

# Memorandum



DATE December 2, 2016

TO Members of the Economic Development Committee:  
Rickey D. Callahan (Chair), Casey Thomas, II, (Vice Chair), Adam Medrano,  
Lee M. Kleinman, Carolyn King Arnold, Adam McGough

SUBJECT **Public/Private Partnership Program Review**

On Monday December 5, 2016, the Economic Development Committee will be briefed on the Public/Private Partnership Program. The current Program expires at the end of this year and is slated for renewal by City Council on December 14, 2016.

Briefing materials are attached for your review.

Should you have any questions, please contact me at (214) 670-3390. Thank you.



Mark McDaniel  
Assistant City Manager

C: The Honorable Mayor and Members of the City Council

A.C. Gonzalez, City Manager	Jill A. Jordan, P.E., Assistant City Manager
Larry Casto, City Attorney	Joey Zapata, Assistant City Manager
Craig D. Kinton, City Auditor	M. Elizabeth Reich, Chief Financial Officer
Rosa A. Rios, City Secretary	Sana Syed, Public Information Officer
Daniel F. Solis, Administrative Judge	Karl Zavitkovsky, Director, Office of Economic Development
Ryan S. Evans, First Assistant City Manager	J. Hammond Perot, Assistant Director, Office of Economic Development
Eric D. Campbell, Assistant City Manager	Elsa Cantu, Assistant to the City Manager – Mayor & Council

# Public/Private Partnership Program Review

Economic Development Committee  
December 5, 2016



# Purpose

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- Review of Council approved Public/Private Partnership (P/PP) Program
- Summarize potential modifications based on feedback from Economic Development Committee
- Receive Committee recommendation to adopt new P/PP Program “Guidelines & Criteria” on December 14, 2016

# P/PP Program Guidelines

- Designed to provide incentives to private for-profit commercial projects enabling job creation and new tax revenue.
- Emphasis on the following public purposes:
  - Increase tax base
  - Create and retain quality job opportunities for Dallas residents
  - Promote economic activity in targeted areas
  - Ensure the City can compete for economic development
- Program Guidelines & Criteria provide a framework for negotiations with businesses/developers on potential projects (See Appendix A).

# P/PP Program Tools

- Tax Abatement – an agreement to forego future real property or business property tax revenue from new investment\*
- Business Development Chapter 380 Grants\*\* – participate in 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. to promote economic development
- 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
  - e.g. Adaptive Reuse Program, Façade Improvement Program
  - Tools can be used in combination. For example, we have used 380 grant funds to jump-start new TIF projects before increment is generated
  - Non P/PP sources: e.g. EB-5, NMTC, TIF, PID, Enterprise Zones

# Overarching Acceptance Criteria

- All tax abatements must be approved by City Council
- “But For” Criteria: without the incentive, the public purpose would not be achieved.
  - Corporate relocations or operational expansions when competing with other cities for the project (jobs secured)
  - Financial gaps with a project (investment secured)
  - Community development public purpose secured
    - Design standards, streetscape improvements, pedestrian or customer access, open space, transit or infrastructure improvements, sustainability, etc.
- Conformance with City’s Voluntary Compliance Agreement (VCA) and HUD rules.

# Project Eligibility Criteria

- Current City Council minimum eligibility criteria:
  - Southern Dallas: 25 jobs or \$1 million invested
  - Northern Dallas & CBD: 100 jobs or \$5 million invested
  - Exceptions may be considered by City Council for non-conforming projects on case-by-case basis when warranted
  - Existing firms must expand workforce by 25%

# Program Modifications

- Incorporate compatibility with the City’s Housing Policy in accordance with new HUD rules such as “affirmatively furthering fair housing”
  - Shift focus of activity from a North/South distinction to promoting access to opportunity for low-and-moderate income residents city-wide
  - Actively promote redevelopment and opportunity in commercial districts and centers within and adjacent to NeighborhoodPlus and NeighborUp areas as well as higher poverty and lower employment areas
  - Consider investing to secure public purpose beyond ROI (tax base) and jobs to include advancing community development and fair housing goals.



# Program Modifications– cont.

- To address promoting access to opportunity for low-and-moderate income residents city-wide, Appendix B provides a target area map for program eligibility and includes the following geographic areas:
  - ≥30 percent Household poverty
  - Neighborhood Plus
  - NeighborUP
- Add programmatic support for commercial aspects of predominately residential mixed-use projects providing affordable housing in “areas of opportunity” in collaboration with the Housing Department

# Program Modifications– cont.

- Convert existing North/South eligibility criteria to match new target area map
  - 25 jobs or \$1 million minimums in targeted areas
  - 100 jobs or \$5 million in non-targeted areas

Area	Current Criteria	Proposed Criteria
Northern Dallas	100 jobs or \$5M	NA
CBD	100 jobs or \$5M	NA
Southern Dallas	25 jobs or \$1M	NA
Target Areas	NA	25 jobs or \$1M
Non-Target Areas	NA	100 jobs or \$5M
Commercial aspects of mixed use with affordable residential in “Opportunity Areas” **	NA	25 jobs or \$1M

\*\* NOTE \*\* Specific “Opportunity Areas” to be determined with Housing Policy

# Program Modifications– cont.

- New special economic development grant category for neighborhood retail and commercial redevelopment in new target areas
  - Require a minimum 50/50 funding match by applicant
  - Grants on reimbursement basis
  - Eligible expenditures include enhanced landscaping, lighting, pedestrian improvements, parking lot improvements, signage and façade improvements, and major renovation of center
  - Centers must be older than fifteen (15) years and project will positively impact surrounding neighborhoods
  - Minimum project investment \$250,000
- Staff developing special anti-poverty programs for food deserts, small business initiatives and workforce readiness for future consideration

# Next Steps

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- City Council consideration of new Guidelines & Criteria on December 14, 2016

# Appendix A

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## Guidelines & Criteria

## 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 project would not otherwise occur in the city or the economic returns to the city would be reduced. Projects occurring in Southern Dallas are provided special consideration.

The information contained herein shall not be construed as implying or suggesting that the City of Dallas is offering or is under any 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.

### Eligibility Requirements

Each geographic area of the City has a minimum requirement in order to be considered for incentives:

- Southern Dallas:** Projects must create/retain 25 jobs or provide \$1 million of investment;
- Northern Dallas and Central Business District:** Projects must create/retain 100 jobs or provide \$5 million of investment; and
- Non-Conforming Projects:** Projects will be considered on a case-by-case basis.

### Tax Abatement

Temporary abatement of either real estate or personal property taxes. Recipient firms must meet primary considerations of capital improvements and job creation/retention. City staff may consider secondary considerations such as Dallas resident employment, efforts to exceed minimum environmental regulations, wage rates, community activities, target industry projects, and M/WBE participation when negotiating this incentive. A firm's tax abatement percentage will be reduced by 25 percent for any single year of the tax abatement term in which secondary considerations included in the agreement are not met unless an alternative method is prescribed by City Council in a project specific resolution. Real property tax abatement is not available in TIF Districts. In limited cases, 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. All tax abatements must begin by January 1 of the second calendar year following City Council authorization.

### Abatement Benefits:

- Southern Dallas:** Real property tax abatement up to 90 percent for 10 years and/or a business personal property tax abatement of up to 50 percent for five years;

- Northern Dallas:** Real property tax abatement up to 50 percent for 10 years and/or a business personal property tax abatement of up to 50 percent for five years;
- Central Business District:** Business personal property tax abatement of up to 75 percent for five years and/or for non-TIF District sites real property tax abatement of up to 90 percent for 10 years; and
- Non-Conforming Projects:** Projects will be considered on a case-by-case basis.

### **Business Development Chapter 380 Grant Program**

Companies considering a relocation/expansion or new commercial development may be eligible for 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. Grants will be considered on a case-by-case basis and are subject to funding limitations and investment/job eligibility requirements. Companies will be required to meet eligibility requirements of the Public/Private Partnership Program. Pursuant to this program the City may administer and accept resources from other political subdivision of the state to support this program, and may administer and accept resources from the Federal government to support developments.

### **Economic Development GO Bond Program for Southern Dallas**

General Obligation Bond funding may be used as described in this paragraph for private commercial, industrial, retail, residential, and mixed-use development in the Southern area 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.

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.

Funding in support of mixed-use or residential development, including the acquisition of improved and unimproved properties and for the cost of demolition of existing structures for such projects, is considered a non-conforming project and will require that a minimum of 20% of the residential units in the development meet affordable housing or mixed-income housing requirements for the location.

### **Local Government Corporation (LGC) Chapter 380 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.

### **City of Dallas Regional Center - EB 5**

The City of Dallas Regional Center (CDRC) is dedicated to assisting individuals and their families through the EB-5 immigration process via investment into businesses and development projects located within the Dallas city limits. The CDRC offers a variety of investments to foreign investors that meet or exceed requirements and offer investors features unique to the EB-5 community. Minimum foreign investment is \$500,000 in Targeted Employment Areas or \$1M in other areas. All opportunities supported by the CDRC must provide 10 full-time jobs (directly or indirectly) per investor.

### **New Market Tax Credits**

The City of Dallas participates in the New Market Tax Credit Program (NMTC), a federal program operated by the Department of Treasury, that provides opportunities for new development in traditionally underserved areas. The program provides NMTC investors with a 39% federal tax credit payable over seven years. These investments are partnered with additional funds for businesses and real estate development in Low Income Neighborhoods.

### **Target Industry Projects**

Target Industry projects are provided special consideration for economic incentives and are generally defined as follows: Brownfields or recycling, information technology, building materials and furnishings, company headquarters, logistics, telecommunications, transportation manufacturing and assembly, film/television/media, advanced instruments and food processing/distribution. Due to the temporary nature of film/television production, projects in this industry are not required to meet minimum job or investment eligibility established for the Public/Private Partnership Program. Rather, these projects are considered on a case-by-case basis with consideration given to the positive economic returns projects bring to the City. Target Industry projects must be confirmed in advance by the City in order to receive 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 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. A mixed-use or residential development considered for support as a non-conforming project requires special circumstances and must ensure that a minimum of 20% of the residential units in the development meet affordable housing or mixed-income housing requirements for the location.



### **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.

#### **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.

#### **State Incentives**

The City of Dallas will facilitate applications for assistance from State programs including Enterprise Zone Projects, Texas Enterprise Fund, and the Texas Emerging Technology Fund.

To obtain more detail on these programs, or to inquire regarding other assistance, contact:

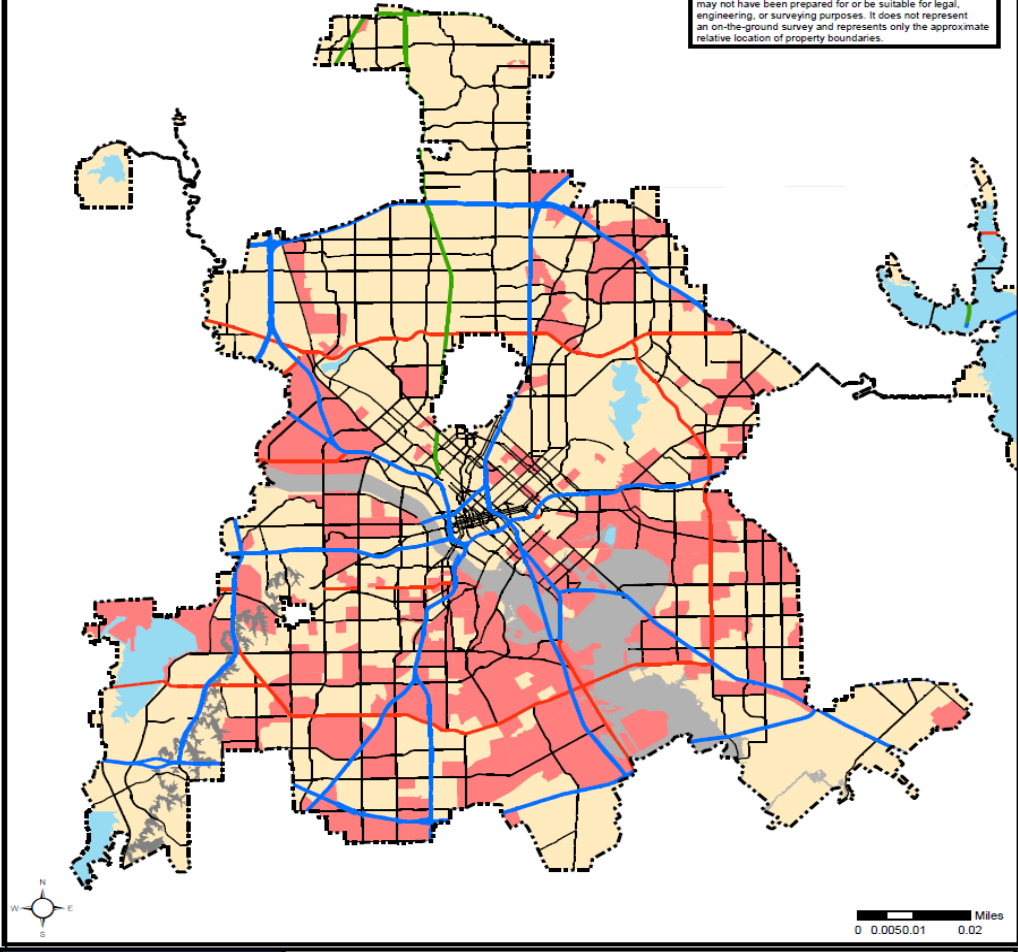
Office of Economic Development, Dallas City Hall, Room 5CS, Dallas, Texas 75201, Phone: (214) 670-1685, Fax: (214) 670-0158, [www.dallas-ecodev.com](http://www.dallas-ecodev.com)

# Appendix B

## Target Area Map

# City of Dallas Public / Private Partnership Program Area Map

Disclaimer: 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.



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**Legend**  
City of Dallas  
Target Areas  
Non-Target Areas  
Data Source: 2014 ACS, CoStar, 2015 Panel Data