



Legislation Text

File #: 20-2115, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: November 11, 2020
COUNCIL DISTRICT(S): 2
DEPARTMENT: Office of Economic Development
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

A public hearing to receive comments on the proposed amendment to the Project Plan and Reinvestment Zone Financing Plan ("Plan") for Tax Increment Reinvestment Zone Number Ten, the Southwestern Medical Tax Increment Financing ("TIF") District (the "Zone") to: **(1)** create two sub-districts within the Zone: (a) Southwestern Medical Sub-district (original Zone boundary) and **(b)** Medical Campus Sub-district; **(2)** increase the geographic area of the Zone to add approximately 118.9 acres to create the Medical Campus Sub-district to facilitate anticipated redevelopment; **(3)** reduce the percentage of tax increment contributed by the City of Dallas during the remaining term of the Southwestern Medical Sub-district from 80% to 45%; **(4)** authorize an amendment to the participation agreement with Dallas County to reduce the percentage of tax increment contributed by Dallas County during the remaining term of the Southwestern Medical Sub-district from 55% to 30% and establish the percentage and duration of tax increment contributed by Dallas County during the term of the Medical Campus Sub-district; **(5)** establish a termination date for the Medical Campus Sub-district of December 31, 2045; **(6)** establish the percentage of tax increment contributed by the City of Dallas during the term of the Medical Campus Sub-district at 80%; **(7)** increase the Zone's total budget from \$27,550,486.00 Net Present Value ("NPV") (approximately \$46,059,711.00 total dollars) to \$92,621,769.00 NPV (approximately \$153,885,868.00 total dollars), an increase of \$65,071,283.00 NPV (approximately \$107,826,157.00 total dollars); **(8)** restructure the Zone's budget to consolidate and broaden categories of eligible project costs in the Southwestern Medical Sub-district and add new budget categories for the Medical Campus Sub-district; **(9)** provide a one-time transfer of collected and unobligated funds in the Zone to the Medical Campus Sub-district in an amount not to exceed \$8 million dollars no later than December 31, 2022; and **(10)** make corresponding modifications to the Zone boundary, budget, and Plan; and at the close of the public hearing, authorize **(1)** an ordinance amending Ordinance No. 25965, as amended, previously approved on April 27, 2005, and Ordinance No. 26204, as amended, previously approved on January 11, 2006, to reflect this amendment; and **(2)** the deposit of any General Fund savings and increased revenue to the General Fund in FY 21 generated by the reduction of City participation in the Southwestern Medical Sub-district for tax year 2020 into the City's Public/Private Partnership Fund in an amount not to exceed \$1,000,000.00 to be used for economic development or housing projects located south of Interstate 30 and south of the Trinity River - Financing: No cost consideration to the

City

BACKGROUND

The Southwestern Medical TIF District was created in 2005 to take advantage of the expanding DART light rail system and promote transit-oriented development near the Medical District. Since 2005, medical institutions in the Medical District have made significant investment in expanding their physical footprint and medical offerings. Specifically, in 2015, a new Parkland Hospital opened, replacing the over-crowded 50+ year old facility located across Harry Hines Boulevard. The new 1.7 million square foot facility included a new 380,000 square foot outpatient center, 275,000 square feet of office space, and parking for 6,000 cars. The total cost of the new facility was \$1.27 billion.

In 2017, as a result of moving operations into the new Parkland Hospital, the Dallas County Hospital District (“DCHD”) issued an invitation to developers, end users, and interested parties to submit bids to purchase approximately 38.3 acres of land (and all existing buildings and improvements on the land) commonly referred to as the former Parkland Hospital Campus (“PHC”). EB Arrow, an experienced commercial real estate investment firm headquartered in Dallas that specializes in redeveloping large scale mixed-use properties throughout the US, has been negotiating with DCHD to purchase the former PHC.

EB Arrow has a \$1.2+ billion redevelopment plan (7 phases of development over 10-15 years) for the PHC that includes: 1.8 million square feet of office/medical office, conference center hotel, extended stay hotel, retail, and multi-family residential (approximately 500 units). EB Arrow’s redevelopment plan for the PHC complements the medical institutions’ investments in the Medical District and will provide needed office, hotel and conference space. Parkland Hospital’s existing skywalk will connect to the proposed full-service, conference center hotel that will feature a large auditorium and event spaces for industry conferences. Another feature of the redevelopment plan is the creation of an innovation hub that will serve as an incubator, providing space for bio-tech and life science satellites and start-ups.

Redevelopment of the PHC will require significant expenditures for environmental remediation, demolition, reconstruction of utility systems, roadways, and streetscape improvements, pedestrian improvements, connections to Medical/Market Center Trinity Railway Express station, trail connections, and public open space. As such, EB Arrow has requested that the City expand the Southwestern Medical TIF District to add the PHC so that TIF funds could be utilized to make redevelopment of this strategic area feasible.

Staff believes that the proposed amendment to the Plan for the Southwestern Medical TIF District will stimulate redevelopment of the PHC area to occur earlier, to a higher quality, to a greater extent, and with more public benefits than would occur solely through private investment in the foreseeable future.

Pursuant to the Tax Increment Financing Act, as amended, VTCA Texas Tax Code, Chapter 311 (the “Act”), a public hearing is required any time the boundary or budget of an existing Zone is proposed to be expanded or the percentage of a tax increment to be contributed by a taxing unit is proposed to increase or decrease.

This public hearing is being held to hear comments on the proposed amendment to the Plan for the

Southwestern Medical TIF District, including the following:

- (1) create two sub-districts within the Southwestern Medical TIF District:
 - (a) Southwestern Medical Sub-district (original Zone boundary) and
 - (b) Medical Campus Sub-district;
- (2) increase the geographic area of the Zone to add approximately 118.9 acres to create the Medical Campus Sub-district to facilitate anticipated redevelopment;
- (3) reduce the percentage of tax increment contributed by the City of Dallas during the remaining term of the Southwestern Medical Sub-district from 80% to 45%;
- (4) authorize an amendment to the participation agreement with Dallas County to reduce the percentage of tax increment contributed by Dallas County during the remaining term of the Southwestern Medical Sub-district from 55% to 30% and establish the percentage and duration of tax increment contributed by Dallas County during the term of the Medical Campus Sub-district;
- (5) establish a termination date for the Medical Campus Sub-district of December 31, 2045;
- (6) establish the percentage of tax increment contributed by the City of Dallas during the term of the Medical Campus Sub-district at 80%;
- (7) increase the Zone's total budget from \$27,550,486.00 NPV (approximately \$46,059,711.00 total dollars) to \$92,621,769.00 NPV (approximately \$153,885,868.00 total dollars), an increase of \$65,071,283.00 NPV (approximately \$107,826,157.00 total dollars);
- (8) restructure the Zone's budget to consolidate and broaden categories of eligible project costs in the Southwestern Medical Sub-district and add new budget categories for the Medical Campus Sub-district;
- (9) provide a one-time transfer of collected and unobligated funds in the Zone to the Medical Campus Sub-district in an amount not to exceed \$8 million dollars no later than December 31, 2022; and
- (10) make corresponding modifications to the Zone's boundary, budget, and Plan.

In the Southwestern Medical Sub-district, as a result of reducing the City's participation from 80% to 45% for tax years 2020-2027, staff projects that approximately \$1 million could flow annually to the General Fund in 2021-2028. Since the FY 21 General Fund budget was approved in September 2020 with the assumption that the City participation for tax year would be 80%, the proposed reduction in City participation for tax year 2020 to 45% is projected to result in approximately \$1 million in FY 21 General Fund savings. Staff recommends that any FY 21 General Fund savings

generated from the reduction in City participation for tax year 2020 be deposited into the City's Public/Private Partnership Fund to be deployed in economic development or housing projects located south of Interstate 30 and south of the Trinity River.

In the new Medical Campus Sub-district, the proposed participation for the City is 0% for 2021-2024 and then 80% for 2025-2045. Consistent with Dallas County's TIF Policy, Dallas County has been asked to participate at 0% for 2021-2024 and then 65% for 2025-2044. Therefore, as proposed, 100% incremental real property taxes collected from 2021 -2024 in the Medical Campus Sub-district will flow to the City's General Fund and Dallas County.

The Zone's total budget is proposed to increase from \$27.55 million NPV to \$92.62 million NPV. The \$62.5 million NPV increase in budget is allocated only to the Medical Campus Sub-district to provide a source of funding to support significant expenditures for environmental remediation, demolition, utility and roadway infrastructure improvements that will be necessary for redevelopment as well as for public benefits such as mixed-income housing, pedestrian improvements, streetscape improvements, connections to Medical/Market Center Trinity Railway Express station, trail connections, and public open space.

Acknowledging the importance of having mixed-income housing in the Medical Campus Sub-district, this Plan amendment is conditioned on EB Arrow filing deed restrictions that will ensure that any residential projects developed on the PHC (38.3 acres) within the Medical Campus Sub-district will be required to lease 20% of the rental multi-family units to households earning at or below 80% of Area Median Family Income ("AMFI"). EB Arrow will be required to file the deed restrictions within 30 days following the closing of their purchase of the PHC and prior to selling any portion of the PHC for residential development.

Additionally, staff is proposing a one-time transfer of collected and unobligated TIF funds in the Zone in an amount not to exceed \$8 million from the Southwestern Medical Sub-district to the Medical Campus Sub-district. A portion of the \$8 million is anticipated to be used to support demolition and public infrastructure improvement costs that will be the burden of the first phase of development in the Medical Campus Sub-district (subject to City Council's approval of a development agreement for a specific project). The remaining portion of the transfer is anticipated to be used to support mixed-income housing units constructed as part of an initial residential project(s) in the Medical Campus Sub-district (subject to City Council's approval of a development agreement for a specific project).

Quick Glance Summary of Qualitative Benefits to the City

- encourages growth of an anchor institutional asset and major employment center (Medical District)
- optimizes private development of previously tax-exempt property, increasing the City's tax base
- facilitates the creation of mixed-income housing in the Medical District
- complements and further leverages the City's and Medical District's planned improvements for Harry Hines Boulevard (i.e. Green Spine; Green Heart; Green Quilt)
- supports the addition of needed retail/restaurant options, conference meeting space for large medical conventions, office space to grow a research and development hub for bio-

technology, life sciences, and pharmaceutical development, and hotel options for medical conferences and visitors with loved ones receiving extended medical care in the Medical District.

Quick Glance Summary of Quantitative Benefits to the City

- \$1.2 billion in private investment over the term of the Medical Campus Sub-district, resulting in an increase in taxable value from \$0 (in 2020) to \$1 billion (in 2045)
- upon termination of the Medical Campus Sub-district in 2045, approximately \$8.1 million is projected to flow to the General fund each year thereafter
- during the first 4 years (2021-2024) of the term of the Medical Campus Sub-district, all incremental real property taxes will flow to the General Fund (approx. \$978,000.00 total)
- cumulatively, approximately \$23.8 million is projected to flow to the General Fund over the term of the Medical Campus Sub-district.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 23, 2005, City Council authorized adoption of the City of Dallas Tax Increment Financing (“TIF”) Policy for the evaluation of proposed TIF districts by Resolution No. 05-0745, as amended.

On April 27, 2005, City Council authorized the establishment of the Southwestern Medical TIF District by Resolution No. 05-1361; Ordinance No. 25965, as amended.

On January 11, 2006, City Council authorized the Southwestern Medical TIF District Project Plan and Reinvestment Zone Financing Plan by Resolution No. 06-0129; Ordinance No. 26204, as amended.

On December 10, 2008, City Council authorized an amendment to the Southwestern Medical TIF District Project Plan and Reinvestment Zone Financing Plan by Resolution No. 08-3394; Ordinance No. 27433.

On October 14, 2009, City Council authorized an amendment to the Southwestern Medical TIF District Project Plan and Reinvestment Zone Financing Plan by Resolution No. 09-2559; Ordinance No. 27704.

On October 5, 2020, the Economic Development Committee was briefed on the proposed amendment to the Southwestern Medical TIF District Project Plan and Reinvestment Zone Financing Plan.

On October 16, 2020, the Southwestern Medical TIF District Board of Directors reviewed and recommended City Council approval of the proposed amendment to the Southwestern Medical TIF District Project Plan and Reinvestment Zone Financing Plan.

On October 28, 2020, City Council will consider authorizing a public hearing to be held on November 11, 2020 to receive comments on the proposed amendment to the Southwestern Medical TIF District Project Plan and Reinvestment Zone Financing Plan.

FISCAL INFORMATION

No Cost Consideration to the City.

MAP

Attached