

Memorandum



CITY OF DALLAS

DATE March 4, 2024

Honorable Members of the City Council Economic Development Committee: Tennell
TO Atkins (Chair), Omar Narvaez (Vice Chair), Carolyn King Arnold, Adam Bazaldua, Paul
Ridley, Kathy Stewart, and Chad West

SUBJECT **Proposed Amendments to City of Dallas Economic Development Incentive Policy**

On March 27, the City Council will be asked to consider amendments to the City of Dallas Economic Development Incentive Policy. The proposed amendments fall into four general categories, which are detailed below.

1. Amendments required to implement the 2024 Bond.

The City's bond counsel has clarified that any funding awarded under the Economic Development proposition must be awarded pursuant to a program under Chapter 380 of the Texas Local Government Code. The Economic Development Incentive Policy is the Office of Economic Development's program for purposes of carry out programs authorized under this state law. The proposed amendment clarifies that Dallas Housing Policy 2033 is also a "program" under Chapter 380.

2. Amendments reflecting state legislative updates.

During the 88th regular legislative session, Senate Bill 543 added Section 253.0125 to the Texas Local Government Code. This new statute allows the City of Dallas to convey property to an entity for economic development purposes if the City and the entity are parties to a Chapter 380 agreement. New Section IV(6) on Page 16 clarifies the different authorities under which the Office of Economic Development (OED) may convey property for an economic development purpose, and the conditions under which staff will request City Council exercise such authority.

- As a general rule, OED will utilize a public solicitation process when offering City-owned property for development. This will ensure that all interested parties have an opportunity to participate and will secure the most beneficial public use for the citizens of Dallas.
- The new process authorized under Section 253.0125 may be used for: (1) property that has recently gone through a public solicitation process and failed to reach a development deal, (2) land conveyance to the Economic Development Corporation, and (3) other property that has environmental contamination or other conditions that impair the property's suitability for development.
- All land conveyances, regardless of the statutory authority used, require the approval of the City Council.

3. Minor Program Amendments and Fee Recovery.

- A sentence has been added on Page 9 to make clear that projects may be required to participate in the Urban Design Peer Review process.
- On Page 9, a lower jobs threshold coupled with a minimum capital investment amount has been inserted for Business Development projects located in Target Areas, in the hopes of attracting more businesses to Target Areas.
- On Page 11, the maximum amount of any one Predevelopment Loan has been increased from \$25,000 to \$50,000. This program has only received one application, and so we are increasing the amount to attract more M/WBE and Community Developers.
- An underwriting fee has been added for large, individually negotiated agreements to cover the cost of the City's external underwriter. There will be no fee for as of right tax abatements, community development projects, predevelopment loans, business development projects, or other small projects that do not require external underwriting.
- Language has been added to require developers of large, individually negotiated projects to cover the City's cost for outside legal counsel engaged by the City Attorney's Office, as applicable. Outside legal counsel will not be engaged for any as of right tax abatements, community development projects, predevelopment loans, business development projects, or other small projects that will continue to be directly served by the City Attorney's Office.

4. General Cleanup and Clarification.

- Default and bankruptcy provisions on Page 2 are clarified to confirm that they apply to affiliates of an applicant.
- Clarification on the purpose of tenant relocation assistance is provided on Page 4.
- On Page 4, language is added regarding the start date of tax abatements to make the provision consistent with the last paragraph on Page 5.
- The policy is updated on Page 4 to confirm that As-of-Right Tax Abatements must be assigned in whole.
- Minor changes on Pages 4 and 5 confirm that all incentives must be documented in a written agreement with the City.
- Public benefit language on Page 7 is amended to match the public benefit language on Pages 10 and 11. The two sections should be identical. The language is also modified in both locations to include as point of consideration projects that help meet CECAP goals.
- On Page 15, the outdated reference to the Office of Historic Preservation is updated to reference the Planning and Urban Design Department.
- On page 16, staff now requires a review period for state incentive applications.

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The draft amendments are attached to this memo as a redlined document, and staff and the City Attorney's Office will be available to discuss the document at the March 4, 2024 Economic Development Committee meeting. Should you have any questions, please contact Robin Bentley, Director, Office of Economic Development at (214) 671-9942.



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Assistant City Manager

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Directors and Assistant Directors

City of Dallas Economic Development Incentive Policy

~~Effective January 1, 2023 through December 31, 2024~~

~~Adopted as Resolution No. 23-0220 on January 25, 2023~~

~~Amended by Resolution No. 24-XXXX on March 27, 2024~~

I. ECONOMIC DEVELOPMENT INCENTIVE POLICY PURPOSE

The Dallas City Council unanimously adopted a new Economic Development Policy (EDP) in May 2021. The new policy sets out clear policy goals focused on fostering economic growth and social progress for all residents. ~~The Office of Economic Development's (OED) current incentive policies were created prior to adoption of the EDP. Therefore, OED incentive programs are being updated.~~ This policy is intended to align with equitable economic development policy priorities specified in the EDP. This document replaces the Public/Private Partnership Program - Guidelines and Criteria adopted by Council on June 8, 2022, by Resolution No. 22-0901; the Tax Increment Finance (TIF) Policy adopted by Council on June 17, 2015, by Resolution No. 15-1144; and the Public Improvement District (PID) Policy adopted by Council on March 25, 2020, by Resolution No. 20-0496. This policy applies to incentive applications received on or after January 1, 2023.

The following incentive programs support job growth, create new tax revenue, attract and retain businesses, and expand the City's tax base, all while advancing equitable economic development, including a renewed and explicit focus on incentivizing:

- Availability of affordable housing units;
- High-quality jobs that provide opportunities for all;
- Investment in Southern Dallas and other distressed or low- and moderate- income areas; and
- Racially equitable participation in Dallas's economy and wealth-building opportunities.

The City's economic incentive toolkit provides assistance to help achieve the public purpose advanced by a project and to catalyze investment that would not occur, or would not occur on the same timeline or at the same scope, but for the addition of the incentive. To support the "but for" argument, any jobs created or investments made prior to contract execution do not count toward minimum requirements of this policy. Tools may be combined to achieve a public purpose.

II. TARGET AREAS

The City acknowledges the historic disinvestment that has shaped Dallas, and therefore seeks to prioritize equitable economic development in underserved areas. This policy directs certain

programs and incentives toward designated Target Areas¹ (see **Exhibit A**) with the goal of increasing investment in Southern Dallas and other distressed areas and as a signal to the market as to where the City wants to prioritize investment.

Target Areas align with the State of Texas designated Enterprise Zones, which are census block groups designated as distressed areas in alignment with the most recent federal decennial census. In accordance with Section 2303.101 of the Texas Government Code, a block group automatically qualifies for designation as an enterprise zone if it (1) has a poverty rate of at least 20 percent; (2) is designated by the federal government as a renewal community, a federal empowerment zone, or a federal enterprise community; (3) is located in a distressed county, meaning that the county has a poverty rate above 15.4 percent, in which at least 25.4 percent of the adult population does not hold a high school diploma or high school equivalency certificate, and that has an unemployment rate that has remained above 4.9 percent during the preceding five years; or (4) is inside the boundaries of a defense base.

For purposes of the as-of-right tax abatement incentive program described in **Section III, Subsection 1**, Target Areas are also deemed a zone for purposes of Chapter 378 of the Texas Local Government Code.

III. INCENTIVE PROGRAMS

The Office of Economic Development offers the Incentive Programs outlined in this **Section III**. Applicants must provide a certificate of account status from the Texas Comptroller of Public Accounts demonstrating that the applicant is compliant with State of Texas regulations, and be current on all taxes. OED reserves the right to reject applications from applicants (including applicants' affiliates, subsidiaries, and other legal entities with materially similar ownership, membership, or controlling interests) who have ~~not~~ filed for bankruptcy in the past five years, and or have ~~not~~ previously defaulted on any City of Dallas incentive agreement. The following categories of businesses are not eligible for incentive awards: (1) businesses that require a sexually oriented business license under Chapter 41A of the Dallas City Code, (2) liquor stores, pawn shops, credit access businesses, body piercing studios, or tattoo studios, as those terms are defined by the Dallas Development Code, and (3) other uses incompatible with surrounding neighborhood uses, as determined by OED.

Each proposal will be analyzed to ensure that the incentive serves a public purpose and provides a public benefit in conformance with this program statement and state law. OED reserves the right to reject any incentive application. OED also reserves the right to refer a by-right tax abatement application to the City Council for approval by resolution if OED has questions about whether the project use is incompatible with surrounding neighborhood uses, or if the project has the potential to create an undesirable outcome such as a negative environmental impact; a

¹ Target Areas are defined as state-designated enterprise zones, and may be searched online [here](#). A map of the Target Areas as of the date of adoption of this policy is attached as **Exhibit A**.

use that could deter future economic development; a noise violation, noxious odor, or other nuisance; an overconcentration of one use; etc.

Financial awards ~~will~~must be documented in a written agreement, approved as to form by the City Attorney, to allow the City to: (1) ensure that the incentives accomplish a public purpose; (2) retain public control over the funds to ensure that the public purpose is accomplished and to protect the public's investment; and (3) ensure that the City receives a return benefit.² OED will work with the City Attorney's Office to identify ancillary instruments required to accompany each incentive agreement, such as a promissory note, deed of trust, deed restrictions, surety bonds, letters of credit, third-party guarantee, or other instruments, each approved as to form by the City Attorney's Office. OED may not, as part of an incentive agreement, waive the City's legislative, governmental, or police power.

1. As-of-Right Tax Abatements in Targeted Areas

In accordance with Chapter 312 of the Texas Tax Code, **Section III, Subsections 1 and 2.1** will serve as the City of Dallas's adopted guidelines and criteria governing tax abatement agreements and as evidence that the City elects to participate in tax abatements. For purposes of Chapter 312, the term of Section III, Subsections 1 and 2.1 is two years beginning on January 1, 2023, and ending on December 31, 2024, which may be renewed by Council in the manner outlined in that Chapter.

Temporary abatements of net new real property or business personal property taxes are available for job creation projects and real estate development projects that advance the City's economic development goals. Tax abatements may be awarded either as a by-right incentive as described in this section, or as a Negotiated Incentive as described in **Section III, Subsection 2.1**.

Projects located in Target Areas, but not in a TIF District, that meet the criteria described below will be eligible to apply for an as-of-right tax abatement. The as-of-right tax abatement is intended to catalyze real estate development and job creation in traditionally underserved areas by offering a simplified and streamlined process.

To be eligible for a ten-year, 90 percent abatement of net new City of Dallas real property taxes or a five-year, 90 percent abatement of net new City of Dallas business personal property taxes (type of tax abated dependent on applicant preference), a project must meet all of the following criteria:

- Submit an application for an as-of-right tax abatement
- Be located in a Target Area
- Have a total project budget of \$25 million or less, plus one of the following:
 - Capital expenditures³ of at least \$2 million; or

² Tex. Mun. League Intergovernmental Risk Pool v. Tex. Workers' Comp. Comm'n, 74 S.W.3d 377, 384 (Tex. 2002).

³ For purposes of this policy, "capital expenditures" exclude land acquisition costs, attorney fees, broker fees, developer profit line items, and other costs unrelated to construction such as marketing, travel, etc.

- Creation of at least 10 full-time jobs or retention of at least 25 full-time jobs⁴
- Ensure that all full-time jobs (created and retained) must pay a minimum wage not less than the hourly rate determined by the [MIT Living Wage Calculator](#) for an individual living in Dallas County, indexed to and adjusted annually during the term of the incentive agreement (“Living Wage”)⁵
- For a real estate development project, must make a good faith effort to comply with the City’s Minority-owned and Women-owned Business Enterprise (M/WBE) participation goal of 32% for hard construction costs⁶
- Fulfills public purpose of creating Living Wage jobs and/or growing the City tax base
- Does not result in the direct displacement of people from residential units or the demolition or repurposing of residential units for a non-residential use unless (1) developer makes at least one comparable replacement dwelling available to each displaced tenant⁷ and provides relocation assistance for all displaced tenants in an amount acceptable to OED⁸; and (2) if any housing units are to be demolished or removed from residential use, developer either (a) plans to immediately reconstruct or otherwise replace all such units with units of the same type and same or better quality, or (b) proposes an alternate plan that would result in the replacement of the units and such plan is approved by resolution of the City Council. If a project results in the direct displacement of people from residential units or the demolition or repurposing of residential units, it requires approval by resolution of the City Council.

As-of-right tax abatements require approval by administrative action (except where City Council approval is specifically required as described above) and an executed tax abatement agreement approved as to form by the City Attorney’s Office. Abatements are only assignable in whole and may not be assigned to multiple entities. OED will update the City Council’s Economic Development Committee via a quarterly memo summarizing incentives awarded by administrative action.

Throughout the term of the tax abatement agreement, the annual abatement is contingent upon annual compliance with the agreement. All tax abatements begin on January 1 of the calendar

⁴ For purposes of this policy, “full-time jobs” refer to jobs that are scheduled to work a minimum of 35 hours each week and that provide healthcare benefits. Full-time jobs are permanent positions and do not include interns, temporary works, consultants, etc.

⁵ Projects that advance specific public purposes identified by OED may be exempt from the Living Wage requirement, such as full-service grocery stores in low-income, low-access (LILA) Census tracts as determined by the U.S. Department of Agriculture. See [USDA Atlas](#) for 2019 LILA tracts. Waivers of the Living Wage requirement will be stated in the City Council resolution approving the incentive agreement.

⁶ More information about the City of Dallas M/WBE program is available [here](#).

⁷ The term “comparable replacement dwelling” means any dwelling that is (A) decent, safe, and sanitary; (B) adequate in size to accommodate the occupants; (C) within the financial means of the displaced person; (D) functionally equivalent; (E) in an area not subject to unreasonable adverse environmental conditions; and (F) in a location generally not less desirable than the location of the displaced person’s dwelling with respect to public utilities, facilities, services, and the displaced person’s place of employment. 42 USC § 4601(10). A comparable replacement dwelling will be considered to have been made available to a tenant, if (1) the tenant is informed of its location in writing; (2) the tenant has sufficient time to negotiate and enter into a purchase agreement or lease for the property prior to displacement from tenant’s current residential unit; and (3) the tenant receives relocation assistance in sufficient time to make arrangements to move to the comparable replacement dwelling or another location of tenant’s choosing.

⁸ Relocation assistance is intended to cover actual moving costs for the displaced tenant plus any security deposits required by the new landlord.

year that immediately follows execution of the agreement, unless otherwise specified in the agreement.

If an as-of-right applicant finds that the tax abatement award described above is insufficient to fill a project's financial gap, the applicant may apply for a Negotiated Incentive, as described in **Section III, Subsection 2.**

2. Negotiated Incentives (Tax Abatement, Loans, and Grants)

Negotiated Incentives are available for (1) projects with a total budget greater than \$25 million, (2) projects located outside of Target Areas, (3) projects for which an as-of-right tax abatement is insufficient to fill the financial gap, or (4) projects that comply with the Community Development Plan attached as **Exhibit D.**

An applicant for Negotiated Incentives must submit a complete incentive application (available on the OED website [here](#)) ~~and~~ with a money order or cashier's check in the amount of the underwriting fee noted in the application. The applicant's project will undergo either real estate development underwriting review or business development impact analysis, as appropriate, to determine the source, incentive amount, and terms of any award package. Negotiated Incentive offers may include abatements, loans, and/or grants.

Once the City and applicant have negotiated and executed a term sheet, the ~~project~~ Negotiated Incentives may be approved by resolution or administrative action, as described below:

- Incentive offers valued at or below \$1 million for projects inside Target Areas will be approved by administrative action.
- Incentive offers valued at or below \$1 million that are made to M/WBE developers⁹ or community developers¹⁰ throughout the city will be approved by administrative action.
- All other incentive offers must be approved by resolution of the City Council.

OED will update the City Council's Economic Development Committee via a quarterly memo summarizing incentives awarded by administrative action.

All incentives, regardless of approval method, will must be documented in a written incentive agreement approved as to form by the City Attorney's Office, and payment or abatement is contingent upon compliance with the incentive agreement throughout the term. Unless otherwise specified in the agreement, all tax abatements begin on January 1 of the calendar year following execution of the agreement. OED will establish interest rates, repayment schedules, loan security and prioritization, and all other terms and conditions for loan and grant awards,

⁹ Refers to entities that have been certified (or are in the process of being certified prior to application) as a M/WBE by the North Central Texas Regional Certification Agency, Dallas Fort Worth Minority Business Council, or the Women's Business Council – Southwest.

¹⁰ Community developers, often known as community development corporations, neighborhood development corporations, or community-based organizations, vary in organizational structure and size, but are defined by a mission to serve low-income families and distressed communities, with a focus on real estate development for housing and commercial properties. Community developers, which can include nonprofits and faith-based institutions with real estate assets, develop real estate to meet their community development mission and help improve the quality of life of the communities they serve. See [Texas Association of Community Development Corporations](#) for further information.

which will be documented in an incentive agreement, accompanied by any ancillary security instruments as deemed necessary by the City Attorney's Office. These security instruments may include a promissory note, deed of trust, deed restrictions, surety bonds, letters of credit, third-party guarantee, or other instruments, each approved as to form by the City Attorney's Office. The City may not, as part of an incentive agreement, waive the City's legislative, governmental, or police power. By entering into an incentive agreement, the developer consents to all requirements imposed by the City.

Within 10 business days of the administrative action or Council resolution approving a Negotiated Incentive for a real estate development project, the applicant must deliver to OED a cashier's check or money order to be escrowed with the City Attorney's Office to cover the costs of any outside legal counsel retained to represent the City with regard to negotiating and/or drafting development agreements, loan documents, promissory notes, property management agreements, deeds of trust, ground leases, deed restrictions, subordination agreements, intercreditor agreements, financial documents, or any other item identified as necessary by the City Attorney's Office for the applicant's project. Failure to timely deliver the funds may result in revocation of the incentive offer.

The amount of the escrow will be determined based on the chart below:

<u>Total Incentive Award</u>	<u>Amount of Escrow</u>
<u>< \$1 Million</u>	<u>N/A, project will be managed by City Attorney's Office</u>
<u>\$1 Million to \$5 Million</u>	<u>\$30,000</u>
<u>\$5 Million to \$15 Million</u>	<u>\$50,000</u>
<u>Greater than \$15 Million</u>	<u>\$75,000</u>

If there is a balance in the escrow fund on the date that the incentive agreement is executed by all parties, the City Attorney's Office will refund the balance. If all escrowed funds have been used and there are legal fees owed to outside legal counsel on the date that the incentive agreement is to be executed by all parties, the applicant must directly pay such costs to outside legal counsel prior to the City's execution of the agreement. If the incentive agreement is not executed for any reason, the applicant must still pay the legal fees for outside legal counsel. In no event shall an applicant be obligated to pay an amount for the City's outside legal counsel that exceeds the greater of \$100,000 or 0.5% of the total incentive amount awarded.

2.1 Negotiated Tax Abatements

Projects must meet baseline criteria described below and must demonstrate a financial need and/or positive fiscal impact to be eligible for a tax abatement.

Baseline criteria for consideration for tax abatements are as follows:

➤ *Business development projects:*

- Generate positive fiscal return-on-investment, with the net present value of project revenues to the City outweighing the incentive amount, as verified by OED or a third-party consultant
- Incentivized jobs (created or retained) pay a Living Wage
- Create at least 10 permanent full-time-equivalent (FTE) jobs, or retain at least 25 FTE jobs
- Capital expenditures of at least \$2 million

➤ *Real estate development projects:*

- Verified capital financing gap, as verified by OED or third-party underwriter
- Jobs hired directly by primary developer receiving incentive award pay a Living Wage
- Capital expenditure of at least \$2 million
- Must make a good faith effort to comply with the City's Minority-owned and Women-owned Business Enterprise (M/WBE) participation goal of 32% for hard construction costs
- Project does not result in the direct displacement of people from residential units or the demolition or repurposing of residential units for a non-residential use unless (1) developer makes at least one comparable replacement dwelling available to each displaced tenant¹¹ and provides relocation assistance for all displaced tenants; and (2) if any housing units are to be demolished or removed from residential use, developer either (a) plans to immediately reconstruct or otherwise replace all such units with units of the same type and same or better quality, or (b) proposes an alternate plan that would result in the replacement of the units and such plan is approved by resolution of the City Council.

~~When negotiating a Negotiated Abatement offer, staff will consider both (1) results of While underwriting/gap analysis or fiscal impact analysis, and (2) the project's rating on an evaluation scorecard to assess are key determinants of an incentive award, OED will also evaluate the public benefits delivered by the project. The public benefit scorecard ensures the City's equity priorities play a key role in applicant when determining the incentive award, in addition to financial need and economic terms. More advantageous recommendations will be made for projects that score higher.~~

¹¹ The term "comparable replacement dwelling" means any dwelling that is (A) decent, safe, and sanitary; (B) adequate in size to accommodate the occupants; (C) within the financial means of the displaced person; (D) functionally equivalent; (E) in an area not subject to unreasonable adverse environmental conditions; and (F) in a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, facilities, services, and the displaced person's place of employment. 42 USC § 4601(10). A comparable replacement dwelling will be considered to have been made available to a tenant, if (1) the tenant is informed of its location in writing; (2) the tenant has sufficient time to negotiate and enter into a purchase agreement or lease for the property prior to displacement from tenant's current residential unit; and (3) the tenant receives relocation assistance in sufficient time to make arrangements to move to the comparable replacement dwelling or another location of tenant's choosing.

~~Criteria against which applicants will be evaluated~~total award package. Public benefits considered by OED in assessing incentive award packages may include, but are not limited to:

- *Business and community development projects:*
 - Workforce development partnerships
 - Local hiring requirements
 - Job accessibility and pathways for advancement
 - Quality of jobs, including wages and benefits
 - ~~• Environmental impact and sustainability~~
 - Environmental impact and sustainability, including efforts to meet the goals of the Comprehensive Environmental & Climate Action Plan (CECAP). Examples include but are not limited to inclusion of solar panels or other renewable energy sources, inclusion of publicly available electric vehicle chargers, etc.
- *Real estate development projects:*
 - Provision of mixed-income housing beyond minimum requirements¹²
 - M/WBE participation beyond existing good faith effort minimum requirements
 - ~~• Environmental impact and sustainability~~
 - Environmental impact and sustainability, including efforts to meet the goals of the Comprehensive Environmental & Climate Action Plan (CECAP). Examples include but are not limited to inclusion of solar panels or other renewable energy sources, inclusion of publicly available electric vehicle chargers, etc.
 - Connection to existing transit and promotion of transit-oriented development that increases transit access
 - Partnership to provide technical assistance to community developers
 - Provision of neighborhood amenities, such as parks, public infrastructure, community centers, and other public benefits included as part of the development

2.2 Community and Economic Development Loans and Grants

This **Section III, Subsection 2.2** shall serve as a City program to promote local economic development and to stimulate business and commercial activity in the City of Dallas, as required by Chapter 380 of the Texas Local Government Code. Previously created Chapter 380 programs such as the Dallas Economic Development Affordable Housing Program~~and,~~ the Targeted Neighborhood Enhancement Program, and the Dallas Housing Resource Catalog: Programs, Corporations, Compliance & Funding Tools (carried out pursuant to the Dallas Housing Policy

¹² Any project with a residential component in a TIF District must include a percentage of units affordable to households with an annual income at or below 80% AMI for a 15-year period of affordability, secured by deed restrictions or another instrument or method approved by the City Attorney. Each TIF District's Project and Financing Plan further details affordability requirements for that specific district. Those plans are available [here](#). Projects with a residential component outside of TIF Districts will require developers to restrict 20% of units to be affordable to households with an annual income at or below 80% AMI for a 15-year period of affordability, secured by deed restrictions or another instrument or method approved by the City Attorney.

2033) remain in effect. **Section III, Subsection 2.2** and **Exhibit D** shall serve as a community development program as required by Chapter 373 of the Texas Local Government Code.

Pursuant to Chapter 380 of the Texas Local Government Code, for-profit developers applying for a Negotiated Incentive must demonstrate that the proposed project will increase the City's tax base, create jobs, or otherwise satisfy the public purpose requirements of the chapter. Projects that satisfy the public purposes outlined in Chapter 373 of the Texas Local Government Code may be eligible for a loan or grant as allowed under that chapter. These projects must support the City's goals for economic development and community benefits, which include:

- Expanding the City's tax base
- Creating Living Wage jobs
- Increasing investment in Target Areas
- Creating or retaining jobs for low- and moderate-income communities
- Improving housing and economic conditions of low- and moderate-income communities
- Improving public health conditions of low- and moderate-income communities
- Creation of affordable housing outside of Target Areas
- Other public purposes as outlined in Chapters 373 and 380

Where OED determines a need to provide a deeper incentive award beyond an abatement, OED may layer loans and/or grants with the abatement award. Projects that qualify for a tax abatement, including by-right abatements in Target Areas, may also apply for additional awards in the form of loans or grants. When there is agreement between OED and the applicant that a tax abatement is of no or limited value to a project, OED may offer loans and/or grants instead of an abatement. Applications being evaluated for a grant or loan may, at the discretion of the OED Director, be required to participate in the City's Urban Design Peer Review Panel.

Baseline criteria for consideration for loans/grants are as follows:

➤ *Business Development projects:*

- Must either:
 - create 50 permanent full-time equivalent (FTE) jobs ~~or~~
 - for projects located in a Target Area, create 10 FTE jobs and document a minimum capital investment of \$2 million, or
 - retain at least 100 FTE jobs and document a minimum capital investment of \$2 million
- Generate a positive fiscal return on investment, as verified by OED or a third-party consultant
- Incentivized jobs (created and retained) must pay a Living Wage

➤ *Community Development or Neighborhood Revitalization projects:*

- Be led by a community based non-profit developer¹³
- Must either:
 - Create 25 permanent full-time jobs that pay a Living Wage or
 - Document a minimum capital investment of \$2 million, and any jobs hired directly by the primary developer receiving the incentive must pay a Living Wage
- Comply with the Community Development Plan attached as **Exhibit D**

➤ *Community Impact projects*

- Limited to projects that meet a specific community need, such as grocery stores, senior-care facilities, child-care facilities, and health-care facilities. Other project types may be considered if applicant demonstrates a defined service gap.
- Create 15 permanent full-time jobs with an average salary equivalent to or greater than the Living Wage
- Must document a minimum capital investment of \$2 million¹⁴
- Comply with the Community Development Plan attached as **Exhibit D**

➤ *Real Estate Development projects:*

- Must document a minimum capital investment of \$2 million
- Demonstrate a capital financing gap, as verified by OED or a third-party underwriter
- Jobs hired directly by the primary developer receiving the incentive award must pay a Living Wage
- Make a good faith effort to comply with the City's M/WBE 32% participation goal for hard construction costs

While underwriting/gap analysis or impact analysis are key determinants of an incentive award, OED will also evaluate the public benefits delivered by the applicant when determining the total award package. Public benefits considered by OED in assessing award packages include, but are not limited to:

➤ *Business and community development projects:*

- Workforce development partnerships
- Local hiring requirements
- Job accessibility and pathways for advancement
- Quality of jobs, including wages and benefits
- ~~Environmental impact and sustainability~~

¹³ Community developers, often known as community development corporations, neighborhood development corporations, or community-based organizations, vary in organizational structure and size, but are defined by a mission to serve low-income families and distressed communities, with a focus on real estate development for housing and commercial properties. Community developers, which can include nonprofits and faith-based institutions with real estate assets, develop real estate to meet their community development mission and help improve the quality of life of the communities they serve. See [Texas Association of Community Development Corporations](#) for further information.

¹⁴ Capital expenditures exclude land acquisition costs, attorney fees, broker fees, developer profit line items, and other costs unrelated to construction such as marketing, travel, etc.

- Environmental impact and sustainability, including efforts to meet the goals of the Comprehensive Environmental & Climate Action Plan (CECAP). Examples include but are not limited to inclusion of solar panels or other renewable energy sources, inclusion of publicly available electric vehicle chargers, etc.

➤ *Real estate development projects:*

- Provision of mixed-income housing beyond minimum requirements¹⁵
- M/WBE participation beyond existing good faith effort minimum requirements
- ~~Environmental impact and sustainability~~
- Environmental impact and sustainability, including efforts to meet the goals of the Comprehensive Environmental & Climate Action Plan (CECAP). Examples include but are not limited to inclusion of solar panels or other renewable energy sources, inclusion of publicly available electric vehicle chargers, etc.
- Connection to existing transit and promotion of transit-oriented development that increases transit access
- Partnership to provide technical assistance to community developers
- Provision of neighborhood amenities, such as parks, public infrastructure, community centers, and other public benefits included as part of the development

3. Predevelopment Assistance Fund

The Predevelopment Assistance Fund supports M/WBE developers¹⁶ and community developers, given historic difficulties these types of firms have faced in accessing City resources and City incentive programs.¹⁷ The program provides loans during the pre-development process, to help link developers with vital flexible capital to enable project feasibility. Loan amounts will be determined on a case-by-case basis according to developer need and project scope, but shall not exceed \$~~2550~~,000.

On an annual basis, OED will dedicate \$100,000 from which to make loans to qualified applicants. Unused funds will carry forward to the next year. To be eligible, applicants must have

¹⁵ Any project with a residential component in a TIF District must include a percentage of units affordable to households with an annual income at or below 80% AMI for a 15-year period of affordability, secured by deed restrictions or other instrument or method approved by the City Attorney. Each TIF District's Project and Financing Plan further details affordability requirements for that specific district. Those plans are available [here](#). Projects with a residential component outside of TIF Districts will require developers to restrict 20% of units to be affordable to households with an annual income at or below 80% AMI for a 15-year period of affordability, secured by deed restrictions or other instrument or method approved by the City Attorney.

¹⁶ Refers to entities that have been certified (or are in the process of being certified prior to application) as a M/WBE by the North Central Texas Regional Certification Agency, Dallas Fort Worth Minority Business Council, or the Women's Business Council – Southwest.

¹⁷ Community developers, often known as community development corporations, neighborhood development corporations, or community-based organizations, vary in organizational structure and size, but are defined by a mission to serve low-income families and distressed communities, with a focus on real estate development for housing and commercial properties. Community developers, which can include nonprofits and faith-based institutions with real estate assets, develop real estate to meet their community development mission and help improve the quality of life of the communities they serve. See [Texas Association of Community Development Corporations](#) for further information.

demonstrated experience with the type of project for which they seek funding and must document control of the project site through a deed, lease, or option to buy or lease.

Applicants may apply for pre-development loans to be used for the following categories of expenses:

- Market studies and financial feasibility analysis
- Site assessment (e.g., environmental tests and structural assessments) completed by vendors with appropriate licenses and credentials
- Design work (architecture and engineering) completed by vendors with appropriate licenses and credentials
- Similar third-party pre-development expenses approved by the Office of Economic Development

The amount of the Loan will be based on written estimates of cost from pre-development vendors who are properly licensed for and experienced in the type of work described in the proposal. Loan funds may only be used to pay for actual incurred costs of such pre-development work. If the actual incurred cost is less than the estimated cost, such overage must be repaid to the City within 30 days of borrower's payment to the vendor. Borrower must maintain documentation of each expense paid from the Loan funds in a form acceptable to OED and will submit copies of such documentation to the OED quarterly.

Pre-Development Loans are interest free and mature on the earlier of (1) the closing date of construction financing for the project, or (2) 12 months from the date of payment by the City. Pre-Development Loans must be secured by a first lien deed of trust filed in the relevant county's real property records against property owned by the borrower valued in an amount equal to or greater than the predevelopment loan amount, and/or by a personal guarantee from the principal of the borrower along with documentation that the borrower controls assets valued in an amount equal to or greater than the predevelopment loan amount. A borrower may only have one outstanding pre-development loan at a time. Complete applications will be processed in the order they are received.

Developers who receive pre-development assistance from OED and are successful in advancing their planned development project will be eligible to apply for tax abatements, loans, and/or grants as described above to support the development of the project.

4. Infrastructure Investment Fund

Historically disadvantaged communities in Dallas are 2 to 3.5 times more likely to have highly deficient infrastructure than high-income neighborhoods.¹⁸ The City's EDP explicitly recognizes this disparity and sets goals around addressing these existing deficiencies. The Infrastructure

¹⁸ [What are Infrastructure Deserts? Why Do They Matter?](#) (2022).

Investment Fund (IIF) assists in closing the infrastructure gap between Dallas' richest and poorest neighborhoods by directing infrastructure funding to areas most in need.

The goal of the IIF is to use funds to make targeted investments in infrastructure that further a specific area plan and/or to work with private partners to realize private investment and drive new economic activity in historically underserved areas. Funds can be used for (1) loans or grants to support third-party projects that grow the tax base and/or create Living Wage jobs in a Target Area, and (2) City-led projects that implement a City or community plan in a Target Area or otherwise prepare neighborhoods and properties in Target Areas for anticipated future economic development. Funds may be spent outside of Target Areas only with a $\frac{3}{4}$ vote of the City Council.

Eligible infrastructure investments (including necessary design and engineering costs) may include, but are not limited to:

- Programs that mitigate displacement of low-income households as a result of new investment and market-rate development
- Water/sewer connections and stormwater management projects
- Public parks and greenspace
- Streetscape enhancements and sidewalk improvements, including ADA accessibility improvements and lighting infrastructure
- Transit enhancements including electronic vehicle infrastructure
- Demolition
- Land acquisition by the City
- Renewable energy generation and storage
- Environmental study (all phases as well as mold, lead, and asbestos) and remediation
- Internet connectivity, broadband access, and other telecommunications infrastructure
- Other projects as approved by the Office of Economic Development

Ineligible costs include third-party working capital or operating and maintenance funding, third-party land acquisition, any expense to be incurred for work or property outside of a Target Area, and work that will not foreseeably further the goals of this Policy and the EDP. If a third-party project is located outside of a TIF district, the private party must comply with any applicable public bidding requirements.

The IIF, administered by OED, is capitalized by ongoing collection of windfall funds from expiring TIF districts. For a period of 10 years after a TIF district expires, the value of the total annual increment contributed by the City in the TIF district's last year will be earmarked within the General Fund into the IIF. At the end of the initial 10-year period (and any extension period), City Council will review and can vote to extend this funding stream for additional 5-year periods.

Projects may apply for loans and grants from the IIF using the same application form as a Negotiated Incentive under **Section III, Subsection 2**.

5. Tax Increment Finance Districts

Tax Increment Finance (TIF) districts, also known as Tax Increment Reinvestment Zones (TIRZ) are governed by Chapter 311 of the Texas Tax Code. In creating a TIF district, the City establishes a base tax value for a designated geographic area and reinvests a portion of the incremental growth in the tax base. TIF districts do not create an additional tax. Creation of new TIF districts as well as extensions and expansions of existing TIF districts will comply with the TIF Policy, attached as **Exhibit B**.

6. Public Improvement Districts

The Public Improvement District (PID) program allows for groups of property owners to request special property tax assessments for the provision of services above typical City of Dallas levels. Working with City staff, each PID may select its own budget and categories based on its goals and needs, subject to Chapter 372 of the Texas Local Government Code. To learn more about existing PID districts or to contact PID staff, please visit <https://www.dallasecodel.org/245/Public-Improvement-Districts>. The PID policy is attached as **Exhibit C**.

7. New Markets Tax Credits

Congress created the New Market Tax Credits (NMTC) program in 2000 to incentivize investments that create jobs and provide services in economically disadvantaged areas. The Community Development Financial Institutions (CDFI) Fund, a division of the U.S. Department of Treasury, administers the NMTC program. The NMTC program funds commercial, industrial, community facility, and mixed-use real estate projects in qualifying low-income communities. NMTCs can subsidize approximately 15% to 20% of a project's capital needs, usually in the form of low-interest, forgivable debt.

In 2009, the City created the Dallas Development Fund (DDF) to oversee the NMTC program within the City of Dallas. As of October 2022, DDF has received \$240 million in NMTC allocation that has supported more than 20 projects throughout Dallas. DDF maintains its own 501(c)(3) designation and is overseen by a separate board of directors. DDF accepts applications for projects on a rolling basis. More information is available [here](#).

8. Section 108

The federal HUD Section 108 Loan Guarantee Program provides Community Development Block Grant (CDBG) recipients the ability to leverage their annual grant allocation to access low-cost, flexible financing for economic development, housing, public facility, and infrastructure projects. The Office of Economic Development administers existing Section 108 loans issued by the City's Department of Housing and Neighborhood Revitalization. OED is working to develop a new program statement for the City of Dallas Section 108 program which will be brought to City Council for approval at a future date.

9. Property Assessed Clean Energy

The City's Property Assessed Clean Energy (PACE) program enables third-party financing for a variety of rehabilitation and redevelopment projects that increase efficiency by reducing onsite energy usage, reducing onsite water usage, and generating onsite energy. The PACE financing is offset by water/energy savings and is secured by a City assessment. More information is available [here](#).

The City will not support PACE applications for a project with a residential component that results in the direct displacement of residents unless (1) developer makes at least one comparable replacement dwelling available to each displaced tenant¹⁹ and provides relocation assistance for all displaced tenants; and (2) if any housing units are to be demolished or removed from residential use, developer either (a) plans to immediately reconstruct or otherwise replace all such units with units of the same type and same or better quality, or (b) proposes an alternate plan that would result in the replacement of the units and such plan is approved by resolution of the City Council.

IV. OTHER PROGRAMS AND SOURCES OF SUPPORT

1. **City of Dallas Small Business Center.** The City's Small Business Center (SBC) offers technical assistance, workforce development programming, and business support funds to meet the needs of small businesses and entrepreneurs working in Dallas. Details on SBC programs is available via the SBC's website, www.sourcedallas.org.

Applicants that do not meet job creation, retention, and/or capital expenditure minimums for Office of Economic Development incentive programs as stipulated by the specific program requirements in this policy will be referred to the Small Business Center.

The Small Business Center also leads projects in need of tenancing assistance and projects located in geographies covered by SBC's place-based target funds, including the South Dallas Fair Park Opportunity Fund service area (more information [here](#)) and Neighborhood Empowerment Zones #9 and #10 (more information [here](#)). The SBC will also handle all applicants in need of technical assistance and working capital.

¹⁹ The term "comparable replacement dwelling" means any dwelling that is (A) decent, safe, and sanitary; (B) adequate in size to accommodate the occupants; (C) within the financial means of the displaced person; (D) functionally equivalent; (E) in an area not subject to unreasonable adverse environmental conditions; and (F) in a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, facilities, services, and the displaced person's place of employment. 42 USC § 4601(10). A comparable replacement dwelling will be considered to have been made available to a tenant, if (1) the tenant is informed of its location in writing; (2) the tenant has sufficient time to negotiate and enter into a purchase agreement or lease for the property prior to displacement from tenant's current residential unit; and (3) the tenant receives relocation assistance in sufficient time to make arrangements to move to the comparable replacement dwelling or another location of tenant's choosing.

2. **City of Dallas Housing and Neighborhood Revitalization Department** The Department of Housing & Neighborhood Revitalization is charged with investing in the development and preservation of mixed-income and affordable housing. Through federal entitlement grants, local funds, bond funds and other housing development tools, the Department supports renters, homeowners, and homebuyers in finding, maintaining ~~and staying in their homes,~~ and staying in their homes. On March 27, 2024, City Council established, as a public purpose related to economic development, the creation and preservation of affordable housing, increasing the availability of affordable housing, and reduction of substandard or deteriorating structures throughout the City. Accordingly, the programs under the Dallas Housing Resource Catalog, carried out in accordance with the Dallas Housing Policy 2033, are programs for purposes of awarding incentives under Chapter 380 of the Texas Local Government Code. For information about Housing incentives, visit the department's website [here](#).
3. **City of Dallas ~~Office of Historic Preservation~~ Incentives** The ~~Office of Historic Preservation~~ Planning and Urban Design Department administers the City's Historic Tax Exemption Program, which incentivizes property owners in the rehabilitation of historic properties. These incentives consist of tax exemptions for the rehabilitation of a historic structure. To qualify, the property must be designated as a City of Dallas Landmark or be a contributing property within a Landmark District. For information about this incentive, visit the department's website [here](#).
4. **Dallas County** Dallas County provides strategic tax abatements, participates in tax increment finance (TIF) districts, nominates projects for the Texas enterprise zone program, and supports the formation of foreign trade zones. Learn more about Dallas County economic development incentives [here](#).
5. **State of Texas** The State of Texas supports a variety of programs to help further economic development within the State. Office of Economic Development staff are experts in navigating the state programs and applications and can assist companies and site selectors interested in state incentives. If a state incentive requires local support, the complete application, including exhibits, for state incentives shall be received by OED at least 30 days prior to the submittal of application to the State. Learn more about State of Texas incentives [here](#).
6. **Conveyance of City-Owned Property.** Occasionally OED will offer city-owned property for sale or lease to promote the goals of the EDP and this policy. City-owned properties may be conveyed to developers under one of several legal authorities, each of which require the approval of the City Council:
 - a. **Chapter 272 of the Texas Local Government Code.** As a general rule, OED will utilize a public solicitation process when offering city-owned property for development. This will ensure that all interested parties have an opportunity to participate and will secure the

most beneficial public use for the citizens of Dallas. If applicable, OED may utilize Section 272.001(b)(6) which authorizes conveyance of land that is located in a TIF district that the city desires to have developed under the TIF district's project plan.

b. Section 253.0125 of the Texas Local Government Code. This statute allows the City to convey property to a party with which it has entered into a Chapter 380 agreement, the consideration for which is the economic development use of the property. OED may recommend conveyance of a property under this statute in the following circumstances:

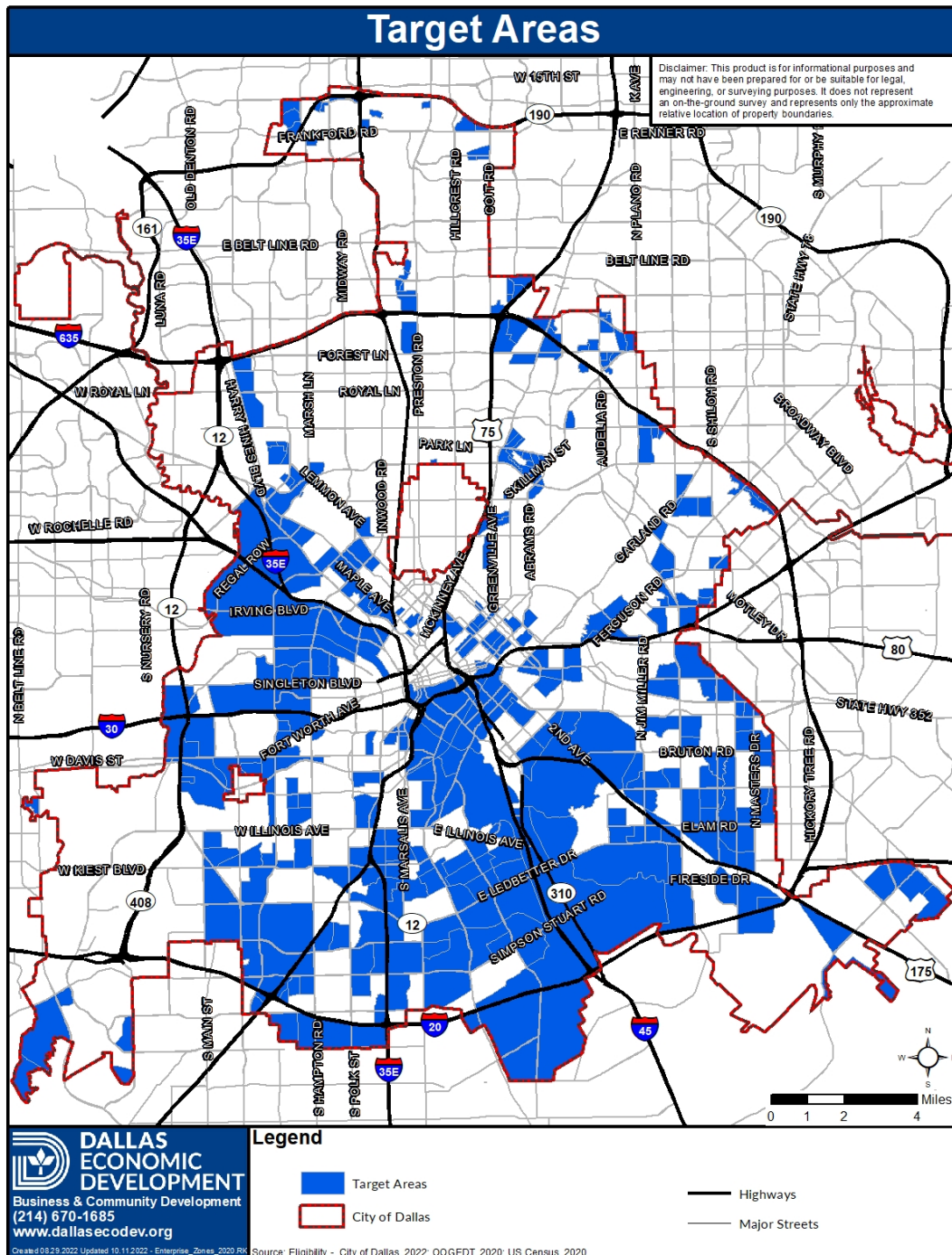
- i. If a property has been offered for conveyance via a public solicitation process in the past five years and the solicitation failed to receive any responses.
- ii. If a property has been offered for conveyance via a public solicitation process at least twice in the past 10 years, but negotiations with respondents have not led to an executed development agreement.
- iii. If OED is recommending conveyance of a property to the City of Dallas Economic Development Corporation.
- iv. If a City-owned property has environmental contamination, substandard structures, or other factors that significantly impair the developability of the site and/or make a market-rate conveyance to a developer unlikely.
- v. If the property is to be conveyed as part of a Council-approved program.

V. CONCLUSION

This Economic Development Incentive Policy will take effect on January 1, 2023 ~~and will remain in effect for two years.~~ Substantive updates to the policy, ~~including extension of the effective date,~~ require City Council approval and statutorily required public hearings. Staff may make minor edits to the policy, such as updating links or clarifying process or text, without City Council approval. The most current policy will always be posted and available on the Office of Economic Development [website](#).

EXHIBIT A TARGET AREA MAP

Target Areas align with the State of Texas Enterprise Zone designations²⁰. These zones are re-evaluated as part of the decennial Census. The map is searchable by address [here](#).



²⁰ State of Texas Enterprise Zone Program [FAQ](#)

EXHIBIT B

CITY OF DALLAS TAX INCREMENT FINANCE (TIF) POLICY

CRITERIA FOR EVALUATING PROPOSED TIF DISTRICTS. TIF districts created after the date of this Policy must comply with Chapter 311 of the Texas Tax Code, as well as the additional City requirements below:

1. **FMPC:** Staff must confirm that creation of a new TIF district complies with the then-current Financial Management and Performance Criteria (FMPC) adopted by the City Council.
2. **FUTURE PLANNED DEVELOPMENT:** Staff must determine that a minimum of \$50 million in new investment is reasonably anticipated within 5 years of the creation of a new TIF district. This requirement ensures that TIF districts are not created prematurely and that the proposed term of the TIF district maximizes collection of increment to support redevelopment.
3. **MIXED-INCOME HOUSING:** The TIF district's project plan and financing plan will require that projects with a residential component seeking funding from the TIF district shall comply with the following mixed-income housing requirements:
 - a. A minimum of 20% of the residential units constructed as part of the project shall be leased solely to those households earning a maximum of 80% of the Area Median Family Income determined annually by HUD.
 - b. The income-restricted units shall: (1) be of substantially identical finish-out and materials as market rate units; (2) float within each unit type; (3) not be fixed to specific unit numbers; and (4) not be segregated or concentrated on any one floor or area of the project.
 - c. Tenants occupying the income-restricted units shall not be restricted in any way from common areas or amenities within the project unless such restrictions apply to all tenants.
 - d. The income-restricted units shall be dispersed pro-rata among unit types and sizes. By way of example, if 25% of all units are 3-bedroom units, 25% of income-restricted units should also be 3-bedroom units.
 - e. Projects will comply with Chapter 20A of the Dallas City Code and Ordinance 30246, approved by Resolution 16-1760, as amended by City of Dallas Ordinance 32195, approved by Resolution 22-0743. Should these ordinances or Chapter 20A be further amended prior to the date that a project receives its certificate of occupancy, the project shall abide by such amended terms.
 - f. Developers will not discriminate against potential renters on the basis of source of income, including federal voucher holders.
 - g. Developers will complete an affirmative fair housing marketing plan and submit it to the Fair Housing Division of the Office of Equity and Inclusion for review and approval prior to the project completion deadline stated in the TIF incentive

agreement. Developers must market the residential units pursuant to the approved affirmative fair housing marketing plan.

- h. These mixed-income housing requirements will be secured by deed restriction or by any other method or instrument approved as to form by the City Attorney for a term of 15 years.
4. **INCREMENT SHARING:** To promote equitable development, staff will consider inclusion of a barbell mechanism designed to transfer a portion of captured tax increment from stronger market areas of the TIF district to a specified area identified in the TIF district project plan and financing plan where catalytic investment is needed to jumpstart private investment and development. Increment sharing can take the form of non-contiguous or contiguous sub-districts.
5. **NEIGHBORHOOD PRESERVATION:** If the TIF district contains or abuts single-family residential neighborhoods in Target Areas, the TIF district's project plan and financing plan must contain a budget line item to address the needs of existing homeowners, such as homeowner stabilization programming, home repair funding, or programs to mitigate residential displacement.
6. **URBAN DESIGN:** The TIF district's project plan and financing plan will require that all projects seeking funding from the TIF district shall comply with Urban Design Guidelines and/or conform to the recommendations of the City's Urban Design Peer Review Panel.
7. **M/WBE:** The TIF district's project plan and financing plan will require that all projects seeking funding from the TIF district shall comply with the City's Business Inclusion and Development Plan for all construction costs of the project.
8. **PARTICIPATION OF OTHER TAXING JURISDICTIONS:** Staff will request the participation of Dallas County and other taxing jurisdictions, as appropriate.
9. **TERM AND PARTICIPATION:** New TIF districts will not have an initial term of more than 30 years and may be renewed or extended only with the approval of the City Council. City participation in new TIF districts will be determined by staff based on an evaluation of the anticipated need in the TIF district but will not exceed 90%.

CRITERIA FOR EVALUATING PROPOSED EXPANSION OR EXTENSION OF TIF DISTRICTS

TIF districts expanded by 10% or more of the then-current TIF district's boundary or TIF districts extended after the date of this Policy must comply with Chapter 311 of the Texas Tax Code as well as the additional City requirements below:

1. **FMPC:** Staff must confirm that expansion or extension of a TIF district complies with the then-current FMPC adopted by the City Council.
2. **FUTURE PLANNED DEVELOPMENT:** Staff must determine that a minimum of \$50 million in new investment is reasonably anticipated within 5 years of the expansion or extension of the TIF district.
3. **MIXED-INCOME HOUSING:** The amendment of the TIF district's project plan and financing plan must require that projects with a residential component seeking funding from the TIF district shall comply with the following mixed-income housing requirements:
 - a. A minimum of 20% of the residential units constructed as part of the project shall be leased solely to those households earning a maximum of 80% of the Area Median Family Income determined annually by HUD.
 - b. The income-restricted units shall: (1) be of substantially identical finish-out and materials as market rate units; (2) float within each unit type; (3) not be fixed to specific unit numbers; and (4) not be segregated or concentrated on any one floor or area of the project.
 - c. Tenants occupying the income-restricted units shall not be restricted in any way from common areas or amenities within the project unless such restrictions apply to all tenants.
 - d. The income-restricted units shall be dispersed pro-rata among unit types and sizes. By way of example, if 25% of all units are 3-bedroom units, 25% of income-restricted units should also be 3-bedroom units.
 - e. Projects will comply with Chapter 20A of the Dallas City Code and Ordinance 30246, approved by Resolution 16-1760, as amended by City of Dallas Ordinance 32195, approved by Resolution 22-0743. Should these ordinances or Chapter 20A be further amended prior to the date that a project receives its certificate of occupancy, the project shall abide by such amended terms.
 - f. Developers will not discriminate against potential renters on the basis of source of income, including federal voucher holders.
 - g. Developers will complete an affirmative fair housing marketing plan and submit it to the Fair Housing Division of the Office of Equity and Inclusion for review and approval prior to the project completion deadline stated in the TIF incentive agreement. Developers must market the residential units pursuant to the approved affirmative fair housing marketing plan.
 - h. These mixed-income housing requirements will be secured by deed restriction or by any other method or instrument approved as to form by the City Attorney for a term of 15 years.

4. **INCREMENT SHARING:** To promote equitable development, staff will consider inclusion of a barbell mechanism designed to transfer a portion of captured tax increment from stronger market areas of the TIF district to a specified area identified in the amended TIF district project plan and financing plan where catalytic investment is needed to jumpstart private investment and development. Increment sharing can take the form of non-contiguous or contiguous sub-districts.
5. **NEIGHBORHOOD PRESERVATION:** If an expanded or extended TIF district contains or abuts single-family residential neighborhoods in Target Areas, the TIF district's amended project plan and financing plan must contain a budget line item to address the needs of existing homeowners, such as homeowner stabilization programming, home repair funding, or programs to mitigate residential displacement.
6. **URBAN DESIGN:** If not already included in the TIF district's project plan and financing plan, the TIF district's amended project plan and financing plan must require that all projects seeking funding from the TIF district shall comply with Urban Design Guidelines and/or conform to the recommendations of the City's Urban Design Peer Review Panel.
7. **M/WBE:** If not already included in the TIF district's project plan and financing plan, the TIF district's amended project plan and financing plan must require that all projects seeking funding from the TIF district shall comply with the City's Business Inclusion and Development Plan for all construction costs of the project.
8. **PARTICIPATION OF OTHER TAXING JURISDICTIONS:** Staff will request the participation of Dallas County and other taxing jurisdictions, as appropriate.
9. **TERM AND PARTICIPATION:** TIF district terms may be extended by no more than 15 years. Any extension of the term of a TIF district will be accompanied by a reduction in the City participation in the TIF district. The City's participation rate for any extension term will be a minimum of 30% lower than the rate at the time of the extension, unless otherwise approved by Council. New sub-districts shall have an initial term of no more than 30 years and may be renewed or extended only with the approval of the City Council. City participation in new sub-districts will be determined by staff based on an evaluation of the anticipated need in the sub-district but will not exceed 90%.

EXHIBIT C

CITY OF DALLAS PUBLIC IMPROVEMENT DISTRICT (PID) POLICY

The City of Dallas supports the use of PIDs to address public needs or supplemental services identified by property owners. PIDs in Dallas will be allowed to fund any item provided by Chapter 372 of the Texas Local Government Code, as petitioned by the property owners. ~~The PID Policy will be reviewed and reauthorized every two years as part of the Economic Development Incentive Policy, or more frequently if necessitated by changes in state law.~~

PETITIONS

In new and renewing commercial or mixed-use district PIDs, the City will require that Owners representing (1) at least 60% of the value and (2) 60% of all record Owners or 60% of land area, support the creation of a new or renewing PID. Waivers to City's 60% threshold criteria shall only be authorized by a vote of a three-quarters majority of the Dallas City Council. Neither staff nor City council have the authority to approve exceptions to the state's petition threshold.

In new or renewing single-family PIDs (defined as areas with a minimum of 30% of land area dedicated to detached single-family housing), the City will require that Owners representing (1) at least 66.7% of the value and (2) 66.7% of all record Owners or 66.7% of land area, support the creation of a new PID.

Petitions will not be required to be notarized. Staff will verify that the person signing the petition is the owner and has the authority to sign. PID petitions shall include this additional note: "With respect to community property, the City may accept the signature of a spouse as a representation of both spouses that they support the creation or renewal of the PID absent a separate property agreement. However, if staff is made aware of any disagreement among owners of community property those petitions will not be counted."

The deadline to submit petitions for new or renewing PIDs is February 1. Signatures must be gathered between October 1 and February 1. The deadline to submit written consent forms from hotel owners for an expansion of the Dallas Tourism PID is February 1.

ASSESSMENTS AND ALLOWABLE COSTS

1. PID assessments will be based on a set rate based on total property value. The maximum PID assessment in Dallas shall be \$0.15 per \$100 valuation.
2. PIDs in Dallas will be allowed to fund any item provided by state law.
3. PIDs must be self-sufficient and not adversely impact ordinary service delivery of the City. Public improvement districts in the City of Dallas shall incur no bonded indebtedness.
4. Administrative expenses for a PID, excluding costs for City staff administration, shall not exceed 15% of the total budget in any year.

5. A PID Service Plan shall contain procedures for the termination of the PID without imposing unintended costs on the City of Dallas. A PID cannot be dissolved without a petition from property owners and must be sufficient as for creation or renewal in accordance with Chapter 372, Section 372.005(b) of the Texas Local Government Code.
6. Upon council approval of creation or renewal of a PID, City staff will file the ordinance creating or renewing the PID and a Notice of Assessment Form with the Dallas County Clerks' office or other relevant deed records so that a title company may determine how much of an assessment is owed or paid for each property in the PID each year. This will ensure that a title company can pro-rate the assessments for the year between the buyer and seller in the same way the title company is responsible for calculating and collecting the taxes apportioned between the buyer and seller on the date of closing. This practice will not involve separately recording documents for each parcel within a PID.
7. Property owned by the City of Dallas shall not be subject to assessment by any PID, excluding the current term of the Downtown Improvement District. The City will review participation in the Downtown Improvement District on renewal.

APPLICATION REQUIREMENTS

1. An application fee of \$15,000 will be required for all new or renewing PIDs and for requests by DTPID for expansions. This fee is regulatory in character, so it approximates staff costs of administering the PID program. The fee will be used to pay for direct expenditures and to compensate the Office of Economic Development for staff time associated with PID creation and renewal. If the City costs for this process are less than \$15,000, the remainder will be reimbursed to the PID applicant unless the renewal or creation of the PID is successful in which case the remainder will be retained to cover City administrative expenses incurred throughout the PID's term including publication of legal notices, mailings, staff time in overseeing and monitoring the district, and any other related expense. The application fee will not be counted as part of the 15% maximum for administrative expenses in a PID budget.
2. A PID application for creating or renewing a PID shall include a current list of properties and tax roll. City staff will assist in this process in coordination with the PID management organization and DCAD.
3. PID applications shall include a map acceptable to the Office of Economic Development and a legal or clear description of the property or properties included in the District. This practice will not require the applicant to provide property surveys.
4. A PID application for creating or renewing a PID shall include a section that clearly identifies the proposed benefit of the PID to the property owners within the PID boundary and to the City as a whole and also any required evidence of insurance coverage.
5. Proposed PIDs are required to notify all property owners and host at least one public

meeting with all the property owners within the area. Written notice must be sent by postal mail at least 15 days prior to the meeting date.

DISTRICT MANAGEMENT

Any management entity for a PID shall be required to submit quarterly reports of all PID activities and expenditures; an annual independent audit of all PID expenditures; an annual Form 990; a copy of the management entity's governance documents and policies; and shall hold an annual meeting open to all property owners and held in a public meeting space with written notice which must be sent by postal mail to all property owners in the PID at least two weeks prior to this meeting date to provide an opportunity for property owner questions, comments, and input to be considered during the PID Budget and Service Plan approval process.

Management entities and their board members, officers, employees, contractors, and agents (collectively "PID Management" or "PID Management parties") must comply with the following:

1. PID Management parties will conduct themselves in a manner consistent with sound business and ethical practices.
2. PID Management parties will consider the public interest when determining how to use assessment funds and will only spend assessment funds in accordance with Chapter 372 of the Texas Local Government Code.
3. PID management entities will not contract with any entity or individual with which a PID Management party has a financial interest unless such financial interest is disclosed, the party with the financial interest is absent during any board discussion and vote, and the remaining board members unanimously deem the contract in the best entity of the PID.
4. PID management entities will not hire or contract with a board member or any relative (by blood, marriage, or adoption), domestic partner, or business associate of any board member for PID management services or other purposes unless such relationship is disclosed, the party with the relationship is absent during any board discussion and vote, and the remaining board members unanimously deem the action in the best interest of the PID.
5. PID Management will avoid the occurrence of and the appearance of the occurrence of acts of impropriety to ensure public confidence in the PID program.
6. No PID Management party may have an interest, financial or otherwise, direct or indirect, or engage in any business, transaction, or professional activity or incur any obligation of any nature which is in conflict with the proper discharge of his or her duties on behalf of the PID.
7. PID Management will not use their positions, the petitioned services, the assessment funds, or the petition process for personal gain or benefit and will not unduly influence others through any tactics including but not limited to coercion or bullying.
8. PID Management shall comply with this PID policy as well as with the applicable provisions of the Dallas City Code, Chapter 12A and any future amendments to same. In the event of a conflict between this PID policy and Chapter 12A, Chapter 12A will control.

9. Management entities shall maintain a publicly accessible internet website and ensure the availability via the website of the entity's contact information; board membership information; name and contact information of its executive director or person that performs those duties; meeting notices; meeting minutes; its annual assessment rate; the adopted service plan budget for preceding two years and current year; most recent financial audit; and information regarding how to file a complaint alleging unethical conduct or a violation of fraud, waste, or abuse of PID assessments with the Inspector General Division of the Dallas City Attorney's Office.
10. The PID liaison from OED will be invited to all PID board meetings. If the PID is unable to identify its liaison, it may invite the Director of OED.

The City reserves the right to audit the books, records, and practices of PID Management parties at any time. The City may terminate a PID management agreement for cause at any time without notice.

SPECIAL PURPOSE PIDS

Special Purpose PIDs may be created by the City to address unique issues, subject to state law petition requirements. The maximum PID assessment in these districts will be determined by the City Council and may be above \$0.15 per \$100 valuation. These PIDs in Dallas will be allowed to fund any item provided by state law. These Districts may be used to address special facility maintenance and beautification issues. Administrative expenses in these districts shall not exceed **10%** of the total budget in any year.

BOUNDARIES

1. With the exception of Klyde Warren Park and the Tourism PID, and any future modifications to the boundaries of either of those two PIDs, no future PIDs will be allowed to be created that overlap the boundaries of another Dallas PID.
2. In general, the boundaries of existing PIDs can be modified during a renewal process (with updated map as part of the petition). However, a boundary change during the existing term of a PID may only be considered if a re-petition of the proposed PID area meets the minimum criteria for creation/renewal as described earlier in this Policy.
3. The boundaries of the DTPID include hotels with more than 100 rooms. Any hotels that drop below that room level during the term will be removed from the assessment roll with City Council approval following notice to the City by DTPID. New hotels may be added during the existing term of a PID with City Council approval in accordance with Chapter 372 of the Texas Local Government Code.

EXHIBIT D

COMMUNITY DEVELOPMENT PLAN

BACKGROUND

The Texas Community Development Act of 1975, as enacted by Chapter 373 of the Texas Local Government Code authorizes a variety of activities to contribute the development of viable urban communities by expanding economic opportunities for persons of low and moderate income. The legislative finding aligns with the revised incentive programs stemming from the new Economic Development Plan to support job growth, create new tax revenue, and expand the City's tax base, while advancing equitable economic development, including a renewed and explicit focus on incentivizing:

- High-quality jobs that provide opportunities for all
- Investment in Southern Dallas and other distressed or low-to-moderate income areas; and
- Racially equitable participation in Dallas's economy and wealth-building opportunities

While the traditional tools of the City's economic development program, including grants, loans and tax abatements as authorized under Chapters 380 and 378 of the Texas Local Government Code and Chapter 312 of the Texas Tax Code, have been successful in supporting larger scale, for-profit projects, the tools are not as well aligned to support projects led by non-profit developers, or that offer additional community benefits. A Chapter 373 Program is proposed to further the revised Economic Development Incentive Policy ("Incentive Policy") and address the gap in existing incentive tools and expand economic opportunities for persons of low-and-moderate income.

To enact a Chapter 373 program, City Council approved this Community Development Plan ("CDP") on December 14, 2022, as a component of the City Economic Development Incentive Policy. A public hearing on the CDP was held on November 9, 2022. ~~The CDP will be reviewed and reauthorized every two years as part of the Economic Development Incentive Policy.~~

PURPOSE

The purpose of the CDP is to improve living and economic conditions of persons of low and moderate income through the provision of loans and grants to qualified projects that inhibit the deterioration of property; expand and improve the quantity and quality of community services important to the community welfare; improve arrangement of residential, commercial, industrial, recreational, and other necessary activity centers; restore and preserve properties of special value for historic, architectural, or aesthetic reasons; and/or alleviate physical or economic distress through the stimulation of private investment and community revitalization in slum or blighted areas.

PROGRAM AREA

Activities carried out under CDP will be limited to the Target Areas defined by the Incentive Policy. These Target Areas are comprised of census tract block groups that have a 20% or greater poverty rate based upon the most recent decennial census federal poverty level information, which indicates predominately low-and-moderate income populations. Within the program area, activities as defined as “Eligible Activities and Project Types” below may occur.

ELIGIBLE ACTIVITIES

The following elements are eligible for funding provided that the activity would further the purposes of this CDP and meet the eligibility criteria as specified under the “Project Types” section below.

- Rehabilitation of privately-owned property
- Activities that are conducted by public or private entities if the activities are necessary or appropriate to meet the needs and objectives of the CDP, including:
 - acquisition of real property²¹
 - acquisition, construction, reconstruction, rehabilitation, or installation of public facilities, site improvements, utilities, commercial or industrial buildings or other structures, or other commercial or industrial real property improvements
- Grants to neighborhood-based nonprofit organizations, local development corporations, or similar entities
- Provision of assistance to private, for-profit entities if the assistance is necessary or appropriate to carry out an economic development project

PROJECT TYPES

1. **Community Development Projects** are projects that are led by a community based non-profit developer²² and must either 1) create 25 permanent full-time jobs that pay a Living Wage (exclusive of overtime, bonuses, or benefits), or 2) document a minimum capital investment of \$2 million, excluding acquisition costs, and any jobs created directly by the primary developer receiving the incentive must pay a Living Wage. Projects must demonstrate that at least 75% of the total project funding is either in hand or has been pledged. City funds may be used for construction costs only; funds are not to be used for programmatic expenses.
2. **Neighborhood Revitalization Projects** are rehabilitation projects that that are led by a community based non-profit developer and must either 1) create 25 permanent full-time jobs that pay a Living Wage (exclusive of overtime, bonuses, or benefits), or 2) document a minimum capital investment of \$2 million, excluding acquisition costs, and any jobs

²¹ Land acquisition is an eligible use only as part of a larger project as defined in Project Types. Land acquisition alone is not an eligible activity.

²² This may include neighborhood-based nonprofit organizations, local development corporations, or similar entities.

created any jobs created directly by the primary developer receiving the incentive must pay a Living Wage. Projects must demonstrate that at least 75% of the total project funding is either in hand or has been pledged. City funds may be used for construction or rehabilitation costs only; funds are not to be used for programmatic expenses. The City encourages pairing PACE financing with any revitalization project.

3. **Community Impact Project** is a project that meet a specific community need, such as a grocery store, senior-care facility, child-care facility, or health-care facility. Other project types may be considered if applicant demonstrates a defined service gap. Projects must create at least 15 permanent full-time jobs with an average salary (exclusive of overtime, bonuses, or benefits) equivalent or greater to the Living Wage for an individual living in Dallas County and document a minimum capital investment of \$2 million, excluding acquisition costs. City funds may be used for construction or rehabilitation costs only; funds shall not be used for programmatic expenses. The City encourages pairing PACE financing with any rehabilitation project. Funds may be received as a grant and/or a loan.

APPLICATION PROCESS

All projects receiving funding under the CDP will follow the same application process for Negotiated Incentives as established by the Incentive Policy. All approvals for funding will likewise follow the policies as established by the Incentive Policy.

ADDITIONAL INFORMATION

The CDP will be administered by the Office of Economic Development, and in accordance with the CDP. ~~The CDP will be reviewed and updated (as applicable) every two years.~~

PUBLIC PURPOSE

All loans and grants must accomplish a public purpose, as required state law. The City Council finds that the project types described herein serve a valid public purpose.