

Economic Development Policy and Economic Development Incentives Policy

City Council Briefing
December 7, 2022

Economic Development Policy Update

Purpose and Process

Policy Update Overview

PURPOSE OF THE ECONOMIC DEVELOPMENT POLICY

The Economic Development Policy serves as a North Star guiding the City of Dallas as City Council and staff endeavor to proactively address disparities in economic opportunities and outcomes for Historically Disadvantaged Communities through policy, public investment, and partnership.

Defining Equitable Economic Development

“ Equitable economic development occurs when there are goals for the **distribution of investment** to maximize benefits for Historically Disadvantaged Communities while mitigating displacement. Equitable economic development **supports wealth building, ownership, and economic mobility** by fostering the growth and preservation of communities while acknowledging and intentionally addressing the past and current conditions. This is achieved by **centering racial equity** in decision making processes, while engaging the community to understand their needs and wants.

TIMELINE

Since the ED Policy launched in May 2021, significant efforts have been launched and identified that are in alignment with the Policy's mission.

Transition Year | May 2021 – Jun 2022

Policy Implementation Kickoff | Jul 2022 – FY 2023*

**Economic Development
Policy Adopted**
May 2021

**City Council Approval of the Economic
Development Corporation (EDC)**
Aug 2022

**Economic Development Committee
Transition Year Update**
May 2022

**City Council Approval
of the EDC Board**
Aug 2022

**Council Briefing & Action
(We are here)**
Fall 2022

TRANSITION YEAR ACTIVITIES

- Launch of the ED Policy Task Force
- Approved the creation and bylaws of the City of Dallas Economic Development Corporation (EDC)
- Development Services hiring of the Chief Building Official (CBO)/Director and the Assistant CBO
- ForwardDallas (FD) Community Engagement Framework
- Comprehensive Housing Policy (CHP) Equity Audit completed with 11 recommendations to overhaul the CHP
- Launch of the Working Group + Three Leadership Workshops
- Incentives Policy Review
- Mixed Income Housing Density Bonus
- Broadband and Digital Equity Strategic Plan
- Convention Center Masterplan
- Hensley Field Masterplan
- Vision Zero Plan

IMPLEMENTATION

- Updated Economic Development Policy
- Updated Economic Incentives Policy
- New Historic Preservation Policy
- Emerging Developer Fund
- Environmental Justice Fund
- ForwardDallas Visioning Workshops with Community
- Equitable Infrastructure and Green Infrastructure Investments
- Selection and Onboarding of EDC Board and Staff

OTHER ALIGNED INITIATIVES

- Racial Equity Plan Adoption and Implementation
- Homeless Action Response Team (HART)
- Broadband & Equity Strategic Plan – Digital Navigators

*Note: Fiscal Year (FY) 2023 is noted as it is the first budget cycle since the ED Policy kickoff.

TASK FORCE

The Economic Development Policy Task Force, appointed by Council, includes engaged leaders who advised and reviewed staff and consultants during the Transition Year.

Task Force Members

Jennifer Gates (Chair) | Former Dallas City Council

Rebecca Acuna | PepsiCo.

Harrison Blair | Dallas Black Chamber of Commerce

Trey Bowles | InnoCity Partners

Cullum Clark | Bush Institute – SMU Economic Growth Initiative

Zenetta Drew | Dallas Black Dance Theatre

Alfredo Duarte | Taxco Produce

Steven Duong | AECOM

Hilda Galvan | Jones Day

Kourtney Garrett | Downtown Dallas, Inc. (former member)

Jessica Hernandez | Parkland Hospital

Rick Ortiz | Greater Dallas Hispanic Chamber of Commerce

Drexell Owusu | Dallas Foundation

Michael Sorrell | Paul Quinn College

Amy Tharp | Downtown Dallas, Inc.

Oric Walker | Atmos Energy (former member)

Dora Zapata | Capital One

Roles & Responsibilities

- **A sounding board** on critical policy issues and departmental initiatives to **provide accountability** during the one-year transition period
- **Review significant proposed regulatory changes and organizational plans** for the EDC and the Policy

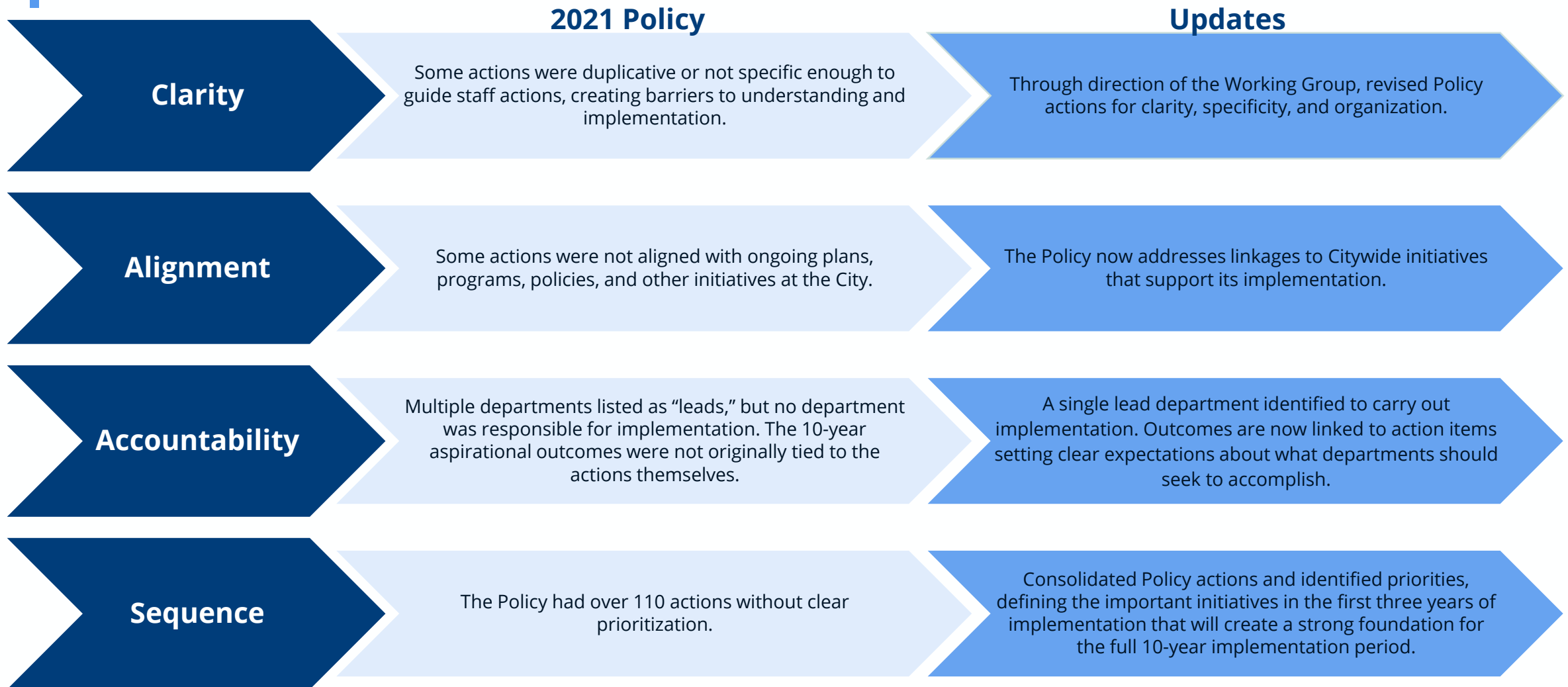
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Task Force Meetings
(August 2021-September 2022)



OVERVIEW OF ECONOMIC DEVELOPMENT POLICY UPDATES

The revised Economic Development Policy includes changes that aim to bring clarity, alignment, accountability, and priorities to the implementation period.



SUMMARY OF INITIATIVES IN PROGRESS

As a result of the efforts of the Working Group and the Task Force, eight near term priorities for equitable economic development have been identified. These priorities will be advanced during the first three years of the implementation period (2022-2025).

Council Action 2022

Overhaul the economic incentive programs to introduce transparency and create predictability for incentive applicants, improve small developer and small business access to incentive programs, and prioritize investment in Historically Disadvantaged Communities.

Develop, approve, and enforce a Future Land Use map, and amend the development code to guide development and increase the financial feasibility of investment in Historically Disadvantaged Communities.

Audit and update the Comprehensive Housing Policy to address the City's equity needs and better support diverse housing types.

Bylaws & Board Approved

Empower the new City of Dallas Economic Development Corporation ("EDC") to support the City in its ability to act quickly, market the City, buy, hold, and sell land, and foster public private partnerships.

Overhaul historic preservation mission and function to preserve the City's cultural assets and better serve stakeholders that have not historically been direct beneficiaries of City preservation programs.

Create programs and dedicate resources to MWBE capacity building, entrepreneurship, and innovation.

Dedicate funding and programming to address environmental justice issues in Historically Disadvantaged Communities.

Create measures and track outcomes, ensuring transparency and accountability during the implementation of the Policy.

Council Action 2023

Incentives Policy Update

Framing the Discussion

Recommendations for Toolkit Modifications



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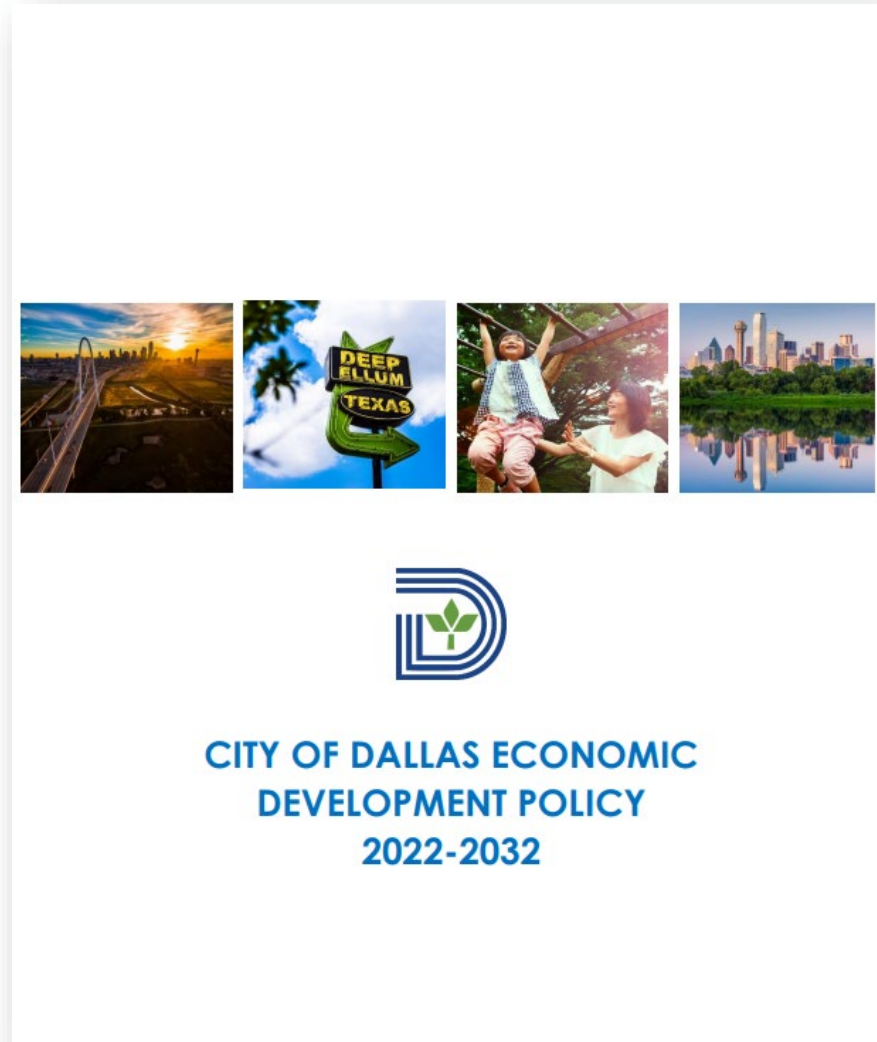
Framing the Discussion

FRAMING THE DISCUSSION

The City's new ED Policy proposes a new approach to economic development centered on racial equity.

ED Policy's Vision for Incentives:

- Prioritizing where investment is most needed, especially in **Southern Dallas**
- Incentivizing **quality jobs** that pay living wages
- Increasing capacity of and creating opportunities for **minority-owned contractors** and developers
- Increasing **transparency** and measuring outcomes
- Improving **application and award processes** to deliver more efficient and predictable outcomes



FRAMING THE DISCUSSION

The new incentives policy reflects the Big Audacious Goals (BAGs) of the Racial Equity Plan and represents a concrete way for the City to implement new approaches to address longstanding racial inequities.

Big Audacious Goals

Become the most economically inclusive city

- Increase the number of jobs created or retained through incentive agreements that require a **living wage**
- Improve **small- to large-scale development** in Historically Disadvantaged Communities



Close the homeownership gap and secure housing stability in Dallas

- Address **predevelopment costs** in Historically Disadvantaged Communities
- Increase the number of **affordable housing units created or retained** through economic development incentive programs in High Opportunity Areas



Close infrastructure gaps where intentional historical disinvestment previously occurred

- **Build and improve infrastructure services** to support Historically Disadvantaged Communities, which are **3.5 times more likely to have severe infrastructure challenges** making it more difficult to develop housing or businesses



FRAMING THE DISCUSSION

While the City's incentive programs have achieved success in generating new tax revenue and creating new jobs, driving more equitable and competitive outcomes requires some new approaches to program design and deployment.

- The market perceives the programs as **complex** and **lacking certainty**, with **long lead times** for disbursement; much of this is driven by the high level of discretion retained by the City in project review and awarding.
- While OED structures incentive awards to require certain public benefits (e.g., workforce partnerships, minimum wage requirements for jobs created), **these criteria are not institutionalized as program requirements.**
- Due to decades of disinvestment, **Southern Dallas faces significant infrastructure challenges** that have made it difficult to attract capital and realize new development.
- Given existing incentive program requirements, **small and minority businesses and developers face challenges** in accessing and benefiting from available resources.



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Recommendations for Toolkit Modifications

RECOMMENDATIONS FOR A NEW TOOLKIT

To advance equity priorities and improve efficiency, we recommend breaking up the existing PPP umbrella into distinct programs – preserving those that meet existing need and adding new tools aligned with EDP goals. Users will access a common, simplified intake application form and be routed to appropriate program.

Distinct Incentive Programs

Tax Abatements

Community & Economic Development Loans and Grants

Predevelopment Assistance Fund

Infrastructure Investment Fund

Small Business & Adaptive Reuse Incentives

Neighborhood Empowerment Zones

Modified Programs

New Programs

Move to Partners

RECOMMENDATIONS FOR A NEW TOOLKIT

Tax Abatements

Create an as-of-right abatement program and tier negotiated awards according to equity criteria to drive more equitable outcomes.

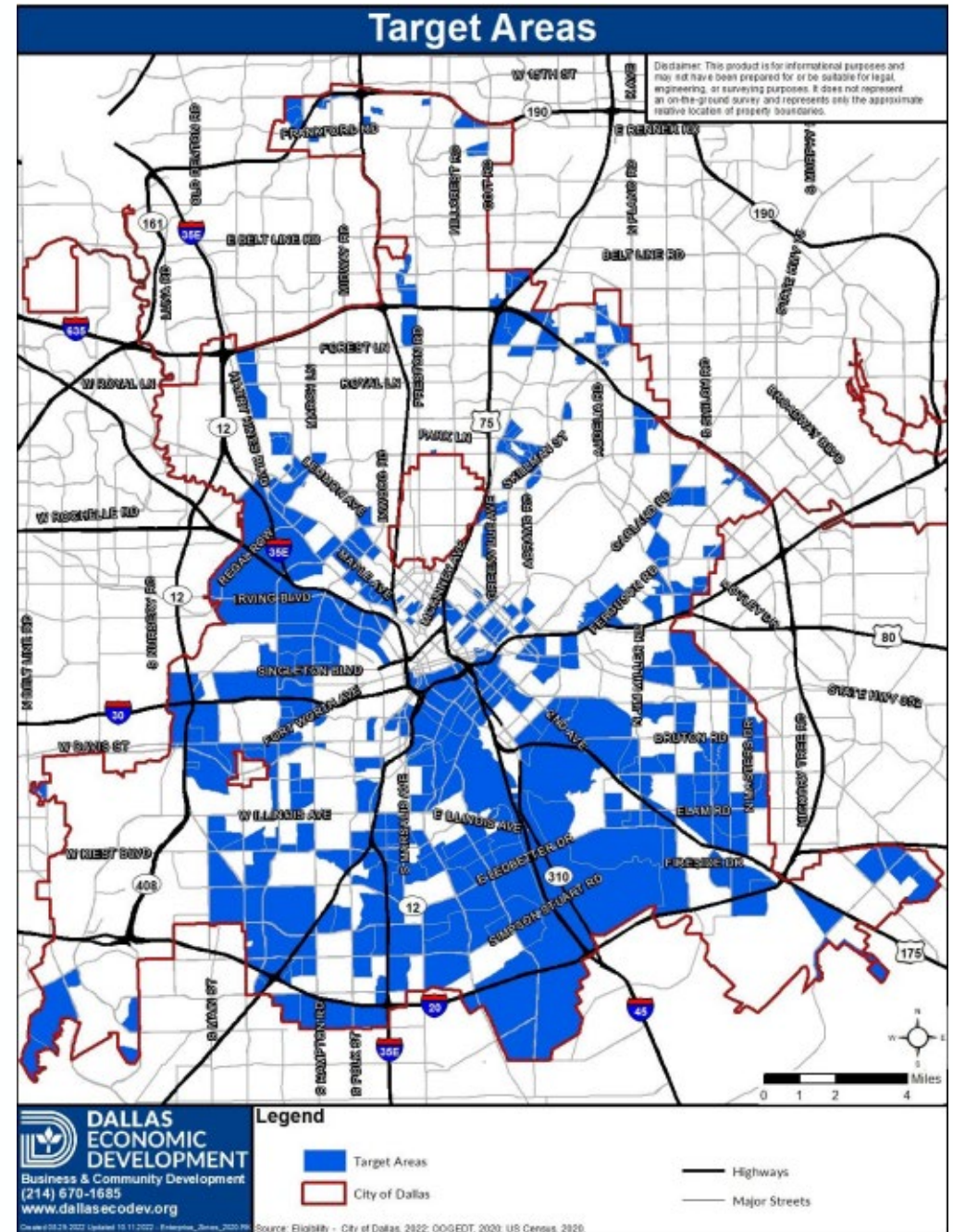
- As-of-right abatement program and scorecard will **improve access, ease, and efficiency** for MWBEs and others
- As-of-right abatements in target geographies will help **drive investment to Southern Dallas and other distressed areas**
- Baseline requirements and use of a scorecard will help institutionalize equity priorities and **ensure equitable outcomes**
- **Administrative action approval of certain awards** will simplify the process and enable developers to underwrite against the award, which is **crucial for smaller scale developers**

RECOMMENDATIONS FOR A NEW TOOLKIT

As-of-Right Abatements in Target Areas

Projects that create jobs and investment in Southern Dallas and other distressed areas will be eligible for as-of-right tax abatements.

- **As-of-right abatements for qualifying projects** that meet baseline criteria **will introduce transparency and reliability**, creating a more efficient and equitable incentive process to induce beneficial development in target areas.
- Eligible projects will be able to qualify for a **10-year, 90% property tax abatement** or a **5-year, 90% business personal property tax abatement**. Loans/grants will still be available to projects where an abatement is insufficient or not beneficial.
- OED will provide **quarterly reports to the Economic Development Committee** on deal flow and awards.
- **Target areas** will include Census Block Groups designated as Texas Enterprise Zones (excluding areas that fall within TIF Districts). These zones are updated every ten years, and their boundaries are easily found online.



Note: Many other jurisdictions have as-of-right abatement and other incentive awards. See appendix for several precedent examples and baseline criteria.

RECOMMENDATIONS FOR A NEW TOOLKIT

Community and Economic Development Loans & Grants

Expand OED's loan and grant making authority to include both Chapters 373 and 380.

Challenge: OED's primary incentive tools are currently not designed to serve nonprofit and community groups.

Realignment Goal: Expand loan/grant making capacity to support community development. Incentivize development aligned with equity goals.

Council Consideration: Empowering OED to expand its grant and loan making capacity will require an **increase in funding**, which currently is allocated from Citywide PILOT funds.

PROGRAM DETAILS

- OED will retain ability to layer loans and grants with abatements, to help get projects done while **securing increased public benefit.**
- Under Ch. 373, OED will now be able to award **non-profit organizations** to further align with OED's focus on equity and providing funding to projects **positively impacting communities.**

RECOMMENDATIONS FOR A NEW TOOLKIT

Predevelopment Assistance Fund

Create a new incentive program to support community developers through the pre-development process by addressing the need for upfront capital.

Challenge: Small and first-time developers have difficulty accessing existing OED programs.

Realignment Goal: Increase participation for small-scale developers by creating program to link them to flexible capital earlier in the pre-development process.



Priority for M/WBEs

PROGRAM DETAILS

OED to award small loans to assist with **upfront costs** as developer assembles necessary project financing:

- Market studies/financial modeling
- Site assessment

Developers who are then successful in closing on their project will be **eligible to apply for additional project finance** from OED.

OED can link applicants to **complementary programs**, such as the Brownfields Program and Revolving Loan Fund offered by the Office of Env. Quality and Sustainability.

RECOMMENDATIONS FOR A NEW TOOLKIT

Infrastructure Fund

Direct funds from expiring TIF districts into a fund to support infrastructure needs, especially in Target Areas.

Challenge: High need for infrastructure investment hinders community investment, especially in Southern Dallas and other historically underinvested areas.

Realignment Goal: Address barriers to development by strategically prioritizing public investment in infrastructure.

- Establish a fund to make strategic infrastructure investments to stimulate private investment in distressed areas and accomplish the goals outlined in the Racial Equity Plan without impact to the General Fund.
- Capitalize the fund with continued collection of revenue from expired TIFs, at the level of the increment billed in the district's last year, diverting this revenue from the general fund for a period of 10 years after the TIF termination year.
- Projects can be funded in pay-as-you-go or through bond-issuance against the fund.

EXAMPLE: ESTIMATED REVENUE COLLECTED FROM EXPIRED TIF DISTRICTS 2023 - 2033*		
DISTRICT	TERMINATION YEAR	10 - YEAR REVENUE GENERATED [†]
Cedars	2022	\$ 22,921,899
City Center - City Center Subdistrict (Zones A & B)	2022	\$ 73,183,297
Deep Ellum	2027	\$ 46,881,918
Design District	2027	\$ 59,143,980
Southwestern Medical - Southwestern Medical Sub-District (Zones A, B)	2027	\$ 6,968,442
Farmers Market (Zones A, B, C)	2028	\$ 22,329,195
Vickery Meadow	2028	\$ 12,429,798
Fort Worth Avenue	2029	\$ 10,846,209
Sports Arena - Victory Sub-District	2028	\$ 74,461,965

*Note: Sum of total revenue generated based on OED Projections of Final Increment Billed.

[†]Each row delineates the estimated sum of revenue collected from the respective TIF, from the year the TIF expires until 2033. The resulting projected sum from all TIFs listed above is \$329 million over the 10-year period (2023-2033).

\$329M ←

Potential revenue for infrastructure fund collected 2023 - 2033

RECOMMENDATIONS FOR A NEW TOOLKIT

Scorecard & Evaluation Criteria

Introduce a scorecard for tax abatement projects, with evaluation criteria designed to award longer and deeper abatements to projects that provide greater public benefits that are aligned with equity goals.

Challenge: Non-standard requirements, unclear public benefit priorities, and lack of institutionalized racial equity criteria lead to varying outcomes.

Realignment Goal: Bring transparency and standardization to the incentive award process; leverage greater public benefit from awards; broaden criteria to include factors that address equity.

EXAMPLE EVALUATION CRITERIA

- Job creation
- Capital investment
- Job quality & accessibility
- Competition & need
- Workforce development partnerships
- M/WBE participation
- Affordable housing

Related Efforts

Addressing Barriers to Implementation

RELATED EFFORTS: ADDRESSING BARRIERS TO IMPLEMENTATION

The relationship between historic preservation, development, and racial equity must be addressed to ensure that preservation practices do not contribute to the erasure of historically marginalized communities in Dallas or acting as a barrier to equitable economic development.

- Historic Preservation should **encourage rehabilitation and provide resources** for deteriorating building stock, including support for financial commitments beyond the means of historically excluded groups, as has occurred in the Tenth Street Historic District.
- The department should create programming to **serve the historic preservation interests of historically marginalized communities** that are not tied to property ownership to include historically excluded groups.
- Renters, lower income legacy property owners, and others who have not historically benefited from increases in property valuation should be included in **decision-making bodies** to provide a platform for creative ideas around how to expand the mission of historic preservation departments in an equitable way.

RELATED EFFORTS: ADDRESSING BARRIERS TO IMPLEMENTATION

Goals:

- **Formalize the mission** of Dallas' historic preservation program in alignment with other City policies and priorities.
- **Prioritize urgently necessary reforms** to ordinances and practices that have not aligned to serve historically marginalized communities, including:
 - reviewing the **demolition** delay ordinance
 - **addressing delays** in the designation of new landmarks of significance to Black and Hispanic communities
 - lack of **programming not directly related to property ownership**, including advocacy for the placement of State Historical Markers regarding Mexican American and African American History in Dallas

Updates:

- Economic Development Committee (EDC) Briefed on November 7, 2022
- Housing and Homelessness Solutions (HHS) Committee Briefed on November 15, 2022 – Committee asked that the item be held until January 2023 for the addition of a community engagement plan
- Will update the HHS Committee in January 2023, to include the engagement plan and future efforts

Appendix

FRAMING THE DISCUSSION

Project Timeline & Phase Goals

PHASE 1 | Dec 2021 – Mar 2022

PHASE 2 | Mar 2022 – May 2022

PHASE 3 | May 2022 – Fall 2022

TASK FORCE
PRESENTATION
March 24

TASK FORCE
PRESENTATION
June 2

TASK FORCE
PRESENTATION
Late Summer

CITY COUNCIL
PRESENTATION
Fall

1. Diagnose Impact and Alignment of Existing Program

Profile the economic development tools at the City's disposal and assess their effectiveness.

- Assemble Program Data
- Performance Analysis
- Stakeholder Engagement

2. Program Design & Refine Recommendations

Recommend program modifications and process improvements to align OED's toolkit with the Economic Development Policy.

- Review Best Practices
- Workshops with OED
- Lessons Learned in Dallas
- Stakeholder Engagement
- Evaluation Criteria and Scoring Process
- Draft Program Descriptions

3. Finalize Incentive Policy Documents

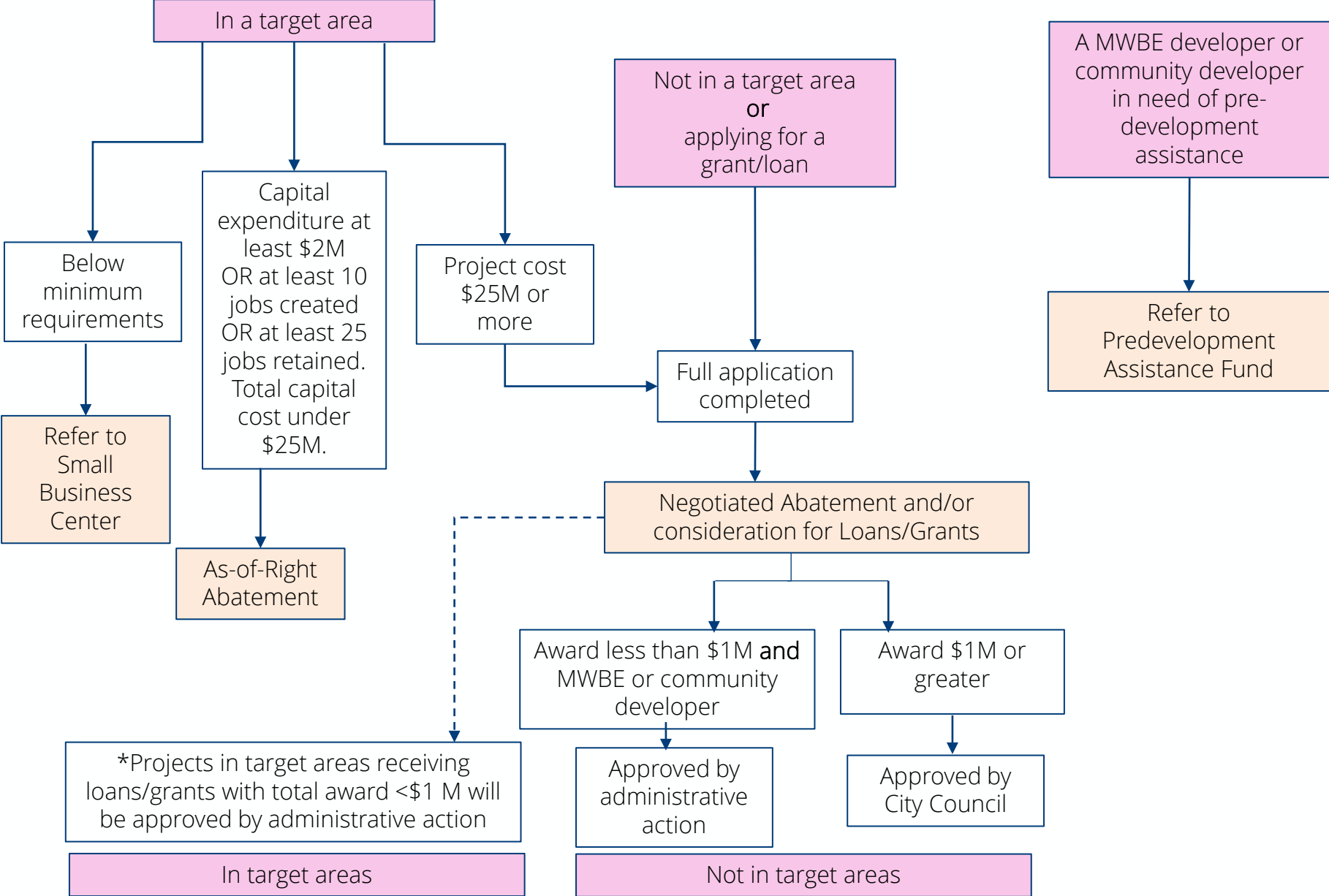
Launch a revised toolkit with distinct incentive programs for Council review and approval.

- Refine Policy Document
- Final Program Toolkit

We are
here

As seen in this illustrative process flow, target area projects and smaller award projects will be approved via administrative action.

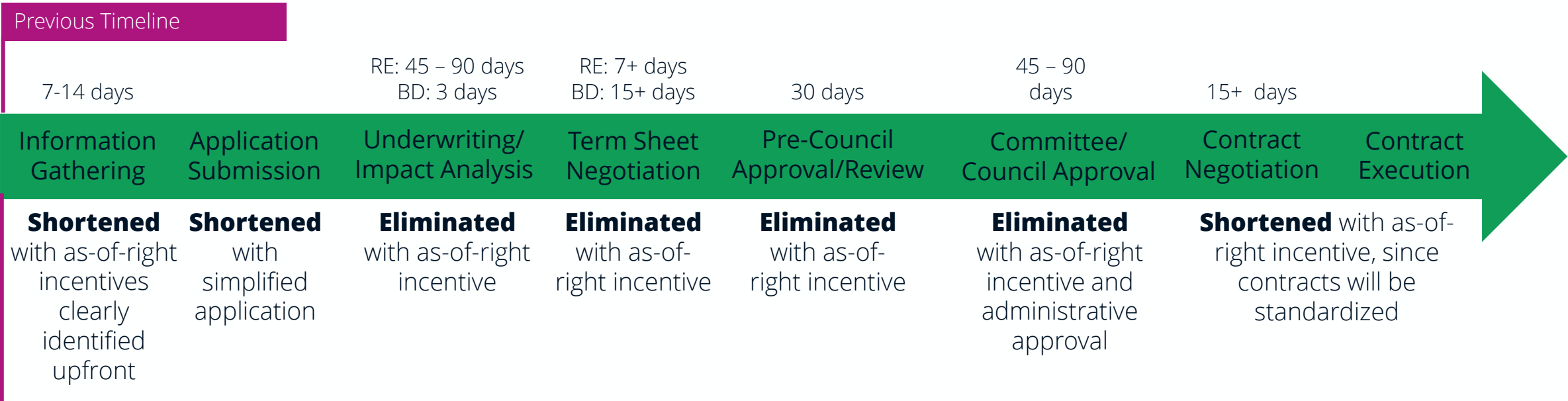
Applicant is:



RECOMMENDATIONS FOR A NEW TOOLKIT

Streamlined Process

This streamlined process will improve the timeframe from application to award disbursement, paving the way for greater accessibility to incentive tools by small and minority-owned businesses.



New Policy Benefits

In target areas, allowing as-of-right abatements can help promote investment in Southern Dallas. Of Target Area projects between 2016-2021, **3 of 6** would have received a as-of-right abatement, representing 50% of projects but only **16% (\$4.8M)** of total incentive award value.

PRECEDENTS

As-of-Right Incentives

Many other localities have as-of-right abatement programs that allow for greater efficiency and reliability.



Columbus has an as-of-right 100% property tax abatement on incremental value of residential improvements for up to 15 years in community reinvestment areas.



The City of Cincinnati's by-right Residential Property Tax Abatement allows owners to pay taxes on the pre-improvement value of their property for 10-15 years.



Washington DC's Supermarket Tax Incentive waives certain taxes and fees to grocery stores that locate in specific neighborhoods. The District's Qualified High Technology Companies can claim reduced corporate franchise and capital gains tax rates.



The Commonwealth of Virginia offers several by-right incentives, including the Data Center Retail Sales & Use Tax Exemption and the Major R&D Expenses Tax Credit.

PRECEDENT SCORECARDS



Indy Chamber Revised Tax Abatement Scorecard

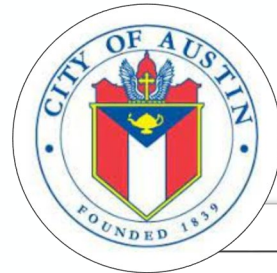
I. Minimum Baseline Requirements for Tax Abatement Projects		
	Project Score	Options Available
Hourly Wages > \$15/ hour *Hourly Wages = \$12/hour for jobs filled by returning citizens	1	0,1
Healthcare Benefits for Employees	0	0,1
Positive Fiscal ROI to City	1	0,1
Participation in Community Impact Network	1	0,1
Baseline Score	4	

Eligible for Abatement	Y	*Projects must score a 4 to be eligible for an abatement.
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*Projects that have a baseline score of at least 4 are eligible for a three year abatement, if approved.

II. Scoring Matrix for Eligible Projects			
Evaluation Criteria	Score		
	1	2	3
New Jobs	1 to 25	26-50	51+
Retained Jobs	1 to 25	26-50	51+

Desired Industry	Opportunity Industry
Targeted Industry	



Firm-Based Incentive Matrix		
Company Name:	Dropbox, Inc.	
SECTION 1. MINIMUM PROJECT REQUIREMENTS		
	The Firm is located in the Desired Development Zone.	
	The Firm conducts its business in compliance with environmental regulations.	
SECTION 2. EVALUATION CRITERIA		
Overall Economic and Fiscal Impact	Small	Medium
	10	20
	Relative to its industry, what is the absolute size of the net benefit as measured by: jobs and income, level of desirable public benefits, and net fiscal impact to the City?	
	The net benefit based on the WebLOCI analysis is \$839,180 over a ten year period, not including the cost of any incentive.	
Packages to the Local Economy	Poor	Acceptable
	0	15
	Is the firm a recognized targeted industry identified by City of Austin?	
	Yes, the firm is a software as a service company.	
	Is the firm a headquarters operation? Does it represent the "headquarters" of a new product line or service for the firm?	
	No, the expansion will not be a headquarters operation.	
	Is the firm growing? Is the firm in a growing industry? How stable is the firm?	
	Yes, the company has grown rapidly since its founding 8 years ago. The firm has over 175 million users and has raised	

PRECEDENTS

Predevelopment Assistance Fund

Create a new incentive program to support small-scale and first-time developers through the pre-development process by addressing the need for upfront capital.



Emerging Developer Loan Fund provides support to projects below \$30M (mixed-income, mixed-use, and commercial):

- Predevelopment and acquisition costs
- Early investment until permanent financing is secured
- Technical assistance



Predevelopment fund for projects that support the Downtown core, targeted retail nodes, and historic structures.

- Provides grants up to \$5K.
- Fund is limited to \$50K per year.

Examples of eligible predevelopment work:

- Market studies
- Financial modeling
- Professional design work (architecture and engineering)
- Site assessment (environmental tests and structural assessment)

PRECEDENTS

Infrastructure Fund

Direct funds from expiring TIF districts into a fund to support infrastructure needs across the City, especially in Southern Dallas and other neighborhoods classified as infrastructure deserts.



- As part of its 2022 strategic plan, the City of Fort Worth has created an *Economic Development Incentive Fund*, which could be funded with \$18 million from expiring TIFs in the next 5 years.
- Fort Worth is proposing to apply a base rate of 0.0023 to increment generated in their TIF districts and diverting that money to the EDIF on an annual basis for use in accordance with their policy.
- Fort Worth is prioritizing a deal closing fund to attract more businesses to the City.



- As part of its *Build Better SD* initiative, the City of San Diego is addressing the inequitable structure of its infrastructure funding from Development Impact Fees.
- Instead of limiting funds from being spent in the district they are generated, Build Better SD creates one pooled fund that prioritizes investments in neighborhoods with greatest need for investment.
- This will speed investments to areas that need it most and deliver improvements more quickly.

INFRASTRUCTURE FUND

