



City of Dallas

Office of Economic Development Overview

**Economic Development Committee
September 5, 2023**

Robin Bentley, Director
Office of Economic Development
City of Dallas

Overview



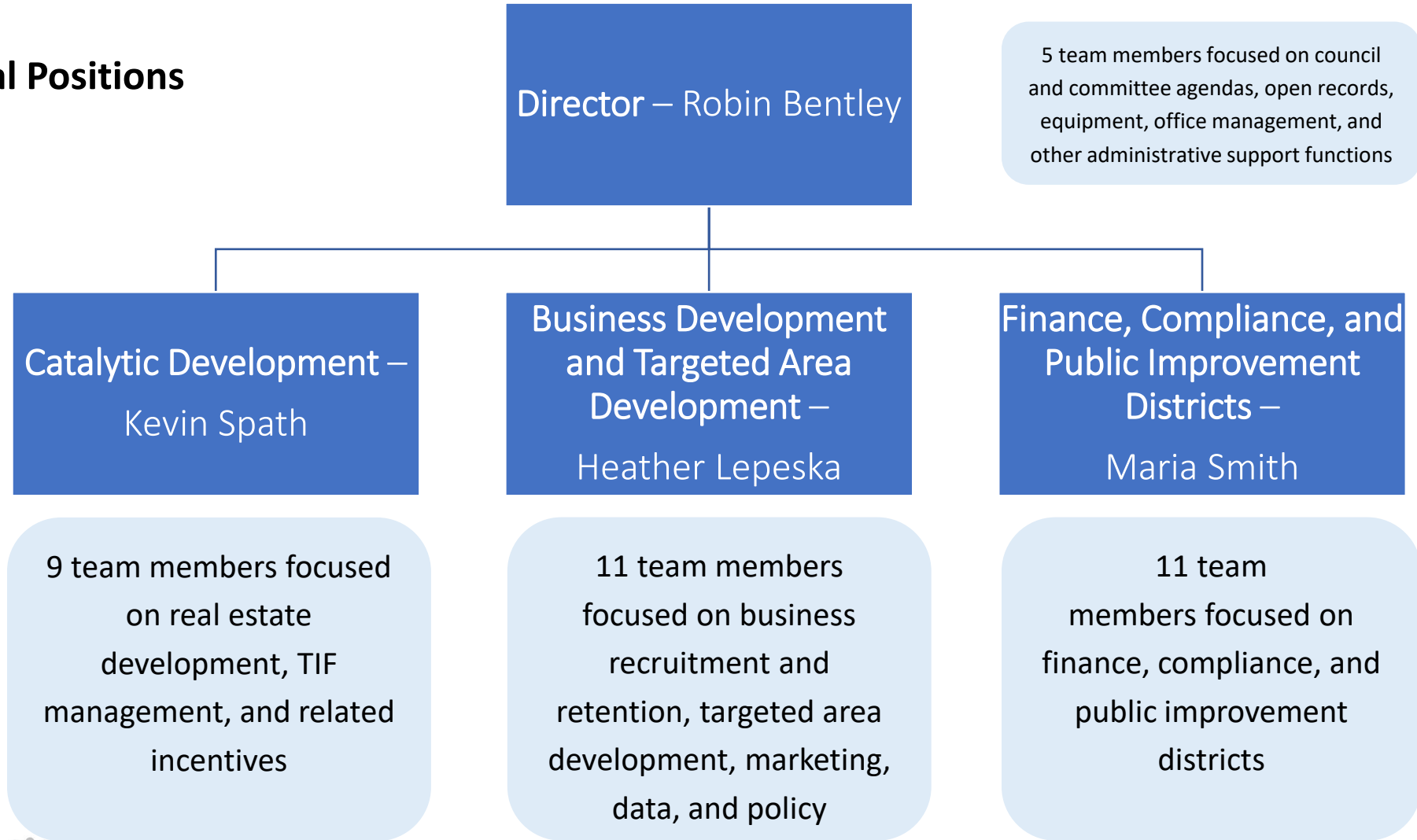
- Organizational Chart
- Budget Overview
- Departmental Impact
- Staff Teams
 - Administrative Services
 - Catalytic Development
 - Business Development
 - Targeted Area Development
 - Finance, Compliance, and PIDs
- Update on Economic Development Policy and Incentive Policy
- **Appendix** – Incentive Tools and Programs



Organizational Chart



40 Total Positions



Budget Overview



- **FY23 General Fund Expense Budget: \$4,019,415**
 - Salaries & benefits: \$4.7M
 - Supplies: \$36k
 - Services: \$1.05M
 - Reimbursements: \$1.8M
- **FY23 Capital Program appropriations:**
 - TIF Funds: \$117,031,693
 - Public Private Partnership Funds: \$8,500,000
 - 2017 Proposition I: \$5,611,368*

*Note: Does not include \$3.4M appropriated in FY23 for Housing department. 2017 bond funds are subject to City Council's discretionary use, based on their available allocation balances.



Departmental Impact



Last fiscal year, the City approved economic development incentives with a total estimated value of almost **\$200 million**.

This investment leveraged commitments from third parties for **\$1.4 billion in new capital investment** and is anticipated to lead to the **creation or retention of 8,184 jobs**.





Major activities:

- Management of **100+ City Council agenda items** each year
- Department-wide coordination and support for:
 - Records management
 - Open records requests (3-year average of **68 requests per year**)
 - Phone, computer, and equipment management
 - Travel coordination
 - Procurement card purchases
 - Meetings and office management



Catalytic Development



Major activities:

- Facilitate **real estate development projects** that would not occur without city incentives
- Lead implementation of large **catalytic developments** on behalf of the city (e.g. Hensley Field, International District, University Hills, transit-oriented development at DART light rail stations)
- Manage the City's 18 active **Tax Increment Financing (TIF) Districts**



Catalytic Development Team



Recent Accomplishments: Gateway Oak Cliff mixed-income project (400 S. Beckley)

- \$47 million development of 226 total units, of which 184 (80%) affordable at/below 60% AMFI
- 4% LIHTC + bond
- \$4,245,432 gap funding incentive from Oak Cliff Gateway TIF District
- Development agreement authorized by City Council in June 2021
- Construction nearing completion



Carleton Companies

Gateway Oak Cliff

Print #230614019

Date: 06/14/23

Lat/Lon: 32.742692 -96.821827

Order No. 75874

 Aerial Photography, Inc. 954-568-0484



Catalytic Development Team



Recent Accomplishments: Tom Thumb at RedBird

- Approx \$20 million new 50,000 sq ft full-service grocery store in food desert
- Economic development incentive agreement with Randall's Food & Drugs LP authorized by City Council in April 2023 (\$5.2 million grant; \$600,000 sales tax grant; business personal property tax abatement 5 years/75%)
- Minimum required job creation: 90 (95 after Year 1)
- Minimum required local hiring: 40%
- Minimum required investment: \$17 million
- Minimum required gross sales: \$13 million (\$15 million after Year 1)

Tom Thumb[®]



Catalytic Development Team



Recent Accomplishments:

H MART Redevelopment Project (2534 Royal Lane)

- Approx \$28 million redevelopment of existing 143,200 sq ft vacant building on 7.6-acre site, including 74,300 sq ft H MART supermarket ("Store") on the first floor; 47,300 sq ft of retail space on the first floor; and approximately 16,500 sq ft of office space on the second floor
- Economic development incentive agreement authorized by City Council in June 2023 (\$2.5 million grant; \$1 million sales tax grant; real property tax abatement 10 years/90%)
- Required workforce/education partnership with Dallas College
- Local hiring goal: 40%
- M/WBE participation goal in construction: 40%
- Minimum required investment: \$20 million
- Minimum required gross sales: \$17 million (\$20 million after Year 1)



Catalytic Development Team



Recent Accomplishments:

Bridge Labs Project at Pegasus Park

- Approx \$100 million development, including full renovation of an existing building (74,082 sq ft), demolition of an adjacent existing building (22,237 sq ft), and ground-up construction of a new two-story building (61,432 sq ft) to deliver approximately 135,000 sq ft of new life science/biotech laboratories and associated facilities
- Economic development incentive agreement authorized by City Council in June 2023 (\$3.0 million grant; real property tax abatement 10 years/90% in Years 1-7 and 70% in Years 8-10)
- M/WBE participation goal in construction: 40%
- Minimum required investment: \$70 million



Business Development Team



Major activities:

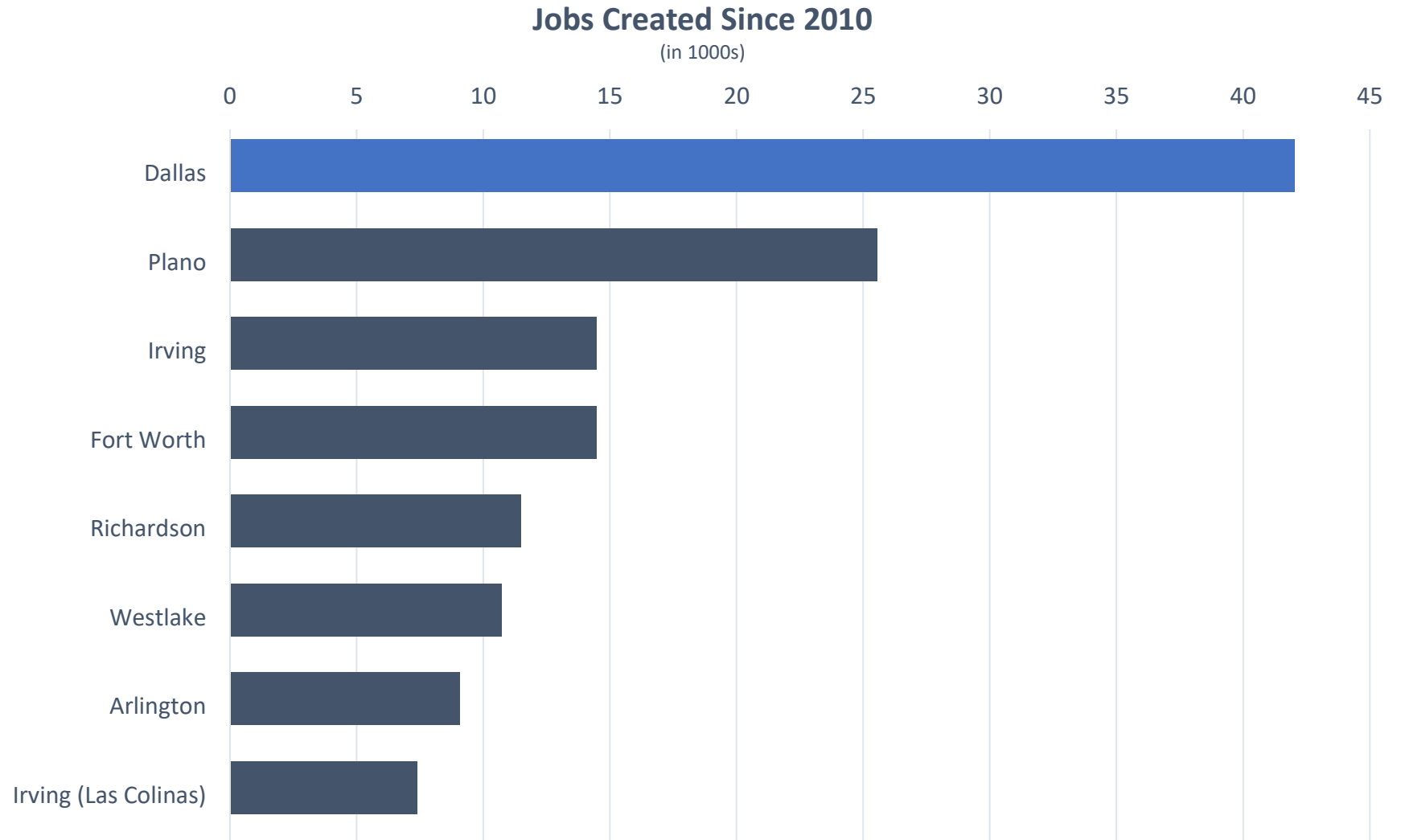
- Responsible for **business recruitment and business retention** activities aimed at creating living wage jobs and expanding the tax base
- Respond to **350+ annual requests for information** from companies, site selectors, chambers, Office of the Governor, and other inquirers.
- Represent the City at industry events
- Negotiate incentives and oversee projects through Council action, contract execution, and compliance
- Manage department's website, press releases, marketing collateral, and district fact sheets



Business Development Team



With more than **42,000** jobs created, **Dallas leads DFW** in jobs created since 2010 as tracked by the Dallas Regional Chamber.



Business Development Team

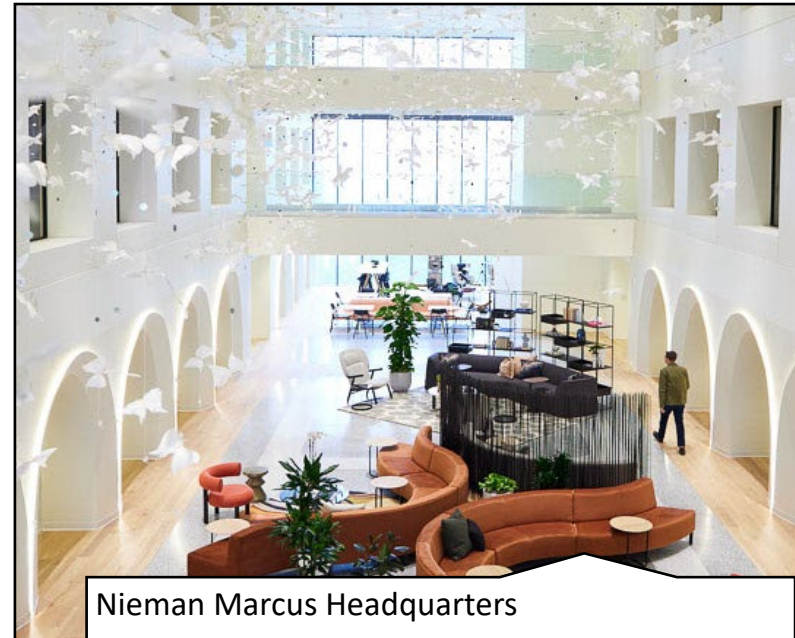


Recent Council-approved incentive projects include attraction of the Goldman Sachs NorthEnd redevelopment and retention of the Neiman Marcus headquarters



NorthEnd Redevelopment

- 5,000 jobs created or retained
- \$390 M required investment for building by Hunt
- \$90 M required investment by Goldman Sachs



Neiman Marcus Headquarters

- 1100 jobs retained, 300 jobs to be created
- Approximately \$17 million in improvements to Cityplace Office tower



Targeted Area Development Team



Major Activities:

- Incentivize **investments in areas of distress** in accordance with Chapter 373 and Chapter 380 of the Texas Local Government Code and City's Community Development Plan
- Oversee the City's **New Markets Tax Credit Program** and the program's oversight entity, the Dallas Development Fund
- Oversee the **Predevelopment Assistance Fund**, a flexible early funding source for MWBE and community developers
- Manage implementation of the **Economic Development Policy** approved by the City Council in January 2023



Targeted Area Development Team



- **NEW MARKETS TAX CREDITS:** Dallas Development Fund received \$55 million in allocation in most recent funding cycle bringing total allocation amount to \$240 million since program inception.
- **NONPROFIT DEVELOPERS:** Two applications pending for projects led by non-profit developers including Bonton Health and Wellness Center and Southfair Retail



Vogel Alcove at RedBird

Buildout of a new 15,000 SF childcare facility serving 134 children and their families



Behind Every Door

Will serve more than 3,000 youth, adults, and seniors annually with a broad array of services



Bonton Health & Wellness Center

11,000 SQFT to provide health and financial services , plus community and office space



Malcolm's Point

12000 sq ft of new office and retail space on AI Lipscomb Way



Finance, Compliance, and PID Teams



Major activities:

- **Finance Team:**

- Operating and capital budget development and monitoring of all OED funding sources
- Develop TIF payback schedules; complete annual TIF billing and TIF financials for annual reporting
- Process assessment disbursements to PID entities

- **Compliance Team:**

- Conduct on-site monitoring reviews of TIF development projects with a residential unit component to determine compliance with TIF mixed-income housing guidelines

- **Public Improvement District (PID) Team:**

- Manage the City's PID Program and 14 PID management agreements



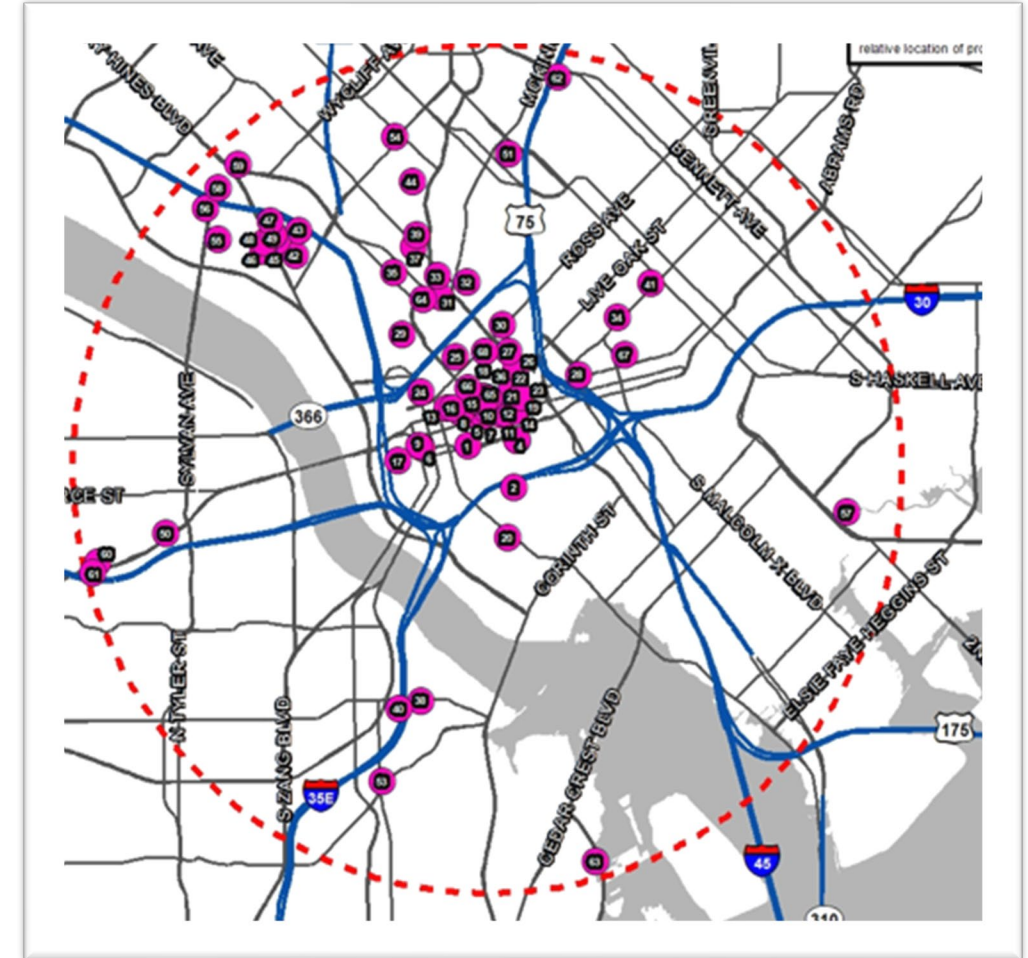
Finance, Compliance, and PID Teams



Recent Accomplishments:

PROJECT FINANCING ZONE (PFZ):

- OED staff will be responsible for establishing policies and procedures to manage the new PFZ, a state funding tool authorized by Council on October 13, 2021 to support implementation of the Kay Bailey Hutchison Convention Center redevelopment.
- The zone covers a 3-mile radius from the Convention Center and includes 65 hotels and their respective, on-site businesses
- The PFZ is estimated to collect \$2.2 billion in state increment over the next 30 years.



Finance, Compliance, and PID Teams



Recent Accomplishments:

PID “Good Governance” Policy Enhancements:

- In January 2023, Council amended City’s PID Policy to incorporate “good governance” standards of business conduct for PID management entities, including requirements for disclosure and recusal when conflicts of interest arise. The policy amendments also included new transparency requirements, including posting of board information and meeting minutes online.



Expansion of Compliance Work:

- In May 2022, responsibility for monitoring affordable units in 25 TIF-funded residential projects transferred from HOU to OED.
- Addition of 1 analyst position via internal reallocation in FY23 will allow team to monitor 100% of properties with affordability requirements by year-end, up from 44% of properties monitored in FY22.



Economic Development Policy



On January 25, 2023, the City Council approved the City of Dallas **Economic Development Policy**.

- Staff will roll out a web-based dashboard this fall to track progress on the 10-year implementation of the Policy.

The first deliverable under the policy was the new **Economic Development Incentive Policy**.

- The Incentive Policy adds new tools that institutionalize a **living wage**, streamline the process for **nonprofit and M/WBE developers**, create a new fund to address **infrastructure challenges** and prioritize investment in specific areas of distress referred to as **Target Areas**.
- Staff has been actively marketing the new tools and programs, including monthly informational meetings.
- All policy materials and applications are available in **English and Spanish**.
- The new **Incentive Inquiry Tool** is an online query tool to guide developers to the correct program by answering a few simple questions.



Questions?





City of Dallas

Office of Economic Development Overview

**Economic Development Committee
September 5, 2023**

Robin Bentley, Director
Office of Economic Development
City of Dallas

Appendix



Economic Development Incentive Tools and Programs



Tax Increment Financing (TIF) Districts



- In 1986, Chapter 311 of the Texas Tax Code (“the Act”) became the enabling statute for tax increment reinvestment zones (TIRZ) or more commonly known as tax increment financing (TIF) districts
- The Act has evolved over time and includes requirements, rules, and criteria for creation of a TIF district, provisions for taxing entity participation, board of directors, procedures for tax increment collection, annual financial reporting, etc.
- In 1988, City of Dallas TIF program began with creation of State-Thomas TIF District
- In 2005, City of Dallas TIF Policy was adopted (amended in 2009 and 2015)
- In January 2023, City of Dallas TIF Policy was amended with City Council's approval of the new Economic Development Incentive Policy
- In many TIF districts, additional guidelines have been adopted by TIF district boards to focus on implementation of specific TIF district Project Plan (e.g. Mixed-Income Housing Guidelines; Urban Design Guidelines; Grant Program Guidelines; Increment Allocation Policies)



Public Improvement Districts (PIDs)



- Governed by Chapter 372 of the Texas Local Government Code (“the Act”) and City’s PID Policy
- Special districts created by the City at the request of property owners who petition City to levy a supplemental **assessment** (not a tax) on real property that is paid with the annual property tax bill
- Assessments fund special supplemental services that are above and beyond existing City services
- Funds cannot be used for private, personal purposes and are limited to petitioned categories as allowed by Chapter 372



Public Improvement Districts



Existing Dallas PIDs	Term
1. Downtown Improvement District	2021- 2027
2. Deep Ellum PID	2019-2025
3. Klyde Warren Park/Dallas Arts District PID	2022-2031
4. Knox Street PID	2023-2032
5. Lake Highlands PID	2023-2032
6. North Lake Highlands PID	2018-2024
7. Oak Lawn-Hi Line PID	2017-2023*
8. Prestonwood PID	2019-2025
9. South Dallas/Fair Park PID	2017-2023
10. South Side PID	2020-2026
11. Tourism PID	2016-2029
12. University Crossing PID	2021- 2027
13. Uptown PID	2020-2026
14. Midtown Improvement District	2023-2032

- Managed by contract with the City
- Management entities are typically non-profit entities governed by property owner-elected boards

*OLHPID renewed May 2023 for new ten-year term (2024-2033)



Negotiated Incentives



For projects with a total budget of \$25M or greater, outside of a target area, where the as-of-right abatement doesn't fill the financial gap or projects that align with the Community Development Plan, negotiated incentives may include:

- **Tax Abatements**

- Abatement terms vary by project depending on need after minimum qualifications are met

- **Economic Development Grants and Loans**

- Business development projects must create 50 jobs or retain at least 100 jobs, plus a minimum capital investment of \$2 million
- All incentivized jobs must pay a living wage

- **Community Development Grants and Loans**

- Be led by a community-based non-profit developer and either
 - Create 25 jobs that pay a living wage or document a minimum capital investment of \$2 M with any jobs hired by primary developer paying a living wage
- Community Impact projects
 - Meet a specific community need (like grocery stores, childcare centers, health care facilities or senior care facilities), create 15+ jobs with an average salary requirement equivalent or greater than the living wage and document a minimum capital investment of \$2 M

Grant and loan terms vary by project depending on need after minimum qualifications are met. Real estate development projects undergo underwriting/gap analysis. Business development projects undergo fiscal impact analysis



Targeted Neighborhood Enhancement Program



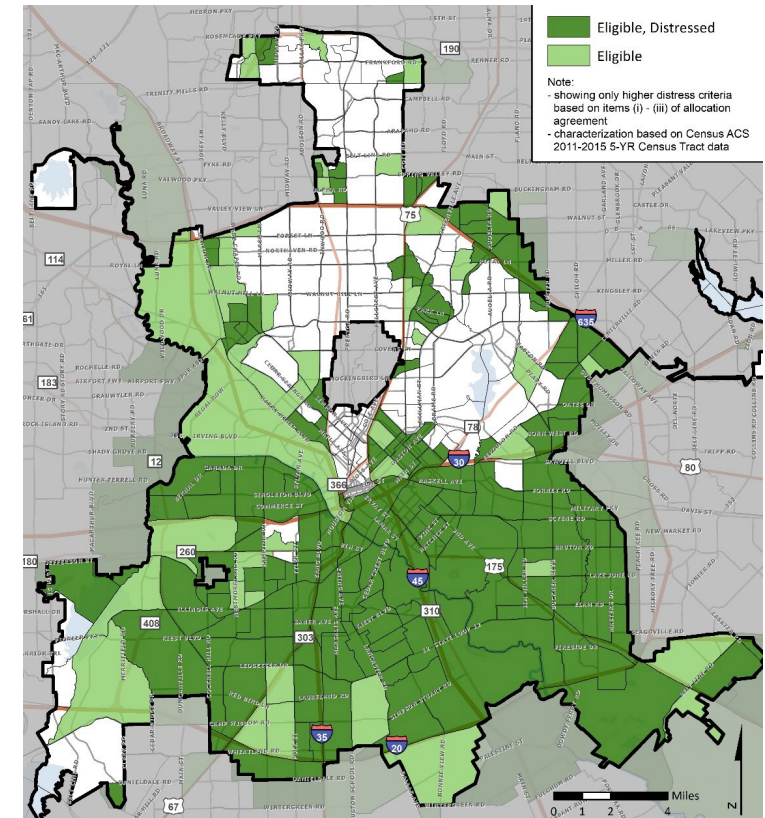
- In May 2019, City Council authorized the adoption of the Targeted Neighborhood Enhancement Program
- Program Purpose: To provide grants for neighborhood enhancements in neighborhoods designated as Revitalization Areas, Stabilization Areas, or Emerging Market areas under the City's Comprehensive Housing Policy. Grants not exceeding \$500,000 may be used for art installations, street sign toppers, neighborhood entry signage and other unifying signage, landscaping enhancements, lighting, and other improvements that enhance the safety, neighborhood identity, or aesthetics of the neighborhood.
- The Program is administered by the Office of Economic Development, but it does not have a dedicated source of funding.
- In May 2021, City Council authorized amendments to clarify that one of the purposes of the Program is to promote economic development by providing funding for the acquisition of improved and unimproved properties, demolition of existing structures, and assistance for private commercial, industrial, retail, residential, and mixed-use/mixed-income development in neighborhoods designated as target areas under the Comprehensive Housing Policy.
- To date, City Council has authorized 3 projects through the Targeted Neighborhood Enhancement Program:
 - 2019: \$500,000 to Golden SEEDS Foundation for neighborhood enhancements in The Bottom
 - 2021: \$254,000 in a City construction contract for sidewalks, curb, gutter, driveway approaches, and barrier free ramp improvements on Stafford Street between N. Edgefield and N. Willomet and on N. Edgefield approximately 300 feet north and approximately 150 feet south of the intersection with Stafford Street
 - 2021: \$5,677,000 for the City to acquire a 1.66-acre improved property at 5580 Peterson for future parkland



New Markets Tax Credits



- Congress created the NMTC program in 2000 to incentivize investments that create jobs and provide services in economically disadvantaged areas (green areas of map).
- The NMTC program is administered by the CDFI Fund. Through 2022, the CDFI Fund has made 1,461 awards totaling \$71 billion in tax credit authority to Community Development Entities (CDEs)
 - Dallas Development Fund is a CDE created by the City of Dallas in 2009 and the only CDE in Texas that has received allocation
- The NMTC program is used primarily to fund commercial, industrial, community facility, and mixed-use real estate projects, as well as operating businesses located 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.



Healthy Foods Dallas Initiative



- The Healthy Food Dallas Initiative's (HFDI) Community-Based Solutions Program is a financing program supported by the Dallas Development Fund (DDF) to increase the number of non-traditional food access points including corner stores and other fresh food options in low-income, underserved communities across Dallas.
- The initiative was created in response to the lack of affordable fresh and healthy foods in many Dallas neighborhoods, and growing evidence that healthy food access reduces the risk of developing diet-related diseases such as obesity, heart disease and diabetes.
- HFDI program awards forgivable loans, not to exceed \$70,000 per award, to non-profit entities that provide access to healthy food to a low-income population through innovation and/or community partnerships. Loan awards require a 50/50 match and can be used for redevelopment, improvements, construction and rehabilitation, technology and equipment installation and upgrades, staff training, security, and/or inventory.
- Through 2022, the HFDI awards to non-profits have increased access to healthy foods with the distribution of over 8M lbs of healthy food and over 6M healthy meals to the community.



Frazier Revitalization, Inc. (FRI) received a forgivable loan from the Healthy Food Dallas Initiative for an Urban Farm and seedling incubator. The loan allowed Frazier Revitalization to launch Dallas' first professional production & training farm, Hatcher Station Training Farm. The farm has expanded the number of urban gardens in Dallas deserts through the training and the delivery of seedlings. In response to COVID-19, the training farm moved from a raised bed model to a GroBox model, which increased the farm's impact on the community. The boxes are manufactured in South Dallas and were used to sell seedlings and keep farmers and furloughed farmers employed.

The GroBox model is a tremendous success, including an expansion to other areas of Dallas and pilot projects to distribute boxes in four different cities (Austin, San Antonio, Nashville, and Philadelphia).



As-of-Right Tax Abatements



Benefit

- Eligible applicants can choose either a **10 year, 90 percent real property** abatement or a **five-year, 90 percent business personal property** abatement

Eligibility

- Target Area
- Project budget of \$25 million or less
- Capital expenditures of at least \$2 million, or creation of 10 jobs or retention of 25 jobs
- Living Wage (MIT Living Wage Calculator)
- MWBE goal of 32% for construction
- No residential displacement or demolition without a plan

Process

- The application is streamlined and straightforward; no underwriting requirement.
- The awards are made by administrative action, so no committee review or council approval is required.
- Contracts are standardized forms



Predevelopment Assistance Loan Fund



Eligible Borrowers

- Citywide program for M/WBE developers and community developers with loans to enable project feasibility

Loan Amount

- Determined on a case-by-case basis according to need and project scope but not to exceed \$25,000

Loan Terms

- Interest-free; mature on the earlier of the closing date of construction financing for the project, **or** 12 months from the date of payment by the City

Loan Security

- Must be secured by a first lien deed of trust filed in county's real property records against property owned by the borrower valued in an amount equal to or greater than the loan amount, and/or by a personal guarantee from the borrower along with documentation that the borrower controls assets valued in an amount equal to or greater than the predevelopment loan amount

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. Any property owner of commercial, industrial, agricultural, or multi-family residential (consisting of five or more units) located within the City of Dallas is eligible for PACE financing.
- Enabled by Texas Local Gov't Code Chapter 399 (the PACE Act), which authorizes municipalities and counties in Texas to work with private sector lenders and property owners to finance qualified improvements using contractual assessments voluntarily imposed on the property by the owner.
- Since the program's establishment, the Office of Economic Development has facilitated ten (10) PACE projects, resulting in a cumulative total of over \$112M in energy efficiency, water conservation, and distributed generation improvements across the city of Dallas.



Infrastructure Investment Fund (IIF)



- New funding source created with City Council's approval of new Economic Development Incentive Policy in January 2023 to be administered by Office of Economic Development.
- Goal: 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. Applicants with third-party projects apply using the same development incentive application form as Negotiated Incentives.
- Funds may be expended outside of Target Areas only with a $\frac{3}{4}$ vote of the City Council.
- Capitalized by ongoing collection of windfall funds from expiring TIF districts. For a period of 10 years after a TIF district expires, the M&O portion 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.
- With expiration at end of 2022 of the Cedars TIF District and City Center Sub-District (within City Center TIF District), Office of Economic Development calculates that \$6,070,974 will start annually flowing to IIF in Summer 2024.





- The City of Dallas Economic Development Corporation (EDC) is a non-profit Local Government Corporation created to support business development and serve as a public developer within the City of Dallas.
- The EDC is overseen by a 15-member Board of Directors approved by the City Council. The board will contribute to the organization's success by representing a diversity of backgrounds, perspectives, geographies, and areas of expertise with the highest level of integrity and dedication to Dallas.

EDC Board of Directors

John Stephens, President

Linda McMahon, Vice President

Cynthia Figueroa, Secretary

Michon Fulgham, Treasurer

Alan Dorantes

Alan Walne

Ardo Fuentes

Chris Bradshaw

Dania Duncan Moreno

Johnnie King

Debra Hunter Johnson

Gilbert Gerst

Holly Reed

Jimmy Tran

Kim Noltemy



Texas Enterprise Fund (TEF)



- The State of Texas Enterprise Fund (TEF) is a deal-closing fund for the State of Texas which requires approval by the Governor, Lieutenant Governor, and Speaker of the House.
- The grant amount is determined by the state based on job numbers, wages, capital investment, and other factors.
- In order to receive a TEF award, projects must also have a commitment of local economic development incentives. In other words, if the City of Dallas does not support a project, it is not eligible for TEF funding.



Texas Enterprise Zone (TEZ) Nomination



- The Texas Enterprise Zone Program is a state sales and use tax refund program
- Cities nominate companies in their jurisdiction to receive Enterprise Zone Project designation and thus be eligible to receive state sales and use tax refunds on qualified expenditures
- Companies must meet minimum capital investment thresholds and create and/or retain jobs that employ a certain percentage of economically disadvantaged individuals, enterprise zone residents, or veterans
- Dallas receives 9 nominations per state biennium, and can utilize them on qualifying projects

