

**WHEREAS**, the City recognizes the importance of its role in local economic development; and

**WHEREAS**, on June 13, 2007, the City Council authorized the establishment of Tax Increment Financing Reinvestment Zone Number Sixteen (the Davis Garden TIF District) in accordance with the Tax Increment Financing Act, as amended, V.T.C.A Texas Tax Code, Chapter 311 (the "Act") to promote development and redevelopment in the District through the use of tax increment financing by Ordinance No. 26799, as amended; and

**WHEREAS**, on February 27, 2008, the City Council authorized the Davis Garden TIF District Project Plan and Reinvestment Zone Financing Plan by Ordinance No. 27090, as amended; and

**WHEREAS**, on June 2, 2011 the Davis Garden TIF District Board of Directors reviewed a funding request to fund expenditures necessary or convenient to the implementation of the project plans for the Davis Garden TIF District to extend and to support the North Oak Cliff Streetcar system for the Davis Garden TIF District, and recommended City Council consideration of a development agreement with SLF III – The Canyon TIF, L.P. and for authority to dedicate an amount not to exceed \$3,000,000 from future TIF revenues from the Davis Garden TIF District's District Wide set-aside fund and shared increment in conformance with Davis Garden TIF District Grant Program; and

**WHEREAS**, the City Council finds that the extension and operation of the North Oak Cliff Streetcar system in the Davis Garden TIF District directly and indirectly benefits the Davis Garden TIF District and is anticipated to further future growth and expansion of residential and commercial activity within the City of Dallas and is necessary or convenient to the implementation of the Davis Garden TIF District Project Plan and Reinvestment Zone Financing Plan; and

**WHEREAS**, in furtherance of the Davis Garden TIF District Project Plan and Reinvestment Zone Financing Plan, the City desires to allocate future Davis Garden TIF District revenues to provide benefit to the Davis Garden TIF District through the extension of North Oak Cliff Streetcar system to the Davis Garden TIF District and that SLF III – The Canyon TIF, L.P. shall agree to fund any shortfalls in this obligation through December 31, 2022, and be reimbursed through TIF collections.

**NOW, THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**Section 1.** That the City Manager, upon approval as to form by the City Attorney, is hereby authorized to execute a development agreement between SLF III – The Canyon TIF, L.P. (“SLF”) and the City of Dallas, on behalf of the Davis Garden TIF District, thereby confirming the Davis Garden TIF District Board of Director’s dedication of future tax increment revenues in an amount not to exceed \$3,000,000 pursuant to the Davis Garden TIF District Grant Program, to provide funding for a grant to provide benefits to the Davis Garden TIF District through the extension of the North Oak Cliff Streetcar system to the Davis Garden TIF District (the “Project”). This project is in conformance with the Davis Garden TIF District Grant Program and necessary or convenient to the implementation of the Davis Garden TIF District Project Plan and Reinvestment Zone Financing Plan.

**Section 2.** That the facts and recitations contained in the preamble of this Resolution are hereby found and declared to be true and correct.

**Section 3.** That the City Controller is hereby authorized to encumber and disburse funds from:

Davis Garden TIF District Fund - Fund 0060, Department ECO, Unit P674, Activity DGTI, Object 3016, Program No. DGTIF0009, CT ECOP674H135, Vendor No. VS0000063859, in an amount not to exceed \$3,000,000

Total not to exceed \$3,000,000 total funding.

**Section 4.** That SLF subject to reimbursement from TIF revenue collections through the term of the TIF, shall fund over a ten year period any annual shortfalls by which available Davis Garden TIF District funding for this project does not reach \$300,00 per year or \$3,000,000 by December 31, 2022.

**Section 5.** That the following conditions shall be requirements of the Project, but shall not be affect reimbursement to SLF, as SLF is not expected to complete any work on the Project.

- A. SLF is not expected to complete any work on the Project. Any work is expected to be publicly bid and to comply with Business Inclusion and Development (“BID”) reporting requirements and use reasonable efforts to meet a BID goal of certified minority/women-owned business enterprise (M/WBE) participation of 25% for the TIF-reimbursable improvements.
- B. The Project shall conform to design review recommendations made by the Board of Directors of the Davis Garden TIF District (“Board”). The intent of this review is to insure consistency with the Davis Garden TIF District Project Plan.

**Section 5. (Continued)**

The sole condition to reimbursement payments to SLF shall be SLF's funding of annual shortfalls over the ten year period.

**Section 6.** That staff may consider a TIF and/or MMD bond sale at a future date based on significant new taxable value from this and other future projects to be placed on the tax roll. The City Council, in its sole discretion and upon the advice of its financial advisors and bond counsel, may consider issuing bonds for the TIF District.

TIF Bond financing would be based on the City and County portion of tax increment generated by the project; debt service payments would be constant based on this tax increment. Any amount of the grant not covered by bond financing would be paid when other increment is available.

Further, although SLF has invested in The Canyon property and increment from that property is assigned to Subarea A of the TIF the Subarea A increment will cover only a portion of the public improvements needed for The Canyon. The City and the owner will work to identify and acquire other sources of funding such as bond funds and/or grants in addition to TIF and/or MMD Bonds.

**Section 7.** Assuming all conditions for payment have been met, the City will administer the payment of the TIF Subsidy for the Project in accordance with the TIF Board's adopted Increment Allocation Policy attached hereto as **Exhibit C**. Subject to fulfilling all terms of their respective development agreements, outstanding TIF obligations including the INCAP Phase I project, Interstate Highway 30 Design Project and Kessler Theater Project are intended to be reimbursed prior to the reimbursement of this Development Agreement.

Outstanding TIF obligations related to the Taylor Farms and Hillside West projects are intended to be reimbursed out of the Affordable Housing set-aside for the District and increment generated by each specific project. The outstanding obligation for the Twelve Hills Nature Center is expected to be reimbursed out of the District wide set-aside fund for the Davis Garden TIF District prior to reimbursement of this item.

**Section 8.** That nothing in the resolution shall be construed to require the City to approve payment from any source of City funds other than the Davis Garden TIF District Fund. Any funds expended under the development agreement that remain unpaid upon termination of the Davis Garden TIF District, due to lack or unavailability of Davis Garden TIF District Funds shall no longer be considered project costs of the Davis Garden TIF District or the City and the obligation of the Davis Garden TIF District to pay the SLF shall automatically expire.

**Section 9.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

Distribution:   Office of Economic Development - Tenna Kirk - 5CS  
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APPROVED BY  
CITY COUNCIL

JUN 22 2011

  
City Secretary

## Exhibit A

### Davis Garden TIF District Increment Allocation Policy

#### TIF Increment Allocation Policy Davis Garden TIF District (Adopted May 27, 2009 / Amended May 11, 2011)

It is important for the City of Dallas to encourage as many projects as possible in the Davis Garden TIF District (the "Davis Garden TIF" or "District"). After the reimbursement of funds allocated to the initial INCAP project, Davis Garden TIF funds will be allocated to Developers proportionately, based on the increment created by the Project (as defined below) and Related Projects/Developers (as defined below) within the District.

#### Definitions

Project (TIF-eligible) – development or redevelopment that increases the taxable value of real property at a particular site or a space or facility of public benefit such as improvements to City parks, open space, trails or cultural facilities. The Project has been approved for TIF funds and all requirements set forth in the development agreement have been completed.

Developer/Owner – a person or entity that has completed all the requirements for a TIF-eligible Project as prescribed by the Project's fully executed development agreement.

Related Project/Developer – if a Developer or a Developer's affiliates (as defined in a development agreement) has other development or redevelopment projects in addition to a TIF-eligible Project, increment from those Related Project(s) may be included in Individual Increment for reimbursement of the TIF-eligible Project expenses. A Developer of a TIF-eligible Project must have at least 50% ownership in any Related Project. These requirements will be further specified in a development agreement where applicable.

Related Projects must create new taxable real property value for the District based on the following criteria:

- New development on previously vacant land or site of demolished structures.
- Redevelopment or major modification of an existing building that exceeds the building's original taxable value by 50% or more, or any increase in a building's original floor area if the expansion exceeds 50% for residential projects, 65% for mixed-use projects, and 75% for office/showroom projects

Total Increment – the annual amount of increment deposited into the District's TIF fund by its participating jurisdictions.

Individual Increment – the annual amount of increment deposited into the District's TIF fund by its participating jurisdictions that is generated by a Project eligible for TIF reimbursement.

Cumulative Individual Increment – amount of Total Increment that a Project or Related Project produces in all years since its completion (please refer to the examples).

Cumulative Effective Individual Increment – for infrastructure projects without accompanying private investment. Cumulative Effective Individual Increment is the amount of Total Increment

generated in a specified geographic area, as defined in a Developer's development agreement with the City and as approved by the TIF board, that is benefitted by the improvement in all years after the completion of the infrastructure project; provided, however, that if the City and another developer enter into an agreement related to property located in that same specific geographic area, that the property subject to such an agreement shall be excluded from the calculation of the Project's Cumulative Effective Individual Increment for the term of such agreement.

Note: The designated geographic area for Cumulative Effective Individual Increment under the development agreement with SLF III/INCAP, LP for the design and engineering of the Urban Campus I-30 Frontage Road Project is: the area bounded by Interstate 30 (north), Westmoreland Road (east), Fort Worth Avenue (south), and Pinnacle Park Boulevard (west).

Net Cumulative Individual Increment – Cumulative Individual Increment or Cumulative Effective Individual Increment less the Project's and/or Related Project's portion of Administrative Expenses each year. This portion will be based on the ratio of Cumulative Individual Increment to Total Increment.

Administrative Expenses – the City will take a share of the District's annual TIF revenue to compensate for the amount billed to the District for costs related to the administration of its TIF program. This may include charges from the Office of Economic Development as well as other departments.

Affordable Housing Set-aside – after administrative expenses have been paid, 20% of all remaining annual Total Increment will be set aside for affordable housing until the later of (a) 2017 or, (b) the full reimbursement of TIF fund obligations made before June 8, 2011 that entitle reimbursement from the affordable housing set-aside. After that, 20% of the increment from Area B will be set aside for affordable housing in Area B.

District-Wide Improvements – improvements that benefit multiple properties or blocks but are not specific to a single development site such as public parks, gateways, trails, public open space, public facilities, or utility/streetscape improvements.

Shared Increment – the Total Increment less (1) the portion of Administrative Expenses and Affordable Housing Set-aside not already deducted from Individual Increment; (2) a set-aside for District-Wide Improvements if applicable; and (3) the sum of the Individual Increments of all eligible Developers.

Available Cash – cash in the Davis Garden TIF fund that is not already allocated, encumbered, or otherwise set aside for other purposes.

## **Procedure**

Annually on or about June 1st of each calendar year, after the Total Increment has been deposited in the District's TIF fund, the fund will pay or set aside Administrative Expenses and Affordable Housing Set-asides. After these obligations are met all funds will be used to reimburse the 1st phase of the INCAP project until the obligations are fully reimbursed, provided that all aspects of the project are complete as defined by the Development Agreement for the Project. If the INCAP Phase I Project is not complete by June 1st of each calendar year, the allocation procedures described below will apply, i.e., until the INCAP Phase I Project is complete, any available accumulated increment in the TIF fund can be used to reimburse other completed projects; and then at the time the INCAP Phase I Project is complete, INCAP would then resume its original priority position for reimbursement.

After INCAP's reimbursement is completed (and in years prior to the completion of the INCAP Phase I Project), projects shall receive a share of Total Increment based on two component calculations:

1. Projects will be eligible to receive the total amount of their Net Individual Increment;
2. Projects will be eligible to receive a share of the Shared Increment based on a ratio of Cumulative Individual Increment of the Project to the sum of all the Cumulative Individual Increment generated by Projects eligible for TIF reimbursement for a given year.

Dallas Central Appraisal District (DCAD) certified values for each tax year will be the data source used to determine values for the increment allocation procedure. However, no increment allocation will be made unless a total Project or specific phase as defined in a development agreement is completed by June 1st of a given year. The City's Director of Economic Development will make the final determination in applying future available revenues in the TIF Fund among Projects subject to TIF Board approval.

## **Pre-existing Agreement**

This Increment Allocation Policy does not affect the Development Agreement for INCAP Master Development, LLC's (INCAP) horizontal development project which was approved by City Council on May 28, 2008 by Resolution Nos. 08-1585 and 08-1586 except for alternate provisions described in the procedure section on page 2. That Project shall be reimbursed according to its Development Agreement, which states that the Developer is eligible for the District's Total Increment after administrative expenses have been paid and 20% of all remaining Increment has been set aside for affordable housing (any set-aside for District-Wide Improvements will not occur until increment has been allocated to satisfy the terms of the Development Agreement).

## **District-Wide Improvement Set-Aside**

The TIF Board will not set-aside any Total Increment for district-wide improvements until the obligations for INCAP's pre-existing agreement are satisfied. Once INCAP's pre-existing agreement has been fully reimbursed, the TIF Board will set-aside an amount not to exceed 5% of the District's Total Increment less administrative expenses and the affordable housing set aside for district-wide improvements. Specific improvement projects are to be determined and

the amount of this set aside will be reviewed annually based on updated financial projections and District needs.

### **TIF Increment Allocation Policy Examples**

Estimates showing how this TIF Increment Allocation Policy may be applied are provided in **Exhibit A** (please refer to the attached exhibit). Estimates are provided for the following contingencies:

1. Completion of INCAP Phase I project within original deadlines.
2. Completion of INCAP Phase I project with a 12/31/11 deadline (allowing other completed projects to be reimbursed in the interim).

### **Notes**

In general, the assignment of increment will be done annually, after each participating jurisdiction has deposited its annual increment into the TIF fund. Upon completion of a Project, developers are eligible to be reimbursed for TIF eligible expenditures from Available Cash currently in the TIF fund, if any.

If the appraised value of the remaining property in the TIF District decreases in value despite new development and as additional TIF Projects are approved and completed, the TIF subsidy for Projects that year may be reduced or unpaid. Similarly, if the sum of (1) Administrative Expenses, (2) the Affordable Housing set-aside, (3) District-Wide Improvements, and (3) the sum of the Individual Increments is greater than the Total Increment, then the Individual Increments shall be allotted on a proportional basis based on the ratio of each Developer's Cumulative Individual Increment to the sum of the Cumulative Individual Increments for that year. If there is no revenue available after administrative expenses, there will be no increment payments that year.

At its discretion, the Davis Garden TIF Board may make modifications or corrections to this Policy to increase its effectiveness.



