

Memorandum



CITY OF DALLAS

DATE February 3, 2017

TO Members of the Economic Development Committee:
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano,
Lee M. Kleinman, Carolyn King Arnold, B. Adam McGough

SUBJECT **Upcoming agenda items February 22, 2017: TIF District Annual Reports**

On Monday, February 6, 2017, the Economic Development Committee will receive information on upcoming agenda items for the eighteen TIF district annual reports.

A summary of FY 2016 Activity in Dallas TIF Districts is attached.

Should you have any questions, please contact me at (214) 670-3390.

A handwritten signature in black ink, appearing to read 'Mark McDaniel'.

Mark McDaniel
Acting First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Theresa O'Donnell, Chief of Resilience
M. Elizabeth Reich, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council
Directors and Assistant Directors

Summary of FY 2016 Activity in Dallas TIF Districts – TIF Annual Report Items February 22, 2017 Council Agenda

During FY 2016 the eighteen (18) active TIF Districts have experienced robust growth. Two districts have sunset – State-Thomas and Cityplace; however, their impact on economic growth for the City has been significant and therefore data continues to be included in most of the district summary information below.

Growth in property values compared to the base year of the districts was strong. Overall taxable real property value in TIF Districts increased by 16.3% (\$1,798,350,866) from last year compared to an 11.1% increase for the City as a whole. All districts increased in value over last year with the largest increases in Cypress Waters, 48.8%; Farmers Market, 38.2%; Cedars, 33.9% and Fort Worth Avenue, 32.1%.

TIF District property value growth since inception through 2016 is 238.8%. For the seven TIF Districts created between 1988 and 1998, overall value has grown by 331.5%. This includes both State-Thomas and Cityplace TIF districts that have officially stopped collecting new incremental revenue.

Newer TIF Districts created after 2005, had an overall value growth of 198.8%. Among those districts that had the highest increases were the Cypress Waters, 266,438%; Downtown Connection, 441.8%; and Southwestern Medical, 223.3%.

Total TIF expenditures or allocations of \$1.196 billion leveraged over \$12.7 billion in added or anticipated property value in TIF Districts since the inception of each TIF District. For every TIF dollar committed, \$10.6 was returned in private investment. This return does not include the amount of increased sales tax, hotel/motel taxes and personal property taxes, nor does it include the taxes paid to the various taxing jurisdictions, including the Dallas Independent School District (DISD). Staff estimates the amount of additional taxes paid to DISD for increased property value in Dallas TIF Districts is over \$106 million for the fiscal year 2016.

TIF District Property Value Growth from Inception to 2016

TIF District	Initial (Base)	2015 Taxable Value	2016 Taxable Value	2015 vs 2016 (% Change)	Initial vs 2016 (% Change)
TIF Districts created between 1988-1998					
State-Thomas	\$47,506,802	\$567,419,170	\$616,358,128	8.6%	1197.4%
Cityplace	\$45,065,342	\$761,862,672	\$820,958,916	7.8%	1721.7%
Oak Cliff Gateway (<i>all sub-districts</i>)	\$145,239,702	\$341,336,343	\$369,126,559	8.1%	154.1%
Cedars	\$35,300,760	\$104,015,093	\$139,297,453	33.9%	294.6%
City Center (<i>all sub-districts</i>)	\$674,751,494	\$1,196,376,681	\$1,402,808,059	17.3%	107.9%
Farmers Market (<i>Zone A-C</i>)	\$35,714,091	\$209,569,624	\$289,539,899	38.2%	710.7%
Sports Arena (<i>all sub-districts</i>)	\$63,730,369	\$702,893,923	\$881,411,626	25.4%	1283.0%
Subtotal	\$1,047,308,560	\$3,883,473,506	\$4,519,500,640	16.4%	331.5%
TIF Districts created after 2005					
Design District (<i>all subdistricts</i>)	\$281,873,753	\$591,825,503	\$671,033,704	13.4%	138.1%
Vickery Meadow (<i>Zone A-B</i>)	\$164,779,090	\$391,092,413	\$434,323,020	11.1%	163.6%
Southwestern Medical (<i>Zone A-B</i>)	\$67,411,054	\$190,112,558	\$217,960,787	14.6%	223.3%
Downtown Connection (<i>Zone A-B</i>)	\$564,917,317	\$2,532,268,642	\$3,060,913,898	20.9%	441.8%
Deep Ellum (<i>Zone A-C</i>)	\$189,162,613	\$314,839,487	\$372,843,197	18.4%	97.1%
Grand Park South	\$44,850,019	\$54,971,515	\$58,903,097	7.2%	31.3%
Skillman Corridor	\$335,957,311	\$583,476,593	\$664,382,474	13.9%	97.8%
Fort Worth Avenue	\$86,133,447	\$170,801,593	\$225,599,449	32.1%	161.9%
Davis Garden (<i>Zone A-B</i>)	\$137,834,597	\$191,565,107	\$218,174,778	13.9%	58.3%
TOD TIF (<i>all subdistricts</i>)	\$202,074,521	\$391,262,320	\$495,031,626	26.5%	145.0%
Maple-Mockingbird (<i>Zone A-B</i>)	\$184,005,009	\$379,504,837	\$462,621,380	21.9%	151.4%
Cypress Waters	\$71,317	\$127,966,606	\$190,407,036	48.8%	266886.9%
Mall Area Redevelopment TIF (<i>all subdistricts</i>)**	\$168,357,630	\$170,084,490	\$179,900,950	5.8%	6.9%
Subtotal	\$2,427,427,678	\$6,089,771,664	\$7,252,095,396	19.1%	198.8%
Total All Districts	\$3,474,736,238	\$9,973,245,170	\$11,771,596,036	16.3%	238.8%

Notes: State-Thomas and Cityplace TIFs have legally expired and no longer officially reporting.
 Districts with Zone A, B, C, etc. reflect original boundary (Zone A) plus accounts added with different base yr (i.e. Zone B)
 Several districts have been amended to add sub-districts that may have different base years.

Although most new taxable value growth in TIF Districts is captured to fund public improvements in those Districts, there has been some added benefit to the City's general fund. Districts created since 2005 and some older TIF districts, as amended have varied City participation during the term of the district ranging from 55-90% of total new taxes and some have delayed increment collection in the initial years, allowing some new growth into the general fund. Estimates for the current tax year 2016 (fiscal year 2016-2017) total TIF tax increment are shown below and include both the estimated City contribution and any contributions from other participating taxing jurisdictions. For older TIF districts, there was more participation from other taxing entities whereas those districts created or amended since 2005 have primarily had only City and County participation.

Estimated TIF District Increment Collection and Added General Fund Revenue

Tax Year	City Center & Downtown Connection TIFs	Non-Downtown TIFs	Total All Districts
2016 Total Increment	\$27,257,089	\$30,147,905	\$57,404,994
2016 (City) Increment	\$22,178,222	\$25,297,446	\$47,475,668
2016 new City General Fund	\$3,050,609	\$14,074,508	\$17,125,117

Total increment is estimated TIF collections for all participating taxing jurisdictions.

City Increment is the estimated City contribution to the TIF Funds.

New City General Fund is the estimated added revenue from increased property value above the base value not captured by TIF Funds (includes estimated annual revenue from State-Thomas & Cityplace TIFs, now expired)

TIF Districts have also been catalysts for improving the real estate market in areas that were lagging, drawing new residents into the City's core and DART station areas, and creating new mixed-use neighborhoods. As of FY 2016, approximately 29,743 new residential units were completed in the City's twenty TIF Districts (including State-Thomas and Cityplace), an additional 7,531 are under construction, and another 6,028 units are planned. Over 10 million square feet of new or redeveloped retail, office, and other commercial space has been completed. Over 3.6 million square feet of commercial space is under construction and another 1.6 million square feet of space is planned. New hotel construction includes 4,002 completed rooms, 1,517 under construction and another 1,279 rooms planned.

The following table summarizes new development in downtown and non-downtown TIF Districts. The two downtown TIFs, City Center and Downtown Connection, comprised 21% of constructed or planned residential units, 36% of commercial space and 71% of completed or planned hotel rooms.

New Residential and Commercial Development in TIF Districts

Development	City Center & Downtown Connection TIFs	Non-Downtown TIFs	Total All Districts
Residential Units			
Completed	7,055	22,688	29,743
Under Construction	1,662	5,869	7,531
Planned	350	5,678	6,028
Resid. Total	9,067	34,235	43,302
Commercial (retail, office, other com.) Square Footage			
Completed	3,444,448	6,637,608	10,082,056
Under Construction	1,873,795	1,761,548	3,635,343
Planned	258,000	1,395,923	1,653,923
Com. Total	5,576,243	9,795,079	15,371,322
Hotel Rooms			
Completed	3,551	451	4,002
Under Construction	1,065	452	1,517
Planned	220	1,059	1,279
Hotel Total	4,836	1,962	6,798

Construction activity in TIF Districts is on-going. Major TIF-related projects that completed construction in FY 2016, with a combined value nearly \$270 million are shown in the following table and took place in several districts. City Council also authorized development agreements for four new development projects in the City's eighteen active TIF Districts. These anticipated projects will have an estimated value of \$291 million at completion.

Major TIF-Related Projects Completed in FY 2016

Project	District	Description	Value^	TIF Investment
Completed in FY 2016				
South Side Flats by Jefferson*	Cedars	290 resid. units; 6,560 sf retail	\$31,683,480	\$1,938,897
Fairfield Residences @ West End	City Center	278 resid. units	\$32,854,400	\$5,500,000
Single Tenant Office Bldg - 9001 Cypress Waters Blvd.**	Cypress Waters	214,520 sf office	\$36,093,132	\$0
Single Tenant Office Bldg - 3001 Hackberry**	Cypress Waters	327,183 sf office	\$74,354,000	\$0
Uptown Plaza II	Downtown Connection	203 resid. units	\$56,153,630	\$0
Sylvan Thirty	Fort Worth Ave	200 resid. units; 53,800 sf retail/restaurant	\$35,509,380	\$3,200,000
Trinity Groves Restaurant Incubator	Sports Arena	106,000 sf retail/restaurant	\$3,037,060	\$3,505,000

Major TIF-Related Projects Approved in FY 2016

Project	District	Description	Value^	TIF Investment
Approved in FY 2016				
Deep Ellum Crossroads	Deep Ellum	59,058 sf retail	\$14,000,000	\$3,500,000
Old Dallas High School	Deep Ellum	26,000 sf retail; 66,000 sf office	\$50,409,542	\$6,240,934
Dallas Midtown Ph I	Mall Area	215,000 sf retail; 70,000 sf office; 200 hotel rooms	\$200,000,000	\$36,000,000
Bishop Arts Station	Oak Cliff Gateway	216 resid. units; 27,302 sf retail	\$26,617,000	\$11,250,000

^Values reflect current DCAD market value for completed projects or estimated value for those planned

**Project incentives were tax abatement.*

***Project supported y Phase 2 public improvements*

Retired TIF Districts

TIF districts are intended to boost real estate markets and grow the City's tax base. The City of Dallas has also been successful in promoting strong urban design and encouraging the creation of unique neighborhoods as part of the TIF program. Both the State-Thomas TIF (sunset in 2008) and Cityplace (sunset in 2012) have been success stories from both an economic and place making perspective. Over 6,300 residential units and 743,000 square feet of commercial space had been

completed in the two districts. Based on available 2016 data, the property value growth in State-Thomas TIF has exceeded \$568 million or 1,197% and Cityplace TIF \$775 million or 1,722% from inception. Both State-Thomas and Cityplace Area TIF Districts have expired, are no longer collecting increment, and estimated to contribute over \$10 million combined to the City for tax year 2016.

TIF District Termination Dates & Estimates for Future City General Fund Revenue

TIF districts are set to re-position real estate in selected neighborhoods. A plan for each TIF neighborhood is developed that builds on remaining strengths of the area and sets new directions for future land uses. Implementation of TIF plans typically occurs one project at a time over several years. A total budget is set up for each TIF district based on anticipated growth caused by new private development needed to implement the TIF plan. If development does not occur or occurs at a slower rate than initial projections, TIF collections are not likely to reach budgeted total collection values.

While most TIF districts contribute a small share of new property tax collections to the general fund, the biggest impact to the general fund budget occurs when each TIF district is terminated (earlier date of collection of full budget or a set period of time). The next anticipated significant budget impact related to TIF termination will occur in 2023 when the Cedars and City Center (*original portion*) are set to terminate. In 2028, Oak Cliff Gateway (*original portion*), Farmers Market, Sports Area (*original portion*), Design District, Vickery Meadow, Deep Ellum TIF districts are set to retire. The remaining TIF districts were authorized to remain in effect until after 2036. The following chart shows the estimated positive budget impact by year as additional TIF districts begin to retire. This chart is an estimate based on current trends and assumes that Council does not modify the term of any existing TIF district.

**Combined TIF District Estimated New General Fund Revenue Summary
 Future Years 2022-2047**

Tax Year	New General Fund \$	TIFs expired to create revenue
2022	\$21,474,055	City Center - <i>original</i> ; Cedars
2023	\$28,760,875	
2024	\$29,251,928	
2025	\$29,903,536	
2026	\$30,416,837	
2027	\$31,423,762	
2028	\$45,807,177	Oak Cliff Gateway - <i>original subdistrict</i> , Farmers Market, Sports Area - <i>original subdistrict</i> , Design District, Vickery Meadow, Deep Ellum
2029	\$60,972,282	
2030	\$64,092,680	Fort Worth Avenue
2031	\$65,095,601	
2032	\$66,114,353	
2033	\$67,149,201	
2034	\$68,201,595	Maple-Mockingbird
2035	\$71,921,155	
2036	\$104,092,789	Downtown Connection, Grand Park S, Skillman Corridor
2037	\$105,699,292	
2038	\$108,106,885	
2039	\$114,280,657	TOD
2040	\$115,997,009	Davis Garden
2041	\$123,464,873	Cypress Waters
2042	\$125,324,625	
2043	\$128,383,736	
2044	\$130,553,975	
2045	\$136,876,454	
2046	\$138,929,601	
2047	\$141,013,545	
Grand Total 2022-47	\$2,153,308,480	

State law requires the preparation of an annual report for each TIF District that summarizes the activities of each area. The state requirements for this report are minimal. In order to better explain the progress of each TIF District, staff has created a report that shows additional information. The reports include the following information:

- Mission Statement for the TIF District
- Accomplishments to Date
- Project Status – Type and amount of new development by project including private investment, new residential units, commercial space created, TIF investment, completion (or expected completion) date
- Other District-wide initiatives, where applicable
- Map of the TIF District
- Taxable value and increment revenue summary – what is the captured appraised value for the District and the expected increment collection
- Objectives and Success Indicators for the TIF District
- Summary of City Council actions related to the TIF District
- TIF Project Plan budget status – projected increment revenues to retire TIF fund obligations, expenditures, and the total plan budget
- M/WBE participation in TIF Contracts
- Bond sales and repayment, where applicable
- FY 2017 Work Program

Sixteen of the TIF District Boards of Directors have met and voted to recommend the annual reports for City Council approval. The Grand Park South TIF and Cypress Waters TIF Boards do not currently have the minimum five appointed members to convene a meeting; therefore, the annual reports are being forwarded without a board recommendation. State law does not require that the board approve the report prior to City Council. The Annual Reports, upon adoption by City Council, will be submitted to the other taxing jurisdictions participating financially in each District and to the State Comptroller.