

Memorandum



CITY OF DALLAS

DATE January 29, 2021

TO Honorable Members of the Economic Development Committee:
Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates,
Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT **Plan Amendment for Oak Cliff Gateway TIF District and Recommendation of \$475,000 in Oak Cliff Gateway TIF District funds from the available District-Wide Set-Aside to Support the Operation and Maintenance of the Dallas Streetcar for FY 2020-2021**

On February 24, 2021, City Council will consider approval of:

- (1) an amendment to the Oak Cliff Gateway TIF District Project Plan and Reinvestment Zone Financing Plan ("Plan") to: (a) include a finding that O&M support for the Dallas Streetcar is necessary and convenient to the implementation of furthering development along major transportation corridors and transit connections in and adjacent to the TIF District, (b) create a budget category in support of the Dallas Streetcar, and (c) shift \$257,202 net present value (approximately \$950,000 in total dollars) of the District's budget from the Oak Cliff Gateway Sub-district to the new budget category, and
- (2) the dedication of \$475,000 in Oak Cliff Gateway TIF funds from the available District-Wide Set-Aside to support the operations and maintenance ("O&M") of the Dallas Streetcar for FY 2020-2021.

On January 19, 2021, the Oak Cliff Gateway TIF District Board of Directors ("Board") approved the amendment to the Plan and forwarded a recommendation of approval to the City Council.

On January 19, 2021, the Board also considered a funding request by the City's Transportation Department for \$950,000 in support of the O&M of the Dallas Streetcar for FY 2020-2021; however, the Board only approved a funding recommendation of \$475,000 and forwarded a recommendation of approval to the City Council. The Board suggested that Transportation Department staff continue to review options for reductions in service of the Dallas Streetcar this year due to the pandemic and other alternatives for addressing funding needs with the potential to present another request in the coming months. During two previous Board meetings (December 1, 2020; December 14, 2020), the Board had reviewed and discussed the request in detail.

In recent months, the City has also engaged a consultant, LDR Advisory Partners, to conduct a study, including economic modeling, to evaluate the feasibility of long-term options for funding ongoing O&M for the Dallas Streetcar. Preliminary information from this study was shared with the Board on December 14, 2020 (see attached **Exhibit B**) and is scheduled to be shared with the City Council's Transportation and Infrastructure Committee on February 23, 2021.

Background: Dallas Streetcar

The Dallas Modern Streetcar ("Streetcar") is a City-owned public transportation facility that links the downtown Central Business District to the Methodist Regional Medical Center ("Methodist") and Bishop Arts District ("Bishop Arts") in Oak Cliff. The system includes six stops on 2.3 miles of track all within the City's street network. The system was constructed using \$81 million in state and federal grant funds with the expectation of providing an economic stimulus, neighborhood revitalization, and an alternate mode of public transportation for at least a 30-year period.

The City maintains Interlocal Agreements ("ILA") with the North Central Texas Council of Governments ("NCTCOG"), Federal Transit Administration ("FTA"), Texas Department of Transportation ("TxDoT"), and with Dallas Area Rapid Transit ("DART") pertaining to the Dallas Streetcar system. These ILAs established the City of Dallas as the owner of the Streetcar and allow for the City to rely on technical expertise from DART to operate and maintain the Streetcar.

To date, funding for the City's share of Streetcar O&M has primarily come from City's General Fund. In February 2020, City Council reviewed a request to authorize the payment of funds to DART for FY 2021 Streetcar O&M in the allocated amounts of \$370,100 in Streetcar Developer Fund and \$1,231,900 in General Fund (totaling \$1,602,000). City Council deferred action on the authorization and remanded the item back to the Transportation and Infrastructure Committee to consider alternate methods (i.e. not the City's General Fund) for funding Streetcar O&M, including tax increment financing ("TIF") districts, public improvement districts (PIDs), and other non-general fund sources. In the summer of 2020, DART began the implementation of a \$1 fare system; however, fare revenue is only anticipated to contribute a small amount toward O&M.

On August 17, 2020, after several months of discussion, Transportation Department staff presented a Streetcar O&M Funding Plan (see attached **Exhibit A**) to the Transportation and Infrastructure Committee for short-term (through fiscal year 2021) and long-term (fiscal year 2022 and beyond) consideration for the approximate \$2 million annual Streetcar O&M cost. The Transportation and Infrastructure Committee endorsed the Funding Plan as recommended by Transportation Department staff.

The short-term recommendation included a contribution of \$950,000 in Oak Cliff Gateway TIF District's available "district-wide" funds (contingent on approval of a TIF Plan amendment and funding dedication). The long-term strategy included the City's exploration and pursuit of potential public/private partnership ("P3") opportunities. The City engaged a consultant, LDR Advisory Partners, to assist with the exploration of potential P3 opportunities.

Generally, O&M expenses of public transportation systems have not typically been funded by tax increment financing; however, based on a formal opinion by the City Attorney's Office, under the state TIF statute (Chapter 311 of the Texas Tax Code), the Board of Directors of a TIF district may, subject to City Council approval, establish a program(s) to develop or expand public transportation within or outside of the TIF district's boundaries if that program(s) benefits the TIF district. Therefore, for \$950,000 of the Oak Cliff Gateway TIF District's available "district-wide" funds to be dedicated to Streetcar O&M in FY 2021, project costs incurred for the Streetcar O&M must be identified as necessary and convenient for the continued implementation of the TIF district's project plan and financing plan ("TIF Plan").

Background: Amendment to the Project Plan and Reinvestment Zone Financing Plan of the Oak Cliff Gateway TIF District

On February 12, 1997, City Council authorized the Project Plan and Reinvestment Zone Financing Plan for the Oak Cliff Gateway TIF District by Resolution No. 97-0483; Ordinance No. 23033. The Plan has been amended multiple times, most recently in 2015.

On December 1, 2020 and December 14, 2020, the Board discussed a proposed Plan amendment for Dallas Streetcar support.

On January 19, 2021, the Board approved a Plan amendment to: (1) include a finding that O&M support for the Dallas Streetcar is necessary and convenient to the implementation of furthering development along major transportation corridors and transit connections in and adjacent to the TIF District, (2) create a budget category in support of the Dallas Streetcar, and (3) shift \$257,202 net present value (approximately \$950,000 in total dollars) of the District's budget from the Oak Cliff Gateway Sub-district to the new budget category.

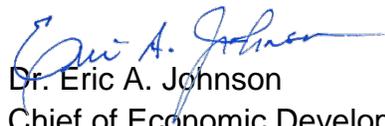
Background: Streetcar O&M Funding Support

During its December and January meetings, the Board discussed the value of supporting the viability of the Dallas Streetcar; however, the Board expressed concerns about the unusual nature of funding O&M and, with the decline in ridership during the pandemic,

requested that Transportation Department staff consider some service reductions to reduce costs.

On January 19, 2021, the Board approved a funding recommendation of \$475,000 from the available District-Wide Set-Aside to support the O&M of the Dallas Streetcar for FY 2020-2021. With the Plan amendment, there is budget capacity to fund up to \$950,000. The Board suggested that Transportation Department staff continue to review options for reductions in service of the Dallas Streetcar this year due to the pandemic and other alternatives for addressing funding needs with the potential to present another request in the coming months.

Should you have any questions, please contact Kevin Spath, Assistant Director, Office of Economic Development at 214-670-1691.



Dr. Eric A. Johnson

Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

EXHIBIT A

Dallas Streetcar Operations and Maintenance

Transportation and
Infrastructure Committee
August 17, 2020

Michael Rogers, Director
Department of Transportation
City of Dallas



City of Dallas



- Background/History
- Purpose
- Proposed Actions
- Staff Recommendations
- Next Steps





- On February 12, 2020, the City Council remanded the following item to the Transportation and Infrastructure Committee (TRNI) :
 - *Authorize payment to DART for operation & maintenance costs for the Dallas Streetcar System from Union Station to Bishop Arts District for Fiscal Year 2020 - Not to exceed \$1,602,000.*
 - *Financing: Streetcar Developer Fund (\$370,100) and General Fund (\$1,231,900)*





- Explore additional funding opportunities for the City's portion of the Dallas Streetcar Operations and Maintenance (O&M) costs
- Address City Council's direction to no longer rely on general funds for this purpose





- Staff evaluated funding options for the short-term and long-term
- Short term covers FY 20, FY 21, and FY 22 as shown in the table on slide 6
- Long-term covers the fiscal years beyond FY 22; additional options are being explored





STREETCAR O&M FUNDING PLAN			
	FY 2020	FY 2021	FY 2022
Total O&M Budget Need	\$2,000,000	\$2,000,000	\$2,100,000
DART O&M Contribution	\$615,119	\$633,573	\$652,580
Available DART Carryover	\$620,982		
TIGER Correction	\$328,112		
Estimated Fare Collection	\$10,000	\$52,000	\$52,000
Developer Fund	\$439,500	\$300,000	\$300,000
Potential DDI PID Contribution		\$100,000	
Oak Cliff Gateway TIF		\$950,000	
Carry Over from Previous Year		\$13,713	\$49,286
City General Fund	\$0	\$0	\$0
Total Funding	\$2,013,713	\$2,049,286	\$1,053,866
End of the Year Surplus (GAP)	\$13,713	\$49,286	(\$1,046,134)





The Streetcar O&M Funding Plan:

- Addresses the immediate short-term funding need
- Lays the groundwork for future options





Return to City Council for approval of:

- FY 20 funding arrangements
- FY 21 pursuit of these funding options:
 - Amend Oak Cliff Gateway TIF District Project Plan and Financing Plan (*3 Month Process*)
 - Authorize utilization of up to \$950,000 of unallocated funds in the District-Wide Set-Aside
 - Accept Downtown Dallas, Inc. (DDI) contribution of \$100,000
- FY 22 and beyond - Pursue Public/Private Partnership (P3) opportunities.



EXHIBIT A

Dallas Streetcar Operations and Maintenance

Transportation and
Infrastructure Committee
August 17, 2020

Michael Rogers, Director
Department of Transportation
City of Dallas



City of Dallas

DALLAS STREETCAR ASSET ANALYSIS

DECEMBER 2020

PREPARED FOR



City of Dallas



Task	Outputs	Status
1. Evaluate publicly owned parcels along current transportation network and other relevant city-owned assets	<ul style="list-style-type: none"> › Matrix with publicly owned parcels organized by prospective value 	Complete
2. Estimate the revenue potential from activation and redevelopment of city's capital assets	<ul style="list-style-type: none"> › Interim report with asset packages ranked by feasibility and value 	In Progress
3. Develop recommendations for implementation of potential Streetcar expansion options	<ul style="list-style-type: none"> › Benchmarking analysis of existing line with respect to governance and O&M strategies beginning in 2022 (i.e., P3, 501(c)3, LGC), financing (i.e., TIF, PID, PFC, asset recycling) and structure (i.e., equity, debt, grant) › Benchmarking analysis of Streetcar expansions with respect to governance (i.e., P3, 501(c)3, LGC), financing (i.e., TIF, PID, PFC, asset recycling) and structure (i.e., equity, debt, grant) 	Complete
4. Develop a glidepath for implementation of Streetcar expansion	<ul style="list-style-type: none"> › Roadmap to guide implementation 	In Progress
5. Assemble Summary Report of Findings	<ul style="list-style-type: none"> › Summary report of findings from Tasks 1-4 with follow-on recommendations 	Not yet initiated

STREETCAR RELATED ASSETS

<i>Value Capture Method</i>	<i>Months to Implement</i>	<i>Annual Value</i>
Advertisement	3	\$117,647
Naming Rights and Sponsorship	6	\$300,000
Voluntary Special Collections <i>or</i> Transportation Utility Fee	6	\$41,000 <i>or</i> \$2,196,000
Real Property Asset Disposition	9	\$250,000*
At-Grade Joint Development	12	\$95,000
Streetcar Improvement District (PID)	12+	\$842,768 <i>or</i> \$0**
Above-Grade Joint Development	24+	\$248,393

Available Annual Revenue

\$1,894,808 *or* \$3,207,040

* Parcel list does not include Clusters 3 and 5.

** If Transportation Utility Fee then PID is difficult to justify, and vice versa.



Figure 3: Operating Statistics for Streetcar Systems in 2018

City	Operating Expenses	Operating Expenses per Revenue Hour	Cost per Trip/Rider
Kansas City	\$4,928,270	\$255.66	\$2.44
Seattle	\$10,503,016	\$246.69	\$6.23
Portland	\$17,645,569	\$243.48	\$3.62
Cincinnati	\$3,794,491	\$257.34	\$7.81
Detroit	\$8,170,701	\$297.58	\$6.85
Atlanta	\$5,589,429	\$488.53	\$14.41
Milwaukee¹⁰	\$9,202,446	\$528.88	\$9.79
Tucson	\$4,090,872	\$158.25	\$4.55
Charlotte¹¹	\$1,486,118	\$167.11	\$4.00
Washington, DC	\$11,151,824	\$440.77	\$9.52
Little Rock	\$985,393	\$82.95	\$22.96
Oklahoma City¹²	n/a	n/a	n/a
El Paso¹³	n/a	n/a	n/a
Dallas	\$2,440,667	\$179.98	\$16.40

Ridership	August-20	August-19
Weekday	425	688
Saturday	387	533
Sunday	348	490

SCENARIO	POTENTIAL SAVINGS	CURRENT COST	REDUCED COST	KNOWN FUNDING	FUNDING GAP	COMMENT
A Current Service: Two cars at 20-minute headway. 5:30AM to Midnight.	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 957,573	(\$1,042,427)	DART noted increased cost. Budget need is \$2.3M (not \$2.0M)
B One car at 30 minute headway	\$ 783,163	\$ 2,000,000	\$ 1,216,837	\$ 957,573	(\$259,264)	Might not provide adequate charge time especially on hot days.
C One car at 40 min headway	\$ 929,566	\$ 2,000,000	\$ 1,070,434	\$ 957,573	(\$112,861)	Recommended by DART
D No Sunday service	\$ 297,971	\$ 2,000,000	\$ 1,702,029	\$ 957,573	(\$744,456)	Sunday has the lowest ridership.
E No Weekends service	\$ 571,904	\$ 2,000,000	\$ 1,428,096	\$ 957,573	(\$470,523)	Sunday and Saturday have lower ridership than weekdays.
F One car at 30 minute headway between Union Station and Methodist Hospital (Beckley Stop)	\$ 967,844	\$ 2,000,000	\$ 1,032,156	\$ 957,573	(\$74,583)	Bishop Arts Stop is 2nd heaviest stop (after Union Station Stop)