



DALLAS COUNTY
COMMISSIONERS COURT
DEPARTMENT OF PLANNING & DEVELOPMENT

December 5, 2023

TO: Commissioners Court

FROM: Luis Tamayo, Director of Planning & Development

SUBJECT: 2023 Tax Abatement Report

BACKGROUND

Please find attached a report that lists the status of each of the 107 tax abatements that the County has authorized since it first began providing such assistance in 1988. The format of this report is similar to what has been used in the past and only includes those abatements that have formally been authorized with a court order.

DESCRIPTION OF TAX ABATEMENT ACTIVITY

The County formally approved the provision of one abatement in 2022 and cancelled another at the request of the applicant. These were the abatement request by Canadian Solar, approved in October, and the cancellation of the CBRE agreement originally approved in March of 2022. Approving only one abatement is on below the two-to-four new abatements that the County typically authorizes every year. The abatements that have been authorized since 1988 have been for projects located in the following cities:

ABATEMENTS BY CITY

City	# Abatement Projects	City	# Abatement Projects
Dallas	66	Mesquite	3
Irving	11	Lancaster	2
Richardson	6	Hutchins	1
Farmers Branch	3	DeSoto	1
Wilmer	4	Grand Prairie*	1
Coppell	3	Carrollton	1
Garland	4	Sachse	1
* Counted in Grand Prairie but the project is also partially located within the City of Dallas			

Dallas County’s abatement policy offers special consideration for projects located in “priority” or “strategic” areas that historically have not seen as much as growth as other parts. Historically, however, about three-fourths of the authorized abatements have been provided for projects located in or near what are considered three of the County’s major economic centers—downtown Dallas, Las Colinas, and the Telecom Corridor. There also has been a grouping of abatements provided to projects in the inland port area. Such activity would seem to confirm what existing research conducted elsewhere has indicated—that although tax incentives can influence location decisions among comparable sites, they are generally not sufficient enough to offset a location with poor infrastructure, an inadequate school system, a lack of access, a shortage of skilled labor, etc.

Of the one hundred and seven provided abatements, seventy-two have been for “Economic Development” projects under the County’s abatement policy. That is, they involve the expansion, construction, or relocation of buildings, facilities, or offices and the creation of new jobs. Of these projects, eighteen have been for manufacturing; sixteen have been for firms in the technology, software, or semi-conductor industry; fourteen have been distribution centers; and thirteen have been for firms in the financial sector. The remaining projects have been associated with hotel renovation/conversion, and other industries and activities as shown below.

ABATEMENT PROJECTS BY TYPE

TYPE OF ABATEMENT PROJECT	# PROJECTS	% TOTAL PROJECTS
Economic Development		
• Telecom/hi-tech	16	15.0%
• Financial sector	13	12.1%
• Hotels	4	3.7%
• Distribution centers	14	13.1%
• Manufacturing	18	16.8%
• Other	7	6.5%
Housing (non-historic preservation)	7	6.5%
Housing (with historic preservation)	16	15.0%
Other Historic Preservation	11	10.3%
Educational Facilities	1	0.9%
Totals	107	100%

The abatement projects that do not fit into the “Economic Development” category have been for projects involving the construction of new housing / conversion of existing buildings into housing, the renovation / preservation of historic buildings, and the construction of higher education facilities.

Thirty (28.0%) of the 107 authorized abatements have been for projects located south of I-30, twenty-four (22.4%) have been for projects located in downtown Dallas, and forty-nine (45.8%) have been located for projects within either downtown or about one mile of it. These forty-nine downtown-area abatement projects have involved the renovation/conversion of non-historic structures into hotels (four), the relocation of corporate offices (five), the construction of new offices (four), the establishment of a regional data center (one), the construction of new housing / the conversion of non-historic buildings into housing (seven), the conversion of historic buildings into housing (twenty-one), and the renovation / conversion of historic buildings into retail, offices, or hotels (seven).

Eighty-four (78.5%) of the 107 abatement projects have been fully constructed or completed. Of the twenty-three projects that have not used their abatement, sixteen projects have either been canceled or have not materialized and are no longer expected to occur. The remaining seven projects are either completed and expected to use their abatement, or are underway and expected to be complete before their abatement start date. These projects are: Ashley Furniture, Zobebe Manufacturing, Evolve Biologics, Nike distribution center, two Walmart distribution centers, and Canadian Solar's panel assembly facility.

IMPACT ON FINANCE

To date, the completed projects have generated an increase of about \$5.4 billion in the County's tax base. Of that \$5.4 billion that has been generated by the completed projects, \$830.6 million is presently being generated by eight projects with active abatements. An additional seven projects are underway, adding \$282.4 million to the tax base before an abatement period begins.

Overall, the total amount of assessed value that was abated in 2022, is equivalent to about 0.09% of the County's tax base. This figure has been declining over the past few years as projects have reached the end of their abatement periods, and it continues to be much lower than the 1% figure that existed in 2006 when eighteen abatements, all of which have since expired, were active. In 2024 this figure is expected to rise slightly as six new projects begin their abatement periods and two expire.

ABATEMENT UTILIZATION

Of the 107 abatements since 1988, sixteen abatements were granted that were never used because a project was not completed, cancelled, or failed to start. For the eighty-four projects that have been completed, the authorized abatement was either fully or partially utilized in fifty-seven (68%) of them. This means that twenty-seven (32%) of the eighty-four completed did not use the granted abatement. That almost a third of the abatements for completed projects have never been used is not unusual; staff has seen studies where between one-fifth and one-third of the abatements in other areas go unused.

Of the fifty-seven projects where an abatement has been utilized, thirty-eight (67%) fully used the abatement until it expired, and eleven (19%) used the abatement for at least one year before its use was discontinued - either because of ineligibility or some other issue. The remaining eight abatements are still being used and have expiration dates ranging from 2024 to 2033.

CONCLUSION

Based on the analysis conducted for this report, it appears that the County's tax abatements continue to be successful in facilitating an increase in the County's tax base, that the percentage of new value generated from active projects that is abated continues to decline, and that the percentage of the County's tax base associated with active abatements has generally remained stable for the past several years.

Staff will continue to monitor the performance of the County's tax abatements and to keep the Court apprised as to the status and impact of these incentives.

Please advise if any additional information is needed.

attachment

cc: Ronica Watkins, Budget Officer
Wesson Stefanos, interim Auditor
John Ames, Tax Assessor/Collector
Joe Mayer, Hospital District