

Memorandum



DATE February 3, 2017

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

SUBJECT **The Economic Development Challenge of Shared Prosperity**

On Monday, February 6, 2017, the Economic Development Committee will be briefed on The Economic Development Challenge of Shared Prosperity.

Briefing material is attached.

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



Mark McDaniel
Acting First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Theresa O'Donnell, Chief of Resilience
M. Elizabeth Reich, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council
Directors and Assistant Directors

The Economic Development Challenge of Shared Prosperity

Economic Development Committee
February 6, 2017

**DALLAS
ECONOMIC
DEVELOPMENT**



City of Dallas

Purpose

- Understand Dallas' competitiveness in the context of global and national trends
- Review economic development goals and results to date
- Explain multifaceted nature of Eco platform and tools available / new initiatives
- Reflect on lessons learned
- Discuss “Shared Prosperity” implementation approaches and obtain council feedback on next steps

Global Growth Slows

- Estimated at 1.7% growth by Organization for Economic Cooperation and Development (OECD)
- Wealthiest economies struggle and developing countries unable to fill the gap due to commodity price downturns
- Global integration at risk due to geo-political tensions and rising protectionist sentiment
- Productivity pressures and workforce flatness in largest economies
- Technology a crucial driver and source of anxiety/job dislocations
- Rising income inequality

U.S. Economic Recovery Modest

- 1.6% growth in 2016 and current 2017 GDP forecasts in 2.1-2.9% range (Federal Reserve)
- Job creation gains momentum (4.9% unemployment), but labor force participation stagnates at low levels
- Wages slow to increase (0.8% over 10 years)
- Housing starts picking up, but not close to pre-recession levels
- Anticipated upward pressure on interest rates, but inflation still low
- Stronger dollar limits trade volume

Harvard Business School 2015 Survey Concludes Competitiveness Requires Shared Prosperity

- Large U.S. companies recovered from recession faster/stronger than counterparts in other advanced economies
- Large firms and those who run and invest in them are thriving
- Economy not poised to lift living standards broadly and small/medium sized businesses disadvantaged

Harvard Business School 2015 Survey Concludes Competitiveness Requires Shared Prosperity

- Living standards of average American dropped
 - Long term growth rate in private sector jobs dropped after 2000 and remains near historic lows
 - Labor force participation rate peaked in 1997 and now at early 1980's levels
 - Median household income peaked in 1999 for all but top 20% of income distribution
- **Trends started before recession and are structural not cyclical in nature**

66% of Harvard Survey Respondents Gave Priority Importance to Contributing Aspects of “Shared Prosperity” vs. Overall Economic Growth



Texas Economy Recovering After Energy Bust

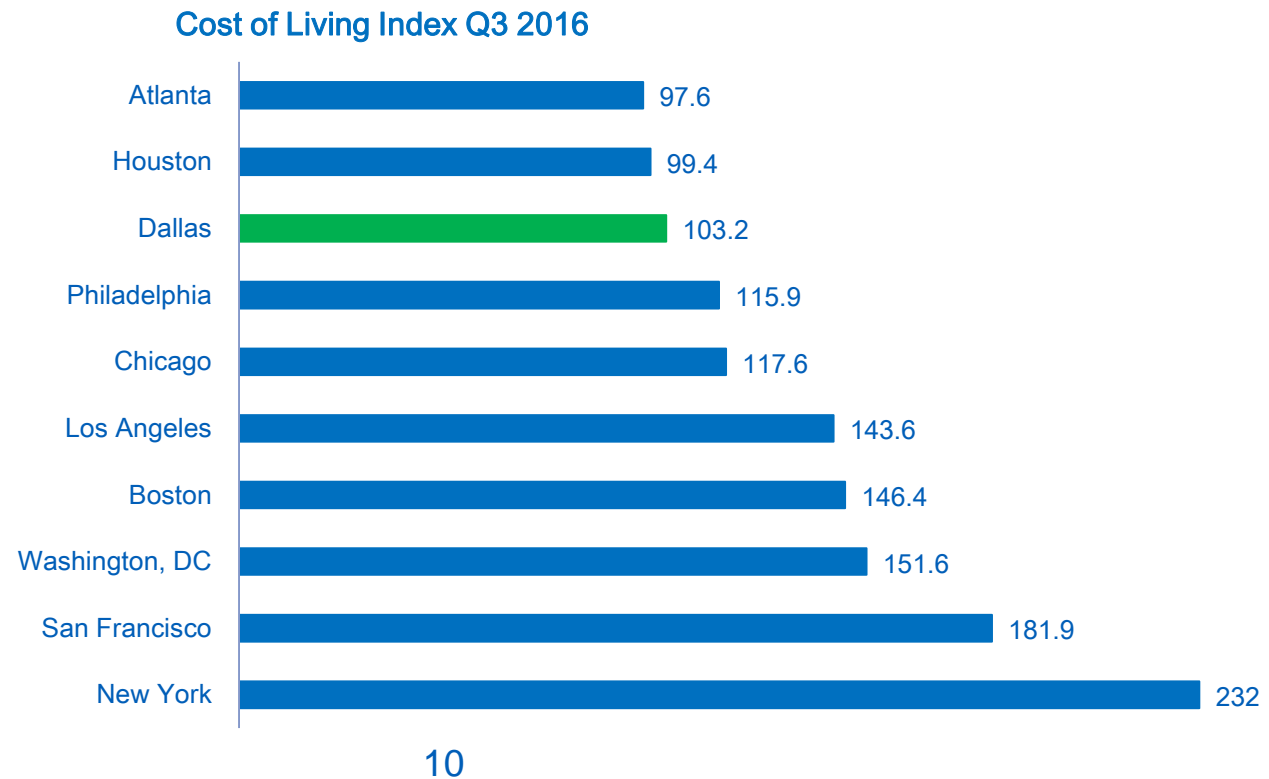
- Last in first out of recession and buoyant job growth from 2011-2014 (3.7% in 2014)
- Oil prices drop by 70% and Texas job growth slides to 1.3% in 2015 and 1.5% in 2016 (2% projected by Federal Reserve in 2017)
- Differs from oil-induced bust of 80's due to more industry diversity
- Oil & Gas now 6% of GDP vs 14% in 2014 (source: Bureau of Economic Analysis)

Texas Economy Recovering After Energy Bust

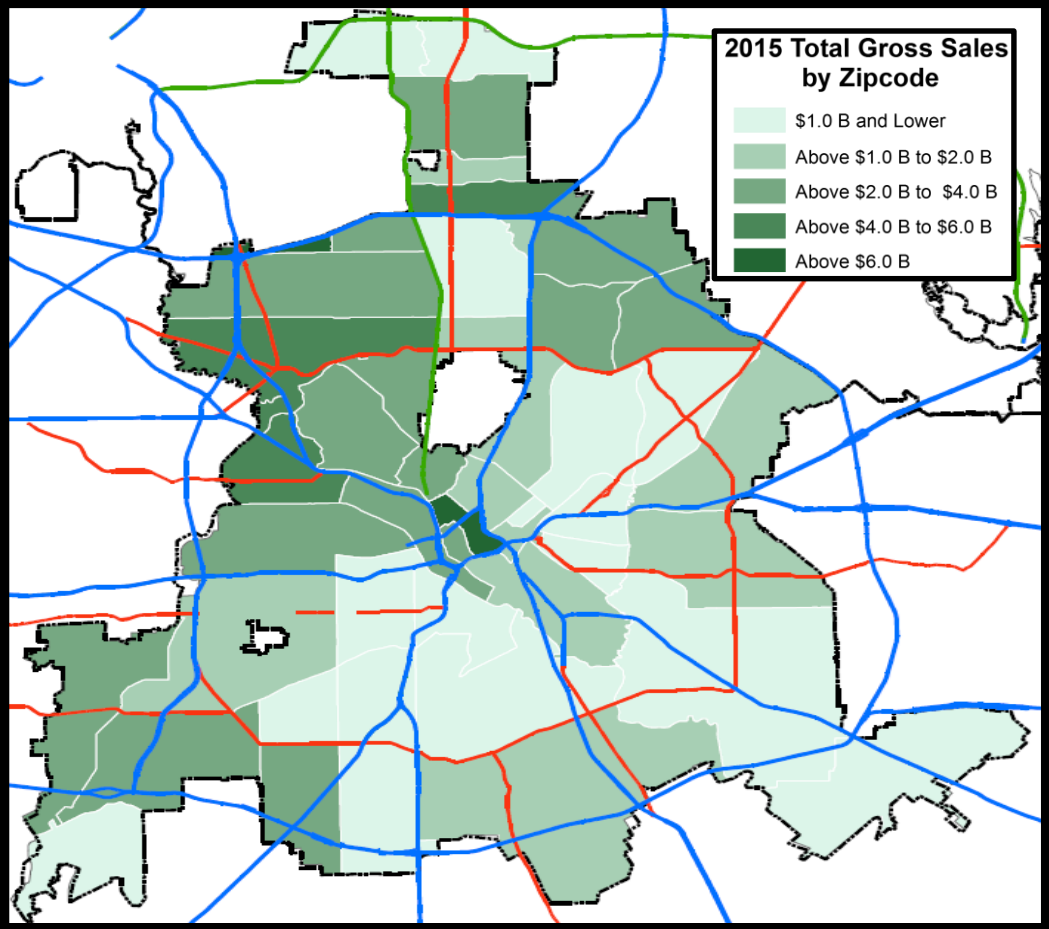
- But still 36% of crude oil, 25% natural gas and 60% of U.S. petrochemical production (Source: Federal Reserve)
- Gross State Product grew by 4.8% in 2015 vs. 2.6% in U.S. (source: Bureau of Economic Analysis)
- Population grew by 393,000 between 2015 and 2016. 8% nation's population but 19% of population growth (source: Census Bureau)

DFW Continues to Outperform The Nation

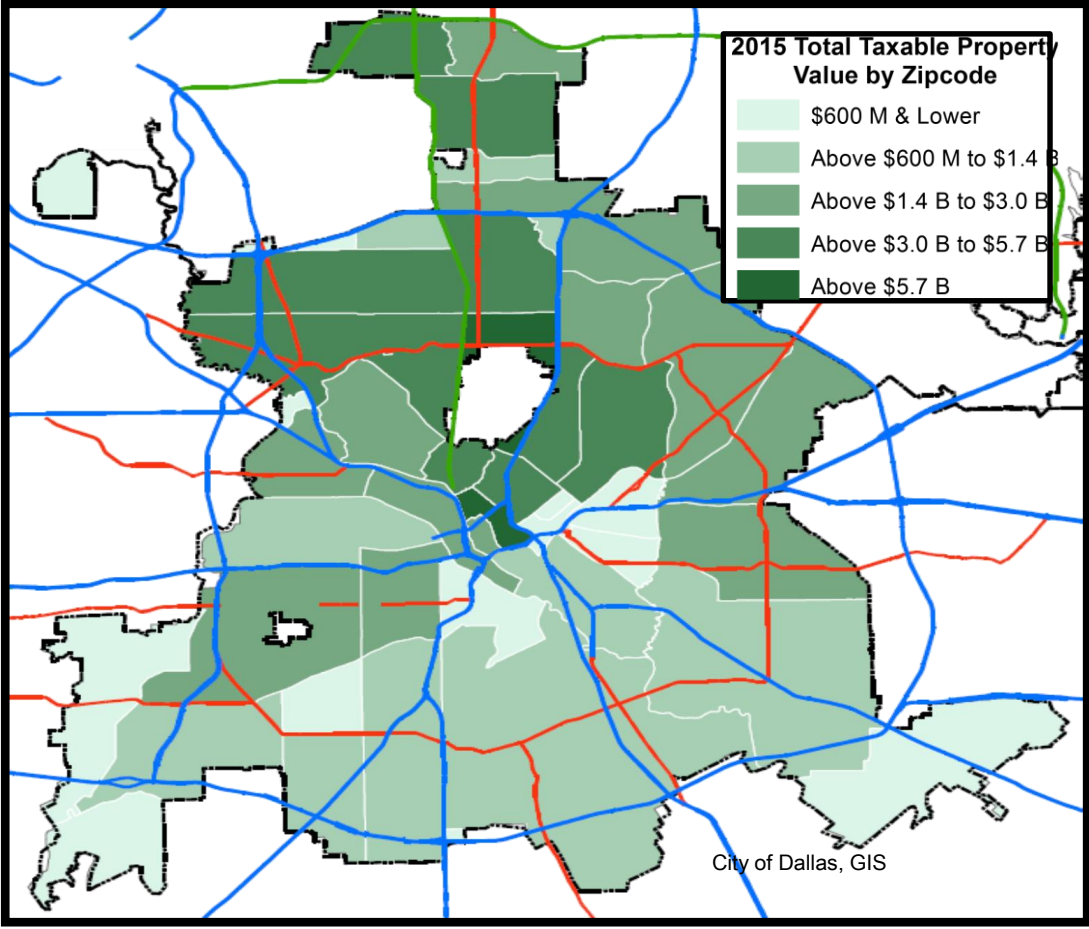
- DFW's Gross Metro Product (GMP) is fifth largest in the nation at \$449B and 1/3 of State Gross Product
- Dallas has 3rd lowest cost of living of top 10 Metro Economies



But Economic Activity Is Still Concentrated



Source: Office of The Texas State Comptroller

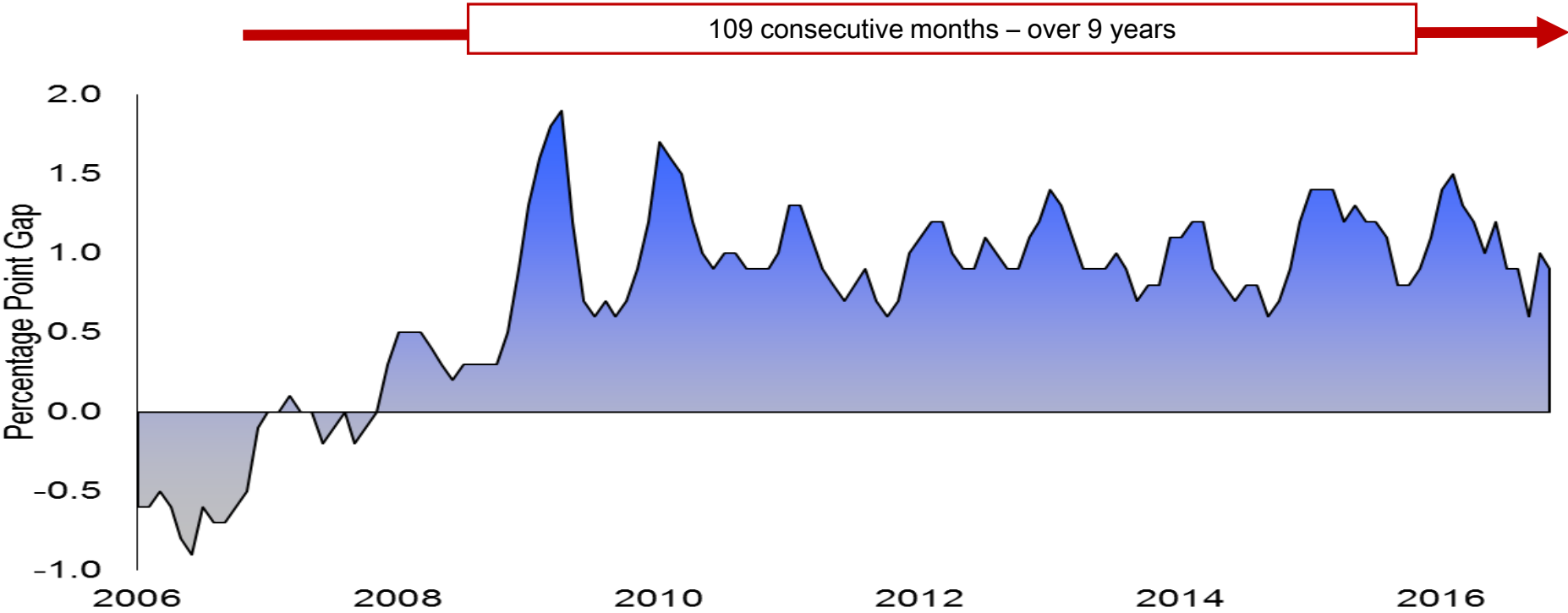


City of Dallas, GIS

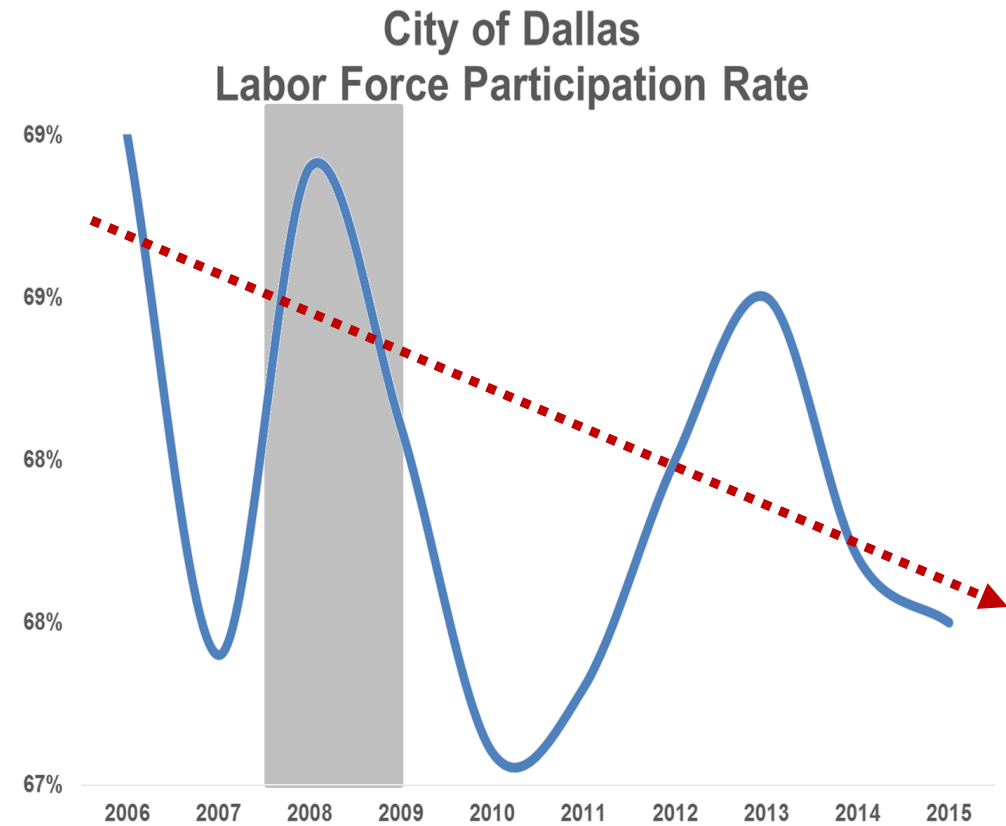
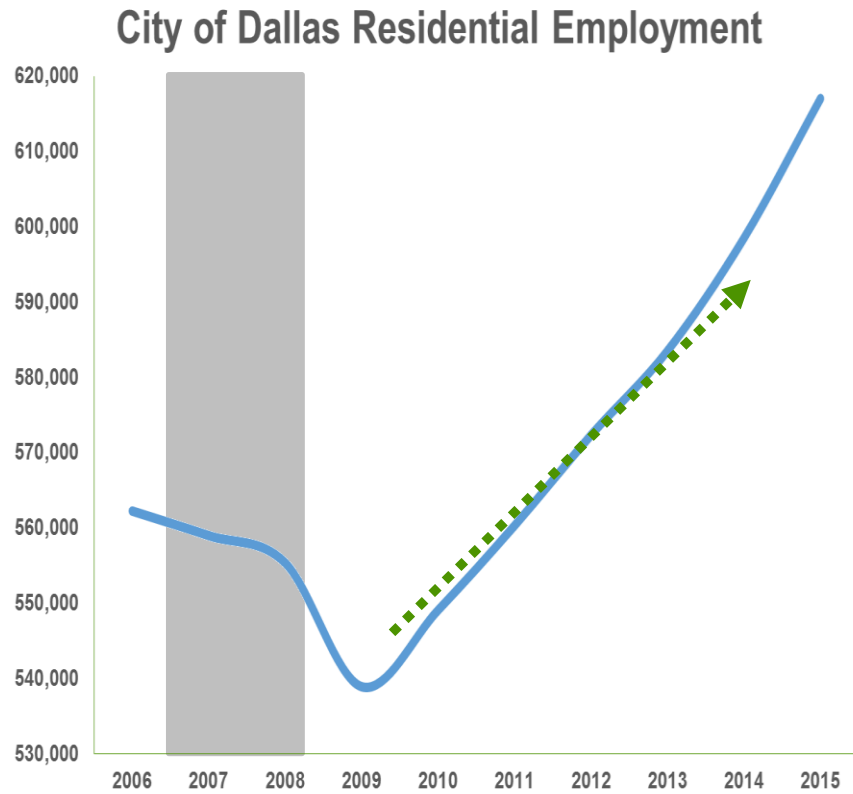
NOTE: Some zip codes are only partially in the City boundaries and are not fully represented. The data associated with these geographies is for the entire zip code.

Dallas' Unemployment Rate Outperforms The Nation For 109 Consecutive Months

Unemployment Gap = U.S. Rate – Dallas Rate

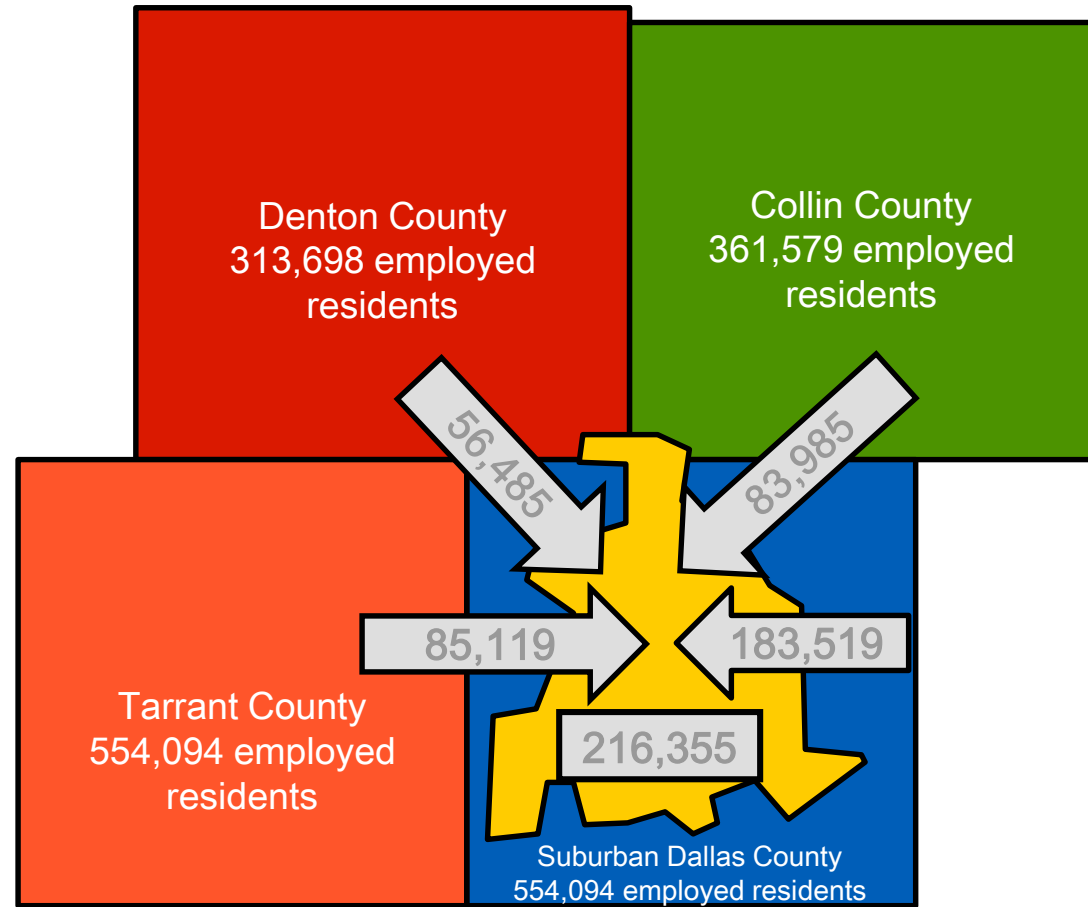


More Residents Gaining Employment, But Lower % Participating in Job Market



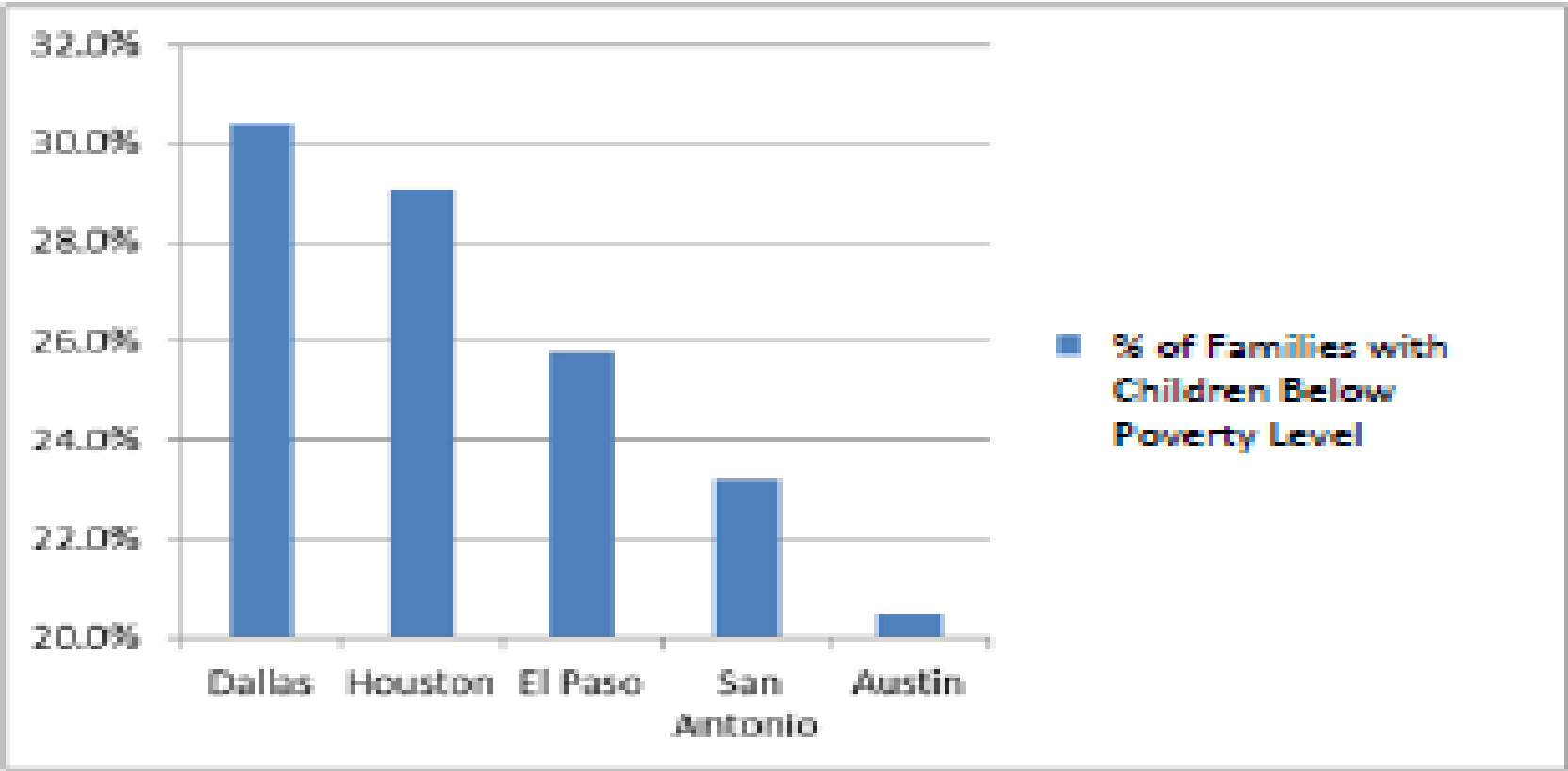
Most Workers Don't Live Here and Many Residents Don't Work Here

- Dallas has over 1 million jobs
- 625,000+ workers commute into Dallas every day to work
- 263,000 workers leave Dallas everyday for jobs outside the city



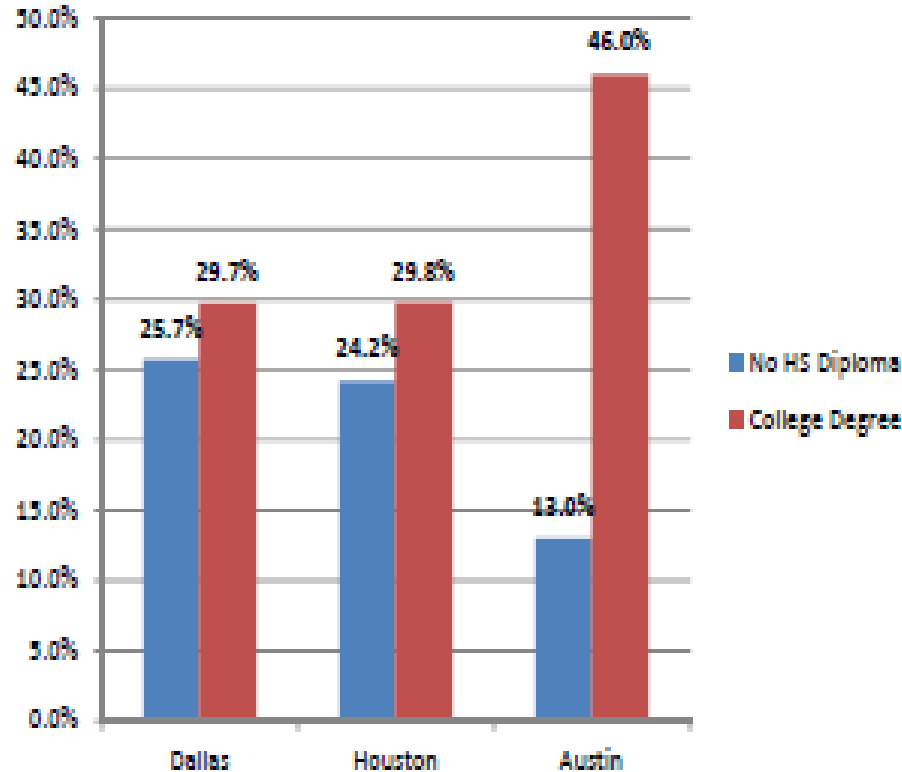
Daunting Challenges, But Consistent With Rising Global Income Inequality

Children Are The Face Of Poverty



152,822 Families In Dallas Are Living At Or Below The Poverty Level

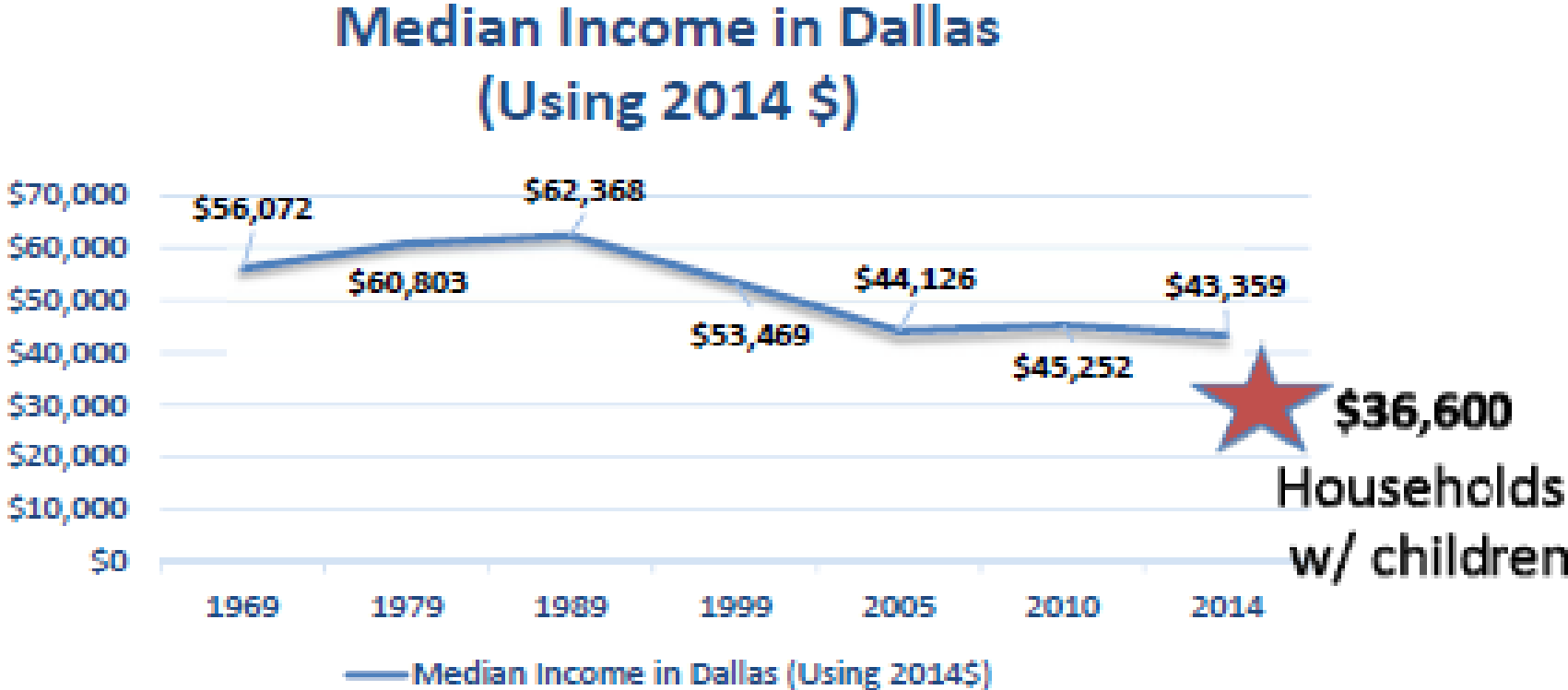
Educational Attainment is Low And Limited English Proficiency is High



Source: Dallas Independent School District Data Packet for 2015-16 planning

- Dallas Has a High Percent of Individuals without A High School Diploma And A Low Percent Of Residents Who Hold A College Degree
- 6,701 or 49% of DISD Second-Graders Have Limited Proficiency in English

Median Income is Declining



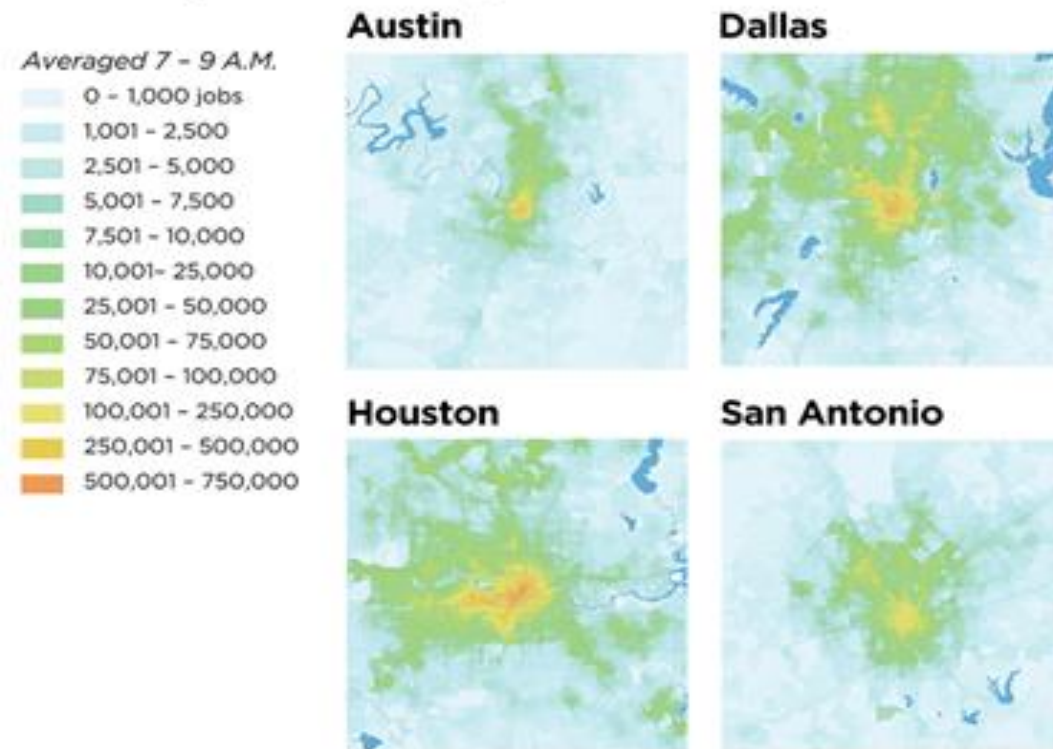
Despite The Booming Regional Economy,
Median Income In Dallas Has Continued To Decline For Over 30 Years

Mobility, Jobs and Housing

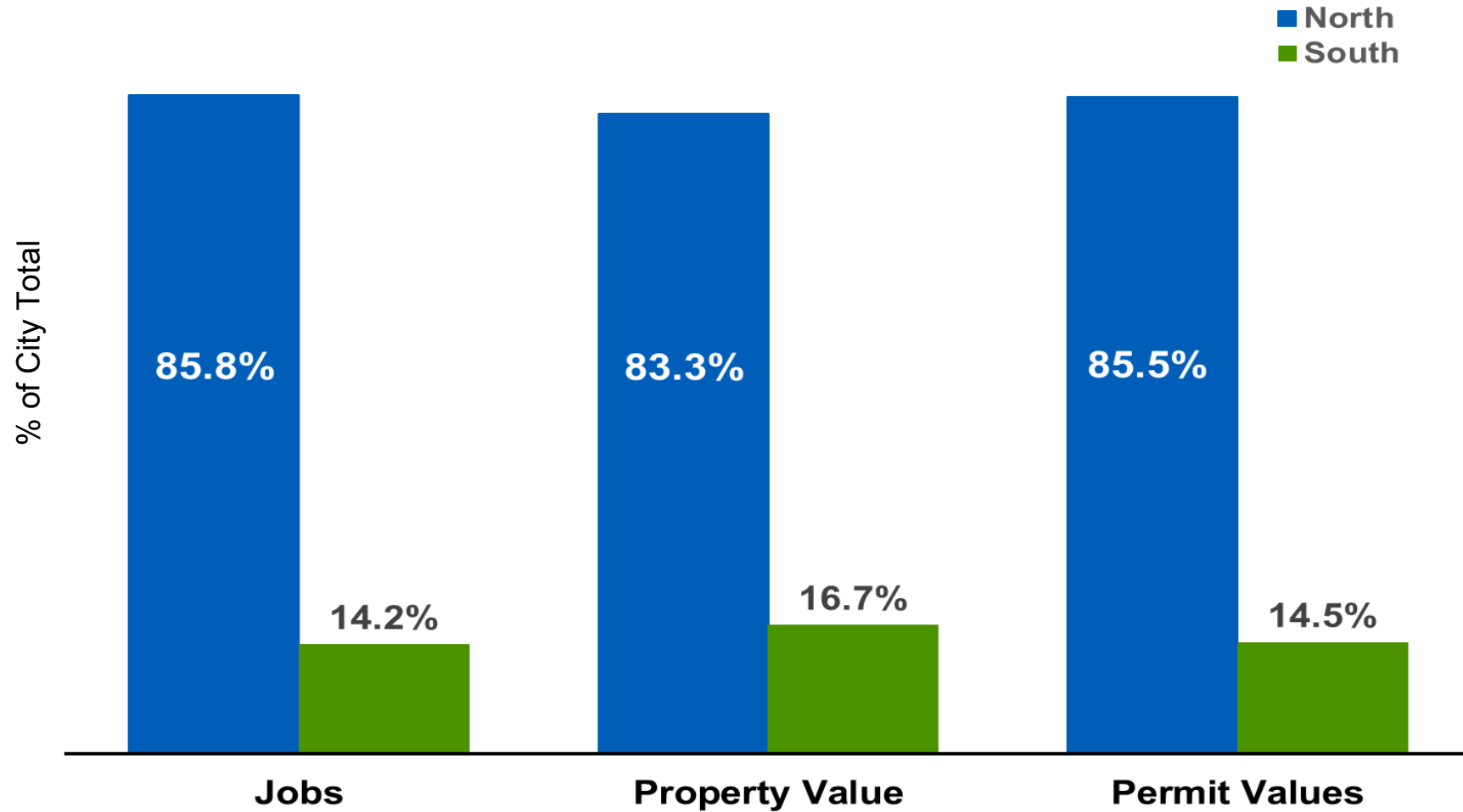
- The Metroplex ranks 5th nationally in jobs
- Less than 20% of jobs are accessible by transit in less than 90 minutes
- More than 70% of HUD assisted properties are considered unaffordable when housing costs and transportation costs are combined

Jobs within 30 minutes by transit

Most of Dallas' jobs accessible by transit within 30 minutes are in downtown and surrounding areas, though some suburbs have job centers near public transportation routes. But while the Dallas-Fort Worth region as a whole ranks fifth nationally in terms of the number of jobs, it ranks 21st in how many of them can be reached by transit in under one hour.



Unbalanced Tax Revenue and Employment Base



Source: City of Dallas Office of Economic Development analysis of 2014 LEHD data (Jobs), and of City of Dallas GIS analysis of 2016 Dallas County Appraisal District and City of Dallas Department of Sustainable Development & Construction, Building Inspection Division 2016 Permit Data.

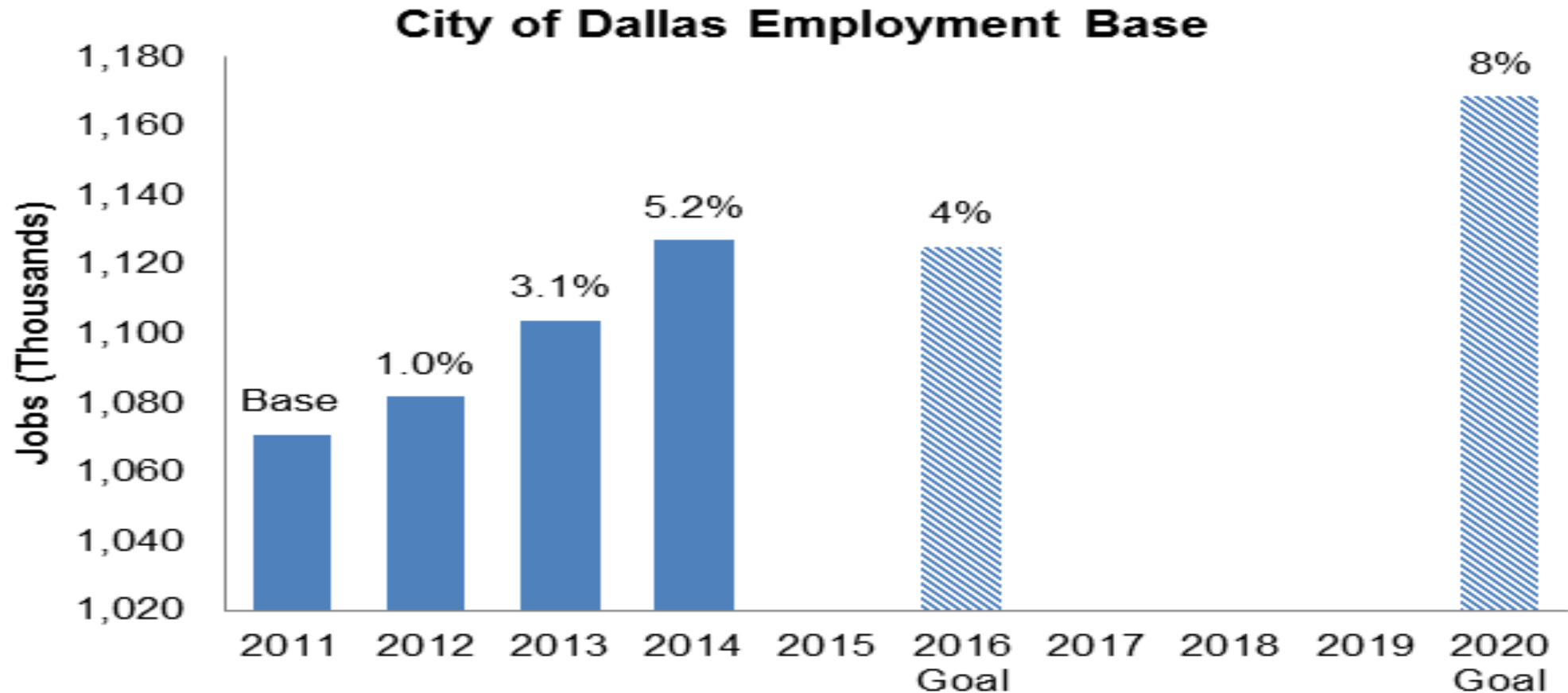
Economic Development (OED) Goals and Results to Date

Goals

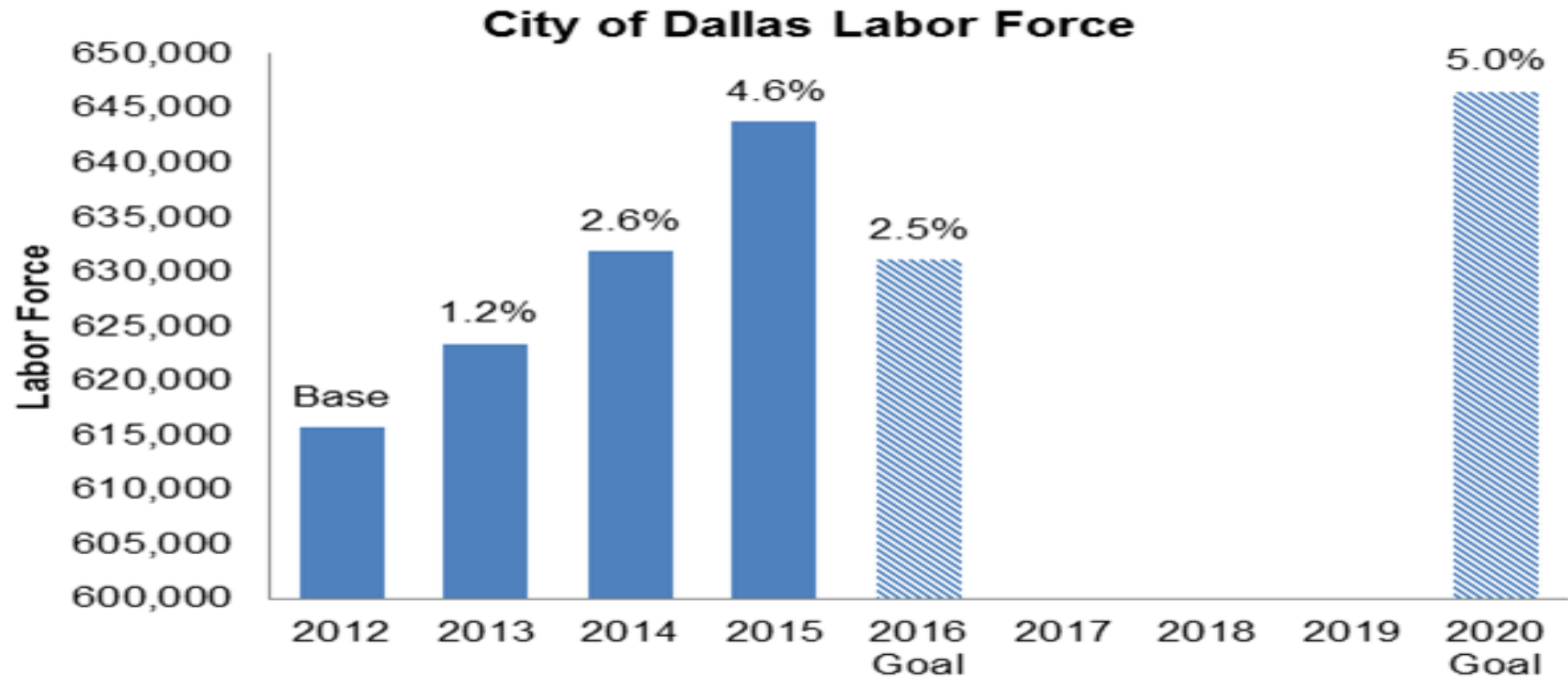
- Grow the Economy (Jobs, Investment)
- Increase Resident employment (% Residents Employed)
- Secure Stable Revenue for City Services (Real Property and Sales Taxes)
- Help Communities Become More Sustainable (Improve Household Commitment, Resiliency and Neighborhood Amenities)

Results vs. Plan Objectives

Job Base Grew 5% in Three Years vs. 4-year Goal of 4%

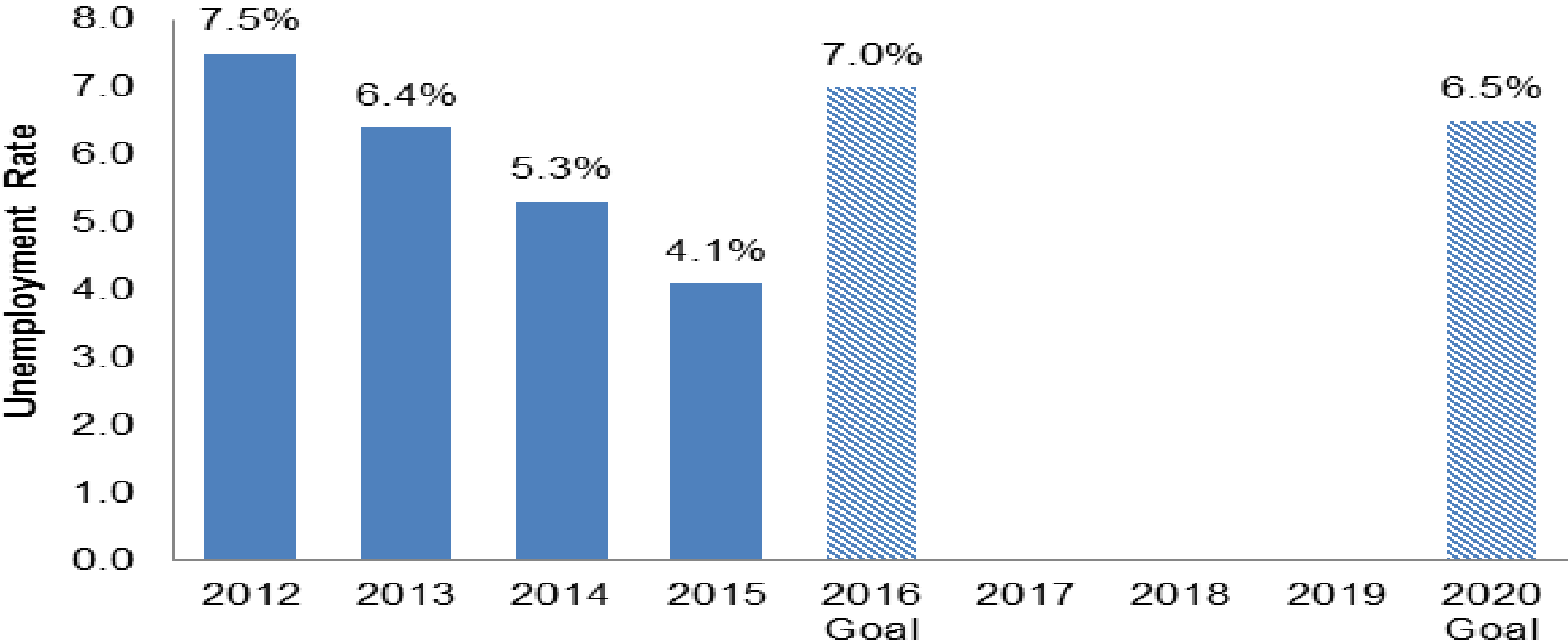


Labor Force Increased by 5% in 3 Years vs. 2.5% Goal in 4 Years



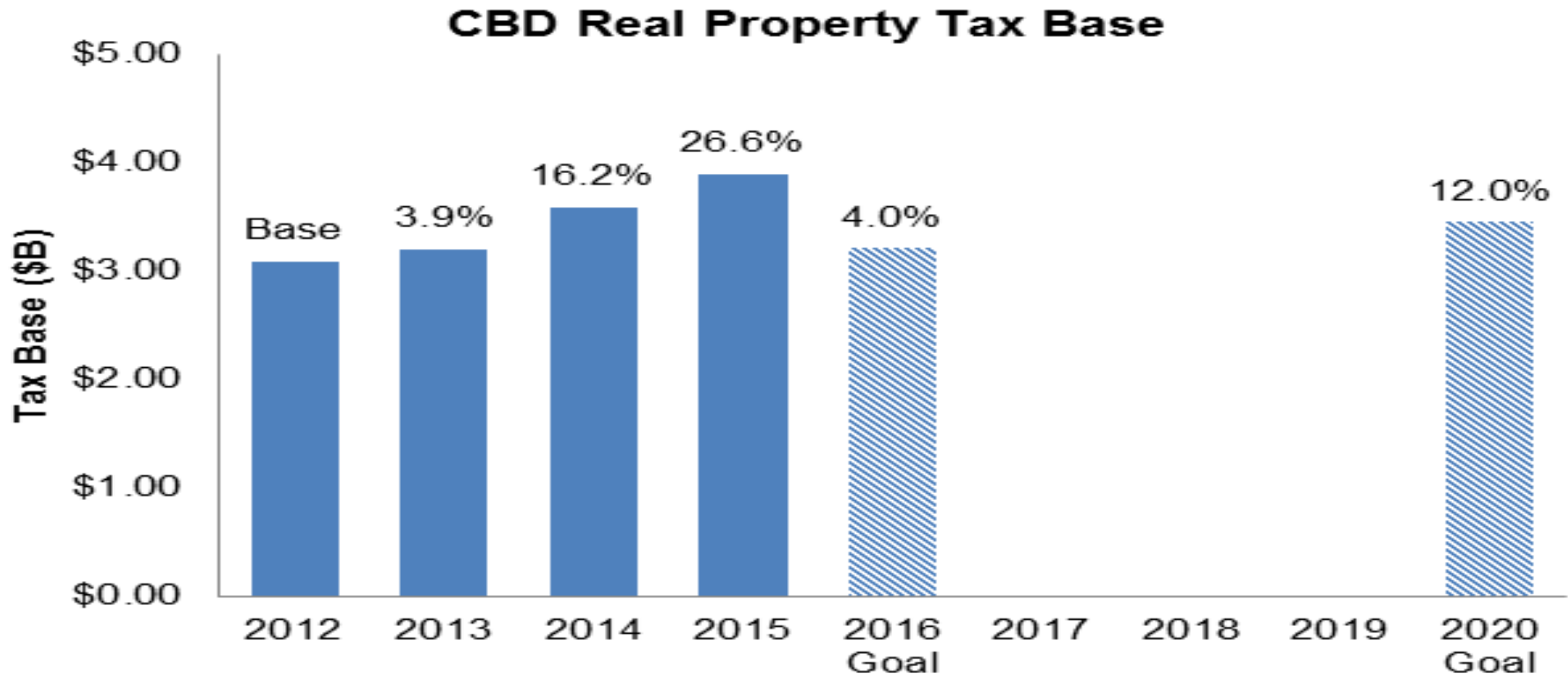
Unemployment Exceeds Early Expectations and Consistently Better Than National Averages

City of Dallas Unemployment Rate



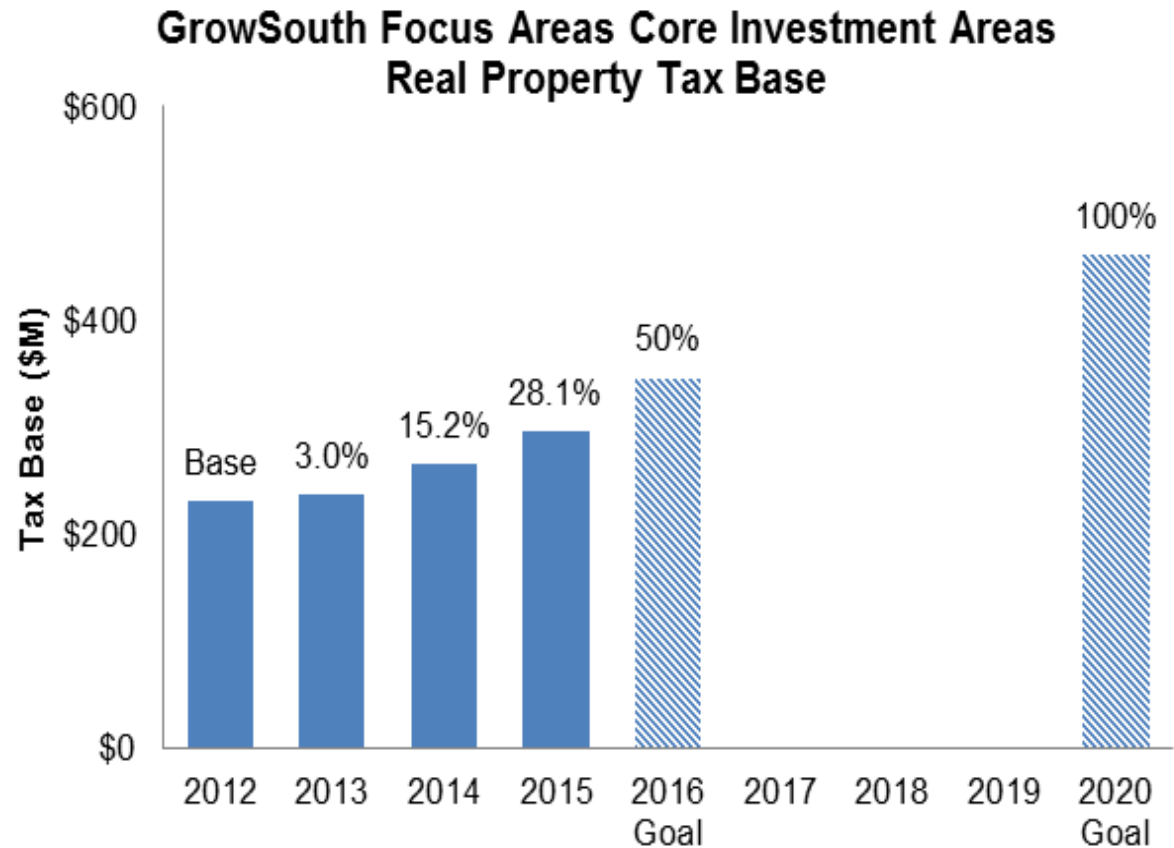
Will Fluctuate With Macroeconomic Climate

CBD Property Tax Base Grew 27% in 3 Years vs. 12% Goal in 8 Years



Southern Dallas Focus Areas' Property Tax Base Increased by 56% of Targeted 50% 4-Year Growth Goal

- Growth Rate is Accelerating
- New Construction Needed to Meet 100% 8-Year Growth Goals



Sustainable Community Indicators Established For 19 Neighborhood Areas

- **Measures of Commitment:** How invested are households in their communities?
- **Measures of Resilience:** How easily can households respond to hardships?
- **Measures of Amenities:** How marketable are neighborhoods?

Good measures for individual neighborhoods, but hard to draw conclusions without specific neighborhood plans to measure against

Dallas Incentives

- Total Incentives (all types) since 2006 = \$1.2B
- Only 9% Cash (Bonds, Pilot, CDBG)
- 61% Foregone Revenue (Tax Abatements, TIFs)
- 30% Other People's \$ (Federal/State Tax Credits, Foreign Investments)
- Estimated Private Investment Leveraged = \$7B+



OED Is A Facilitator
vs.
A Direct Service Provider

Primary Tools

- Tax Abatement (Real and Business Personal Property)
- Business Development Chapter 380 Grants (Pilot, GO Bonds)
- Tax Increment Finance Districts (TIFs)

(See Appendix A)

Supplementary Tools

- New Market Tax Credits (NMTC)
- City of Dallas Regional Center (CDRC)
- Property Assessed Clean Energy (PACE)
- Public Improvement Districts (PID)
- Small Business Adaptive Reuse Program
- Business Assistance Center (BAC)
- South Dallas Fair Park Trust Fund (SDFPTF)

(See Appendix B)

Facilitates Growth in Three Ways

- Business Attraction, Expansion and Retention
- Stimulation of New Private Investment Within Defined Geographic Areas
- Support of Community Sustainability Through Job Preparedness and Small Business Resource Initiatives

Business Attraction, Expansion and Retention

- Foster Growth/Expansion of Targeted Industries and Existing Firms
- Stimulate Commercial/Business Activity
- Maintain Competitive Position vs. Non-Dallas Sites
- Increase Commercial Tax Base
- Create/Retain Quality Job Opportunities For Dallas Residents
- Primary Metrics/Tools: Economic/Fiscal Impact, Private Investment Leveraged (PPP/Bond Grants, Tax Abatements, Texas Enterprise Fund, Enterprise Zones)

(See Appendix C For Examples)

Stimulation Of New Private Investment In Defined Geographic Areas

- Redevelop Sites and Areas Experiencing Disinvestment
- Leverage Increased Private Investment
- Promote Large Scale Catalyst Projects
- Primary Metrics/Tools: Private Investment Generated By Public Dollars; Incremental Property Values and Enhanced General Fund Revenue Created (TIF, PPP/Bond Grants, NMTC, PACE, EB-5, PID)

(See Appendix D For Examples)

Support Community Sustainability

Job-Oriented Focus

- Two Distinct Program Initiatives Relate to:
 - Individuals Who Are Not Yet Prepared To Enter The Workforce
 - Workforce Ready Individuals, Start-Ups, and Small/Microbusinesses
- Not Ready (Need Basic Skills/Workforce Readiness)
 - Workforce Readiness “Pilot” RFP
 - B.R.A.I.N. Partnership with DPL (Literacy, Financial Literacy, ESL, Tax Preparation/EITC thru Community Resource Partners)

Support Community Sustainability Cont'd

- Ready (Need Enhanced Linkage with Resource Network and Capital Sources)
 - B.R.A.I.N./DPL (Linkage with SCORE, DCCCD, Goldman Sachs, Chambers of Commerce, SBA, Momentum TX, City Procurement)
 - Small Business Lending/Capital Support (LIFT, People Fund/SDDC, DDF/People Fund, SDFPTF, Adaptive Reuse Grant Program, Façade Improvement Program)

City Financial Support

- Workforce Readiness Pilot: \$1.5M (PPP) Leverage \$5M Program Spending
- Southern Dallas Adaptive Reuse and Façade Programs: \$450K to date (PPP, CDBG)
- Economic Development Grants/Loans and Social Service Grants – South Dallas/Fair Park: \$500K in FY'16 in Program Funding (SDFPTF/PPP)
- Small Business Lending (Existing)
 - DDF/People Fund: \$300K
 - People Fund/SDDC: \$1M Revolving (PPP); \$180K Revolving (CDBG)
 - Food Desert (\$3M PPP Allocation)

Program Parameters

Workforce Training

- Goal: 75% of Qualified Program Participants Employed With Living Wage At Pilot Program Completion
- City Funds Must Be Leveraged

DDF Small Business Lending

- \$25-\$100K in NMTC Eligible Tracts
- Term: 2-10yrs.
- Int. Rate; 5-9%
- Profile: For-Profit Businesses Unable to Borrow From Commercial Banks – Job Creation within 12 months of Loan Closing

Program Parameters Cont'd

Adaptive Reuse Grants Cont'd

- Small Business Owners with Vacant Buildings < 10K sq. ft.
- Minimum Owner Investment = \$150K
- 51% sq. ft. Space Used For Owners Business
- Maximum Grant = \$30K

B.R.A.I.N./DPL Partnership

- Library Visits Related to B.R.A.I.N. Facility
- Online Searches
- Requests For Assistance
- # Of Resource Partners Recruited
- Responsiveness of Resource Partners to Service Requests (not yet tracked)

Other Initiatives In Progress

- On The Road Lending
- Food Desert
- BAC Program Revision
- LIFT Interest Buy-Down Program
- TREC Community Fund Participation

Lessons Learned

- City Policies and Actions Can Affect The Market
- Strong Partnerships Critical
- Infrastructure Investment A Must
- Transportation Leads To Better Urbanism
- Economic Development Linked To Quality of Life

(See Appendix E for Examples)

Wayne Gretzky Quote:

“SKATE TO WHERE
THE PUCK IS GOING
TO BE, NOT WHERE
IT HAS BEEN.”

Looking To The Future: “Where the Puck is Going to Be”

- DFW Growing To 10 Million Residents By 2040
- Dallas’ Role As Largest Urban Center
- Redevelopment Of Urban Core Into Walkable, Mixed-use, Transit-oriented Neighborhoods
- Poverty And Wealth Gap Issues Require Collaborative Approach And Neighborhood Focus in Southern Dallas and High Poverty Areas Citywide (See Appendix F)
- Education And Job Skills Training Are Critical

“Shared Prosperity” Focus: Next Steps

- **Maintain Active Citywide Business Attraction, Expansion and Retention Programs As Well As Defined Geographic Investment Initiatives**
 - Financial Engine That Fuels Long Term Growth
- **Shift Financial Resources To Proactively Facilitate Anti-Poverty Initiatives Related to Workforce Readiness/Career Path Development and Small Business/Mobility Lending Initiatives**
 - Workforce Readiness Pilot
 - Expanded B.R.A.I.N. Partnership with DPL LIFT Interest Buy-Down Program
 - On the Road Lending
 - BAC Program Revision
 - LIFT Interest Buy-Down Program
 - Other TBD

“Shared Prosperity” Focus: Next Steps Cont’d

- Continue to actively pursue Southern Dallas Grocery Store Opportunities Including Non-Conventional Healthy Food Solutions
 - Create a Dallas Food Policy Council Including City, Non-Profits and Faith-Based Communities to Establish a Baseline Report Related to Food Access, Affordability and Education
- Fund a Facilitated Series of Community Conversations to Develop A More Holistic Strategy That May Also Include an Effective “Boots On The Ground” Approach To Neighborhood Service Delivery
 - Leverage City Assets
 - Facilitate Resource Partner Collaboration

Appendices

Appendix A

Primary Tools

- Tax Abatement: An Agreement to Forego Future Real Property or Business Personal Property Tax Revenue From New Investments
- Business Development Chapter 380 Grants:
 - Used to Defray Project Costs Such As Land Purchase, Construction, Public Infrastructure, Development Fees, Right of Way Abandonment Fees, Loan Guarantees, Relocation Costs, etc.
 - Council Approved Initiatives For Grants or Loans to Stimulate Economic Development (i.e., Small Business Adaptive Re-Use Plan, Workforce Readiness)
 - Funding Sources: Pilot From DWU and GO Bonds

Primary Tools Cont'd

- Tax Increment Finance Districts (TIF): Defined Geographic Areas where increases in Property Tax Revenues in Excess of Base Year Value Are Used to Support Development Improvements Within the District (Program Cash generated from Incremental Property Tax Collections Generated by New Development)

Appendix B

Supplementary Tools

- New Market Tax Credits: Federal Tax Credit Program (39% over 7 years). Run by Dallas Development Fund (DDF). Invests in Low-income Communities in Conjunction with Other Funding Sources. Will Apply For New Allocation in 2017 (12 Projects and \$130M in allocations since 2011).
- City of Dallas Regional Center (EB-5): Employment-based Visa Program Provided Foreign Capital Investment. Can Take The Form of Debt or Equity. Investors Willing to Accept Lower Returns Because of Green Card Benefits. Independently Managed by Civitas Capital Management. Generally Used in Conjunction With Bank Debt (\$400M+ Invested in 20 Projects since 2009).

Supplementary Tools Cont'd

- Property Assessed Clean Energy (PACE): State Legislature-Approved Financing Program Authorized by Council in 2016, Allowing owners of Commercial, Industrial and Multifamily Residential (5+ units) to Obtain Low-cost, Long Term Loans for Water Conservation, Energy Conservation and Renewable Retrofits. Independently Administered by Texas Pace Authority. Three Project Currently Under Consideration.
- Public Improvement Districts (PID's): Special Assessment Area Created at the Request of Property Owners in a Proposed Geographic Boundary. Owners Pay Supplemental Assessment with Property Taxes to Fund Services That Complement Existing City Services. Council Sets Assessment Rate for each District. Governed by Property-owner Elected Boards and Managed by Non-Profits or Homeowner Associations.

Supplementary Tools Cont'd

- Small Business Adaptive Reuse Program: Grant Program Established in 2014 to Assist Owners of Small Businesses with Re-use of Underperforming Vacant Buildings in Southern Dallas. Maximum Award is \$30K with Minimum \$150K investment. 51% of Building Space Must Be Used For Owner's Business. Current Allocation (PPP) is \$250K with Availability of \$190K.

Supplementary Tools Cont'd

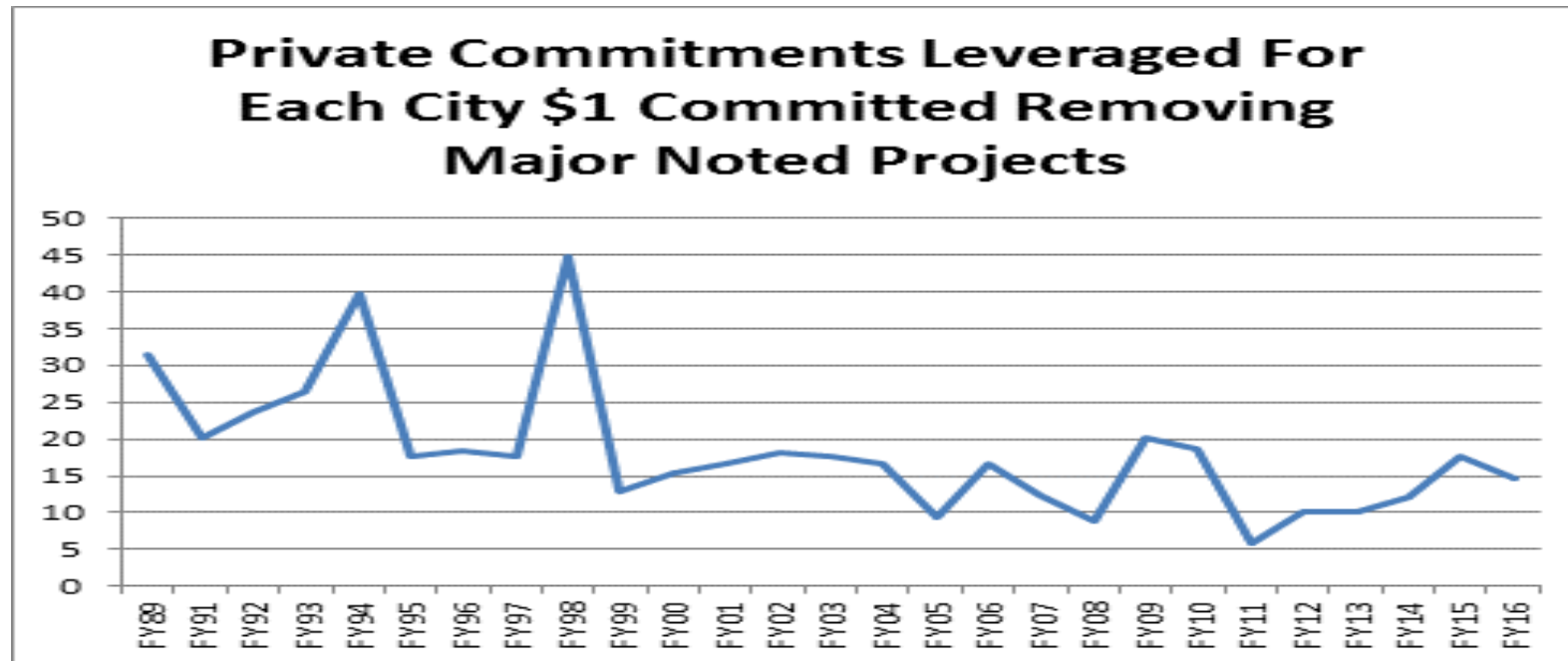
- Business Assistance Centers (BACs): BAC Contractors Provide Technical Assistance, Incubator Space and Other Support Services For Low-to-moderate Income Persons Owning or Starting Microenterprises. Currently, 7 BACs with \$560K in Funding From General Fund. Program to be Reviewed and Modified in 2017.
- South Dallas/Fair Park Trust Fund (SDFPTF): Created in 1989 as asset for South Dallas Fair Park Community Facilitates Community and neighborhood Development Through Grants and Loans That Support Community Service Programs, Business and Economic Development Activity and Affordable Housing, 228 Grants and 12 Loans. FY' 2017 Program Budget is \$500K.

Appendix C

Business Development Examples

Historic Context

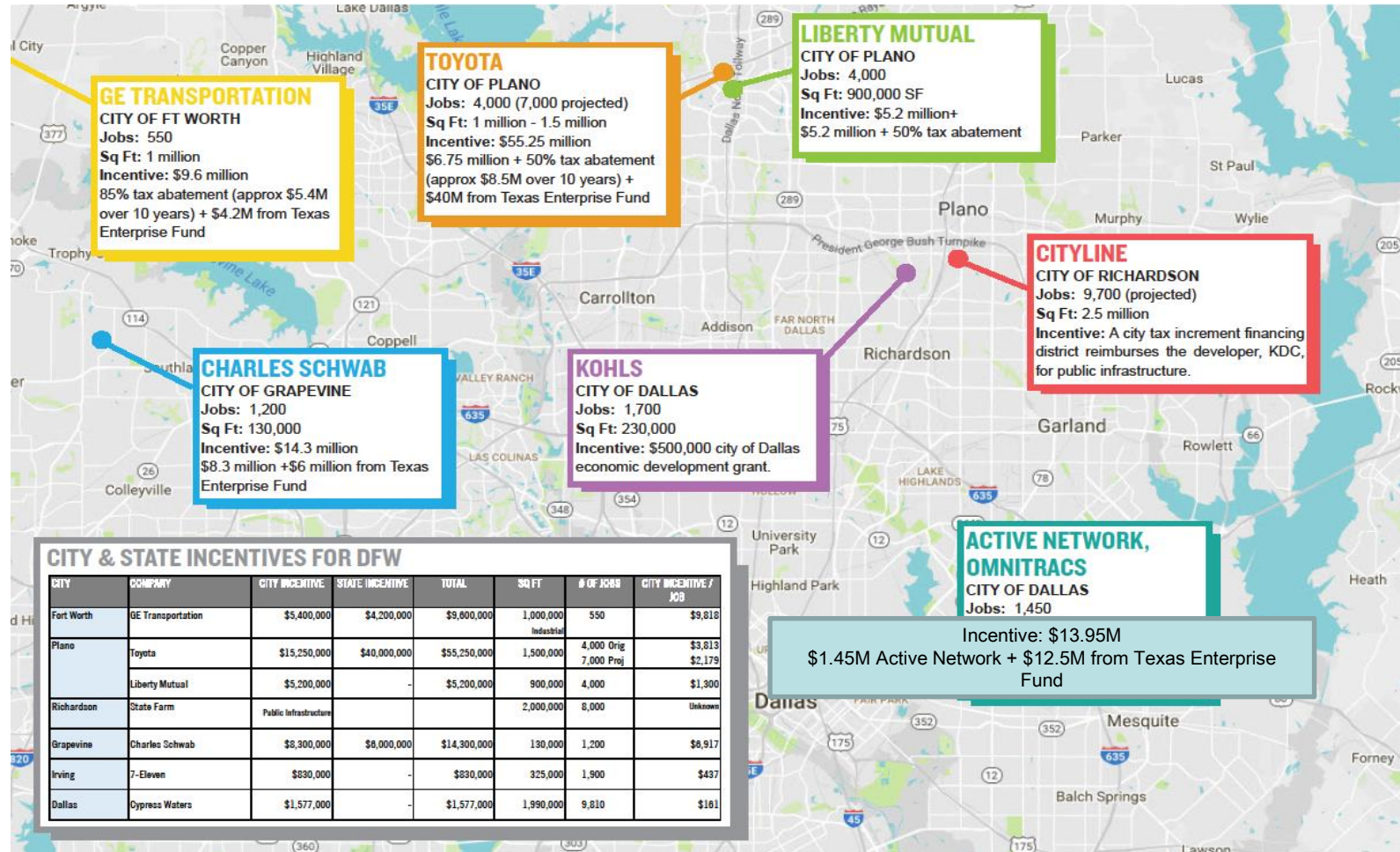
- On average, City leverages \$14.70 in private investment for each \$1.00 committed (after removing projects like Texas Instruments' that distort data)
- The overall trend is of reduced return on City's investments, reflecting an increased focus on community reinvestment



Pinnacle Park & Mountain Creek Business Parks

- Combined initial Dallas Central Appraisal District (DCAD) valuation of \$9.5M prior to development, increased to \$873.3M in 2015 for both parks
- Approaching full development but an additional \$50M+ of new facilities currently under construction or nearing completion

Cypress Waters Creates More Jobs/Private Investments (At Less Public Cost) Than Toyota and Liberty Mutual Combined



Appendix D

New Private Investment In Geographic Areas Examples

Community Reinvestment Examples

- **Sierra Vista Shopping Center** (W. Illinois Ave. at S. Westmoreland Blvd., CD 3)
 - Fiesta-anchored shopping center renovation
 - Total Project Cost: \$20M
 - City P/PPF \$1.04M grant + abatement value
- **Torre Vista Shopping Center** (Lake June Rd. at Masters CD 5)
 - El Rio Grande-anchored shopping center renovation
 - Total Project Cost: \$14M
 - City P/PPF \$1.5M grant



Community Reinvestment Examples Cont'd

- **Glen Oaks Crossing** (E. Ledbetter Dr. at I-35E, CD 4)
 - Walmart-anchored shopping center development
 - Total Project Cost: \$29.8M
 - City P/PPF \$2M grant
- **Save-A-Lot** (3540 Simpson Stuart Rd., CD 8)
 - 15,000 SF Grocery Store
 - 6,000 SF For Three Retail Spaces
 - Total Project Cost: \$4M
 - City P/PPF \$2.8M; Debt \$1.1M; Owner Equity \$150K



Community Reinvestment Examples Cont'd

- **Lancaster Urban Village** (4900 S. Lancaster Rd., CD 4)
 - 14,000 SF Retail
 - 193 Residential Units
 - 395 Structure/Unstructured Parking
 - Total Project Cost: \$27.8M
 - City P/PPF \$3.9M; HUD 108 \$8.4M; HUD 221d-4 \$12.5m; NMTC \$3.2M
- **Parkland Clinic at Hatcher Station Village** (4600 Scyene Rd., CD 7)
 - 44,000 SF Medical Clinic
 - Total Project Cost: \$19.8M
 - City P/PPF \$1.9M; NMTC \$4.3M; Debt \$11.6M; SD/FP Trust Fund \$0.2M; Housing Grant/Loan \$1.2M; Owner Equity \$0.5M



Large Scale Catalyst Project: Trinity Groves



West Dallas Investments LP.



Large Scale Catalyst Projects: Southwest Center(Red Bird)/Midtown Mall



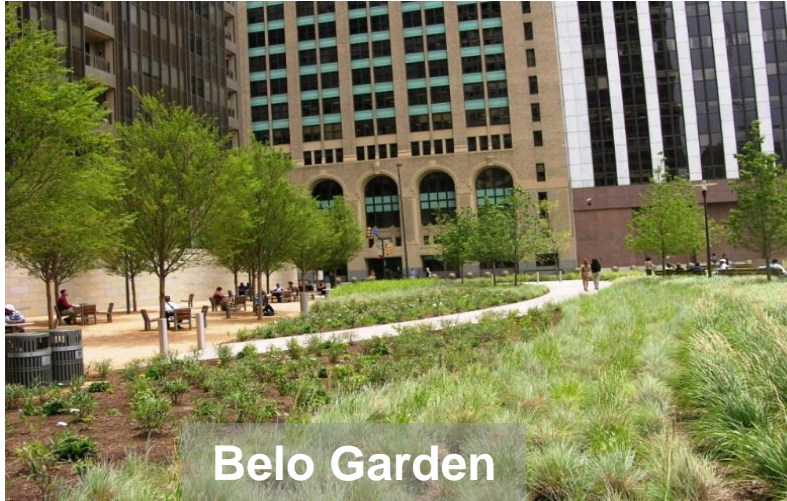
Large Scale Catalyst Project: Farmers Market



Credit: Spectrum Properties



Leverage Private Investment: Downtown Redevelopment And Parks



Belo Garden



Main Street Garden



Klyde Warren Park

Credit: Woodall Rodgers Park Foundation



Appendix E

Lessons Learned: Examples

Partnerships: NYLO Dallas South Side Hotel



DALLAS
ECONOMIC
DEVELOPMENT



CDRC CITY OF DALLAS REGIONAL CENTER

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DALLAS
DEVELOPMENT
FUND



Infrastructure: International Inland Port of Dallas



Landmark: Omni Dallas Convention Center Hotel

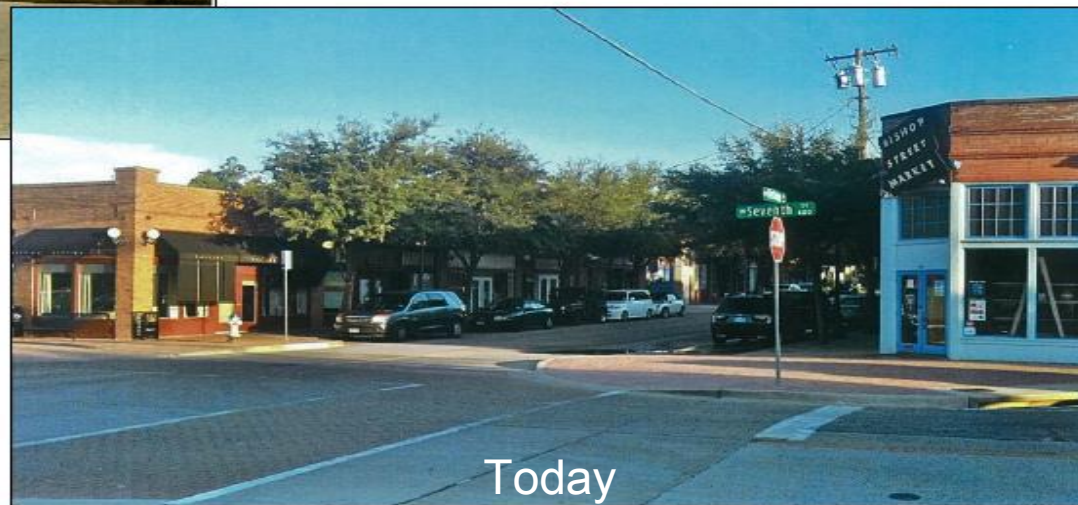


Credit: David Woo, Dark Light

Transportation/Better Urbanism: Bishop Arts



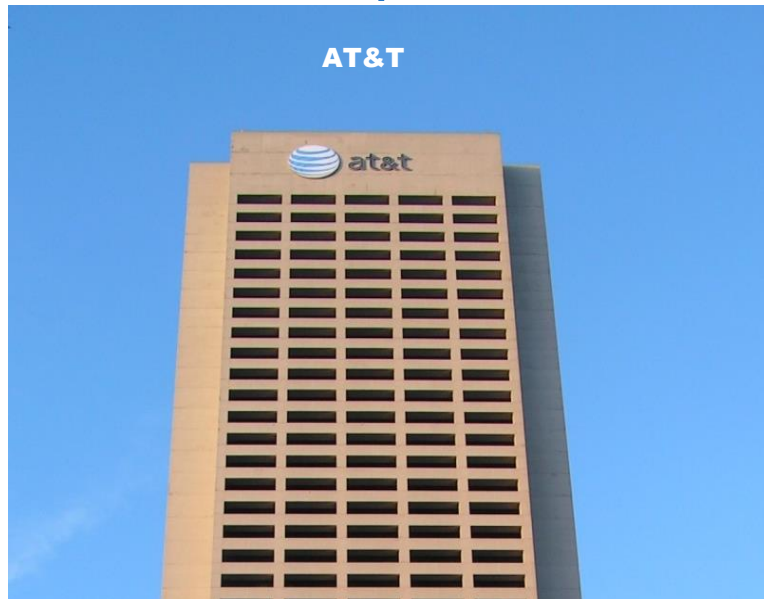
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Today

QUALITY OF LIFE ISSUES LINKED TO ECONOMIC DEVELOPMENT INITIATIVES

- Resident Satisfaction
- Business Recruitment/Retention (AT&T, Comerica, Tenet, Deloitte, Active Networks, Omnitrac, Comparex)
- “Return On Perception”



GREEN TO GOLD: KATY TRAIL

- 3.5 Mile Pedestrian and Bike Trail System
- Links 20 Neighborhood Areas to CBD
- Trail Serves 15,000 People a Week
- Between 2001 and 2011, \$750M in Development Completed Within .25 Miles of Trail
- Home Values Increased by 20%



Klyde Warren Park / Arts District Economic Impact Estimated \$1.3 Billion Dollar Impact



Appendix F

High Poverty Target Areas

(Red areas on map)

