

Proposed Amendment to the Comprehensive Housing Policy to Create a Residential Neighborhood Empowerment Zone (NEZ) Program and Zones

City Council

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Summary

- Introduction
- Issues
- Current policy direction
- Proposed Program – Residential Neighborhood Empowerment Zones
 - Program Design
 - Program management, monitoring, and evaluation
 - Legal authority
 - Challenges
- Next steps
- Appendix



Introduction - Residential NEZ Program

- Residential Neighborhood Empowerment Zone (NEZ) Program incentivizes
 - **Construction** of single-family homes, duplexes, and owner-occupied multifamily units reserved for income-qualified owners and tenants on lots that are vacant, subject to a Chapter 27 order of demolition, or purchased through Land Bank/Land Transfer
 - **Renovation** of **owner-occupied** single-family homes, duplexes, and multifamily units for income-qualified owners
 - **Renovation** of single-family and duplex **rental** housing units in addition to an **ensuring ongoing affordability**
- Within designated residential neighborhood empowerment zones



Introduction - Residential NEZ Program

- Each NEZ is near an MVA stabilization area, defined as a weaker housing market surrounded by stronger markets
- These are “tipping point” areas, where existing homes need repair or renovation, market values are going up, and residents are at risk of displacement based on known market conditions
- The program offers
 - Development fee reimbursements (through the housing trust fund) and
 - Tax abatements on the added value (estimated lost revenue)



Introduction - Residential NEZ Program Cost Scenario

- Under one scenario, the program could incentivize
 - 75 new homes affordable to families under 120% AMI (~\$100,000 for a family of four) and
 - 125 individual renovation projects
- Public/private leverage would be about 1:10
 - Total cost is \$2.8M
 - Private investment is \$25M (\$18M in new construction and \$6M in renovations)
- See appendix for details



Introduction - Residential NEZ Program Economic Impact

- In 2013, the National Association of Home Builders studied the effect of constructing 17,000 single family homes valued at ~\$244k on the Dallas Metropolitan Statistical Area (MSA)*
- The total first-year direct, indirect, and induced (ripple effect) impact on the Dallas MSA of these homes was **\$3 billion** in wages, salaries, business income, and government revenue
- The annual, ongoing impact was **\$514 million**
- Conclusion: New home construction generates ongoing, annual effects as new residents work, spend money, improve their homes, pay taxes, use utility services, etc.

*Source:

The National Association of Home Builders, 2013. *The Metro Area Impact of Home Building in Dallas, Texas: Income, Jobs, and Taxes Generated*
Latest data currently available. Dallas MSA includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall counties.

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Introduction - Residential NEZ Program Economic Impact

- Counting direct, indirect, and induced economic effects of only the new construction in this proposed program:
 - The region sees up to **\$14 million** in new local income **and**
 - **\$1.6 million** in additional government revenue from the construction alone
- Each year after the homes are finished, the region sees an additional \$2.7M in new local income and \$579,979 in net government revenue
- The City of Dallas would get a significant share of that economic impact, depending on the location of suppliers and workers

*Source:

The National Association of Home Builders, 2013. *The Metro Area Impact of Home Building in Dallas, Texas: Income, Jobs, and Taxes Generated*
Latest data currently available. Dallas MSA includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall counties.

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Issues

- This program is designed to address two main issues:
 - Potential displacement in areas with strong real estate market pressures and historic disinvestment exist
 - Low levels of construction of homes affordable to families under 120% of area median income (AMI)



Issue – Market Pressures and Disinvestment

- The proposed NEZs are near the MVA's stabilization areas, which experience market pressures as well as the accumulated effect of long-term disinvestment, such as unmet maintenance needs, code/tax liens, code compliance activity on nearby vacant lots, and lack of new construction
- Other Department of Housing & Neighborhood Revitalization programs, other City initiatives, philanthropic efforts, and the market sometimes aren't sufficient to permanently address these issues
- Program is designed to incentivize investment while providing needed tax relief and protecting against displacement



Issue – Lack of New Homes Under \$300K

- About 20% of DFW's population resides in the City of Dallas, but the City currently produces only **2%** of DFW's new owner-occupied housing priced under \$300,000 each year:
 - Before the 2008 recession, Dallas produced a peak of 2,178 homes priced under \$300,000 annually
 - For the quarter ending 3Q 2019, the number was **412**, only **2%** of the 17,366 the DFW area produced
- Since 2007, more than 50% of the housing construction in the City has been priced above \$350,000
- This has resulted in an aging of lower-priced housing stock and a hollowing-out of housing stock affordable to families between 60% and 120% of AMI – essentially the middle class

*Data courtesy of MetroStudy

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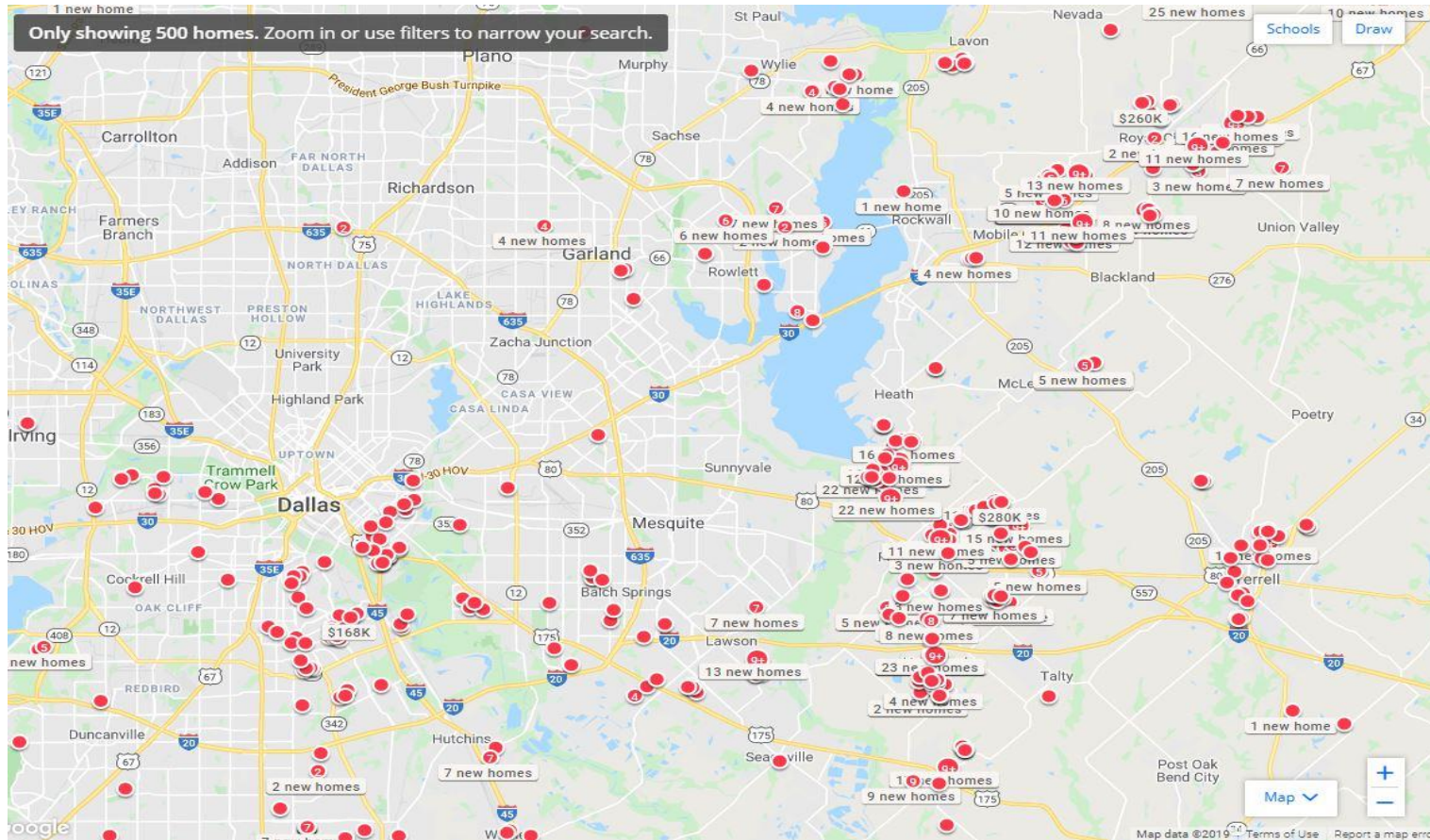
Issue: Location of <\$300K New Home Construction

- The Zillow map on next slide shows single family and townhome units built since 2015 that are currently for-sale under \$300k
 - Hundreds of new homes in Garland, Fate, Royse City, Forney, Terrell, & unincorporated Kaufman County
 - Off the map: large new home communities south: in DeSoto, Lancaster, and Glenn Heights and north: in Anna, Princeton, and Roanoke
- In contrast, map shows only 123 homes built since 2015 that are currently for-sale under \$300k in all the City of Dallas



Issue: Location of <\$300K New Home Construction

Most of the red dots in Dallas represent **one** new home



Many of the red dots outside Dallas represent **multiple** new homes

Issue – Increasing Gap Between Wages and Home Prices

Income vs Home Value	2010 Census	2019 Q4	Growth
Median Household Income	\$41,415	\$55,215	7%
Median Home Value	\$147,793	\$239,527	2%

Home Values	2010 Census		2019 Q4		Change
HU Value Less Than 100k	87,376	14.8%	48,684	7.4%	-38,692
HU Value 100k-200k	69,606	11.8%	65,520	9.9%	-4,086
HU Value 200k-300k	32,044	5.4%	37,872	5.7%	5,828
HU Value 300k-400k	18,282	3.1%	31,908	4.8%	13,626
HU Value 400k-500k	8,850	1.5%	20,586	3.1%	11,736
HU Value 500k-1mil	17,458	3.0%	36,562	5.6%	19,104
HU Value Above 1mil	7,670	1.3%	17,216	2.6%	9,546

*Data courtesy of MetroStudy

- Between 2010 and 2019:
 - Dallas incomes grew by 2% annually while median home values grew by 7% annually
 - The number of owner occupied homes in Dallas *under* \$200,000 **dropped** by 42,778 units
 - The number *over* \$200,000 grew by 59,840, with most of the homes valued over \$400,000
- The City's housing stock has become more expensive

Current Policy Direction - CHP

- Comprehensive Housing Policy (CHP) has three main goals:
 - Create and maintain available and affordable housing throughout Dallas,
 - Promote greater fair housing choices, and
 - Overcome patterns of segregation and concentrations of poverty through incentives and requirements
- CHP has several focus areas:
 - New development (multifamily and single family)
 - Affordability preservation
 - Homeless housing initiative
 - Neighborhood investment (Infrastructure & Amenities)
 - Funding and supporting actions
- Proposed NEZ program incentivizes new development, preserves affordability, and stimulates investment in designated neighborhoods while advancing all three CHP goals



Current Policy Direction - NEZs

- CHP designated three types of Reinvestment Strategy Areas: redevelopment, stabilization, and emerging markets
 - Stabilization areas are weaker housing markets surrounded by stronger markets, where residents are at risk of displacement based on known market conditions
- CHP prioritized NEZs in stabilization areas
 - NEZ can be used to incentivize new affordable housing units and preserve existing affordable housing units through property tax abatements and development fee reimbursements
- The proposed NEZ districts support these stabilization areas



Program Design - Community Outreach

- The steering committee of the housing policy task force was briefed on this item on September 18, 2019; October 29, 2019; and December 17, 2019
- Additionally, more than 400 members of the broader task force were invited to, and more than 50 members attended, a meeting on September 24, 2019 to discuss the program
- In general, staff incorporated task force input and/or received strong task force support for program requirements
 - One exception – the steering committee recommended *including* a waiver of Article X tree mitigation fees.
 - Staff recommendation *does not* include waiving/reimbursing Article X mitigation fees



Program Design - Incentives

Benefit	Description	Maximum Amount	Payment Timing
Development fee reimbursement	Reimbursement of: <ul style="list-style-type: none"> *development and permit fees *zoning and platting fees *DWU fees *Costs for required tree survey *Add'l tree preservation services 	\$15,000, with an additional \$5,000 at the discretion of the director, depending on needs of site and actual fees paid	After the following are complete: <ul style="list-style-type: none"> *construction/renovation *paperwork submitted *inspections passed *restrictive covenant filed *unit occupied by eligible household
Tax abatement	Annual abatement of city taxes on the added value (the difference between the value when the agreement was signed (before work began) and the current value)	Amount varies by property value and growth rate: <ul style="list-style-type: none"> *new construction: \$15,000-\$20,000 *renovation: \$1,500-\$5,000 See examples in appendix.	Annual abatement, after compliance review, restrictive covenant is filed, and as part of the annual tax appraisal and payment process



Program Design - Program Requirements

Activity	Housing Unit Type	Minimum \$ Investment	Affordability
New construction	Single family, duplex, and owner-occupied multifamily (condos)	No minimum, but home must meet code and be occupied by an eligible household	<120% AMI for sale (\$99,720 for a family of four; \$79,776 for family of two) <80% AMI for rental (\$66,500 for a family of four, \$53,200 for family of two)
Owner-occupied renovation	Single family, duplex, and owner-occupied multifamily (condos)	\$5,000, focused first on weather-proofing	<120% AMI (\$99,720 for a family of four)
Rental renovation	Single family homes and duplexes	\$10,000, plus must bring property into compliance with Chapter 27	<80% AMI (\$66,500 for a family of four)

Notes:

*First responders and teachers qualify as eligible households

Required affordability periods:

*5 years for development fee reimbursements (subject to clawback provisions)

*Each year for abatement (up to 10 years)

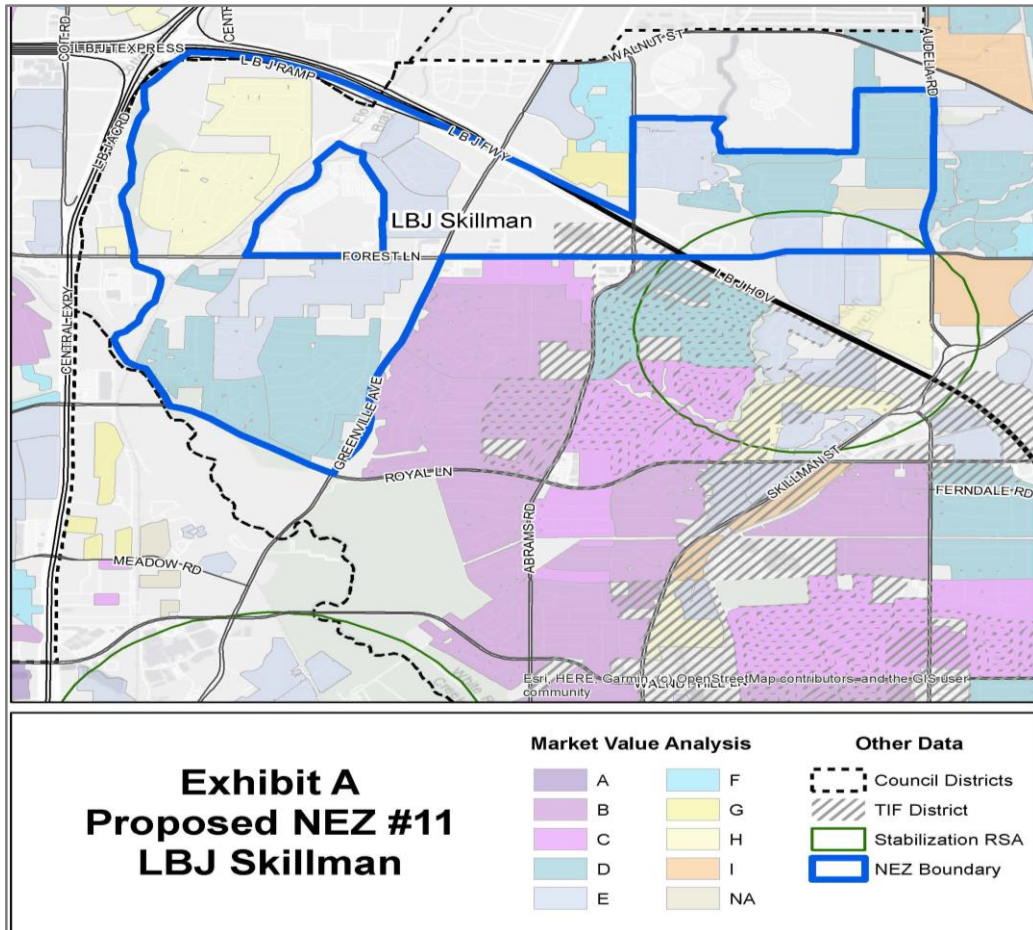


Program Design - Program Requirements

- Homebuyer education required
- Participants may not discriminate against holders of housing vouchers
- Existing tenants may not be evicted for at least one year, except for cause
- Applicants may utilize other city programs, such as HIPP or DHAP, in conjunction with this program
- After the 10-year abatement period is complete, applicants who have not defaulted may apply again, provided they complete additional investment and maintain affordability. Upon qualification, they will be eligible to receive program benefits available at that time.

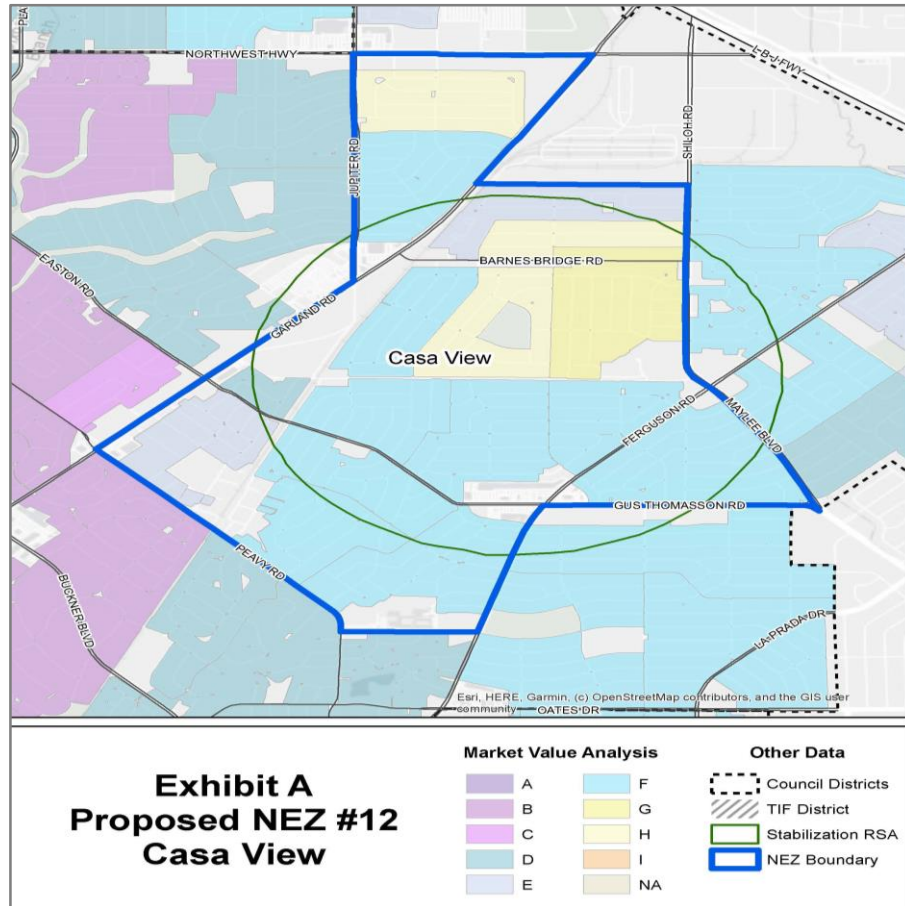


Geographic Boundaries - Proposed NEZ #11: LBJ Skillman



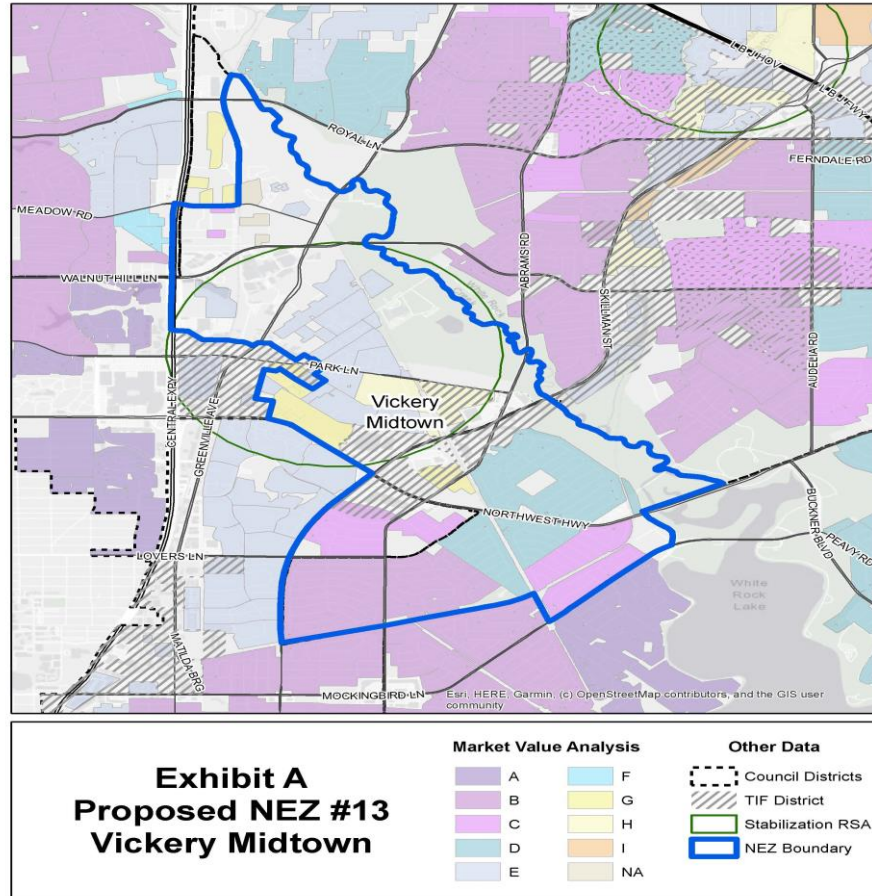
- 1,595 acres near the LBJ Skillman stabilization area
- Focused on single-family neighborhoods with homes in need of repair
- Generally bounded by LBJ Freeway, Abrams Road, Audelia Road, Forest Lane, Greenville Avenue, Royal Lane, and Cottonwood Creek
- Expanded west to include Hamilton Park and Stultz Road neighborhoods
- Small portion of NEZ overlaps with Skillman Corridor TIF District

Geographic Boundaries - Proposed NEZ #12: Casa View



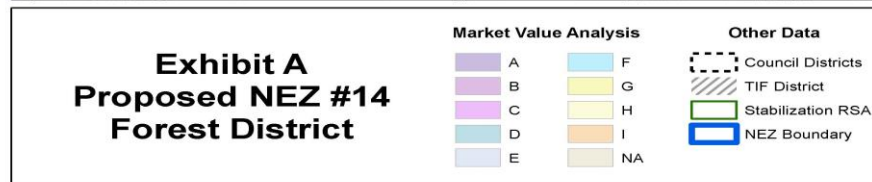
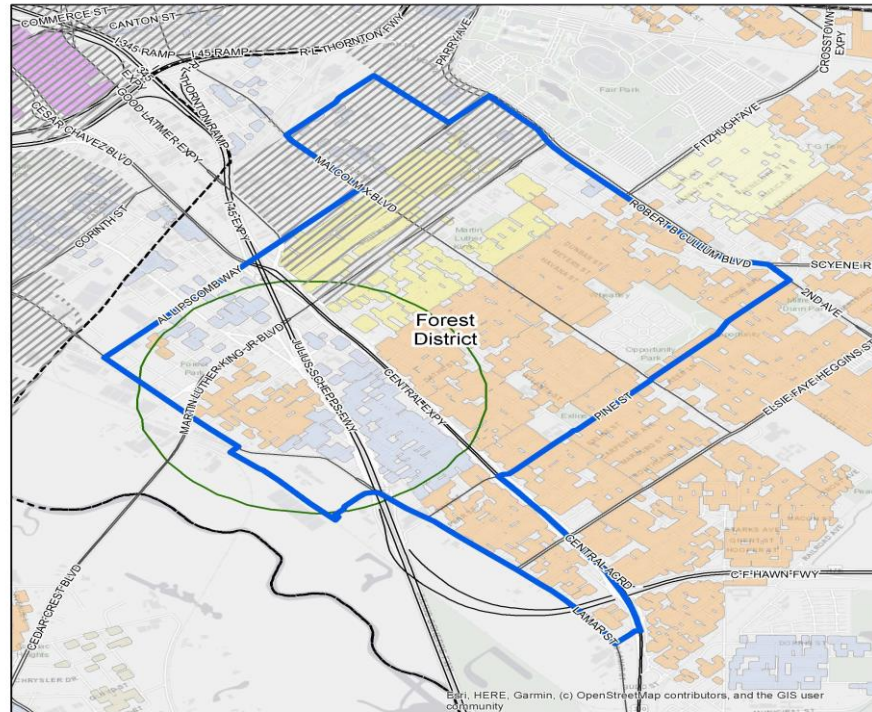
- 1,767 acres near the Casa View stabilization area
- Focused on single-family neighborhoods with homes in need of repair
- Generally bounded by Jupiter Road, Northwest Highway, Garland Road, Shiloh Road, Maylee Boulevard, Gus Thomasson Road, and Peavy Road
- No overlap with any TIF district

Geographic Boundaries - Proposed NEZ #13: Vickery Midtown



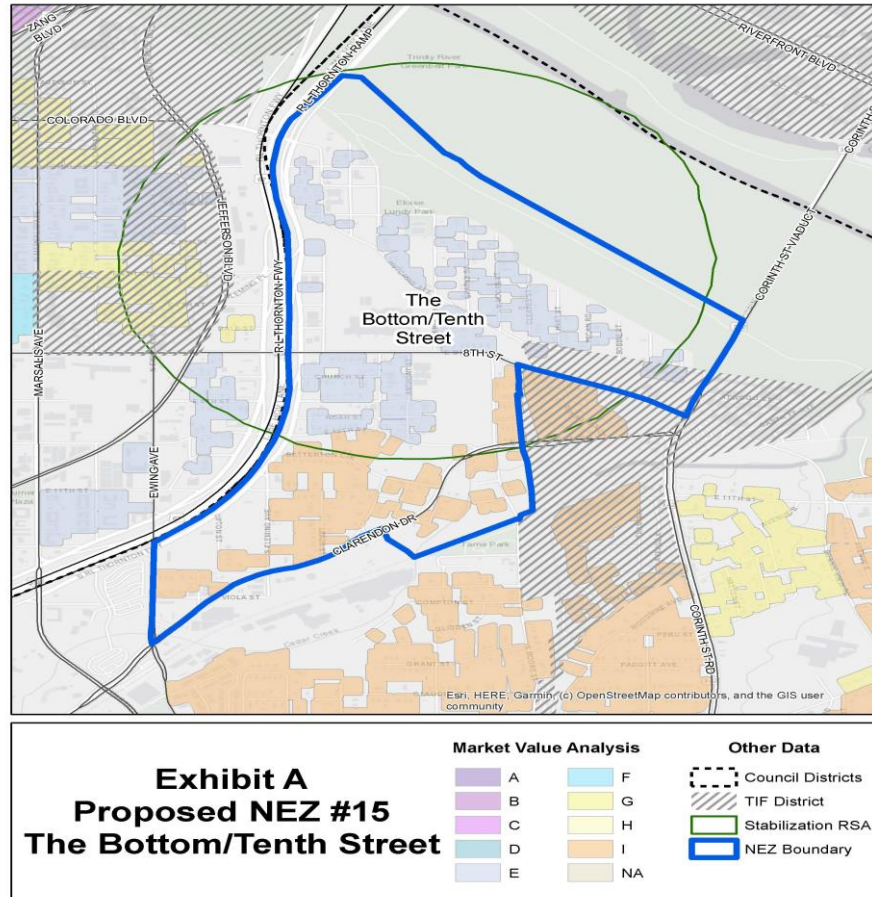
- 2,824 acres near the Vickery Midtown (formerly Vickery Meadow) stabilization area
- Generally bounded by White Rock Creek, Northwest Highway, Mockingbird Lane, Skillman Avenue, and US Highway 75
- Small portion of NEZ overlaps with Skillman Corridor TIF District
- NEZ is east of the Vickery Meadow TIF District

Geographic Boundaries - Proposed NEZ #14: Forest District



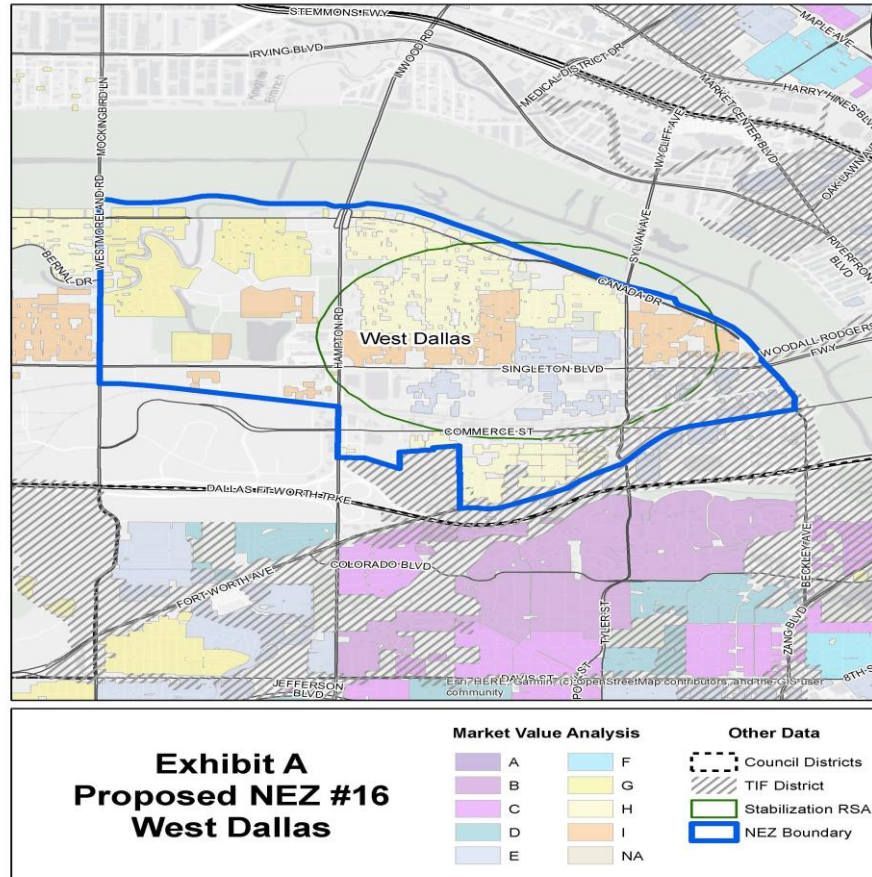
- 1,365 acres near the Forest District (formerly Forest Heights) stabilization area
- Focused on single-family neighborhoods with homes in need of repair and with vacant lots
- Generally bounded by Al Lipscomb Way, Malcolm X Boulevard, Robert B. Cullum Boulevard, Pine Street, Central Expressway, and Lamar Street
- Small portion of NEZ overlaps with the Grand Park South TIF District

Geographic Boundaries - Proposed NEZ #15: The Bottom/Tenth Street



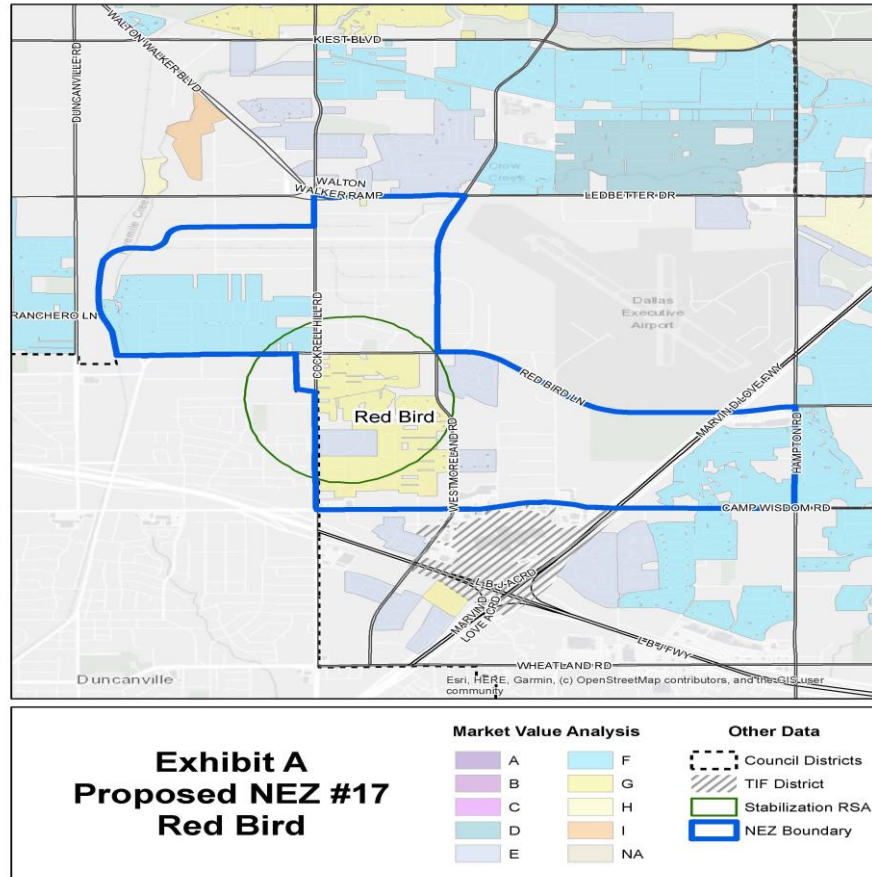
- 297 acres near the Bottom/Tenth Street stabilization area
- Focused on single-family neighborhoods with homes in need of repair and with vacant lots
- Generally bounded by Trinity River, Corinth Street, 8th Street, Ewing Avenue, and RL Thornton Freeway
- Small portion of NEZ overlaps the TOD TIF District

Geographic Boundaries - Proposed NEZ #16: West Dallas



- 2,293 acres near the West Dallas stabilization area
- Generally bounded by Canada Drive, Fort Worth Avenue, Hampton Road, and Westmoreland Road
- Small portion of NEZ overlaps both the Sports Arena and the Fort Worth Avenue TIF districts

Geographic Boundaries - Proposed NEZ #17: Red Bird North



- 1,807 acres near the Red Bird North stabilization area
- Generally bounded by Ledbetter Drive, Westmoreland Road, Red Bird Lane, Hampton Road, Camp Wisdom Road, and Cockrell Hill Road
- No overlap with any TIF district
- NEZ is north of the Westmoreland-IH 20 Subdistrict of the Mall Area TIF District

Program Management and Evaluation

- Residential NEZ program will be administered by Housing and Neighborhood Revitalization
- New module in Neighborly Software proposed to manage application process like the current HIPP home repair process
- Data on annual applications, completed development agreements, restrictive covenants, completed projects, and tax abatements (revenue foregone) will be collected and reported
- Program expected to support improvement of the City's annual score on the neighborhoods and infrastructure equity indicator



Legal Authority: Chapter 378

- NEZs are authorized by **Chapter 378** of the Texas Local Government Code
- **Purpose** - NEZs must promote:
 - Increased economic development in the zone,
 - Increase in the quality of social services, education, or public safety for residents of the zone, **or**
 - *Creation and/or rehabilitation of affordable housing* in the zone
- **Zone creation requirements** - the Council resolution creating the NEZ must:
 - Describe (map) the boundaries of the zone
 - Show that the NEZ promotes any of the items listed above
 - Show that the area of the proposed NEZ is distressed (for example, slows housing construction because of substandard structures, inadequate sidewalks, and unsafe conditions). The full list is in Chapter 312.202 of the Tax Code.



Legal Authority: Chapter 378

- **Activities** allowed in a NEZ:
 - **Waive or adopt development fees**
 - Enter into **sales tax agreements** for not more than 10 years
 - Enter into **property tax abatement agreements** for not more than 10 years
- The program proposes a set of **property tax abatements** under Chapter 378



Legal Authority: Chapter 380

- Development fees are also a significant deterrent to construction in weaker housing market areas
 - But staff **recommends against waiving** fees and instead proposes fee **reimbursements** only **after all program requirements are met** and restrictive covenants are in place to ensure units are occupied by eligible households.
- Chapter 380 of the Local Government Code is very flexible and allows loans and grants of public money, including development fee reimbursements, provided the loans and grants promote economic development
- The program proposes **development fee reimbursements** using Chapter 380



Challenges

- State law limits tax abatements
 - Both new construction and repair qualify for development fee reimbursements and a tax abatement, but state law limits the abatement to only the added value (effectively a tax freeze), not a full abatement. This may limit applications for repair agreements
- Economics are only part of the housing construction equation. Also necessary:
 - Additional efficiencies in development review
 - New small-lot residential zoning district that responds to market realities
- Both items are on the housing policy's proposed 2020 workplan



Next Steps

- Recommend approval of the item for full Council consideration on January 22, 2020.
- Staff will bring forward to Council a second contract with Neighborly Software for implementation modules for this and other future programs
- Once the program application is available, staff will hold informational sessions in or near each of the neighborhood empowerment zones
- Updates on NEZ will be provided to the Housing and Homeless Solutions Committee



Appendix



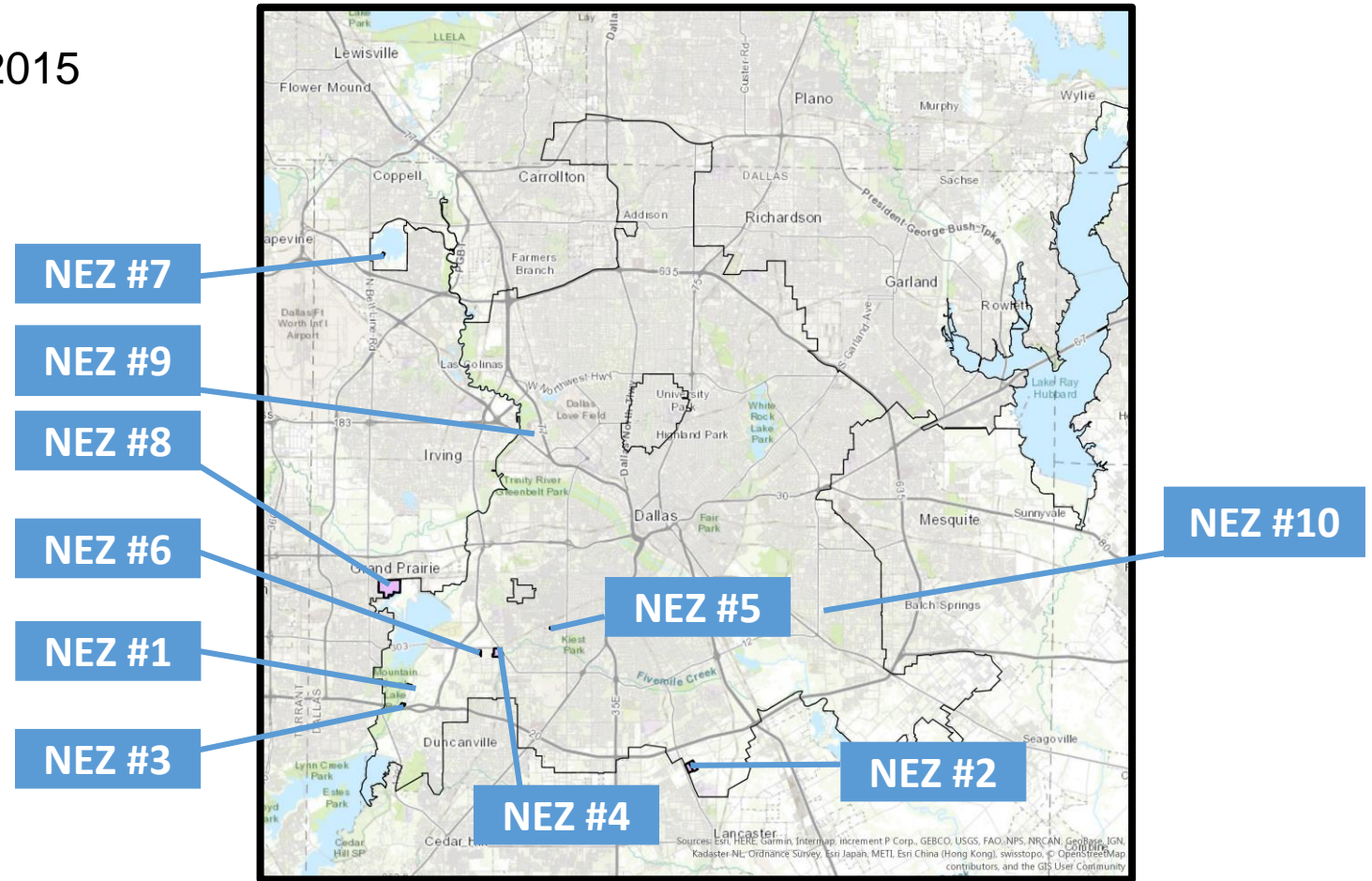
Commercial NEZ Program



Commercial Neighborhood Empowerment Zones (NEZs)

10 NEZs created by City Council since 2015

- 7 industrial
 - 1 office
 - 2 mixed use (office, retail, flex, industrial)
-
- 8 were created to support specific projects
 - 2 were created to encourage increased economic development in specific areas

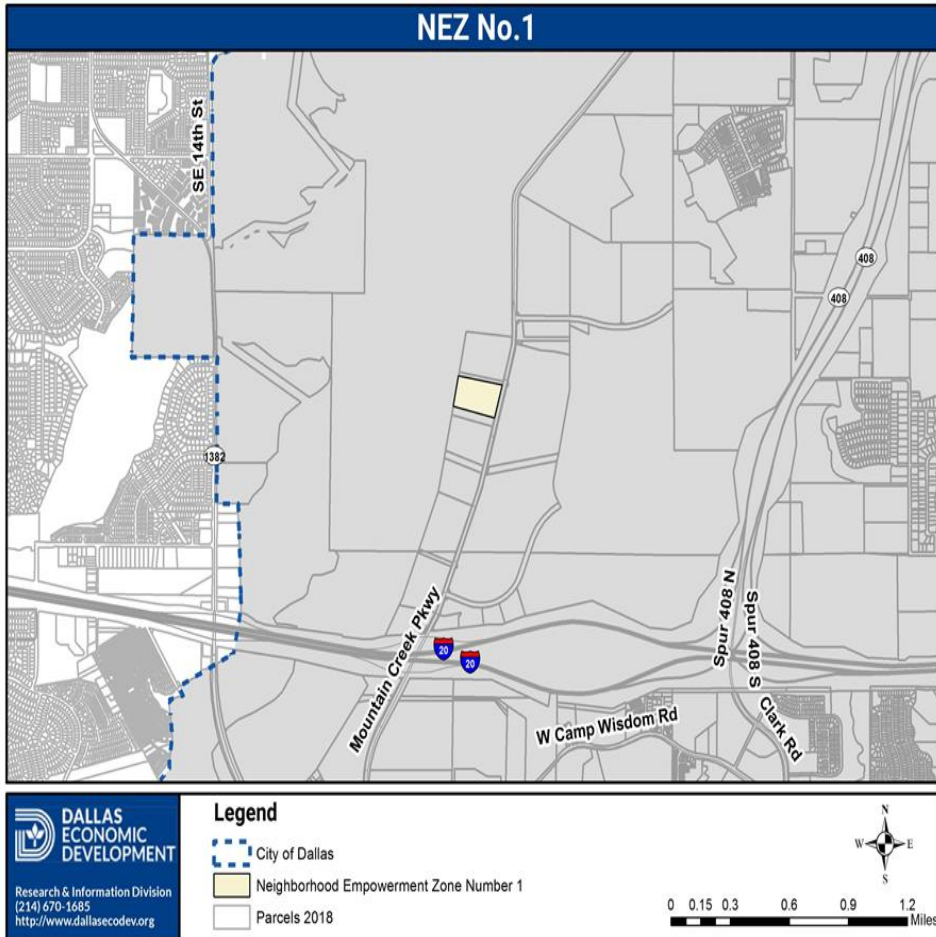


Commercial Neighborhood Empowerment Zones (as of January 8, 2020)

NEZ	City Council District	Size of NEZ (acres)	Project Name/Entity Name	Project Type	Resolution Number	Resolution Date	Real Property Abatement	Business Personal Property Abatement	Minimum Investment Required	Minimum Jobs Required	Minimum Occupancy Required	Details
1	3	15	PIHV Mountain Creek, LLC (CarbonLITE Recycling)	manufacturing	15-0290; 17-0267	2/11/2015; 2/8/2017	n/a	75%, 8 years	\$5,000,000	100 (create)	n/a	City Council originally designated NEZ No. 1 in 2015 in conjunction with a 75%/8-year real property tax abatement to facilitate speculative development of a manufacturing building in the Mountain Creek Business Park by PIHV Mountain Creek. The real property tax abatement was rescinded in 2017 with City Council's approval of new business personal property tax abatement in NEZ #1 to support new tenant's (CarbonLITE) establishment of new manufacturing operation in the building; project is complete (actual investment was \$8.08 million and actual job created was 134 jobs); \$205,536 abated in 2019.
2	8	128	DalParc I-20 Logistics, LLC	logistics	15-0858; 15-0859	5/13/2015	90%, 10 years	n/a	\$22,500,000	n/a	75%	City Council authorized the designation of NEZ No. 2 in conjunction with a 90%/10-year real property tax abatement to facilitate speculative development of a logistics building in the International Inland Port; project is complete (actual investment was \$24.75 million); tenant is currently Amazon (500+ jobs); \$286,323 abated in 2019.
3	3	11	TC Mt. Creek Development, LP	logistics	15-1071; 15-1072	6/10/2015	75%, 8 years	n/a	\$7,000,000	n/a	70%	City Council authorized the designation of NEZ No. 3 in conjunction with a 75%/8-year real property tax abatement to facilitate speculative development of a logistics building in the Mountain Creek Business Park; project is complete (actual investment was \$8.46 million); tenant is currently the Cummins Regional Distribution Center (58 jobs); \$50,659 abated in 2019.
4	3	71	Frito-Lay Inc. and Rolling Frito-Lay Sales, LP	logistics	16-0104; 16-0105	1/13/2016	n/a	75%, 8 years	\$60,000,000	150 (retain); 80 (create)	n/a	City Council authorized the designation of NEZ No. 4 in conjunction with a 75%/8-year business personal property tax abatement to facilitate the renovation and expansion of Frito Lay's logistics facility. Agreement was never executed; after City Council's approval of the abatement, the company decided to change the project; the abatement has not been earned.
5	3	7	SVC Manufacturing (Gatorade)	manufacturing	16-1222; 16-1223	8/10/2016	n/a	50%, 8 years	\$25,000,000	200 (retain); 18 (create)	n/a	City Council authorized the designation of NEZ No. 5 in conjunction with a 50%/8-year business personal property tax abatement to facilitate the expansion of the Gatorade beverage manufacturing operation. Project is complete; however, agreement was terminated 9/13/18 because company did not comply with all requirements of agreement to earn the abatement.
6	3	14	WWF Operating Company (WhiteWave Foods/Danone)	manufacturing	18-0999; 18-1000	6/27/2018	n/a	50%, 5 years	\$7,500,000	45 (create)	n/a	City Council authorized the designation of NEZ No. 6 in conjunction with a 50%/5-year business personal property tax abatement to facilitate the establishment of a new food production operation in the Red Bird Industrial Park West. Agreement is executed. Project is underway.
7	6	17	Nokia of America Corporation	corporate office/HQ	18-1002	6/27/2018	n/a	50%, 5 years	\$83,000,000	2,300 (retain); 1,000 (create)	n/a	City Council authorized the designation of NEZ No. 7 in conjunction with a 50%/5-year business personal property tax abatement to facilitate the creation of Nokia's new North American Headquarters in the Cypress Waters area. Agreement not yet executed; project is underway.
8	3	315	Northpoint/Home Depot	logistics	18-1863	12/12/2018	90%, 10 years	50%, 5 years	\$110,000,000	500 (create)	51% (both buildings)	City Council authorized the designation of NEZ No. 8 in conjunction with a 90%/10-year real property tax abatement and a 50%/5-year business personal property tax abatement to facilitate the creation of a new build-to-suit office and logistics facility in the Dallas Global Industrial Center. Agreement not yet executed; project is underway.
9	6	390	Kings Row/Empire Central area	n/a	19-0723	5/8/2019	n/a	n/a	n/a	n/a	n/a	NEZ No. 9 was designated by City Council in May 2019 for the commercial area generally bounded by SH 183, I-35, and Regal Row to create a customized economic development program for small businesses and facilitate possible future economic development projects in the area around the future Salvation Army campus.
10	5,8	373	Pleasant Grove area	n/a	19-0948	6/12/2019	n/a	n/a	n/a	n/a	n/a	NEZ No. 10 was designated by City Council in June 2019 for the commercial corridor along Buckner Boulevard and Great Trinity Forest Way to create a customized economic development program for small businesses and facilitate possible future economic development projects in the Pleasant Grove area.



Commercial NEZ Program - NEZ No. 1



- In 2015, City Council originally designated NEZ No. 1 in conjunction with a 75%, 8-year real property tax abatement to facilitate the speculative development of a manufacturing building in the Mountain Creek Business Park by PIHV Mountain Creek, LLC
- In 2017, the real property tax abatement was rescinded with City Council's approval of new business personal property tax abatement in NEZ #1 to support a new tenant's (CarbonLITE Recycling) establishment of new manufacturing operation in the building
- Project is complete
 - minimum required investment: \$5 million
 - actual investment: \$8.08 million
 - minimum required jobs to be created: 100
 - actual jobs created: 134 jobs
- \$205,536 abated in 2019



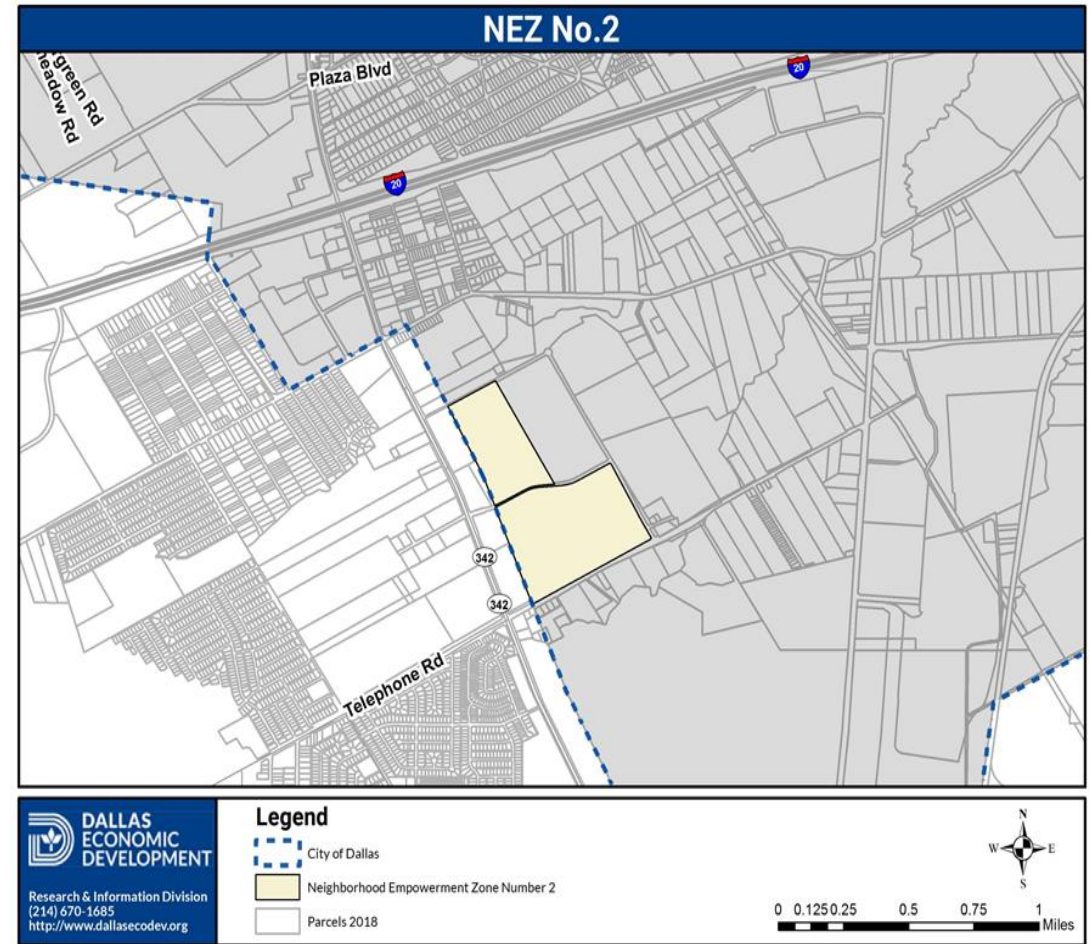
Credit: CoStar

Commercial NEZ Program - NEZ No. 2

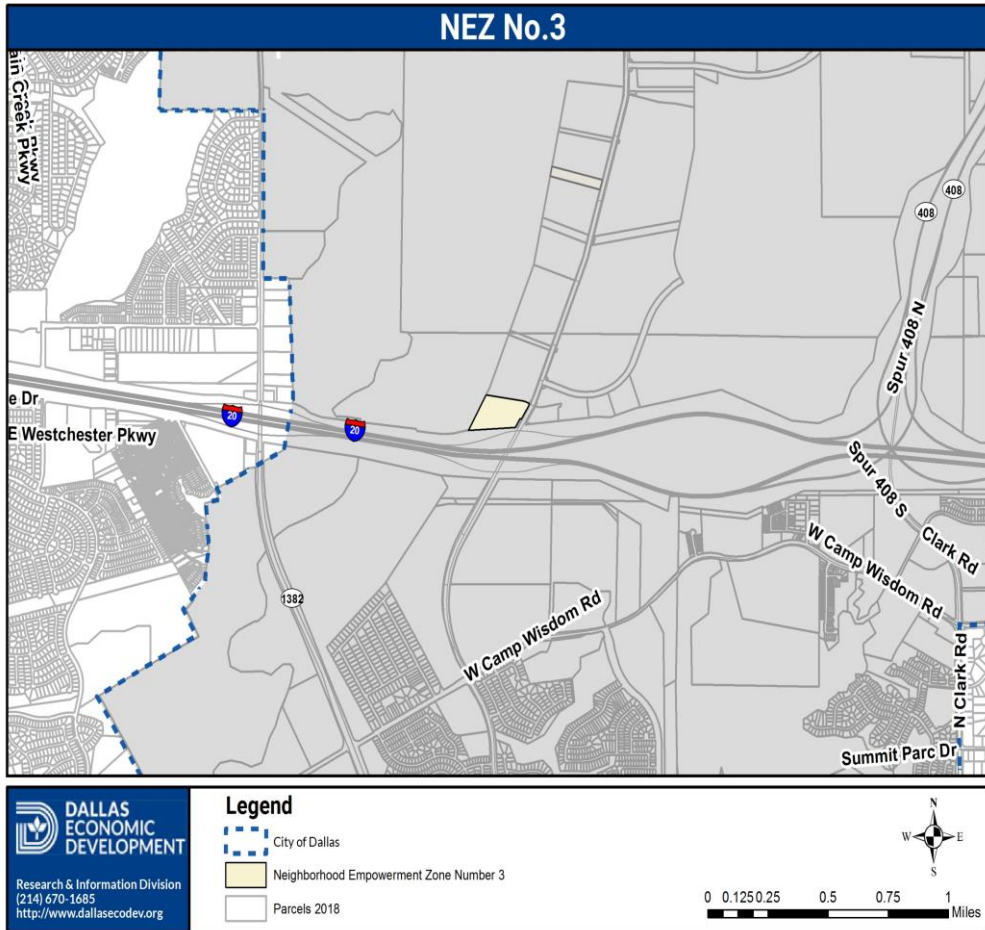
- In 2015, City Council authorized the designation of NEZ No. 2 in conjunction with a 90%/10-year real property tax abatement to facilitate the speculative development of a logistics building in the International Inland Port by DalParc I-20 Logistics, LLC
- Project is complete
 - minimum required investment: \$22.5 million
 - actual investment: \$24.75 million
 - minimum required occupancy: 75%
 - actual occupancy: 100%
 - tenant is currently Amazon (500+ jobs)
- \$286,323 abated in 2019



Credit: CoStar



Commercial NEZ Program - NEZ No. 3



- In 2015, City Council authorized the designation of NEZ No. 3 in conjunction with a 75%/8-year real property tax abatement to facilitate the speculative development of a logistics building in the Mountain Creek Business Park by TC Mt. Creek Development, LP
- Project is complete
 - minimum required investment: \$7 million
 - actual investment: \$8.46 million
 - minimum required occupancy: 70%
 - actual occupancy: 100%
 - tenant is currently Cummins Regional Distribution Center (58 jobs)
- \$50,659 abated in 2019

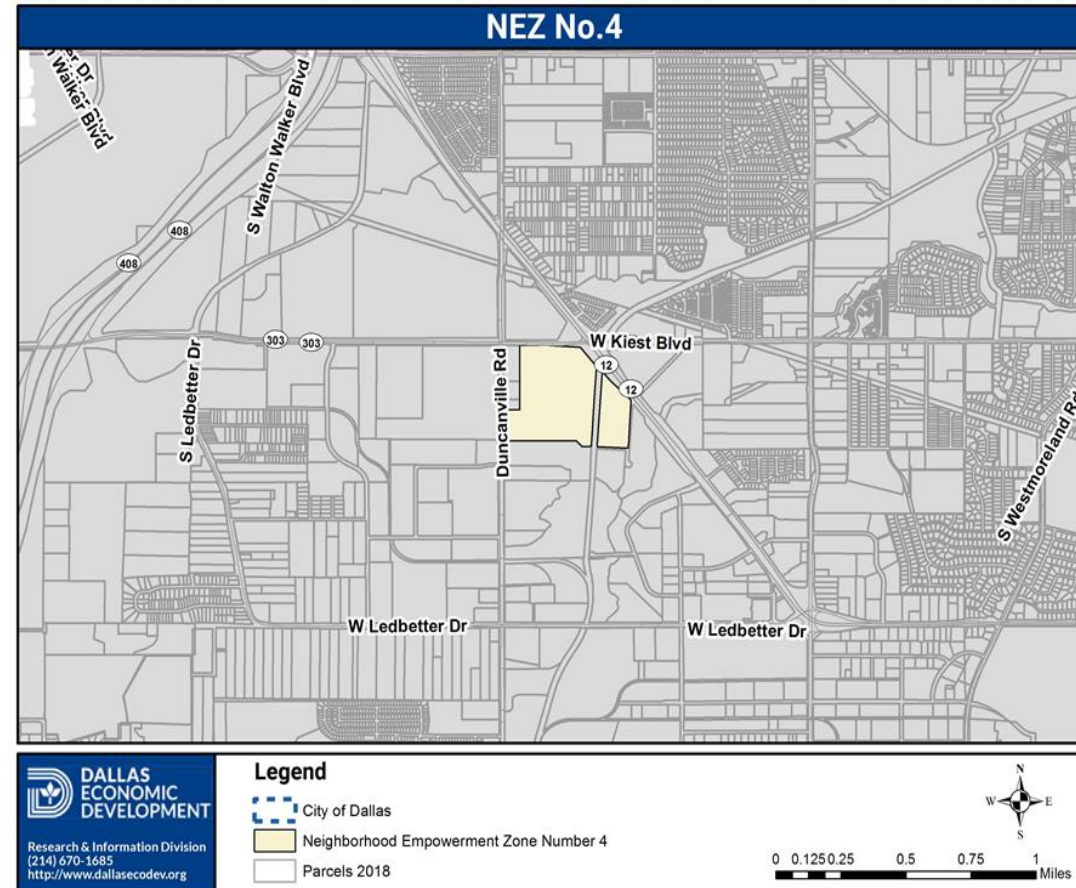


Commercial NEZ Program - NEZ No. 4

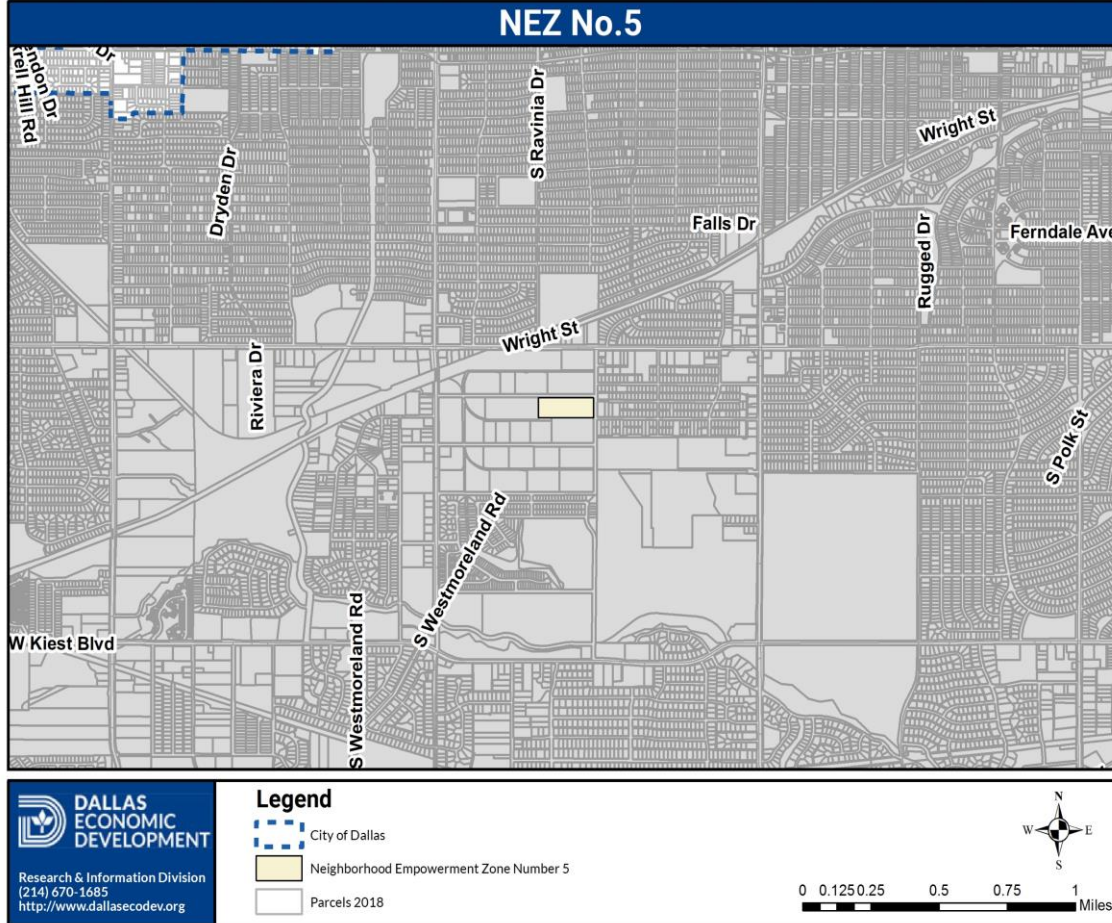
- In 2016, City Council authorized the designation of NEZ No. 4 in conjunction with a 75%/8-year business personal property tax abatement to facilitate the renovation and expansion of Frito Lay's logistics facility
- In consideration for the abatement, Frito Lay would have been required to invest \$60 million, retain 150 jobs, and create 80 new jobs
- Months after City Council's approval of the abatement, the company decided to change the scope of the project
- Abatement agreement was never executed



Credit: CoStar



Commercial NEZ Program - NEZ No. 5



- In 2016, City Council authorized the designation of NEZ No. 5 in conjunction with a 50%/8-year business personal property tax abatement to facilitate the expansion of the Gatorade beverage manufacturing operation
- In consideration for the abatement, the company (SVC Manufacturing/PepsiCo) was required to invest \$25 million, retain 200 jobs, and create 18 new jobs
- Project is complete; however, the agreement was terminated in September 2018 because the company did not comply with all requirements of agreement to earn the abatement



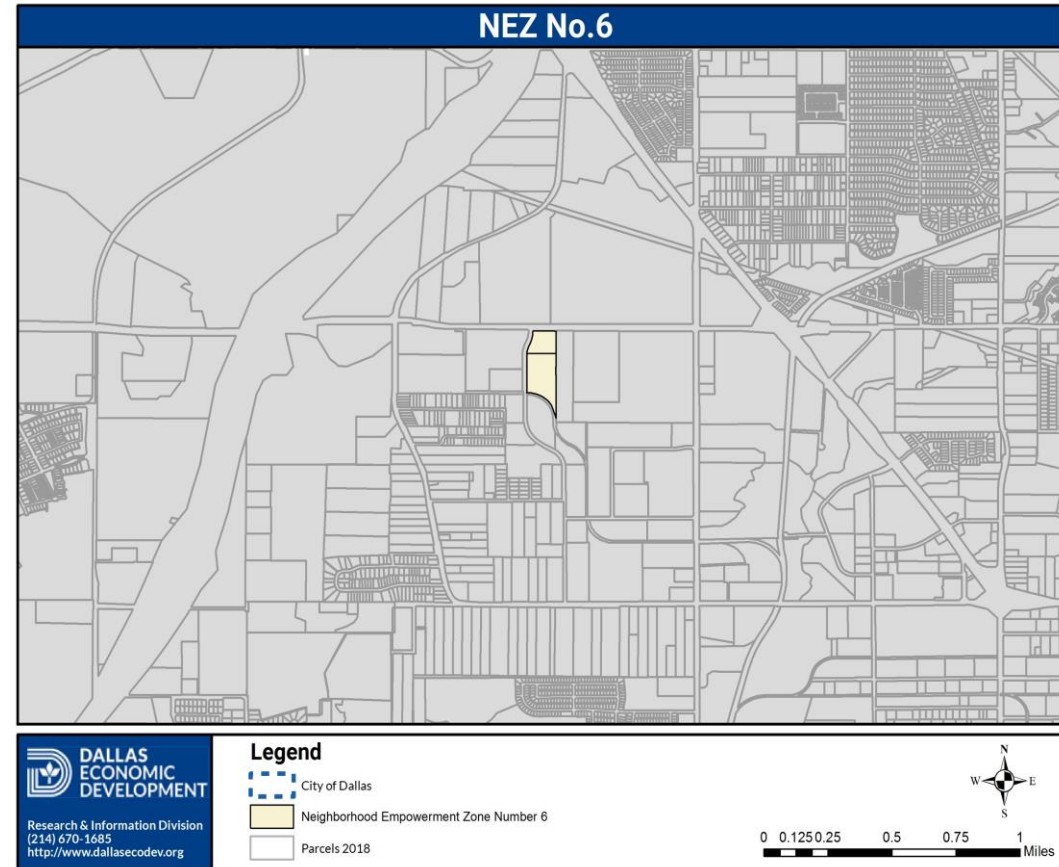
Credit: CoStar

Commercial NEZ Program - NEZ No. 6

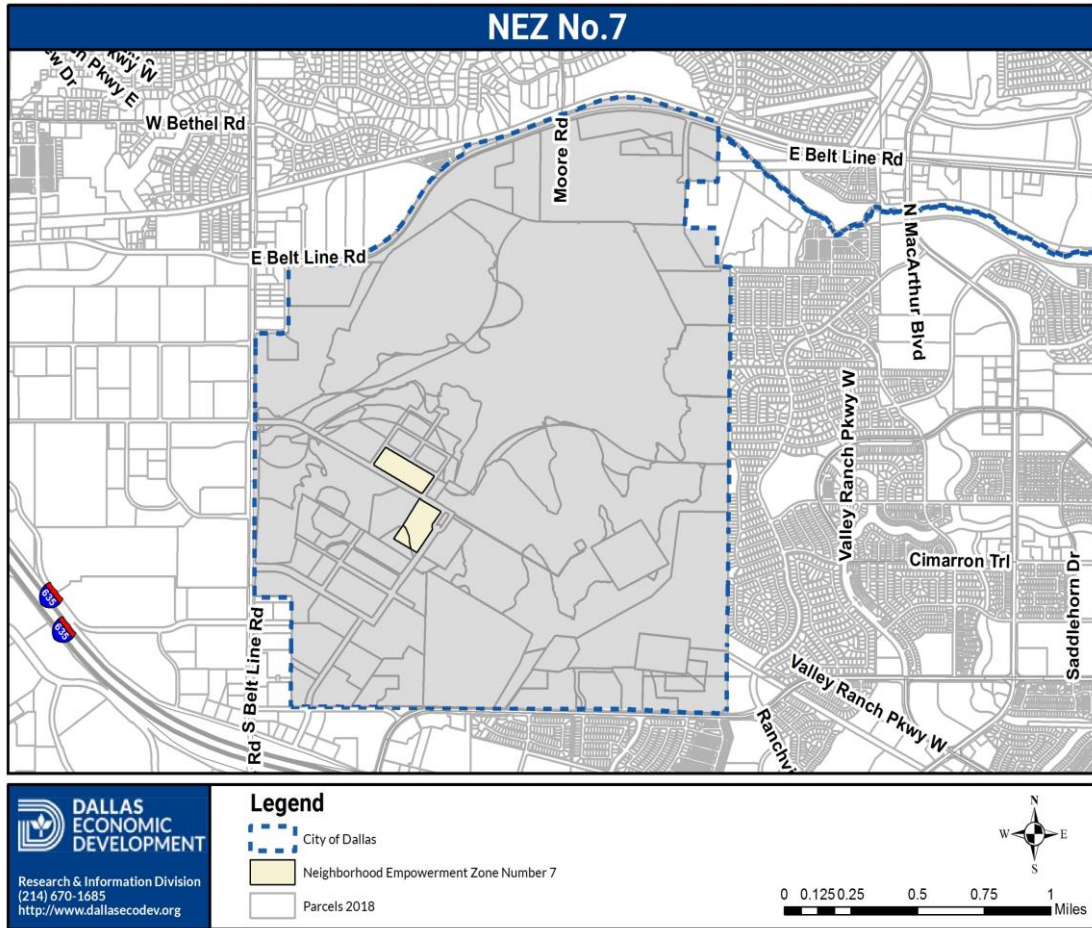
- In 2018, City Council authorized the designation of NEZ No. 6 in conjunction with a 50%/5-year business personal property tax abatement to facilitate WWF Operating Company's establishment of a new food production operation in Red Bird Industrial Park West
- City Council also authorized an economic development grant not to exceed \$150,000
- In consideration for the abatement and grant, the company (aka WhiteWave Foods/Danone) is required to invest \$7.5 million and create 45 new jobs
- Agreement is executed and the project is underway



Credit: CoStar



Commercial NEZ Program - NEZ No. 7



- In 2018, City Council authorized the designation of NEZ No. 7 in conjunction with a 50%/5-year business personal property tax abatement to facilitate the creation of Nokia's new North American Headquarters in the Cypress Waters area
- City Council also authorized:
 - sales tax grant not to exceed \$1.65 million
 - job creation grant not to exceed \$1.5 million
 - local hiring grant not to exceed \$1.0 million
- Requirements to earn the full incentive package:
 - minimum investment: \$83 million
 - minimum job retention and relocation (from Irving and Plano): 2,300 jobs
 - minimum job creation: 1,000 new jobs
- Agreement not yet executed; project is underway.



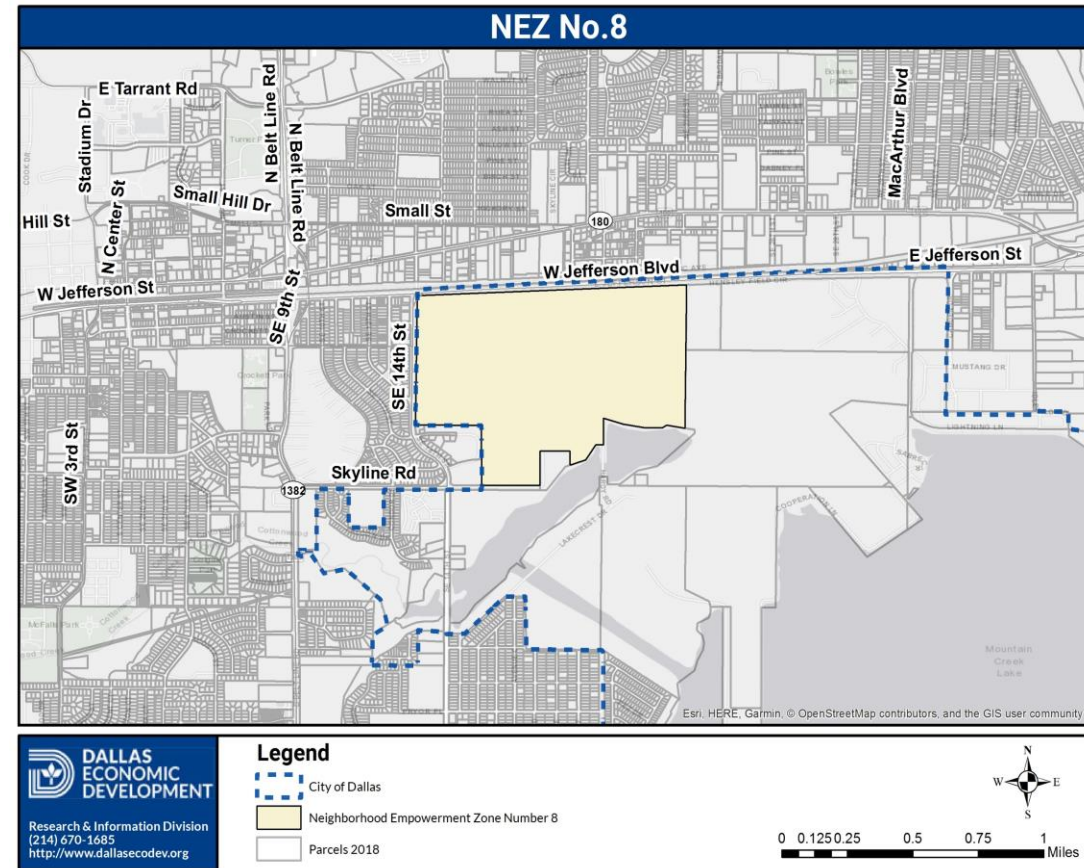
Credit: CoStar

Commercial NEZ Program - NEZ No. 8

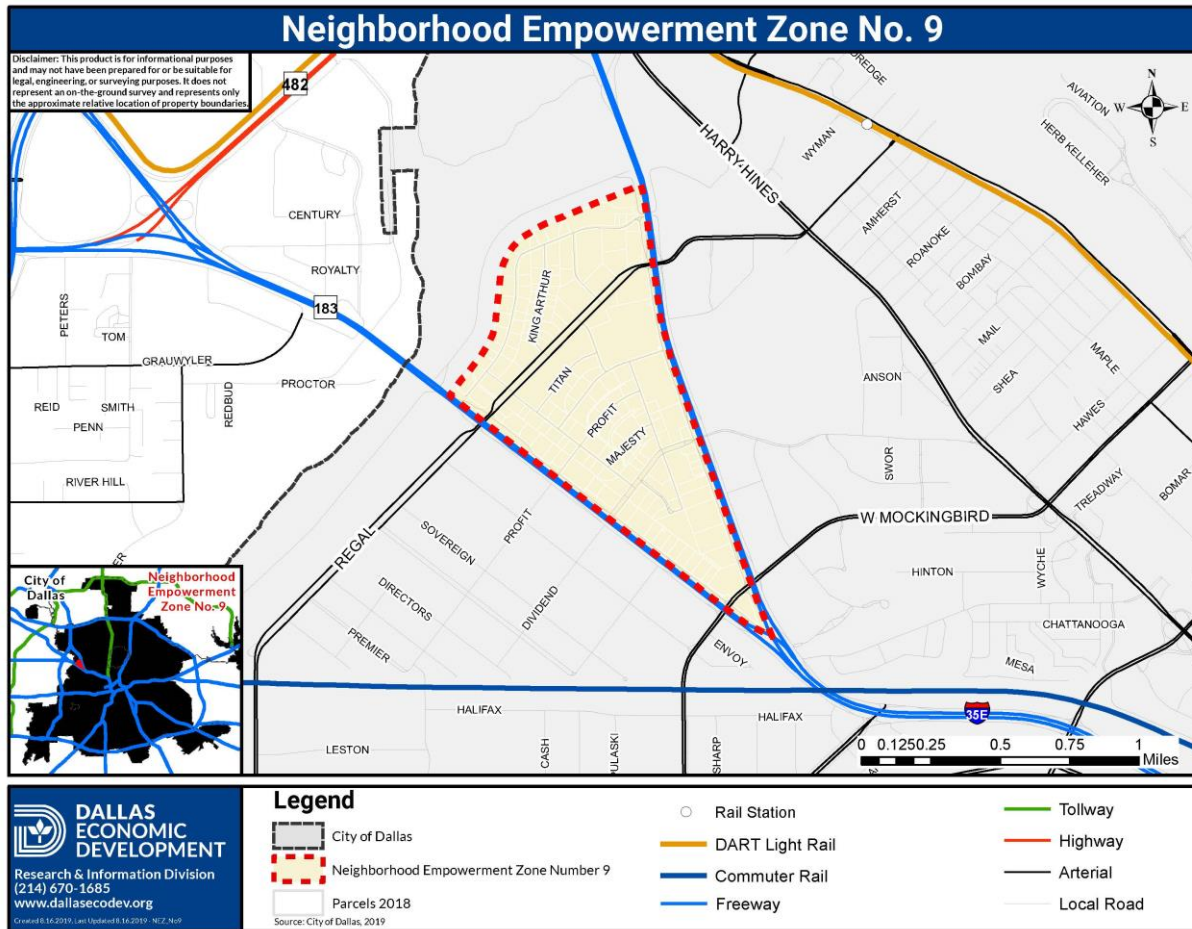
- In 2018, City Council authorized the designation of NEZ No. 8 in conjunction with a 90%/10-year real property tax abatement and a 50%/5-year business personal property tax abatement to facilitate the creation of a new build-to-suit office and logistics facility within the Dallas Global Industrial Center
- Owner/Developer: NorthPoint Development
- Tenant: Home Depot
- Requirements to earn the incentive package:
 - minimum investment: \$110 million
 - minimum job creation: 500 new jobs
 - minimum occupancy: 51% (both buildings)
- Agreement not yet executed; project is underway.



Credit: CoStar



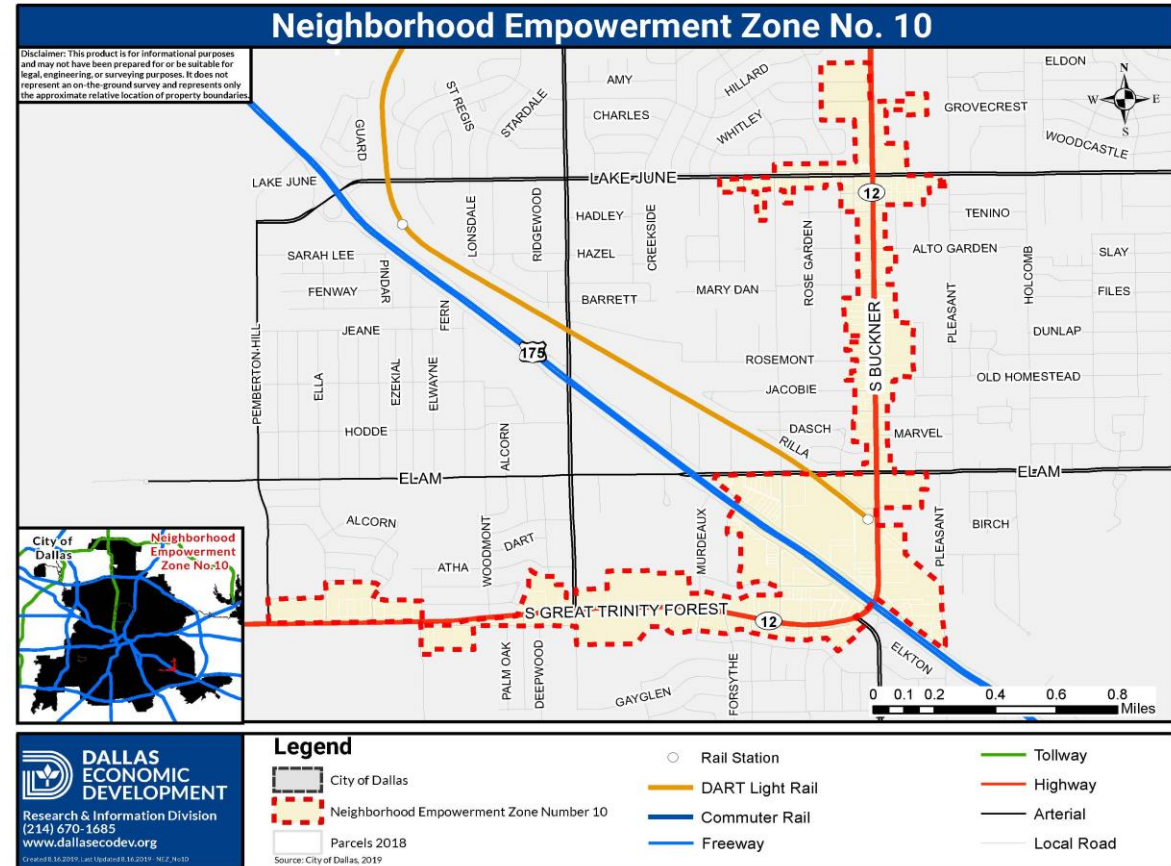
Commercial NEZ Program - NEZ No. 9



- In May 2019, City Council authorized the designation of NEZ No. 9 for the commercial area generally bounded by SH 183, I-35, and Regal Row
- Purpose: to create a customized economic development program for small businesses and facilitate possible future economic development projects in the area around the future Salvation Army campus
- Minimum eligibility requirements were reduced from the standard criteria in the City's Public/Private Partnership Program:
 - create/retain at least 10 jobs; or
 - provide at least \$250,000 private investment

Commercial NEZ Program - NEZ No. 10

- In June 2019, City Council authorized the designation of NEZ No. 10 for the commercial corridor along Buckner Boulevard and Great Trinity Forest Way
- City Council also authorized the dedication of \$1 million (Council District 5 discretionary allocation of 2017 GO bond funds from Proposition I: Eco Dev & Housing) to support possible future projects specifically in NEZ No. 10
- Purpose: to create a customized economic development program for small businesses and facilitate possible future economic development projects in the Pleasant Grove area
- Minimum eligibility requirements were reduced from the standard criteria in the City's Public/Private Partnership Program:
 - create/retain at least 5 jobs; or
 - provide at least \$75,000 private investment



Residential NEZ Program – Additional Information



Residential NEZ Economic Impact - Dallas' Share

Annual Starts Single Family Under \$300,000*			
Year Ending	Dallas	DFW	% of Total
3Q01	1,660	33,313	5%
3Q02	2,063	35,965	6%
3Q03	1,655	35,494	5%
3Q04	1,895	40,173	5%
3Q05	2,174	39,814	5%
3Q06	2,178	43,303	5%
3Q07	1,513	28,499	5%
3Q08	812	18,078	4%
3Q09	352	11,789	3%
3Q10	361	12,832	3%
3Q11	443	10,120	4%
3Q12	370	11,276	3%
3Q13	326	13,071	2%
3Q14	228	12,716	2%
3Q15	271	13,274	2%
3Q16	313	14,225	2%
3Q17	446	15,302	3%
3Q18	343	17,086	2%
3Q19	412	17,366	2%

- **Take away:** Dallas is realizing only a tiny fraction of the new middle-income home construction in the Metroplex.

*Data courtesy of MetroStudy

Residential NEZ - Fiscal Impact

Cost/Benefit Analysis			
	New	Renovations	Total
Private investment	\$18,750,000	\$6,250,000	\$25,000,000
Development fee reimbursements	\$750,000	\$250,000	\$1,000,000
Property tax revenue lost - first year	\$110,700	\$24,000	\$134,700
Property tax revenue lost - 10 years	\$1,480,725	\$395,250	\$1,875,975
Total cost - 10 years	\$2,230,725	\$645,250	\$2,875,975
Public/private leverage	12%	10%	12%

Assumptions	
New construction:	Renovation:
75 new homes	125 renovated homes
\$250K house on \$50K land (\$300k total)	\$50K house on \$50K land
Homestead exemption	\$50,000 investment, 100% realized by DCAD
5% annual growth	5% annual growth
\$10,000 development fee	\$2,000 development fee

- Proposed funding of \$1,000,000 could support development fee reimbursements for
 - 75** new, \$300,000 homes (affordable to families under 120% AMI) and
 - 125** individual renovation projects
- Total cost, including lost revenue, is \$2.8M
 - See chart to left for assumptions

Residential NEZ - Fiscal Impact

Impact - New Construction Only – NAHB 2013 data	
Private investment	\$18,750,000
First year impacts	
Local income (wages, salaries, and business income)	\$14,400,242
Government revenue (all jurisdictions, net abatement)	\$1,630,663
Annual ongoing impacts	
Local income (wages, salaries, and business income)	\$2,741,379
Net government revenue (all jurisdictions, net abatement)	\$579,979

- The chart to the left shows NAHB data showing direct, indirect, and induced economic effects of only the new construction.
- The region sees \$14 million in new local income and \$1.6 million in additional government revenue from the construction alone.
- The City of Dallas would get a significant share of that, depending on the location of suppliers and workers.

*Source:

The National Association of Home Builders, 2013. *The Metro Area Impact of Home Building in Dallas, Texas: Income, Jobs, and Taxes Generated*
 Latest data currently available. Dallas MSA includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall counties.

Tax Abatement & New Tax Revenue – New Construction

3% Property Growth Rate					
New Construction	Land Value	Improvement Value	Total	City Tax	Amount Abated
Initial	\$50,000	\$0	\$50,000	\$388	\$0
At completion	\$51,500	\$250,000	\$300,000	\$388	\$1,476

10th year	\$67,196	\$326,193	\$393,389	\$388	\$2,056
11th year	\$69,212	\$335,979	\$405,191	\$2,518	\$0

20 th year	\$90,306	\$438,377	\$528,682	\$3,285	\$0
Total				\$33,134	\$17,584

5% Property Growth Rate					
New Construction	Land Value	Improvement Value	Total	City Tax	Amount Abated
Initial	\$50,000	\$0	\$50,000	\$388	\$0
At completion	\$52,500	\$250,000	\$300,000	\$388	\$1,476

10th year	\$81,445	\$387,832	\$469,277	\$388	\$2,528
11th year	\$85,517	\$407,224	\$492,741	\$3,827	\$0

20 th year	\$132,665	\$631,738	\$764,402	\$5,937	\$0
Total				\$42,781	\$19,743

Note: Agreements estimated to be worth more than \$50,000 must go to Council for individual consideration.

Tax Abatement & New Tax Revenue – Minimal Renovation

3% Property Growth Rate					
New Construction	Land Value	Improvement Value	Total	City Tax	Amount Abated
Initial	\$50,000	\$75,000	\$125,000	\$777	
At completion	\$51,500	\$77,250	\$128,750	\$777	\$33

10th year	\$67,196	\$100,794	\$167,990	\$777	\$267
11th year	\$69,212	\$103,818	\$173,029	\$1,075	\$0

20 th year	\$90,306	\$135,458	\$225,764	\$1,402	\$0
Total				\$20,869	\$1,404

5% Property Growth Rate					
New Construction	Land Value	Improvement Value	Total	City Tax	Amount Abated
Initial	\$50,000	\$75,000	\$125,000	\$777	
At completion	\$51,500	\$78,750	\$130,250	\$777	\$33

10th year	\$67,196	\$122,167	\$189,363	\$777	\$400
11th year	\$69,212	\$128,275	\$197,487	\$1,227	\$0

20 th year	\$90,306	\$198,997	\$289,303	\$1,798	\$0
Total				\$23,499	\$2,056

Note: Agreements estimated to be worth more than \$50,000 must go to Council for individual consideration.

Tax Abatement & New Tax Revenue – Significant Renovation

3% Property Growth Rate					
New Construction	Land Value	Improvement Value	Total	City Tax	Amount Abated
Initial	\$50,000	\$50,000	\$100,000	\$621	
At completion	\$51,500	\$100,000	\$151,500	\$621	\$320

10th year	\$67,196	\$130,477	\$197,673	\$621	\$607
11th year	\$69,212	\$134,392	\$203,603	\$1,265	\$0

20 th year	\$90,306	\$175,351	\$265,656	\$1,6513	\$0
Total				\$21,338	\$4,578

5% Property Growth Rate					
New Construction	Land Value	Improvement Value	Total	City Tax	Amount Abated
Initial	\$50,000	\$50,000	\$100,000	\$621	
At completion	\$51,500	\$100,000	\$151,500	\$621	\$320

10th year	\$67,196	\$155,133	\$222,329	\$621	\$760
11th year	\$69,212	\$162,889	\$232,101	\$1,442	\$0

20 th year	\$90,306	\$252,695	\$343,001	\$2,131	\$0
Total				\$30,619	\$5,270

Note: Agreements estimated to be worth more than \$50,000 must go to Council for individual consideration.

Development Expenses Eligible for up to \$15k Grant

- Development and permit fees in Section 52.300 of the Dallas City Code, with exceptions
- Zoning and platting fees in Chapter 51A-1.105 of the Dallas Development Code
- Dallas Water Utility fees related to water and sewer service required for the development
- Costs associated with completing a tree survey as required in Chapter 51A-10 of the Dallas Development Code
- Additional professional services related to tree preservation at the discretion of the Director



Proposed Amendment to the Comprehensive Housing Policy to Create a Residential Neighborhood Empowerment Zone (NEZ) Program and Zones

City Council

January 15, 2020

**David Noguera, Director
Pam Thompson, Housing Policy Task Force Administrator
Housing & Neighborhood Revitalization Department**

**Courtney Pogue, Director
Office of Economic Development**



City of Dallas