



Legislation Text

File #: 22-1183, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: June 8, 2022
COUNCIL DISTRICT(S): 2, 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize a public hearing to be held on June 22, 2022 to receive comments on proposed amendments to the Project Plan and Reinvestment Zone Financing Plan ("Plan") for Tax Increment Reinvestment Zone Number Eleven, the Downtown Connection Tax Increment Financing ("TIF") District ("Zone") to: **(1)** create two sub-districts within the Zone: **(a)** Downtown Connection Sub-district (original Zone boundary) and **(b)** Newpark Sub-district; **(2)** increase the geographic area of the Zone to add approximately 14.2 acres to create the Newpark Sub-district to facilitate anticipated redevelopment; **(3)** increase the total budget of the Zone (Downtown Connection Sub-district budget) from \$231,593,554.00 Net Present Value (NPV 2005 dollars) (approximately \$454,707,775.00 total dollars) to \$402,897,888.00 NPV (approximately \$1,059,227,817.00 total dollars, an increase of \$171,304,334.00 NPV (approximately \$604,520,042.00 total dollars); **(4)** modify the Downtown Connection Sub-district budget to add a line item for a public safety building to replace Fire Station #18; **(5)** establish a termination date for the Newpark Sub-district of December 31, 2052; **(6)** establish the percentage of tax increment contributed by the City of Dallas during the term of the Newpark Sub-district at 90%; **(7)** establish a total budget for the Newpark Sub-district of \$90,329,182.00 NPV 2022 dollars (approximately \$223,786,626.00 total dollars); **(8)** request Dallas County participation in the Newpark Sub-district at 55% for twenty years beginning in 2027; and **(9)** make corresponding modifications to the Zone boundary, budget, Plan, and participation agreement with Dallas County; and at the close of the hearing, consider an ordinance amending Ordinance No. 26020, as amended, previously approved on June 8, 2005, and Ordinance No. 26096, as amended, previously approved on August 29, 2005, to reflect these amendments - Financing: No cost consideration to the City

BACKGROUND

The Downtown Connection TIF District was initiated by property owner petition and created in 2005 to establish a long-term funding tool for public capital investment in the core of downtown essential to support the redevelopment of vacant/historic buildings and underutilized vacant/surface parking lots. The mission of the Zone is to provide incentives for projects that create a downtown neighborhood with more residents, greater density, and a critical mass of development. Also in 2005, the Downtown Dallas Development Authority ("DDDA"), a local government corporation, was created to support the

implementation of the Zone's Plan and issue two series (2006 and 2007) of tax increment revenue bonds for the Zone.

Since 2005, the Zone's value has grown to approximately \$5.9 billion, an increase of \$5.3 billion over the Zone's base year value of \$564.9 million. To date, the Zone has directly supported the conversion and adaptive reuse of over 6.5 million square feet of vacant, obsolete and/or historic office buildings in the downtown core. TIF-supported adaptive reuse projects have resulted in the creation of 1,893 new residential units (including 342 affordable units), 1,186 hotel rooms, 223,631 square feet of retail space and 562,969 square feet of office space.

To date, TIF-supported projects have predominately included the redevelopment of existing buildings. The next phase of downtown development will be redevelopment of vacant/surface parking lots with new ground-up construction of high-density, mixed-use projects. Currently, there are approximately 77 acres of vacant/surface parking lots within the boundary of the Zone. Of those 77 acres, over 30 acres have been announced for potential redevelopment. Facilitating high-density redevelopment on these underutilized parcels will require significant investment in public infrastructure such as roadways, water, sewer, storm drainage, sidewalks, lighting, mixed-income housing, etc.

Additionally, on approximately 5 acres of surface parking lots located south of City Hall (adjacent to but not currently located in the Downtown Connection TIF District), the Newpark Dallas development (multi-phased; high-density; mixed-use) is planned. At full build-out, Newpark Dallas will include over 1 million square feet of Class A office space, 200,000 square feet of retail space, a few thousand residential units, and 4-star hotel. The estimated total private investment associated with full build-out of the Newpark Dallas development exceeds \$1.5 billion.

The Downtown Connection TIF District must continue to serve as a long-term funding tool to support the next phase of downtown redevelopment; however, the Zone's budget does not have any remaining capacity to support new projects at this time. Explosive growth in the Uptown portion of the Zone, coupled with quicker-than-projected repurposing of vacant downtown buildings, has caused the Zone to collect more increment sooner than originally projected. The Zone is scheduled to expire on December 31, 2035 or when \$231.6 million Net Present Value (NPV) is collected. The Zone is projected to meet its current budget cap in 2026, nine years earlier than the 2035 termination date and the maturity date of TIF revenue bonds supported by the Zone. Early termination of the Zone in 2026 would result in not collecting enough increment to fund the full retirement of outstanding TIF revenue bond debt and not having a source of funds to support the full implementation of the Zone's Plan which includes the redevelopment of vacant/surface parking lots.

To address the Zone's current lack of budget capacity and provide a long-term funding mechanism to support future downtown redevelopment, including Newpark Dallas, Staff recommends amending the Project Plan and Reinvestment Zone Financing Plan ("Plan") for Tax Increment Reinvestment Zone Number Eleven, the Downtown Connection Tax Increment Financing ("TIF") District ("Zone").

Pursuant to Texas Tax Code, Chapter 311, as amended, the Tax Increment Financing Act (the "Act"), a public hearing is required if the boundary of an existing TIF district is proposed to be increased or decreased, the amount of bond indebtedness is proposed to be increased or decreased, the percentage of a tax increment to be contributed by a taxing unit is proposed to be increased or decreased, the total estimated project costs is proposed to be increased, or additional property within the existing TIF district is proposed to be designated for acquisition by the City.

This item's action authorizes a public hearing to be held on June 22, 2022 to hear comments on the proposed Plan amendments.

The existing Zone is 266.5 acres. With the proposed Plan amendments, the boundary of the Zone will be expanded to add an additional 14.2 acres and create two sub-districts: the Downtown Connection Sub-district and the Newpark Sub-district. The original boundary of the Zone will become the Downtown Connection Sub-district, and the expanded portion will be the Newpark Sub-district. Each sub-district will have its own budget to support development activities.

The current budget of the original Zone, now the Downtown Connection Sub-district, will increase from \$231,593,554.00 NPV (2005 dollars) to \$402,897,888.00 NPV (2005 dollars). The proposed increase of \$171,304,334.00 NPV (approximately \$604,520,042.00 total dollars) will support the redevelopment of 77 acres of vacant/surface parking lots within the sub-district's boundary, public infrastructure improvements, the creation of mixed-income housing, the relocation and/or reconstruction of Fire Station 18, and the retirement of the existing bond debt for the Zone.

The proposed budget of \$90,329,182.00 NPV 2022 dollars (approximately \$223,672,144.00 total dollars) for the Newpark Sub-district will provide a long-term funding source to support high density mixed-use development on vacant/surface parking lots, public infrastructure improvements, mixed-income housing, and the relocation and construction of Fire Station 4. The Newpark Sub-district will have a term of 30 years and a termination date of December 31, 2052.

Quick Glance Summary of Qualitative Benefits to the City

- Encourages and supports continued growth of underutilized parts of downtown
- Supports development of additional mixed-income housing downtown and uptown
- Anticipated private development will fill in gaps in the urban fabric by redeveloping vacant/surface parking lots
- Provides a non-general fund source of funding capacity to support the upgrade of public infrastructure needed to support future development projects
- Provides a non-general fund source of funding capacity to replace two antiquated Dallas Fire Rescue stations in downtown
- Complements planned City investment in the redesigned Kay Bailey Hutchinson Convention Center, DISD investment in a downtown school, TXDOT investment in the redesigned Interstate-30 Canyon Project, and Dallas College investment in a new Downtown campus

Quick Glance Summary of Quantitative Benefits to the City

- Facilitates over \$3.7 billion in private investment in the Downtown Connection Sub-district over the remaining term of the sub-district.
- Taxable value of the Downtown Connection Sub-district is projected to increase from \$5.9 billion in 2021 to \$11.6 billion in 2035
- At the termination of the Downtown Connection Sub-district, approximately \$85 million in tax revenue is projected to flow to the City's general fund annually
- Facilitates approximately \$1.5 billion in private investment in the Newpark Sub-district over the proposed term of sub-district

- Taxable value of the Newpark Sub-district is projected to increase from \$21.6 million in 2021 to \$1.7 billion in 2052
- At termination of the Newpark Sub-district, approximately \$13.6 million in tax revenue is projected to flow to the City's general fund annually

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 8, 2005, City Council authorized the establishment of Tax Increment Financing Reinvestment Zone Number Eleven (Downtown Connection TIF District) by Resolution No. 05-1779; Ordinance No. 26020, as amended.

On August 29, 2005, City Council authorized the Project Plan and Reinvestment Zone Financing Plan for Tax Increment Financing Reinvestment Zone Number Eleven (Downtown Connection TIF District) and a participation agreement with Dallas County for the Downtown Connection TIF District by Resolution No. 05-2543; Ordinance No. 26096, as amended.

On October 19, 2005, City Council authorized amendments to the Project Plan and Reinvestment Zone Financing Plan for Tax Increment Financing Reinvestment Zone Number Eleven (Downtown Connection TIF District) to: (1) allow for commercial tax abatements pursuant to Chapter 312 of the Texas Tax Code; (2) designate the City's participation level of 90% in the Downtown Connection TIF District; (3) adjust Dallas County's participation in the Downtown Connection TIF District from \$24,000,000 net present value to \$18,500,000 net present value; and (4) correct a typographical error in Section 2, Part VII of the Project Plan, titled Non-Project Cost, from an amount to exceed \$15,000,000 to an amount not to exceed \$15,000,000 by Resolution No. 05-2993; Ordinance No. 26143.

On March 8, 2006, City Council authorized amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan to amend the Zone boundary to exclude 2400 Bryan Street and 2215 Bryan Street by Resolution No. 07-3698; Ordinance No. 26291.

On December 12, 2007, City Council authorized amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan to: (1) provide for an affordable housing program requiring Downtown Connection TIF District funded projects to set aside ten percent of the units as affordable and specifying alternatives to providing such units within the TIF funding project; (2) reprogram \$2,500,000 from the Park and Plaza Design and Acquisition budget line item to a new budget line item for Retail Initiatives/Streetscape Improvements; (3) expand the use of TIF funds for Grants, in accordance with the Downtown Connection TIF District Grant Program and Criteria, and for affordable housing assistance; (4) correct the principal amount of bonds to be sold from \$65,000,000 to \$66,000,000; and (5) update Exhibits G, H and J, Appendix A and modify the Plan to reflect 2007 property value and adjusted base year value and make any other necessary adjustments to implement the Plan amendments by Resolution No. 07-3698; Ordinance No. 27032.

On October 22, 2008, City Council authorized amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan to permit the direct lease or sale of City-owned/City-controlled property without auction and bidding requirements on the condition that the property is redeveloped in accordance with the Plan by Resolution No. 08-2917; Ordinance No. 27377.

On December 10, 2008, City Council authorized amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan to amend the Zone boundary to include 2307 Caroline Street, 2311 Caroline Street, 1600 Ashland Street, and 1601 Cedar Springs Road by Resolution No. 08-3396; Ordinance No. 27434.

On February 11, 2009, City Council authorized amendments to the Downtown Connection TIF District Project and Reinvestment Zoning Financing Plan to: (1) expand the development goals and specific objectives of the Project Plan; (2) expand the Redevelopment of Vacant/ Underutilized Downtown Buildings budget line item to include the Development of Underdeveloped Parcels and Surface Parking Lots; and (3) update Exhibits G and J to reflect updated base value, 2008 increment corrections, and future increment assumptions by Resolution No. 09-0469; Ordinance No. 27489.

On April 22, 2009, City Council authorized amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan to: (1) amend the affordable housing policy to: (a) permit additional assistance in the form of Affordable Housing Economic Development Grant to those projects providing affordable housing units, (b) extend the eligibility date for additional affordable housing assistance to projects which are approved by City Council from December 31, 2008 to December 31, 2011, (c) update the household income limit charts contained within the Zone to reflect the Dallas Area Median Household Income Limits for 2009; and (2) revise the budget to: (a) reprogram \$515,000 from the Retail Initiative/Streetscape Improvements budget line item to a new Downtown Area Plan budget line item; and (b) update Exhibit G to reflect the budget reprogramming and new additional budget line item and make any other necessary adjustments to implement the Plan amendment by Resolution No. 09-1108; Ordinance No. 27529.

On May 22, 2013, City Council authorized amendments to the Downtown Connection TIF District Project and Reinvestment Zone Financing Plan to: (1) increase the Downtown Connection TIF District's budget from \$189,807,592 NPV (approximately \$391,744,162 total dollars) to \$231,593,554 NPV (approximately \$545,726,096 total dollars, an increase of \$41,785,962 NPV (approximately \$153,981,934 total dollars); (2) expand the District's focus of redevelopment efforts; and (3) make corresponding modifications to the Downtown Connection TIF District's budget and Plan by Resolution No. 13-0894; Ordinance No. 29015.

On September 11, 2013, City Council authorized amendments to the Downtown Connection TIF District Project and Reinvestment Zone Financing Plan to: (1) increase the geographic area of the Zone by adding approximately 4,950 square feet; (2) add to the Plan the provision for a land exchange of City-owned property for privately-owned property within the Zone allowing for the land swap of City-owned property without requiring an auction and/or bidding of the property; and (3) make corresponding modifications to the Zone boundary map and Plan and any other necessary adjustments to implement the Plan amendments by Resolution No. 13-1622; Ordinance No. 29143.

On December 14, 2016, City Council authorized: (1) an amendment to the Downtown Connection TIF District Project and Reinvestment Zone Financing Plan to add the Statler/Library redevelopment project to the Plan; (2) approval of the directed sale, for fair market value consideration and yet to be negotiated sale terms subject to City Council approval, of a 0.129 acre (5,600 square feet) City-owned tract of land addressed as 210 South Harwood Street located in the Zone to Centurion Acquisitions, LP to complete the Statler/Library redevelopment project in accordance with the Plan; and (3) corresponding modifications to the Plan by Resolution No. 16-1959; Ordinance No. 30274.

On April 29, 2022, the Downtown Connection TIF District Board of Directors and Downtown Dallas Development Authority reviewed and recommended City Council approval of the proposed Plan amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan.

On May 2, 2022, the Economic Development Committee was briefed on the proposed amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan.

FISCAL INFORMATION

No cost consideration to the City.

MAP

Attached