



DALLAS COUNTY
COMMISSIONERS COURT
DEPARTMENT OF PLANNING & DEVELOPMENT

December 5, 2023

TO: Commissioners Court

FROM: Luis Tamayo, Director of Planning & Development

SUBJECT: 2023 Tax Increment Finance Districts Status Report

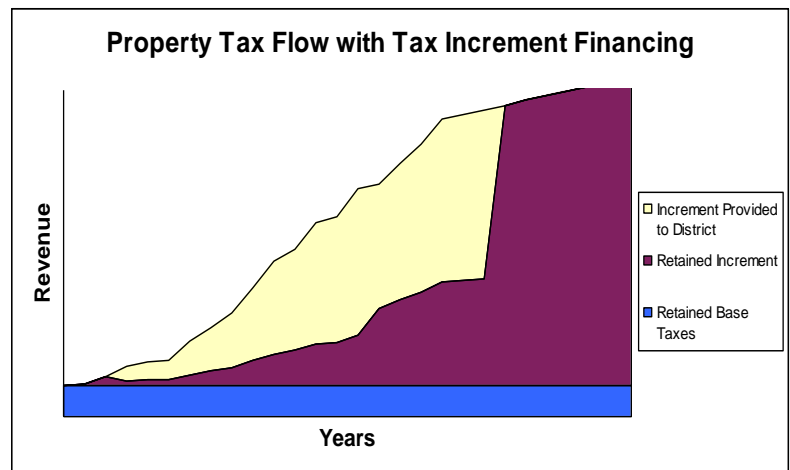
BACKGROUND

Dallas County first began financially participating in tax increment finance (TIF) districts in 1989 and has now participated in twenty-eight such districts. So that the County can determine the effectiveness of this economic development tool, staff annually prepares a report on the performance of the districts. What follows below is a report outlining the 2023 status of all past and current TIF districts.

DESCRIPTION OF TAX INCREMENT FINANCING

Tax increment financing involves delineating a specific geographic area (i.e., a “TIF district”) and having taxing entities allocate to this district some or all of any increase in tax revenue that results beyond a base level when the area’s assessed valuation increases (i.e., “tax increment”). This increment is used to either directly finance certain activities and public improvements (drainage, utilities, streetscape, historic façade renovation, demolition, environmental remediation, parks, affordable housing, streets, etc.) or to reimburse developers who have undertaken such activities. Dallas County uses a formal policy to determine whether to participate in a TIF district, and if so, at what level.

Under the County’s current TIF policy, the County will only participate in a TIF district if it either encourages development in a blighted/distressed area or will substantially enhance the level of development that would not have otherwise occurred within a non-distressed area. The County will provide up to 75% of its increment to an eligible district, and prior to 2002, the Hospital District also participated in such districts.



Property-owners within a TIF district continue to pay all of their applicable taxes, and the County only financially contributes to a TIF district when the district’s property values increase. Because of this, the County’s opportunity costs of participating in a district are very limited. If a district is not successful, the district will collect the same amount of revenue it would have whether the district was in place or not. Conversely, if a district *is* successful, then the County, because it retains about one-half of the new increment generated, immediately begins receiving additional tax revenue.

2023 TIF PARTICIPATION ACTIVITY

In 2023, the County financially participated in twenty-three TIF districts. These districts are as follows:

Carrollton TIF #1	(Carrollton)	Grand Park South	(Dallas)
West End/City Center	(Dallas)	Irving Boulevard TIF#2	(Irving)
Cypress Waters	(Dallas)	Maple-Mockingbird	(Dallas)
Transit-Oriented Development	(Dallas)	Oak Cliff Gateway	(Dallas)
Davis Garden	(Dallas)	N. Central Expressway TIF#1	(Richardson)
Deep Ellum	(Dallas)	Skillman Corridor	(Dallas)
Design District	(Dallas)	Southwestern Medical	(Dallas)
Downtown Connection	(Dallas)	Sports Arena	(Dallas)
Downtown Garland	(Garland)	The Cedars	(Dallas)
Fort Worth Avenue	(Dallas)	University District	(Dallas)
Farmers Market	(Dallas)	Vickery Meadow	(Dallas)
I-30 Corridor/Bass Pro Zone#2	(Garland)		

In addition to the twenty-three districts listed above in which the County financially participated in 2023, the County has also previously participated in the districts of State-Thomas, Cityplace, Mercer Crossing, and I-20 Retail that are operationally no longer in existence, and in an Oak Cliff Gateway sub-district and a City Center sub-district in which the County’s participation has expired. The County also participated in the Old Farmers Branch District in Farmers Branch and the I-30 Entertainment District in Grand Prairie. County contributions to these two districts ended in 2021.

Changes in 2023 include the conclusion of County participation in three TIF districts and participation in a new TIF district. Participation is ending in the Downtown Garland TIF, the City of Dallas’ Downtown Connection TIF and a portion (subdistrict) of the City of Dallas’ Oak Cliff Gateway TIF. Starting January 1, 2024, the County has committed to begin participating in the Cedar Hill TIF #1.

Each of these areas were designed to spur new development that might not otherwise happen without the districts, and almost all these districts have sought to create high-quality, high-density communities not typically associated with the Dallas area.

IMPACT ON FINANCE

For the twenty-three districts the County participated in, performance and the impact on the County's finances was positive. In 2023, the total value of the property in these districts increased by \$3.7 billion from \$31.6 billion in 2022 to \$35.3 billion in 2023. This represents an increase of 11.7 percent. While this still represents substantial growth, it is a slow-down compared to the 17.5 percent growth in overall TIF district market value from 2021 to 2022. This growth rate was also slightly lower than the overall growth rate in the County's taxable value of 12.8 percent. While lower than 2022, these increases continue to be indicative of the strong Dallas area market and the desire to do business and live in the types of communities that many of these districts are creating.

In terms of increment over their initial base, the last year, the active TIF districts generated \$22.3 billion. This is \$2.6 billion over the 2022 figure of \$19.2 billion (revised down from \$19.7 billion). This is a growth rate of 13.5 percent in revenue generation. Nine districts generated over \$1 billion in increment. These are the Dallas Downtown Connection (\$6.9 billion), Dallas Sports Arena (\$1.8 billion), Dallas City Center TIF (\$1.5 billion), Richardson TIF#1 (\$1.4 billion), Dallas Deep Ellum TIF (\$1.3 billion) Skillman Corridor (\$1.2 billion), Dallas' Oak Cliff Gateway (\$1.2 billion), Cypress Waters (\$1.2 billion), and the Dallas Design District (\$1.1 billion).

As shown below, the increase in assessed valuation generated by the active TIF districts, the portion of the County's tax base that is generated by these districts, and the percentage of County increment that has been provided to these districts have varied since 2005.

REVIEW OF ACTIVE TIF DISTRICTS WITH DALLAS COUNTY FINANCIAL PARTICIPATION				
Year	# Active Districts	AV Increase Generated by Active Districts	TIF-Generated AV Increase as % of Tax Base	% of Increment Contributed by County
2005	10	\$1.0 billion	0.7%	76%
2006	10	\$1.3 billion	0.9%	62%
2007	12	\$2.5 billion	1.6%	60%
2008	19	\$3.7 billion	2.2%	56%
2009	19	\$2.6 billion	1.6%	54%
2010	19	\$2.3 billion	1.5%	54%
2011	20	\$2.3 billion	1.5%	54%
2012	21	\$2.7 billion	1.7%	56%
2013	24	\$4.2 billion	2.6%	48%
2014	25	\$5.1 billion	2.9%	53%
2015	24	\$6.4 billion	3.4%	53%
2016	24	\$8.0 billion	3.9%	54%
2017	24	\$9.8 billion	4.4%	55%
2018	24	\$11.5 billion	4.7%	55%
2019	24	\$13.1 billion	4.9%	55%
2020	24	\$15.1 billion	5.7%	55%
2021	23	\$16.1 billion	6.1%	55%
2022	23	\$19.7 billion	6.8%	55%
2023	23	\$22.3 billion	5.9%	55%

Source: Dallas County Appraisal District TIF reports and annual certification letter.

Both the increase in assessed valuation generated by the TIF districts and the amount of the County's tax base contained within these districts increased during 2005-2008 because of the growth that was experienced by districts like City Center, Cityplace, and the Sports Arena (these districts each saw their assessed valuations increase by \$250 million-\$330 million during this timeframe). These figures then primarily declined after 2008 because of the economy and because the County's initial participation in the Cityplace and the Sports Arena districts ended. They have since increased because of the resurgence of the local economy and the corresponding performance of many of the districts and because the County has chosen to participate in some new TIF districts (i.e., Cypress Waters, Design District, etc.).

As for the percentage of the increment that the County contributes to TIF districts, this figure has declined since 2005, as the County's participation in older districts like Cityplace and State-Thomas, which had 100% contribution rates, have expired, and has stabilized near 55%, as the newer districts, which have contribution rates of 55%, have created significant growth.

EVALUATING TIF DISTRICT PERFORMANCE

Attached to this update is a more detailed report on the performance of each of the districts in which the County participated in 2023. Although no longer tracked, also included in this report is information about the districts and sub-districts in which the County previously participated.

In terms of performance from 2022 to 2023, we can categorize the districts into three categories, depending on how they compared to the increase in values in the County as a whole: Low increase, Solid growth, and Exceptional growth.

Low increase – There is one district, located in Dallas, which posted a growth rate in assessed values that was less than half of the County average rate between 2022 and 2023. The University TIF, which saw no increment in 2023, is one of the more-recently created districts, and projects have not yet begun to coalesce.

Solid growth – These make up the majority of the TIF districts (17 of the 23) with County participation. The average increase in assessed values of these districts is 15.7 percent, well above the County as a whole. Generally, these are either these larger, older districts that previously saw solid to exceptional growth and are still growing steadily or are newer districts with parts that are doing well but areas of little growth. An example of the first group is the Vickery Meadow TIF (10.8% increase) which has yet to yield projects consistently through the district. The latter group includes districts such as the TOD TIF (11.8% increase) in Dallas, a long district with nodes at certain transit areas. In this district, some of the transit nodes, such as Mockingbird/Lovers Lane area, areas are growing faster than other areas in the TIF. On the higher-growth end of the spectrum are districts like the Dallas' Cedars (20.7% increase) and Farmers Market TIF (21.9% increase) which have seen recent multifamily project completions.

Exceptional Growth – The values of these five districts grew at over twice the rate of the County's rate, that is, over 25.6 percent growth. In the case of a number of these districts, large projects have catapulted value growth. This includes districts such as the Dallas' Skillman Corridor (27.9% increase),

and Dallas' Cypress Waters (29.7% increase). Other districts, such as Grand Park South (33.4% increase) and Garland's I-30 Zone #2 (44.0% increase), and Irving's TIF #2 (55.3% increase) grew at a high rate but did so from a smaller base.

CONCLUSION

The County's participation in TIF districts featuring a mix of commercial development and high-quality housing is allowing the County to significantly increase property values, help redevelop older areas, and create higher-density/mixed-use development that is typically not associated with the Dallas area. That it has been able to do so is critical to the County's future as it seeks to attract new residents, retain residents that might otherwise move to a "newer" suburb in an adjacent county, and adapt to new economic trends and population patterns.

attachment

cc: Darryl Martin, Administrator
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