

Memorandum



CITY OF DALLAS

DATE December 4, 2015

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Ad Valorem Tax Overview

On December 7, 2015 the Budget, Finance and Audit Committee will be briefed on an Ad Valorem Tax Overview. The briefing will be presented by Jack Ireland, Director of the Office of Financial Services. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



Ad Valorem Tax Overview

Budget, Finance, & Audit Committee
December 7, 2015



Briefing Outline

- › Property tax overview
 - Property tax base values
 - Property tax exemptions
 - Property tax rate
- › General Obligation debt
- › Appendix
 - Example accomplishment of growing tax base
 - Tax Increment Financing Districts (TIFs)
 - Maps

Overview of Ad Valorem Taxes

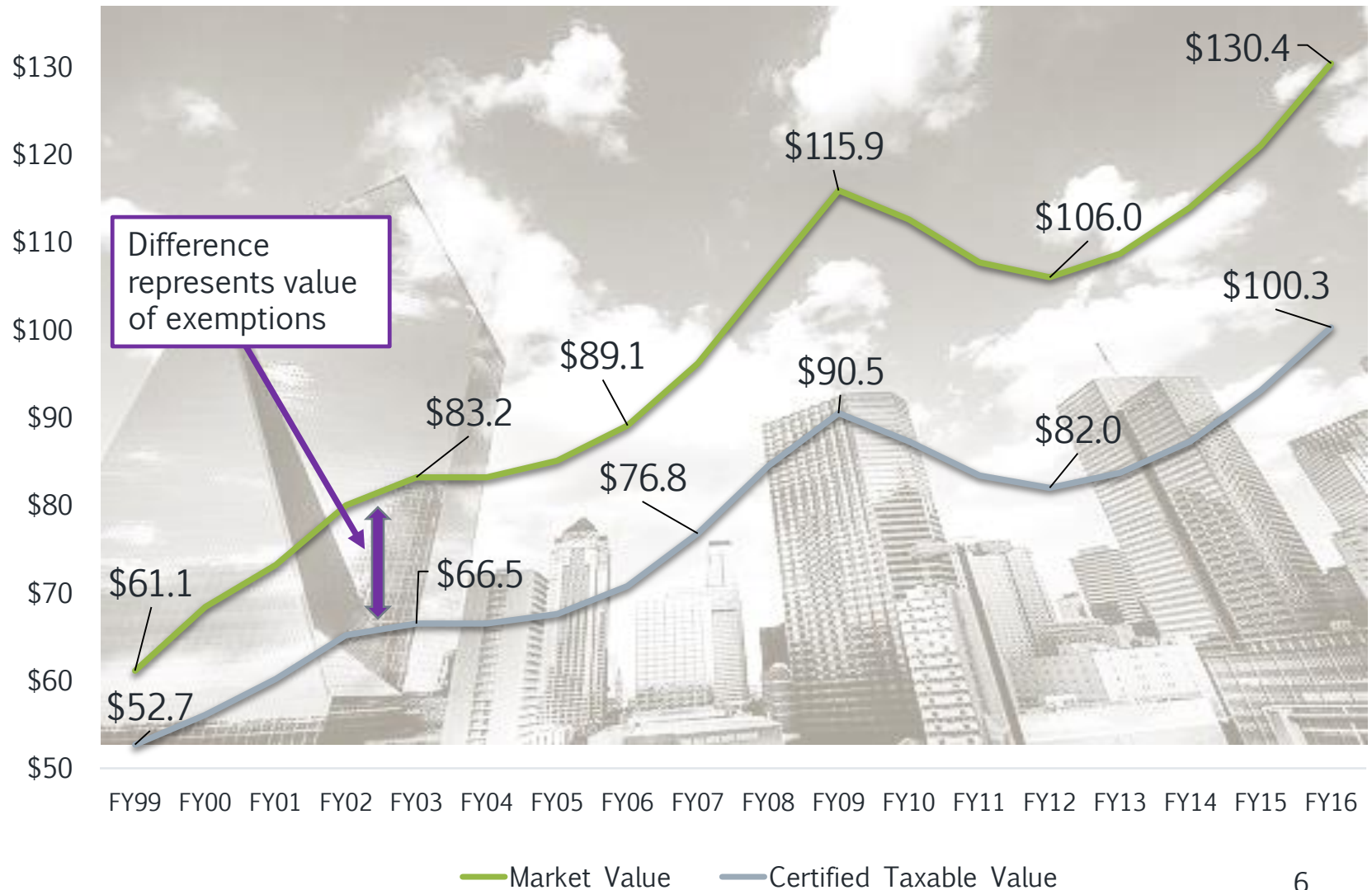
- › Ad valorem taxes are single largest revenue for City and total nearly \$790m for both General Fund and Debt Service
 - General Fund - \$559.6m or 48.9% of revenue
 - Debt Service - \$230.3m or 91.8% of revenue
- › Ad valorem taxes are based on following:
 - Property values determined by appraisal districts
 - Exemptions set by City Council
 - Tax rate set by City Council

Property Tax Base Values

Property Values

- › Taxable property values represent market value (determined by Appraisal Districts) net of exemptions
- › Property within City of Dallas is physically located in and appraised by 4 different appraisal districts
 - Dallas County – 94.4%
 - Collin County – 4.3%
 - Denton County – 1.2%
 - Rockwall County – 0.02%
- › Each appraisal district is required by state law to certify value by July 25th of each year

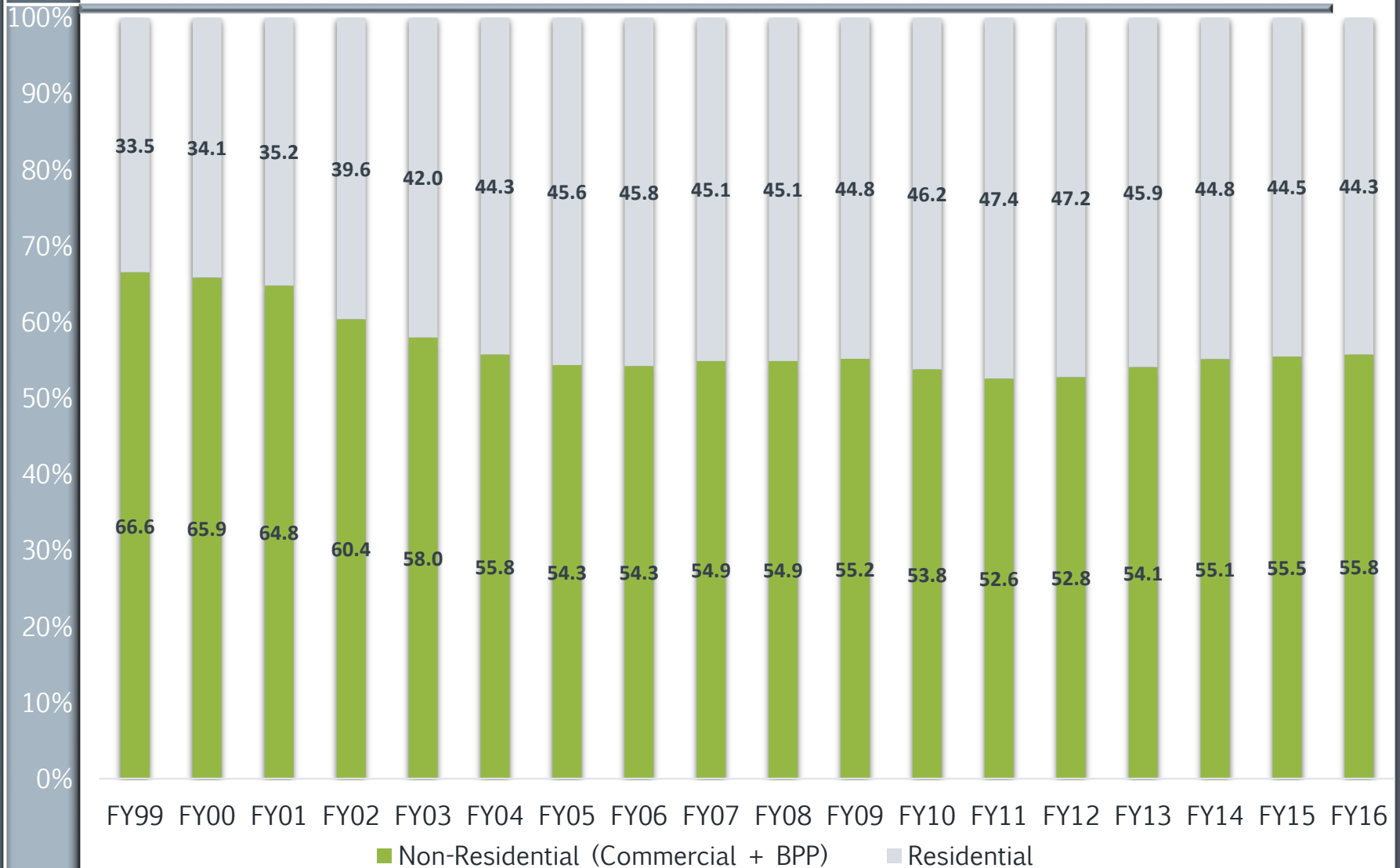
Property Values (\$ in billions)



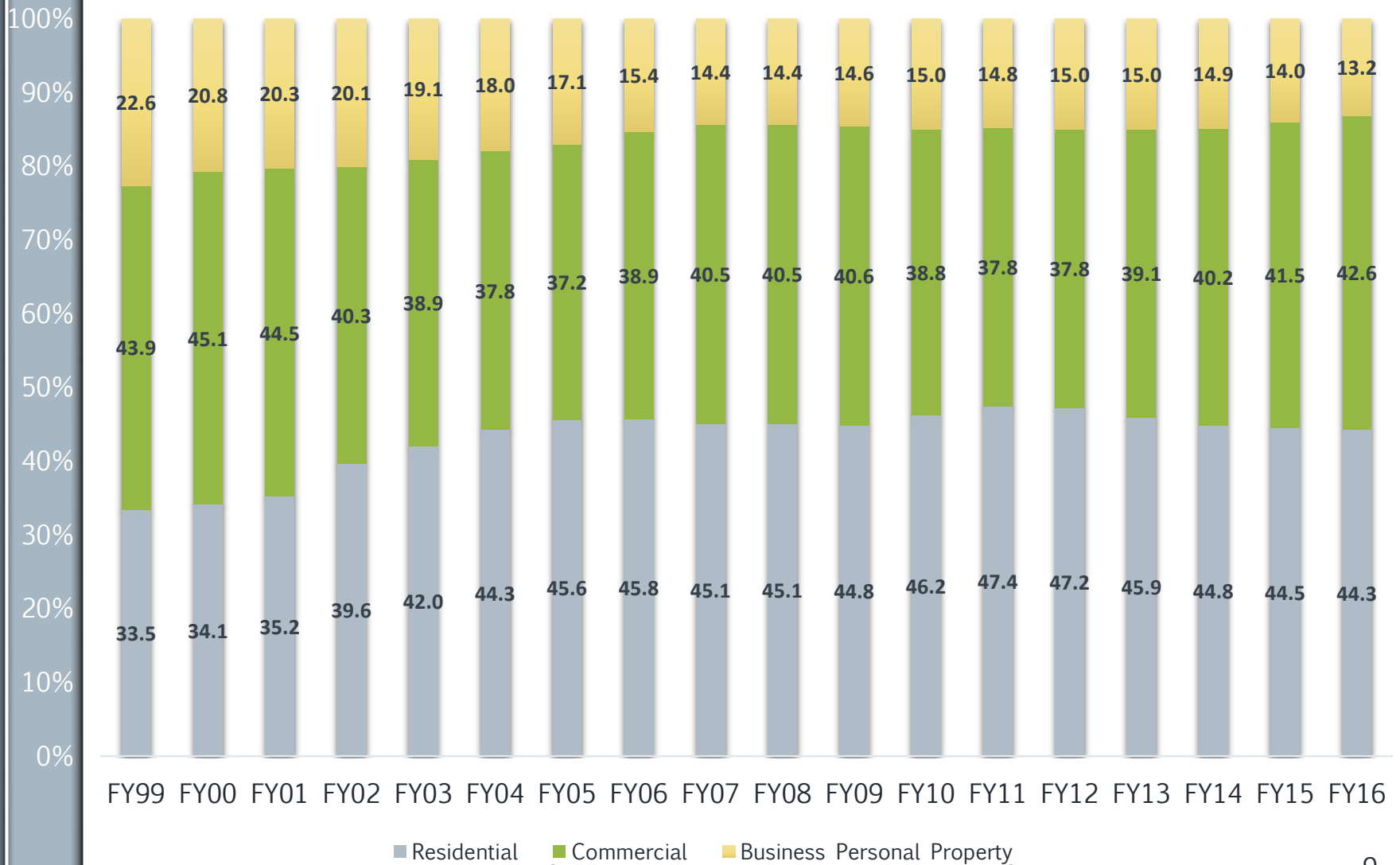
Property Values

- › Taxable value is presented in categories determined by whether use is for residential or non-residential purposes:
 - Residential property – single-family homes and home-site land
 - › Residential – 44.3% (of Dallas tax base)
 - Non-residential property – apartments/multi-family residential property, buildings and land used for office/industrial use as well as personal property used in generating business revenue
 - › Commercial – 42.6% (of Dallas tax base)
 - › Business Personal Property – 13.2% (of Dallas tax base)

Property Values Historical Distribution by Category



Property Values Historical Distribution by Category



Non-Residential

Comparative City Analysis

- › Comparing cities is not an apples-to-apples comparison
- › Each city has different property values (average residential), different exemptions, and different tax rates
- › Unlike Dallas some cities have had opportunity to expand tax base through annexation
- › Additionally, each city uses variety of different sources beyond property tax to fund their operations, such as:
 - Austin has an electric utility and transportation user fee that partially supports their General Fund
 - San Antonio has an electric/gas utility that partially supports their General Fund
 - Use of local sales tax options may support public transportation (i.e. DART) or may be used for other city purposes as is case in Fort Worth and San Antonio
- › Different cities, such as suburban areas, may not offer quantity or variety of services and facilities that a large city offers
- › Age of each city and its infrastructure also varies

Property Values Comparative City Analysis

Comparative City Data - Property Tax Base (FY16)			
City	FY16 Tax Base Value (% change from prior year)	Residential %	Non-Residential %
Comparative Set			
Dallas, TX	\$100.3 billion (+7.71%)	44.3%	55.8%
Austin, TX	\$106.2 billion (+7.60%)	45.2%	54.8%
Fort Worth, TX	\$49.6 billion (+5.35%)	47.7%	52.3%
Houston, TX	\$204.3 billion (+8.70%)	37.4%	62.6%
San Antonio, TX	\$90.6 billion (+13.57%)	49.2%	50.8%
Area Suburbs			
Frisco, TX	\$20.8 billion (+15.23%)	50.1%	49.9%
Grand Prairie, TX	\$11.1 billion (+5.09%)	53.6%	46.4%
Irving, TX	\$21.1 billion (+9.67%)	26.8%	73.2%
Plano, TX	\$29.1 billion (+8.49%)	50.1%	49.9%
Richardson, TX	\$12.3 billion (+9.01%)	43.9%	56.1%

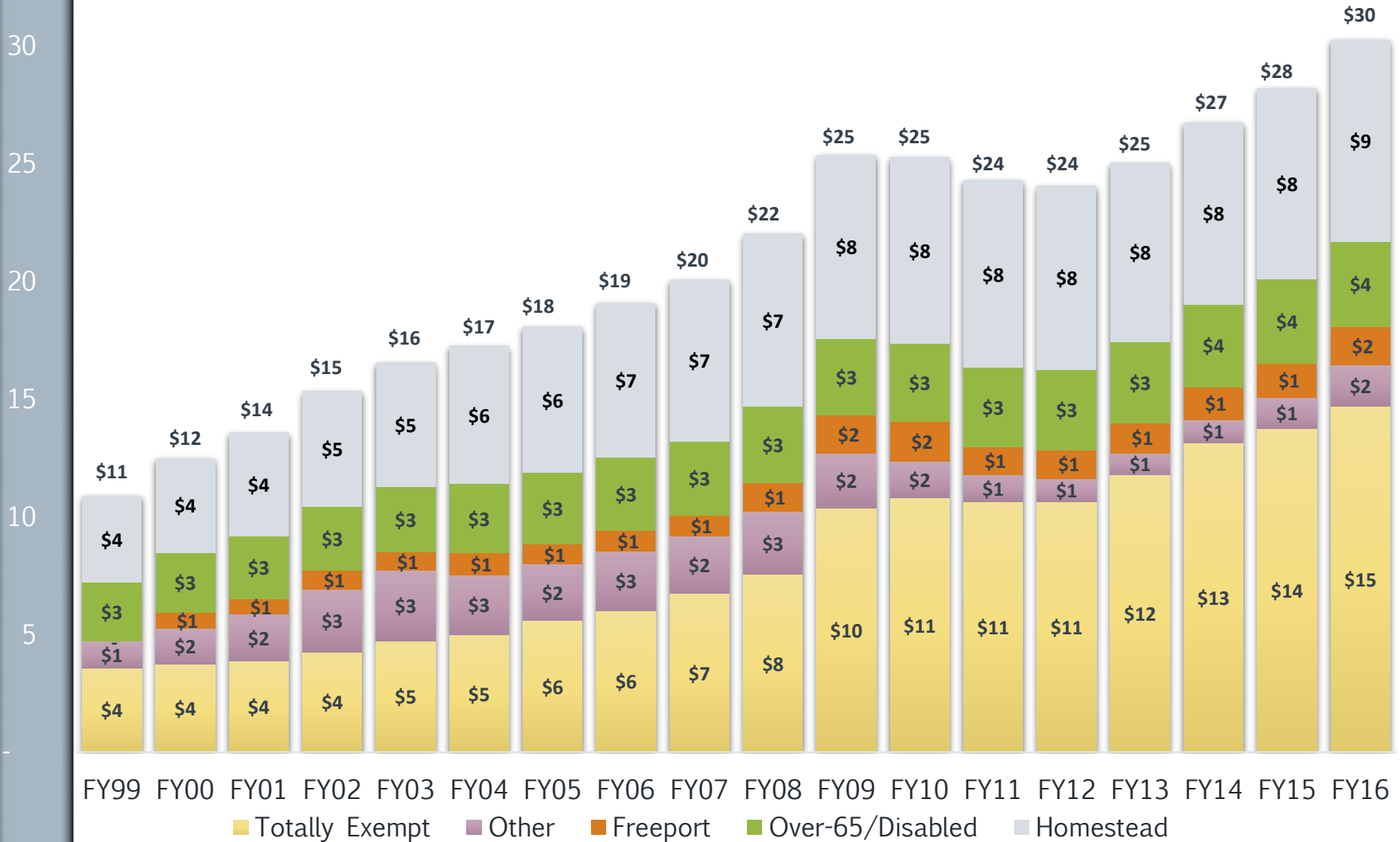
Property Tax Exemptions

Property Tax Exemption

- › Exemptions include:
 - Residential homestead exemptions
 - Over-65/Disabled exemptions
 - Disabled veteran exemptions (sliding scale based on level of disability determined by VA)
- › Many cities in Texas offer homestead exemptions on single-family homesteaded property
 - School districts are required to offer homestead exemptions, but it is optional for municipalities
 - This lowers tax burden on homeowner but also lowers revenue to support city services

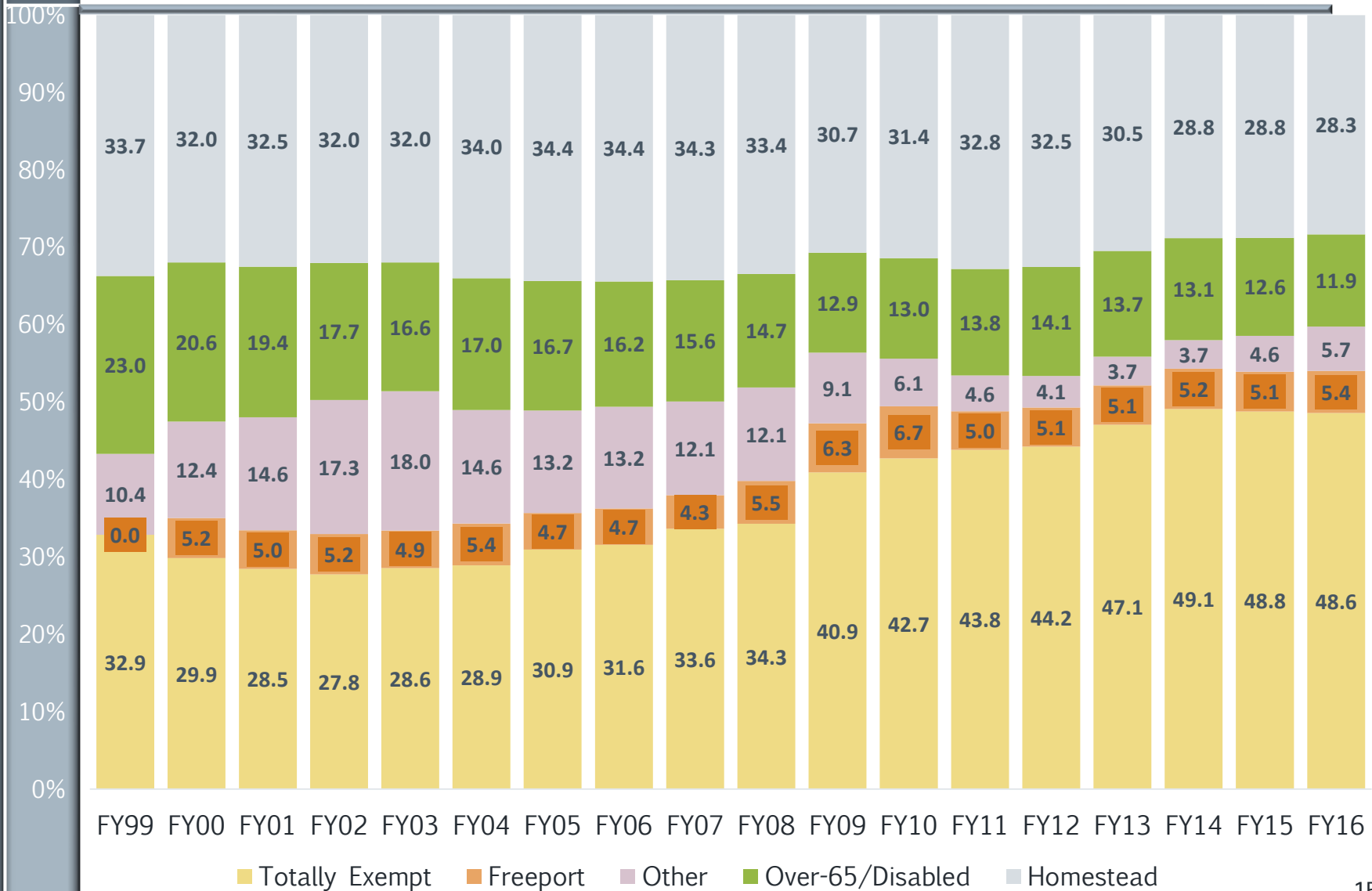
Property Tax Exemptions

Historical Value of Exemptions (\$ in billions)



Property Tax Exemptions

Exemption History (% of total exemptions)



Property Tax Exemption Analysis

Comparative City Data - Residential Exemptions Offered

City	Value of Exemptions (% Mkt Val)	HS Exempt	Over-65/Disabled Exemptions	Comments
Comparative Set				
Dallas, TX	\$29.9 billion (23%)	20%	Ovr-65: \$64,000 Disabled: \$64,000	N/A
Austin, TX	\$30.5 billion (22%)	6%	Ovr-65: \$70,000 Disabled: \$70,000	Exemptions include \$14.6B of 100% tax exempt property (State, UT). Established homestead exemption in FY16.
Fort Worth, TX	\$16.4 billion (25%)	20%	Ovr-65: \$40,000 Disabled: \$40,000	N/A
Houston, TX	\$59.8 billion (23%)	20%	Ovr-65: \$160,000 Disabled: \$160,000	Has Prop 1 that puts a cap on prop tax growth to lower of: 1.) CPI plus growth in Pop. or 2.) 4.5%. Houston raised >65/disabled exemption from \$80K to \$160K in FY16.
San Antonio, TX	\$14.6 billion (14%)	0%	Ovr-65: \$65,000 Disabled: \$12,500	Property tax levy freeze on homesteads owned by >65/disabled (City foregoes \$8.9m in revenue)
Area Suburbs				
Frisco, TX	\$4.5 billion (18%)	0%	Ovr-65: \$60,000 Disabled: \$60,000	N/A
Grand Prairie, TX	\$2.4 billion (18%)	1%	Ovr-65: \$45,000 Disabled: \$30,000	N/A
Irving, TX	\$3.8 billion (15%)	20%	Ovr-65: \$30,000 Disabled: \$30,000	N/A
Plano, TX	\$11.1 billion (28%)	20%	Ovr-65: \$40,000 Disabled: \$40,000	Property tax levy freeze on homesteads owned by >65/disabled (City foregoes \$1.8m in revenue)
Richardson, TX	\$2.5 billion (17%)	0%	Ovr-65: \$60,000 Disabled: \$60,000	N/A

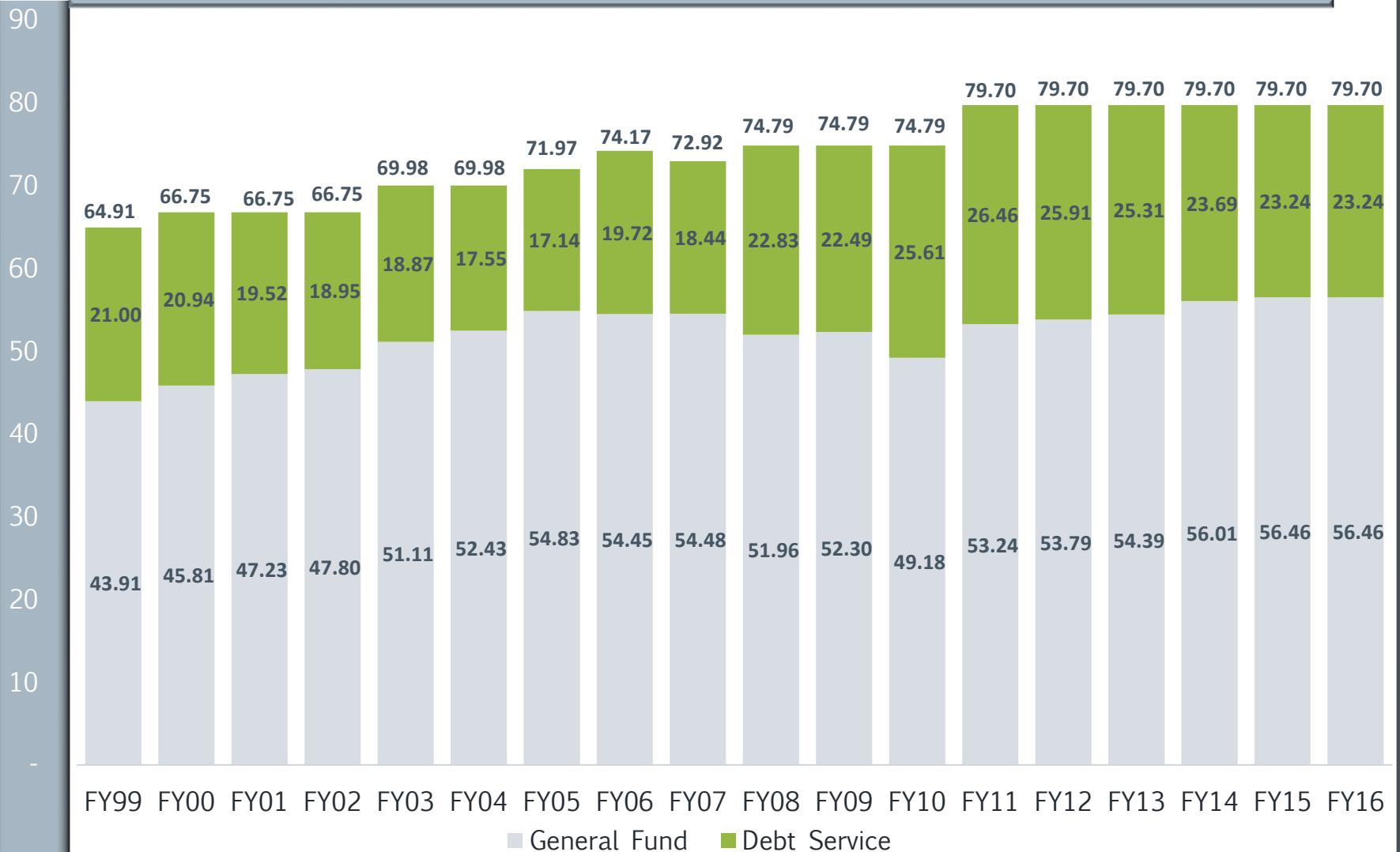
Property Tax Rate

Tax Rate

- › Tax rate is set by City Council along with budget adoption each September
- › Within property tax rate are two components
 - Maintenance & Operation Rate (M&O) – used to pay for day to day operating costs within General Fund
 - Debt Service – used to pay principal and interest on tax supported (General Obligation) debt (also referred to as Interest & Sinking Fund)
- › Current tax rate is \$0.7970 per \$100 valuation
 - General Fund - \$0.5646 or 70.8%
 - Debt Service - \$0.2324 or 29.2%
- › Between FY99 and FY16 average tax rate split is
 - General Fund - 70.6%
 - Debt Service - 29.4%

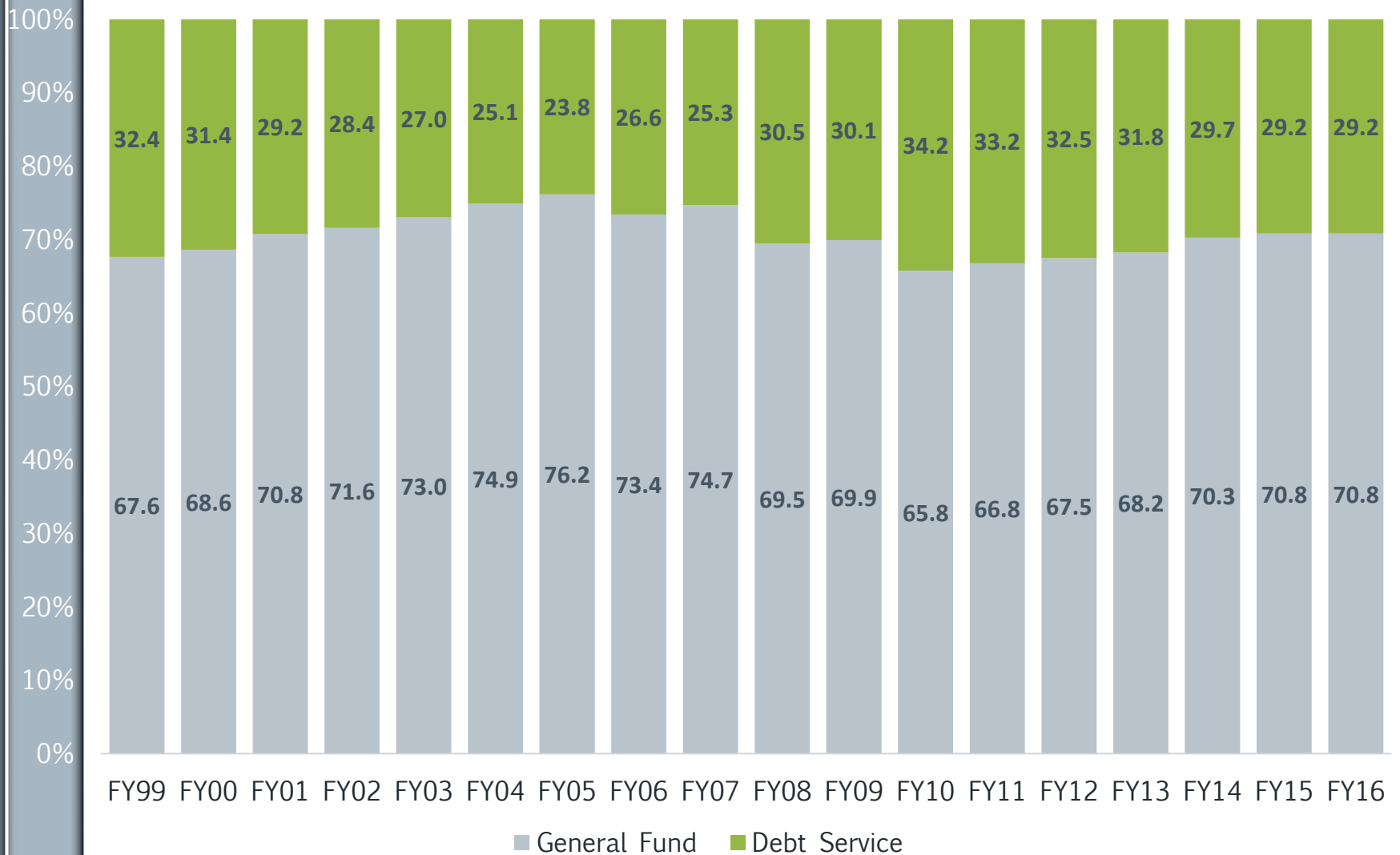
Historical Tax Rate Distribution

(Rate in Cents per \$100 valuation)



Historical Tax Rate Distribution

(% Allocation between General Fund and Debt Service)



Comparative City Data - Property Tax Rate Split

Comparative City Data - Property Tax Rate Split (FY16)			
City	General Fund	Debt Service	Total Tax Rate
Comparative Set			
Dallas, TX	\$0.5646 (70.8%)	\$0.2324 (29.2%)	\$0.7970
Austin, TX	\$0.3527 (76.9%)	\$0.1062 (23.1%)	\$0.4589
Fort Worth, TX	\$0.6759 (79.1%)	\$0.1791 (20.9%)	\$0.8550
Houston, TX	\$0.4422 (73.6%)	\$0.1589 (26.4%)	\$0.6011
San Antonio, TX	\$0.3468 (62.1%)	\$0.2115 (38.9%)	\$0.5583
Area Suburbs			
Frisco, TX	\$0.2971 (64.6%)	\$0.1629 (35.4%)	\$0.4600
Grand Prairie, TX	\$0.4849 (72.3%)	\$0.1851 (27.7%)	\$0.6699
Irving, TX	\$0.4560 (78.3%)	\$0.1291 (21.7%)	\$0.5941
Plano, TX	\$0.3438 (70.4%)	\$0.1448 (29.6%)	\$0.4886
Richardson, TX	\$0.3803 (59.9%)	\$0.2549 (40.1%)	\$0.6352

Source: Appraisal Districts, Tax Year 2015; City budget documents

Property Tax Bill Comparison

Comparative City Data - Tax Bill for Average Value Single-family Home

City	Average Mkt Value Single Family Home	Tax Rate (per \$100 val) (HS Exempt %)	Tax Bill
Comparative Set			
Dallas, TX	\$217,597	\$0.7970 (20%)	\$1,387
Austin, TX	\$288,223	\$0.4814 (6%)	\$1,304
Fort Worth, TX	\$135,420	\$0.8550 (20%)	\$926
Houston, TX	\$245,137	\$0.6311 (20%)	\$1,238
San Antonio, TX	\$135,609	\$0.5583 (0%)	\$757
Area Suburbs			
Frisco, TX	\$313,890	\$0.4600 (0%)	\$1,444
Grand Prairie, TX	\$109,441	\$0.6699 (1%)	\$725
Irving, TX	\$176,616	\$0.5941 (20%)	\$839
Plano, TX	\$273,156	\$0.4886 (20%)	\$1,068
Richardson, TX	\$182,951	\$0.6352 (0%)	\$1,162

Other Comparative Information

Comparative City Data - Other Revenues Offsetting Property Tax

City	Does City have municipally owned electric/gas utility?	Does City have dedicated sales tax or other special revenue to offset GF services?
Comparative Set		
Dallas, TX	No	No
Austin, TX	Yes, 12% of revenues using 3-yr average goes to GF (\$126m)	Yes, has Transportation User Fee to fund streets and traffic signal maintenance (\$46m)
Fort Worth, TX	No	Yes, has ½% Crime Control District Sales Tax to support FWPD (\$57m)
Houston, TX	No	No
San Antonio, TX	Yes, provides 14% of gross revs to GF, makes up ~30% of GF (\$300m)	Yes, has 1/8% Advanced Transportation District Sales Tax (\$15m) that supports street/sidewalk maintenance, 1/8% Sales Tax that funds construction of trail system, and 1/8% for Pre-K4SA early childhood education program
Area Suburbs		
Frisco, TX	No	Yes, has ½% for Frisco Community Dev Corp (\$20m), ½% for Frisco Econ Dev Corp (\$20m)
Grand Prairie, TX	No	Yes, has 6 special sales taxes for streets, crime prevention, and to fund park venue construction (\$27.3m in total)
Irving, TX	No	No
Plano, TX	No	No
Richardson, TX	No	No

General Obligation Debt

General Obligation Debt

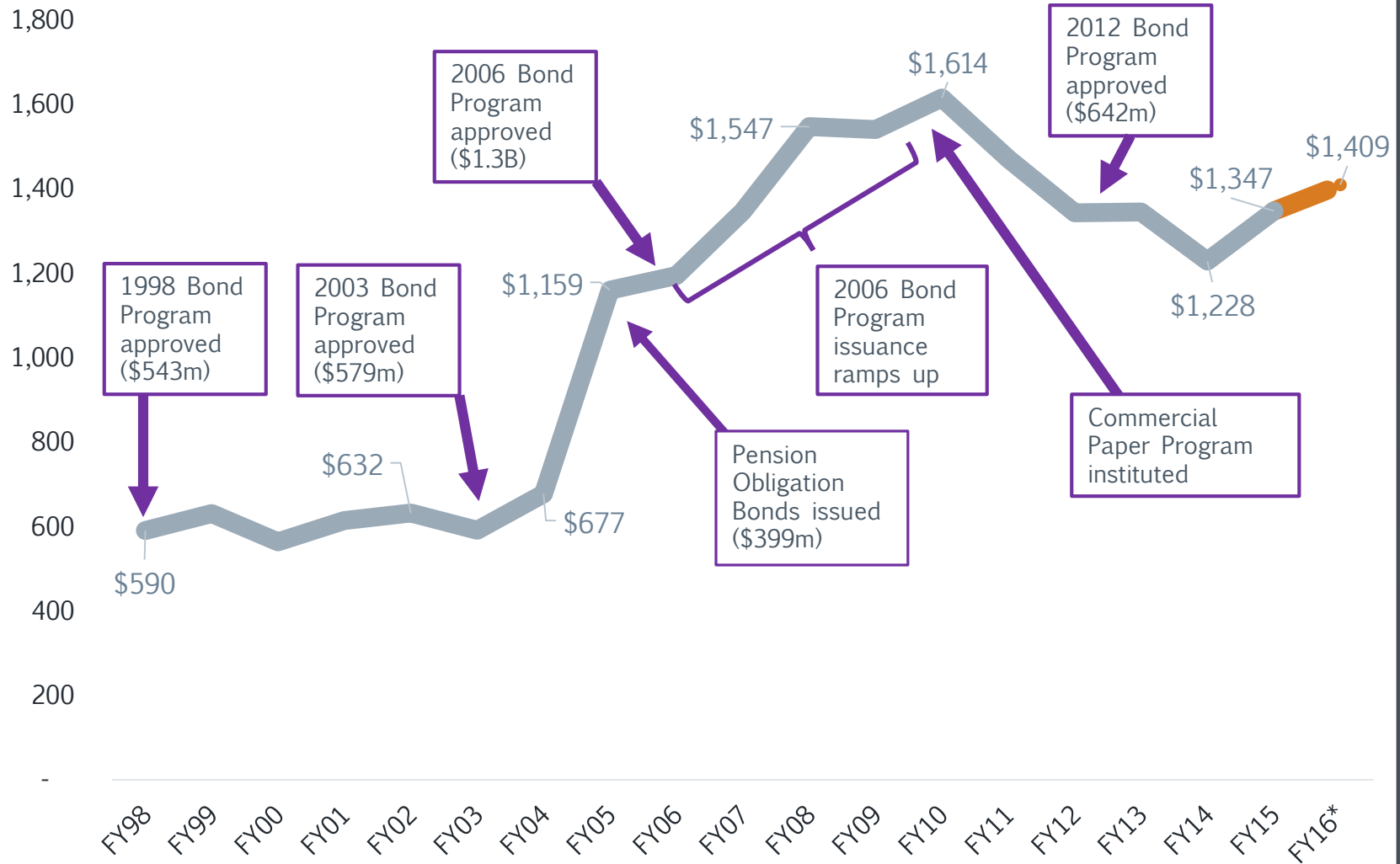
- › General obligation (GO) debt is issued by City as a means of financing capital improvements and infrastructure including streets, flood protection, economic development, park and recreation, and city facilities
- › Since FY99, 4 GO Bond Programs have been approved by voters:
 - 1998 BP (approved Nov 1998) - \$543.5m
 - 2003 BP (approved May 2003) - \$579.3m
 - 2006 BP (approved Nov 2006) - \$1,353.5m
 - 2012 BP (approved Nov 2012) - \$642.0m
- › Commercial Paper is used as short term interim financing; matches payments with debt issuance; creates lag in need to issue long-term bonds
- › Bonds are used to retire Commercial Paper and are typically financed for 19 years
- › As of 9/30/2015, City has \$1.72B in GO debt outstanding

City of Dallas GO Debt Per Capita

Fiscal Year (As of Sept 30 each yr)	Outstanding GO Debt	Population (US Census)	Debt per Capita
FY98	\$632,610,670	1,071,600	\$590
FY99	\$678,075,670	1,075,100	\$631
FY00	\$669,670,670	1,188,580	\$563
FY01	\$738,485,670	1,203,050	\$614
FY02	\$761,715,548	1,205,350	\$632
FY03	\$723,302,721	1,224,000	\$591
FY04	\$834,280,000	1,232,100	\$677
FY05	\$1,327,252,609	1,144,946	\$1,159
FY06	\$1,423,817,609	1,192,538	\$1,194
FY07	\$1,668,942,609	1,240,044	\$1,346
FY08	\$1,898,227,609	1,227,082	\$1,547
FY09	\$2,000,869,913	1,299,590	\$1,540
FY10	\$1,938,124,913	1,200,632	\$1,614
FY11	\$1,798,332,086	1,223,378	\$1,470
FY12	\$1,666,007,336	1,241,108	\$1,342
FY13	\$1,691,184,734	1,257,676	\$1,345
FY14	\$1,573,702,904	1,281,031	\$1,228
FY15	\$1,725,336,063	1,281,031*	\$1,347
FY16 Projected	\$1,804,815,086	1,281,031*	\$1,409

*Population estimates for calendar year 2014 are the most recent available figures

City of Dallas GO Debt Per Capita



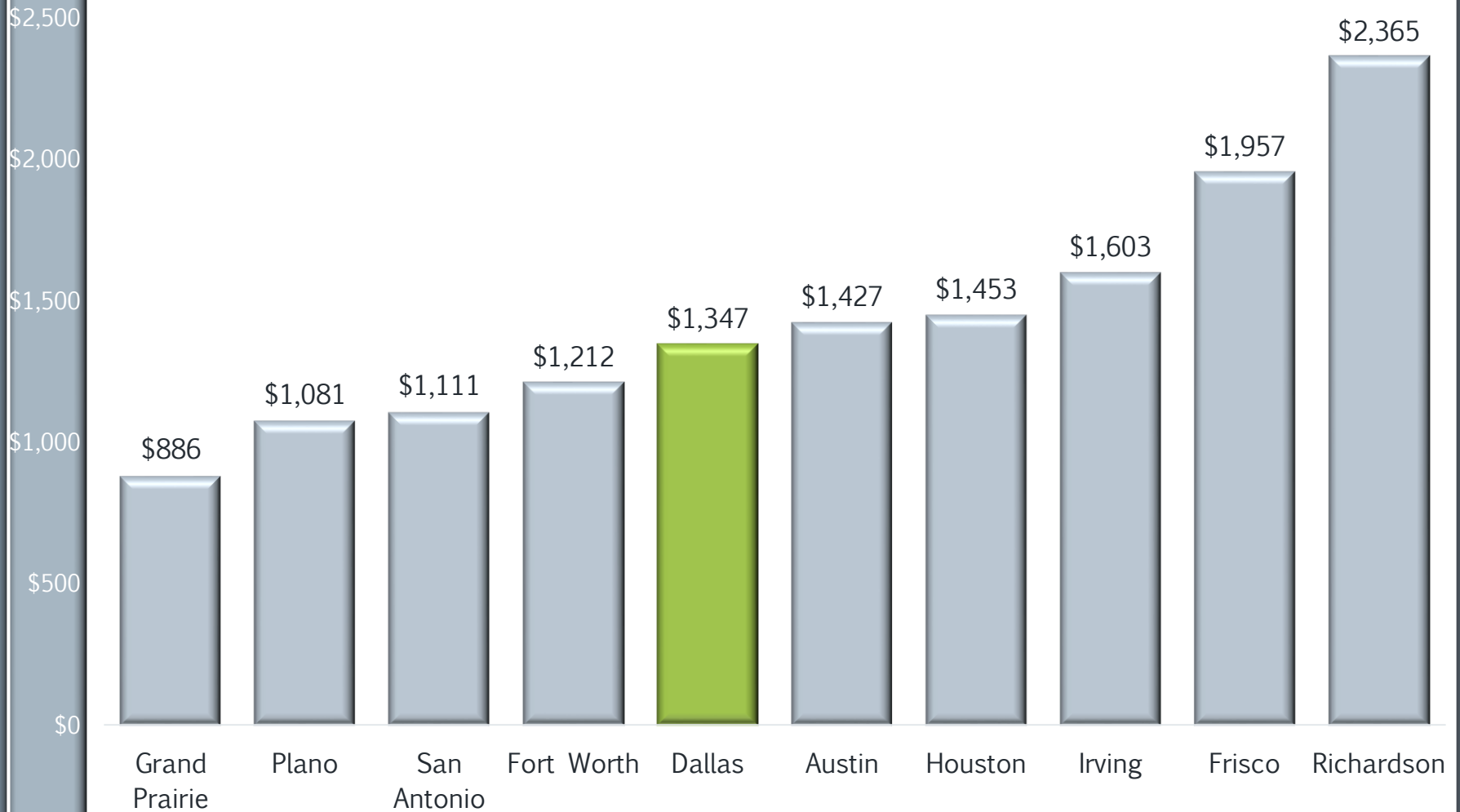
*Projected

Comparative City Data

Comparative City Data - GO Debt Per Capita (9/30/15)			
City	GO Debt Outstanding	Population (US Census Est)	Debt Per Capita
Comparative Set			
Dallas, TX	\$1.725 B	1,281,031	\$1,347
Austin, TX	\$1.303 B	912,798	\$1,427
Fort Worth, TX	\$985 M	812,553	\$1,212
Houston, TX	\$3.256 B	2,240,796	\$1,453
San Antonio, TX	\$1.596 B	1,436,723	\$1,111
Area Suburbs			
Frisco, TX	\$284 M	145,038	\$1,957
Grand Prairie, TX	\$162 M	182,610	\$886
Irving, TX	\$373 M	232,413	\$1,603
Plano, TX	\$300 M	277,910	\$1,081
Richardson, TX	\$257 M	108,609	\$2,365

Source: Population-US Census Bureau *American Community Survey* 2014 Estimates;
Debt Outstanding-City budget documents

Comparative City Data- GO Debt per Capita





Questions & Comments

Appendix

City Efforts to Grow Tax Base

- › Office of Economic Development (ECO) is charged with growing City's tax base
- › Through incentives and other programs, ECO has enabled growth in tax base
- › Two examples are highlighted below:
- › **Pinnacle Park**
 - 1998 DCAD value: \$9.5m
 - City investment:
 - › \$8.6m in funding for infrastructure
 - › \$13m in total estimated foregone revenues from abatements
 - 2015 DCAD value: \$659.8m (+6,877%)
 - Annual tax revenue to City:
 - › Before investment (FY98): \$54,000
 - › After investment, FY16: \$5.3m
- › **Mountain Creek Business Park**
 - 2002 DCAD value: \$1.3m
 - City investment:
 - › \$9.1m in funding for infrastructure
 - › \$6.3m in total estimated foregone revenues from abatements
 - 2015 DCAD value: \$213.5m (+16,100%)
 - Annual tax revenue to City:
 - › Before investment (FY02): \$9,000
 - › After investment, FY16: \$1.7m

Tax Increment Financing

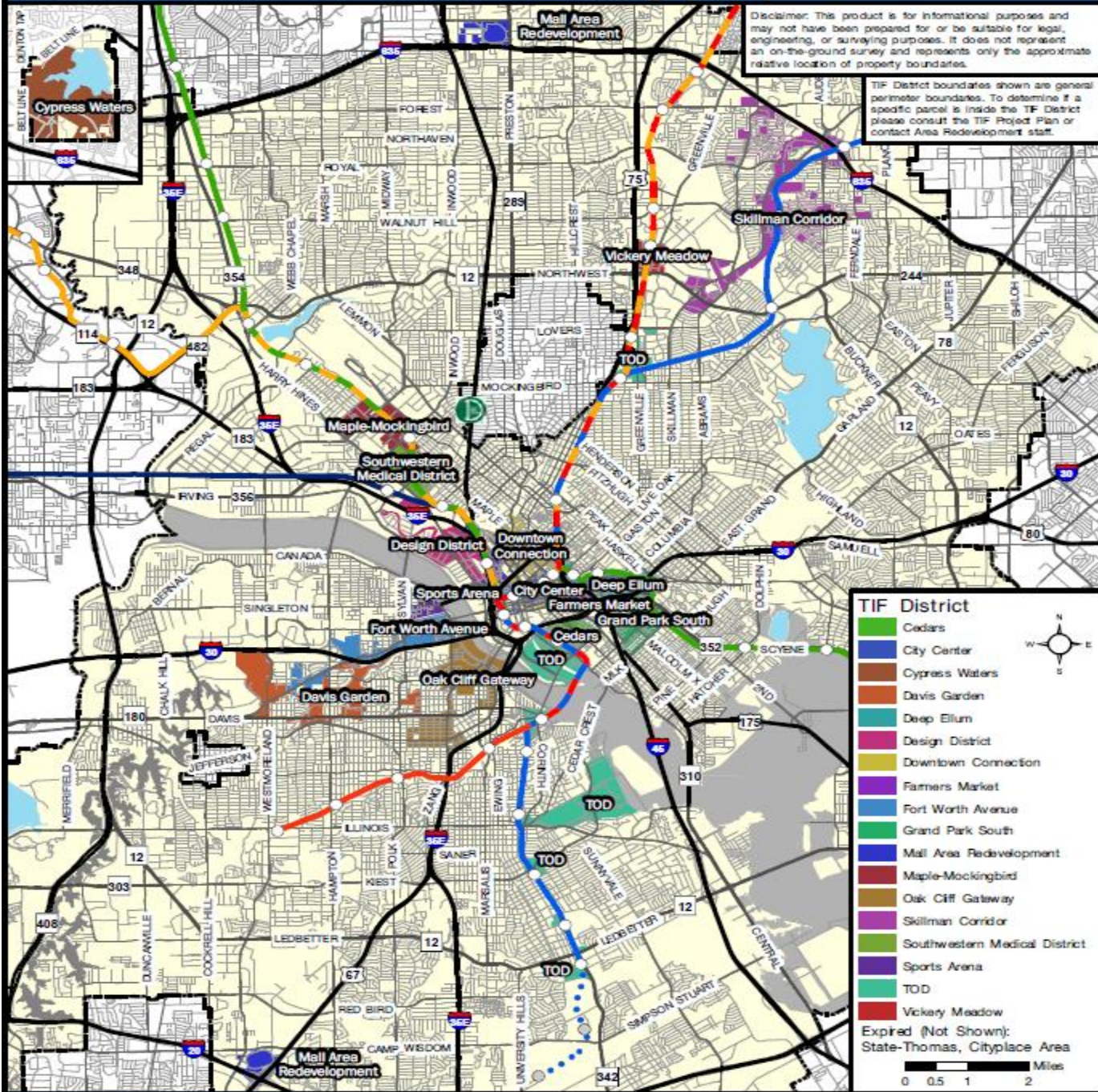
- › Tax Increment Financing (TIF) is an economic development tool granted under Chapter 311 of Texas tax code
- › Creates special purpose district where added tax revenue from new development is reinvested back into area where it originated
- › Revenues collected within TIF zone are used to finance public improvements within boundaries including wider sidewalks, utilities, public landscaping, lighting, environmental remediation, demolition, etc.
- › TIFs can provide other secondary benefits as well such as:
 - Additional sales tax from new commercial/retail businesses that develop
 - Raising property values on property just outside the TIF boundaries (halo effect)
 - Provides additional revenue for school districts even if they aren't active participants in TIF districts (DISD received an estimated \$68m in new revenue from TIF districts in 2014 tax year – FY15)

Tax Increment Financing

- › TIFs designed to pay for themselves over time
- › City also receives large benefit when TIFs expire and return to broader tax base
 - Cityplace and State-Thomas TIFs recently expired; both had over 1,000% increase in value over term as TIF
 - Tax revenue now over \$10m per year compared to only \$700k in revenue per year prior to TIF
- › City of Dallas currently has 18 active TIFs with over \$8.8B in value; table below shows City's participation in TIFs

City Participation in TIF Zones		
	FY15	FY16
General Fund	\$20.7m	\$26.5m
Debt Service	\$8.5m	\$10.9m
Total	\$29.2m	\$37.4m

Tax Increment Financing (TIF) Districts

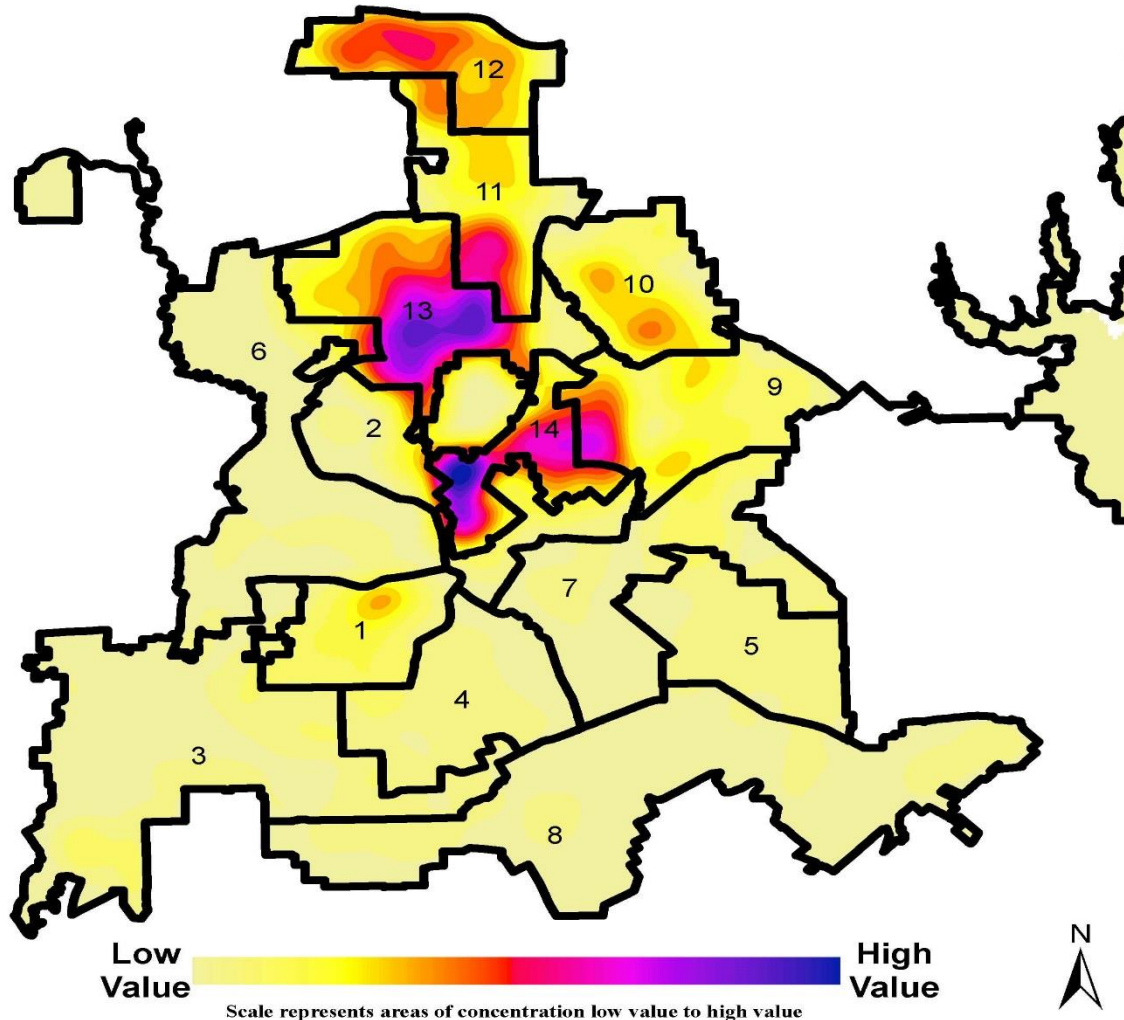


City of Dallas TIF Districts

TIF District	Year Created*	Expiration*	Base Yr Value	TY 2015 Value	% Increase
Cedars	1993	2022	\$35.3m	\$105.1m	+198%
City Center	1997/2013	2022	\$674.8m	\$1.2B	+84%
Cypress Waters	2011	2040	\$0.007m	\$127.4m	+178,236%
Davis Garden	2008/2009	2029/2040	\$137.8m	\$191.6m	+39%
Deep Ellum	2006/2009/2015	2027	\$189.2m	\$315.1m	+67%
Design District	2006/2013	2022/2027	\$281.9m	\$603.3m	+114%
Downtown Connection	2006/2009	2035	\$564.9m	\$2.579B	+357%
Farmers' Market	1999/2013	2022/2028	\$34.8m	\$209.4m	+501%
Fort Worth Avenue	2008	2029	\$86.1m	\$173.9m	102%
Grand Park South	2006	2035	\$44.9m	\$54.9m	+23%
Mall-Area Redevelop.	2015	2044	\$168.4m	\$170.1m	+1%
Maple-Mockingbird	2009/2010	2033	\$184.0m	\$379.7m	+106%
Oak Cliff Gateway	1993/2010/2015	2022/2027/2044	\$142.8m	\$339.3m	+138%
Skillman Corridor	2006	2035	\$335.9m	\$587.4m	+75%
Southwestern Medical	2006/2009	2027	\$67.4m	\$193.1m	+186%
Sports Arena	1999/2012/2013	2028/2042	\$63.7m	\$715.9m	+1,023%
Transit-Oriented (TOD)	2009/2010	2033	\$202.1m	\$392.3m	+94%
Vickery Meadow	2006	2027	\$164.8m	\$392.7m	+138%
Totals			\$3.4B	\$8.8B	+159.5%

*Districts with multiple years listed have one or more sub-districts which can have a different creation/expiration year from the original TIF zone

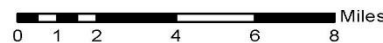
2015 Residential Tax Values



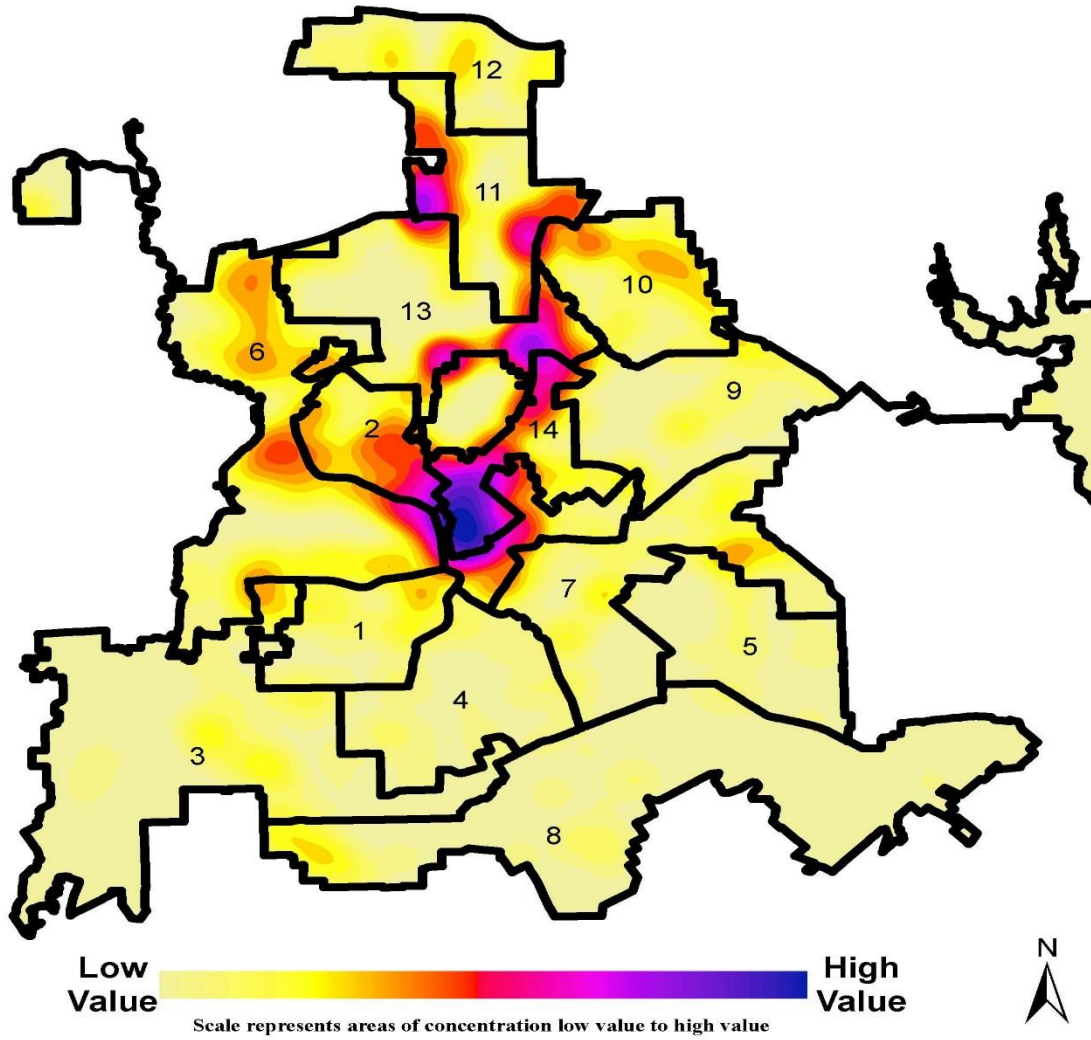
Data Source:
 2015 Tax Parcel - Dallas Central Appraisal District (DCAD)
 Property of: City of Dallas Enterprise GIS for illustrative purposes only.

City of Dallas GIS Map Disclaimer: The accuracy of this data within this map is not to be taken / used as data produced by a Registered Professional Land Surveyor for the State of Texas.* This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries. The City of Dallas makes no representation of any kind, including, but not limited to, warranties of merchantability or fitness for a particular purpose or use, nor are any such warranties to be implied with respect to the accuracy information/data presented on this map. Transfer, copies and/or use of information in this map without the presentation of this disclaimer is prohibited. City of Dallas GIS* State of Texas: H.B. 1147 (W. Smith) - 05/27/2011, Effective on 09/01/2011

Residential 2015 Property Tax Value Based on Tax Parcels



2015 Commercial Tax Values



Data Source:
2015 Tax Parcel - Dallas Central Appraisal District (DCAD)
Property of: City of Dallas Enterprise GIS for illustrative purposes only.

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Commercial 2015 Property Tax Value Based on Tax Parcels



0 1 2 4 6 8 Miles

2011 Council Districts