M. Wright Freeway (\$100,000 is allocated to the program); and,
 2. Authorized the Southern Dallas Adaptive Reuse Pilot Program (Adaptive Reuse Program) to encourage reuse of underperforming and vacant buildings, maintenance, code compliance and job creation in southern Dallas (\$150,000 is allocated to the program).

Program Modifications

- The suggested reduction of program eligibility in the northern sector has been evaluated.
 - Staff considered reducing the north Dallas and CBD minimum investment criteria from \$10 million to \$5 million and the minimum job criteria from 150 to 100.
 - Such a change would likely result in three to five additional projects becoming eligible for incentives each year.
 - Most likely project type to be impacted would be office relocations, both from new and existing firms.
 - Potential total additional incentive costs for these types of transactions is estimated at \$500,000 to \$750,000 annually.
 - Such projects are anticipated to result in minimal investments subject to property taxes, but could yield an estimated 500 additional jobs created or retained.



DISCUSSION

Next Steps

- Prepare for adoption of Guidelines & Criteria in June 2014.

Exhibit A

Guidelines & Criteria