

CDFA – Stifel Nicolaus Tax Increment Finance Webcast Series: Transit-Oriented TIF

The Broadcast will begin at 1:00pm (EDT).

While you're waiting, mark your calendar for TIF Week:

**Intro Tax Increment
Finance WebCourse**



September 18-19, 2012
Daily: 12-5pm (EDT)

**Advanced
Tax Increment
Finance WebCourse**



September 20-21, 2012
Daily: 12-5pm (EDT)

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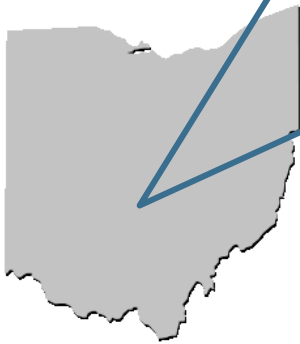


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Transit-Oriented TIF

Erin Tehan

**Legislative & Federal Affairs Coordinator
Council of Development Finance Agencies
Columbus, OH**



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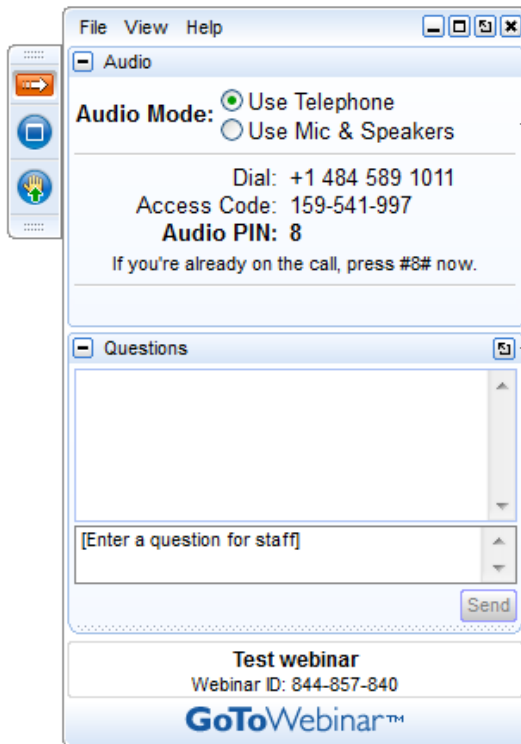
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Using your telephone will give you better audio quality.

Submit your questions to the panelists here.

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Transit-Oriented TIF Speakers

Laura Radcliff, Moderator
Stifel Nicolaus & Company, Inc.

Lee Sobel
U.S. Environmental Protection Agency

Alex Iams
Arlington Economic Development

Karl Stundins
City of Dallas



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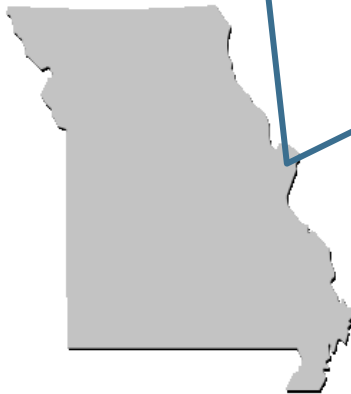


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Transit-Oriented TIF

Laura Radcliff

**Senior Vice President
Stifel Nicolaus & Company, Inc.
St. Louis, MO**



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Transit-Oriented TIF

Lee Sobel

**Real Estate Development and Finance Analyst
U.S. Environmental Protection Agency
Washington, DC**

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Infrastructure Finance for Transit-Oriented Development

EPA's Office of Sustainable Communities

August 30, 2012

Lee Sobel, sobel.lee@epa.gov

What is Smart Growth?

- Growth that benefits the economy, the community, the environment, and public health.
- Provide consumers with new choices for housing, working, shopping, playing, and getting around.
- Follows well established principles, design techniques, goals, and outcomes.
 - But it is not one size fits all - each project conforms to the local character whether in an urban, suburban, or rural setting.



Haile Village



Mashpee Commons



King Farm



Carlyle Station

U.S. EPA and Smart Growth

- The EPA's mission is to protect the environment and human health.
- How and where we build have direct and indirect effects on the natural environment and public health.
- Not all development affects the environment or human health the same way.
- The EPA's Office of Sustainable Communities conducts research and policy development, outreach and education, and technical assistance on these issues.



Haile Village



Mashpee Commons



King Farm

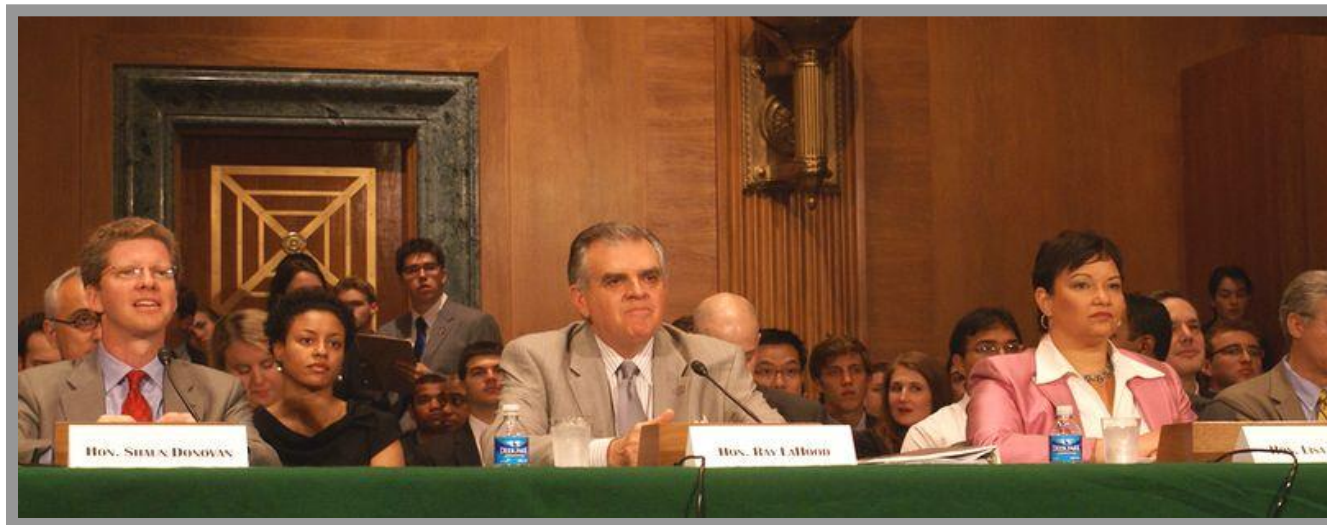


Carlyle Station

Partnership for Sustainable Communities

Mission: To meet the President's challenge for our agencies to work together to encourage and fully assist rural, suburban, and urban areas to build sustainable communities, and to make sustainable communities the leading style of development in the United States.

The Partnership is focused on ensuring that federal investments, policies, and actions do not subsidize sprawl and, instead, support development in more efficient and sustainable locations.

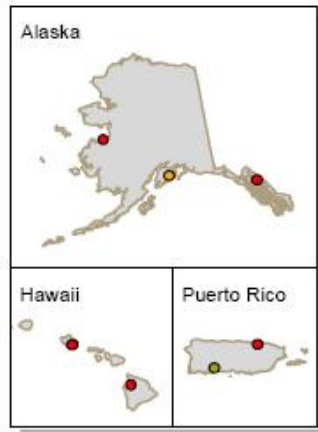
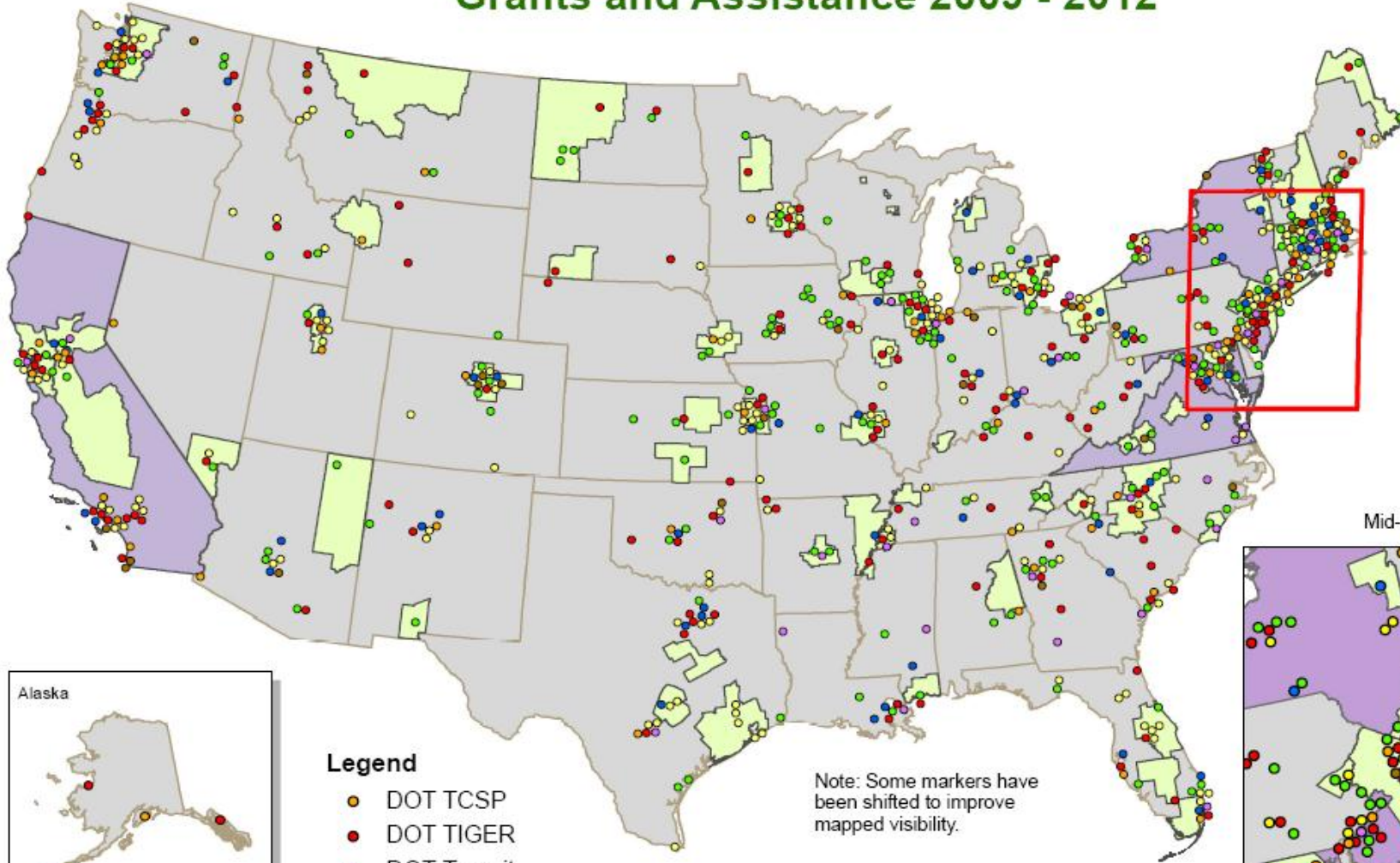


Guiding Principles

1. Provide more transportation choices.
2. Promote equitable, affordable housing.
3. Enhance economic competitiveness.
4. Support existing communities.
5. Coordinate policies and leverage investment.
6. Value communities and neighborhoods.



HUD-DOT-EPA Partnership for Sustainable Communities Grants and Assistance 2009 - 2012

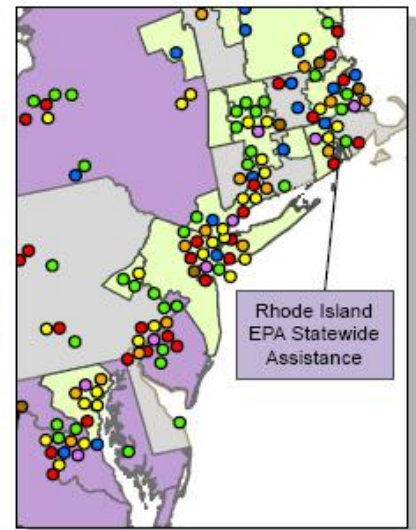


Legend

- DOT TCSP
- DOT TIGER
- DOT Transit
- EPA Brownfields Planning Assistance
- EPA Smart Growth Technical Assistance
- HUD Choice Neighborhoods
- HUD Community Challenge
- HUD Sustainable Communities Regional Planning Grant
- EPA Statewide Technical Assistance

Note: Some markers have been shifted to improve mapped visibility.

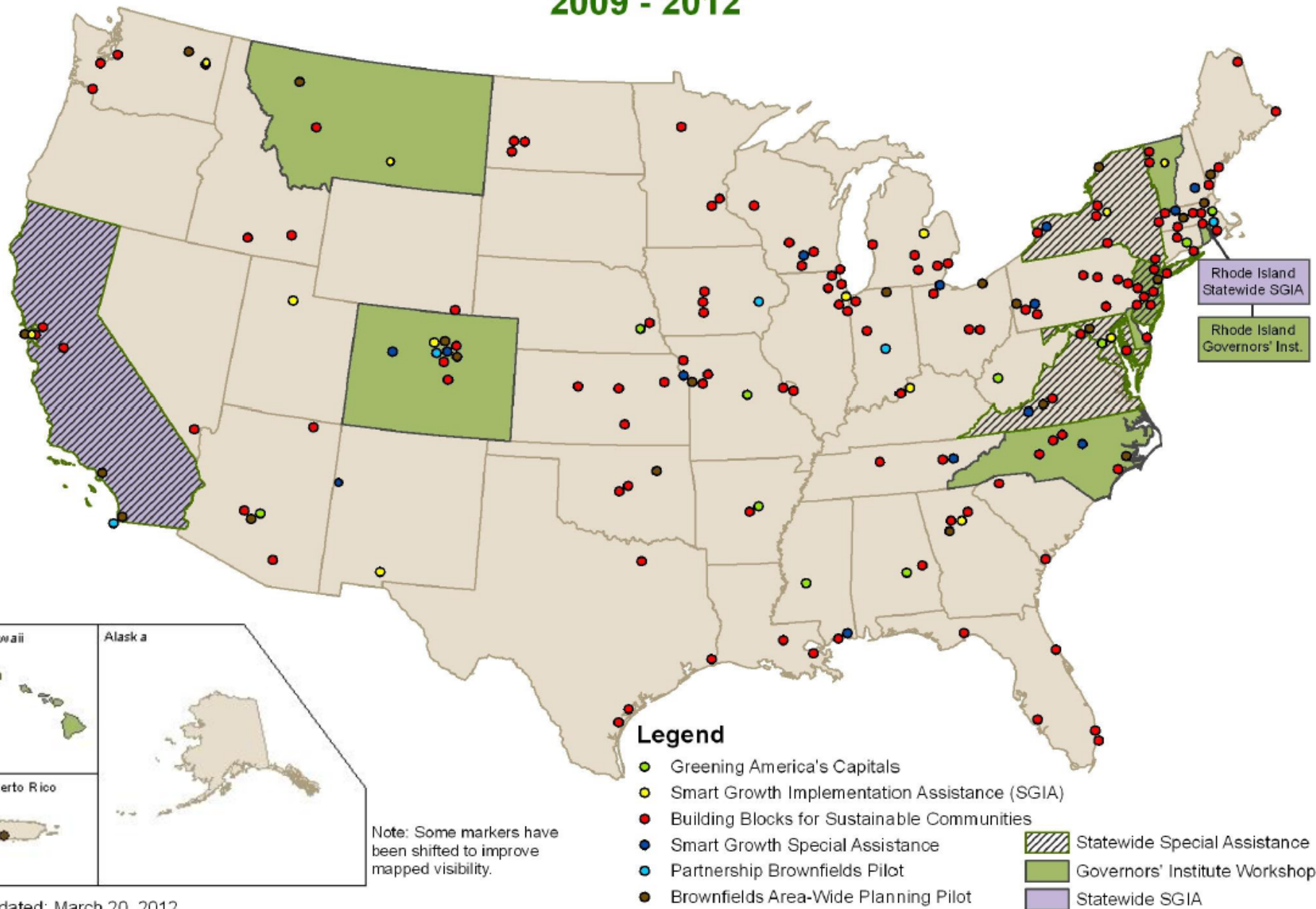
Mid-Atlantic Detail Map



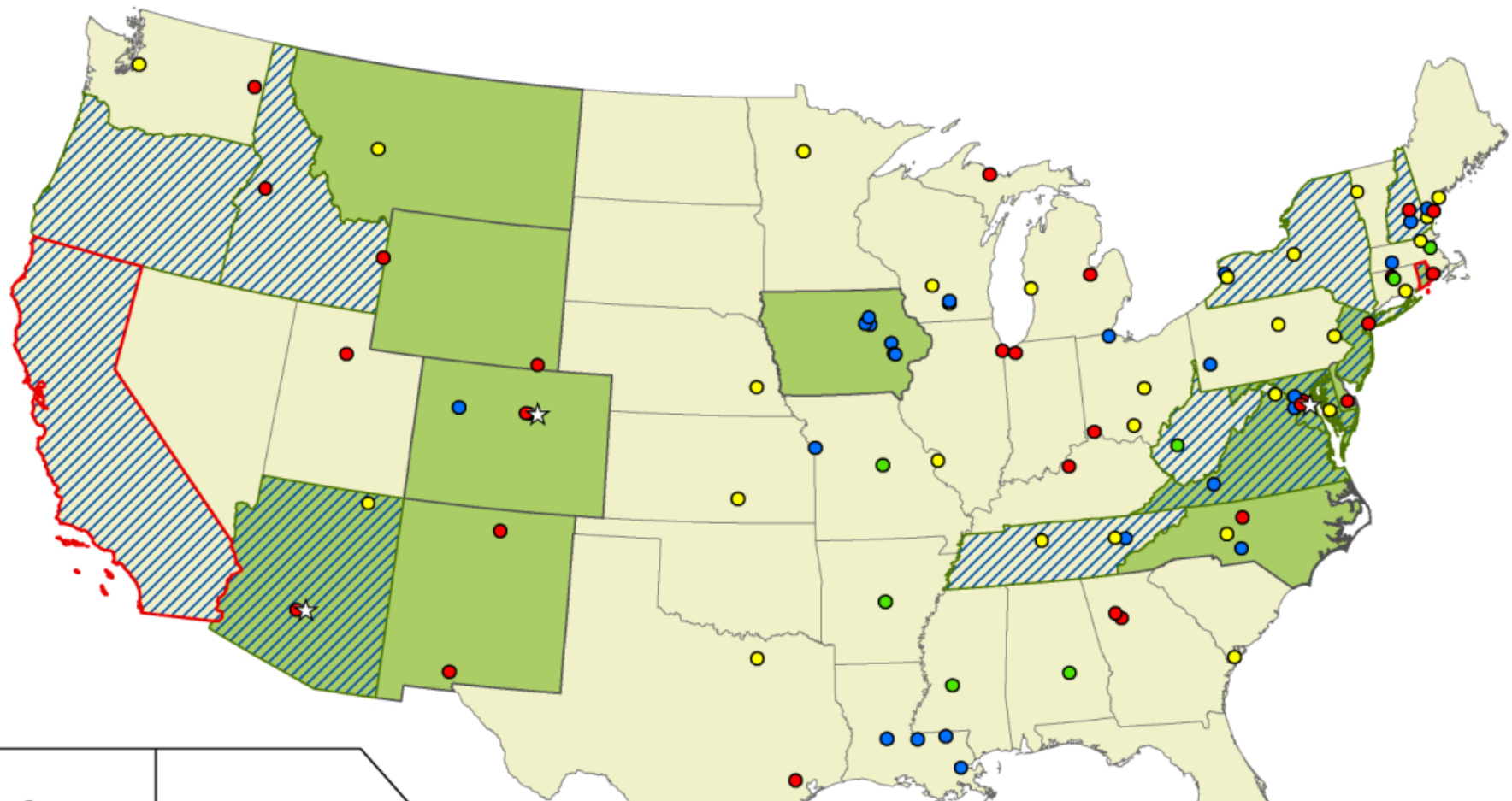
Updated: March 26, 2012



EPA Grants and Assistance Related to HUD-DOT-EPA Partnership for Sustainable Communities 2009 - 2012

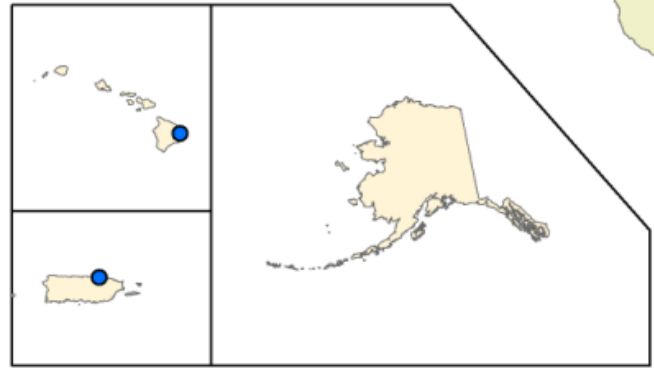


OSC Technical Assistance and Workshops 2005 - 2011



Legend

- Greening America's Capitals
- Sustainable Communities Building Blocks
- Smart Growth Implementation Assistance
- Special Assistance
- ☆ Regional or National Partnership Summit
- ▭ Statewide SGIA
- ▨ Statewide Special Assistance
- ▭ Governor's Institute Workshop



Updated: Sept. 16, 2011

Infrastructure Finance Strategies for Transit-Oriented Development (TOD)

- Salt Lake City, UT
 - UTA
- Wheat Ridge, CO
 - City of
- Atlanta, GA
 - Cobb County & CCID
- Chicago, IL
 - SSMMA



Infrastructure Finance Strategies for Transit-Oriented Development (TOD)

- Salt Lake City, UT
 - Suburban TOD
- Wheat Ridge, CO
 - End station
- Atlanta, GA
 - New line & station
- Chicago, IL
 - Freight conversion



Infrastructure Finance Strategies for Transit-Oriented Development (TOD)

- Salt Lake City, UT
 - Land, parking, roads
- Wheat Ridge, CO
 - Land, parking, water
- Atlanta, GA
 - Parking & energy
- Chicago, IL
 - Land, parking, housing



Finance Tools

Direct Fees

User Fees & Transportation Utility Fees
Congestion Pricing

Debt

Industrial Loan Companies/Industrial banks
General Obligation Bonds
Revenue Bonds
Private Activity Bonds (PABs)
Certificates of Participation and Lease Revenue Bonds
Revolving Loan Funds
State Infrastructure Banks / Regional Banks
Grant Anticipation Revenue Vehicle (GARVEE) Bond
Railroad Rehabilitation and Improvement Financing

Credit Enhance.

Credit Assistance and Credit Enhancement
Transportation Infrastructure Finance and Innovation Act (TIFIA)

Equity

Public-Private Partnerships (PPP or P3)
Infrastructure Investment Funds and Investment Trusts

Finance Tools

Value Capture

Developer Fees and Exactions

Special Districts

Tax Increment Financing (TIF, TAD, TIF for TOD)

Joint Development

Federal Trans. Grants

Congestion Mitigation and Air Quality Improve. Program

Surface Trans. Program – Transportation Enhancements

Urbanized Area Formula

Federal Community and Economic Development Grants

Community Development Block Grant (CDBG) Program

Economic Development Administration (EDA) Grants

Philanthropic Grants

Foundation Grants

Program Related Investments (PRIs)

Emerging Tools

Structured Funds

Land banks

Redfields to Greenfields

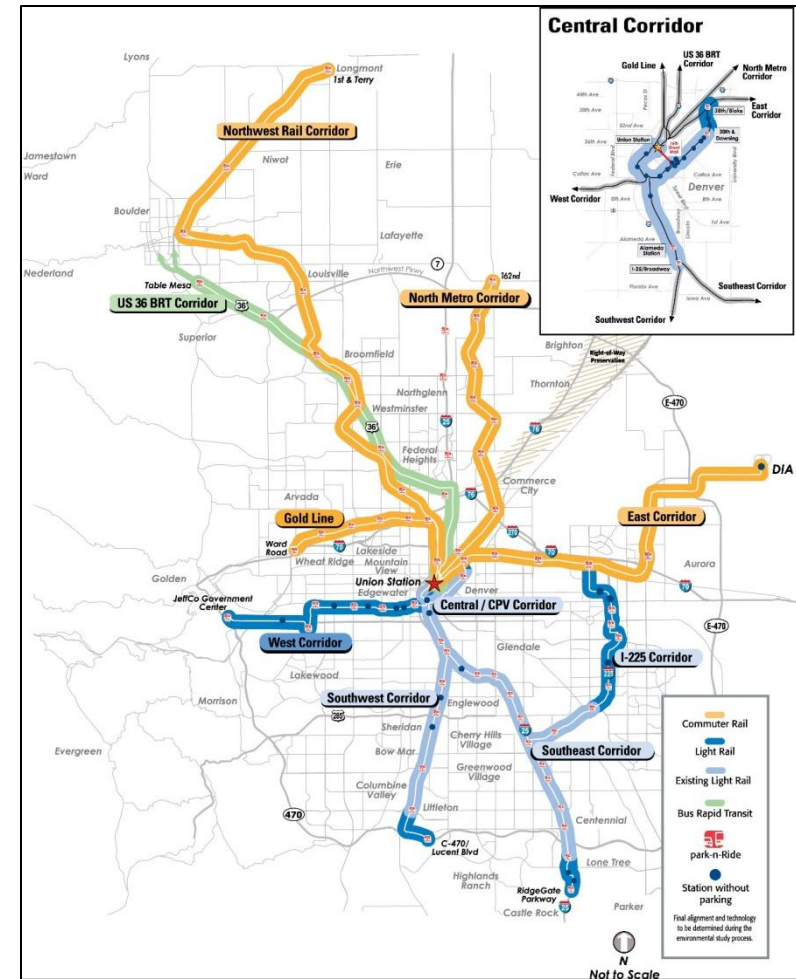
National Infrastructure Bank

Case Study Strategies

- Special Assessment District. [New York Ave Station \(DC\), and Downtown Stamford, CT.](#)
- Joint Development. [West Dublin Bart Station, West Dublin, CA.](#)
- Federal Loans, Grants, Credit Enhancements. [Denver Union Station.](#)
- Public-Private Partnership. [The New Quincy Center, Quincy, MA.](#)
- Special Tax and Density Incentives. [White Flint Sector Plan, Rockville, MD](#)
- Corridor-Wide TIF. [Atlanta BeltLine](#)
- Multi-Station TIF. [Dallas TOD TIF District](#)
- Federal Transportation Grants: [Transportation for Livable Communities.](#)
- Structured Funds for TOD Land Acquisitions. [TOAH Fund, San Francisco.](#)
- Regional TOD Investment Framework. [Central Corridor Light Rail and the Central Corridor Funders Collaborative, Minneapolis/St. Paul, MN](#)

Innovative Models

- Anchor Institution Partnerships
- Corridor-Level Parking Management
- Land Banking for TOD Infrastructure
- District Energy Systems



Policy Suggestions

- Salt Lake City, UT
 - Land disposition, Joint Development, Shared Parking
- Wheat Ridge, CO
 - Debt, Value Capture, Fed. Grants, Utility Fees
- Atlanta, GA
 - PPP, Bonds, Land Bank, Structured Funds
- Chicago, IL
 - TIF, Anchor Institution, & Structured Funds

TOD Illustrative Plan of Sandy Civic Center TOD





Thank You

Lee S. Sobel, sobel.lee@epa.gov, 202-566-2851

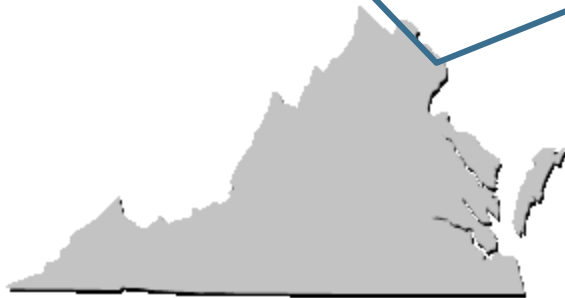
US EPA, Office of Sustainable Communities



Transit-Oriented TIF

Alex Iams

**Commercial Development Planner
Arlington Economic Development
Arlington, VA**



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Transit-Oriented TIF: Crystal City Plan - Arlington, Va.

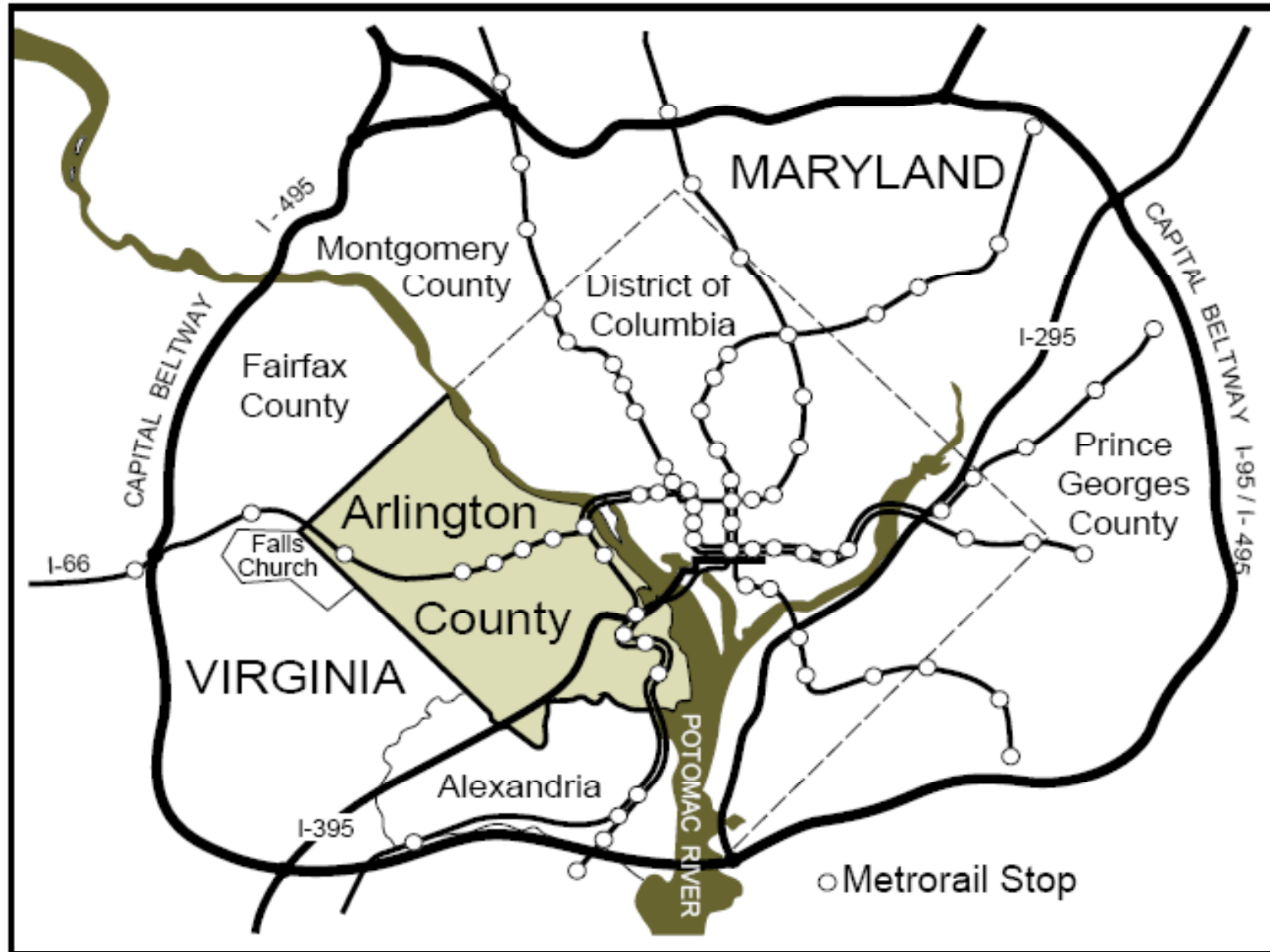
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Alex Iams, Arlington Economic Development

August 30, 2012



Regional Context



Crystal City



R-B Corridor

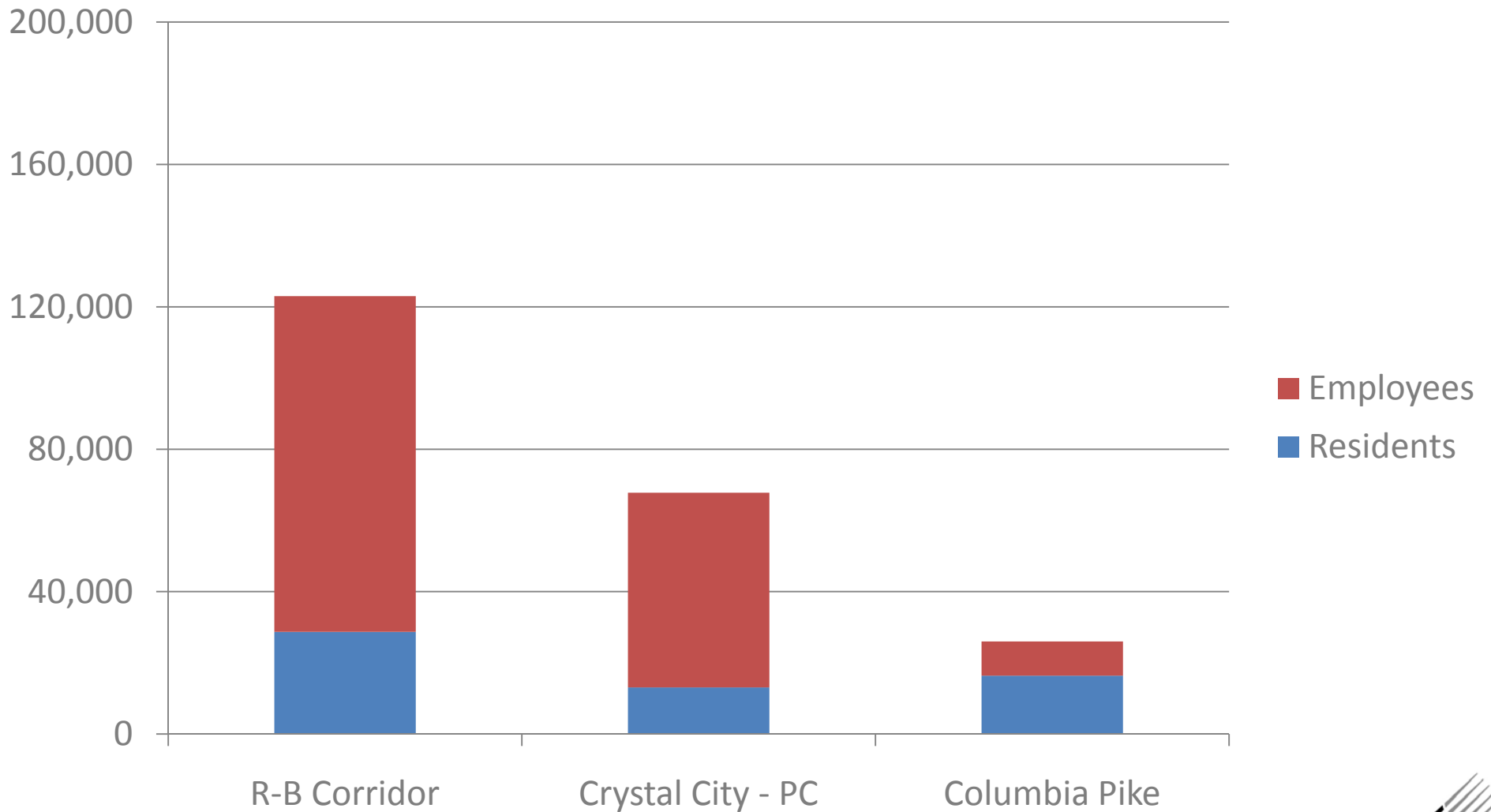


Columbia Pike



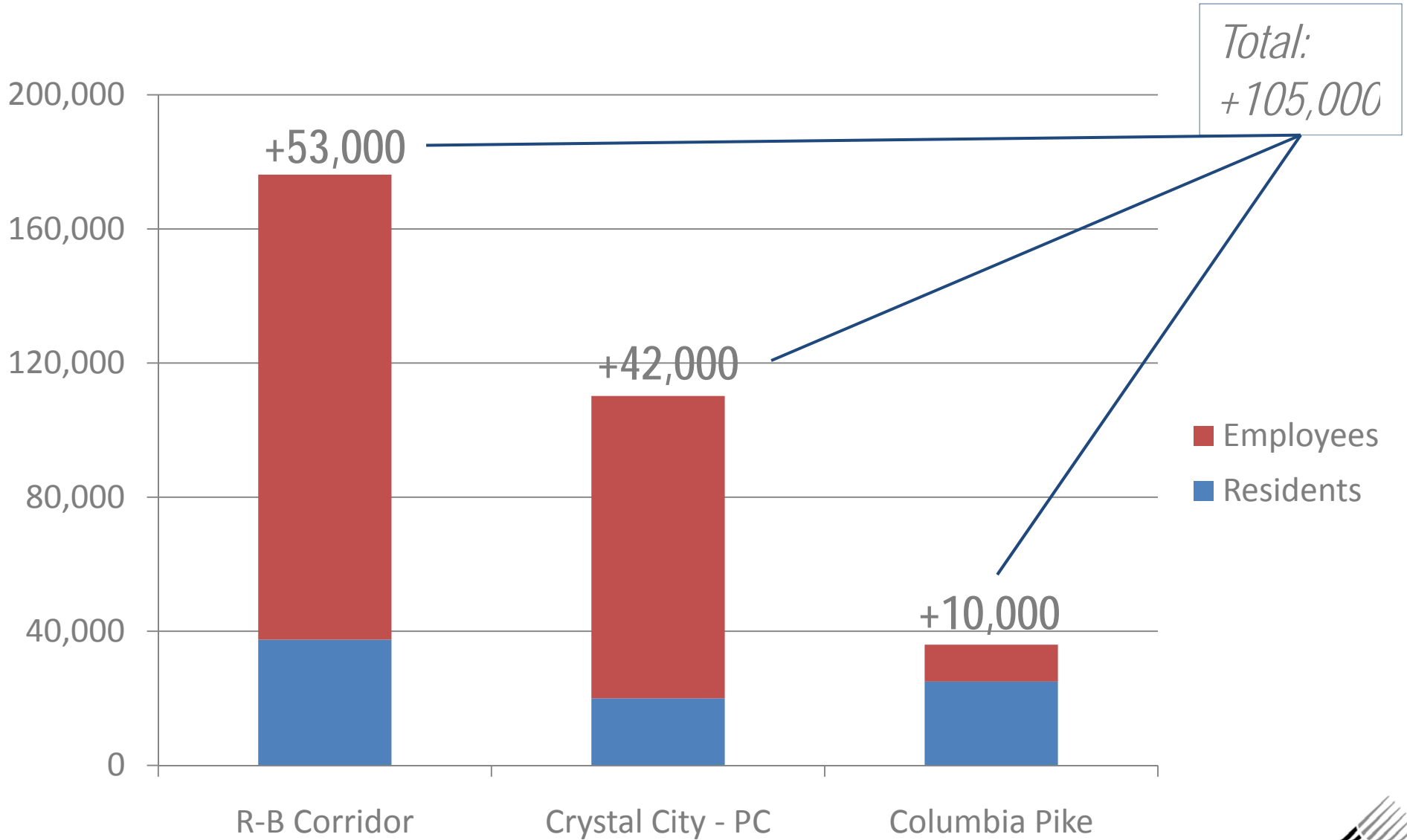
Arlington Transit Corridors: 2012

Number of Residents and Employees

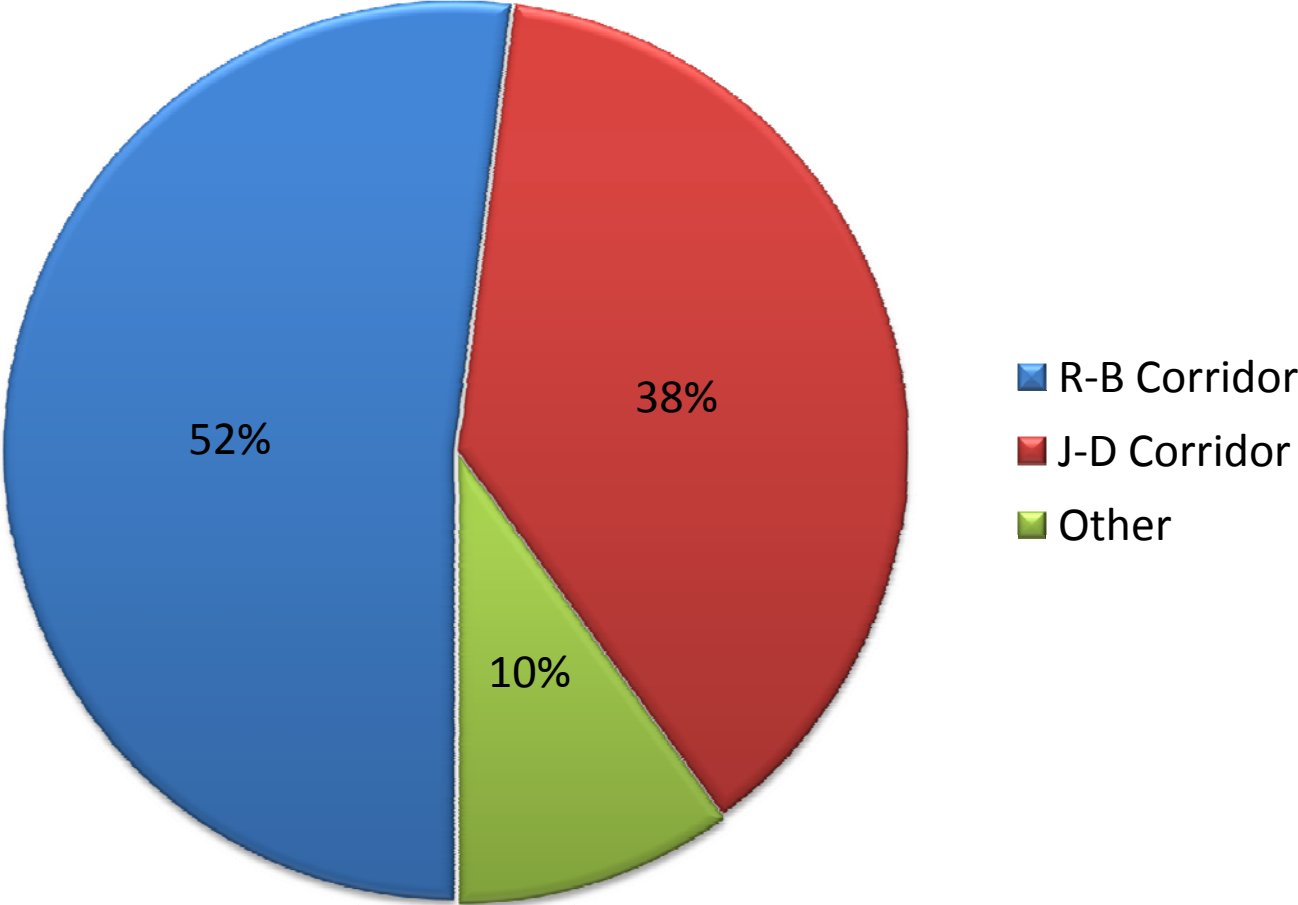


Arlington Transit Corridors: 2040

Number of Residents and Employees



Arlington County Commercial Property Tax Base



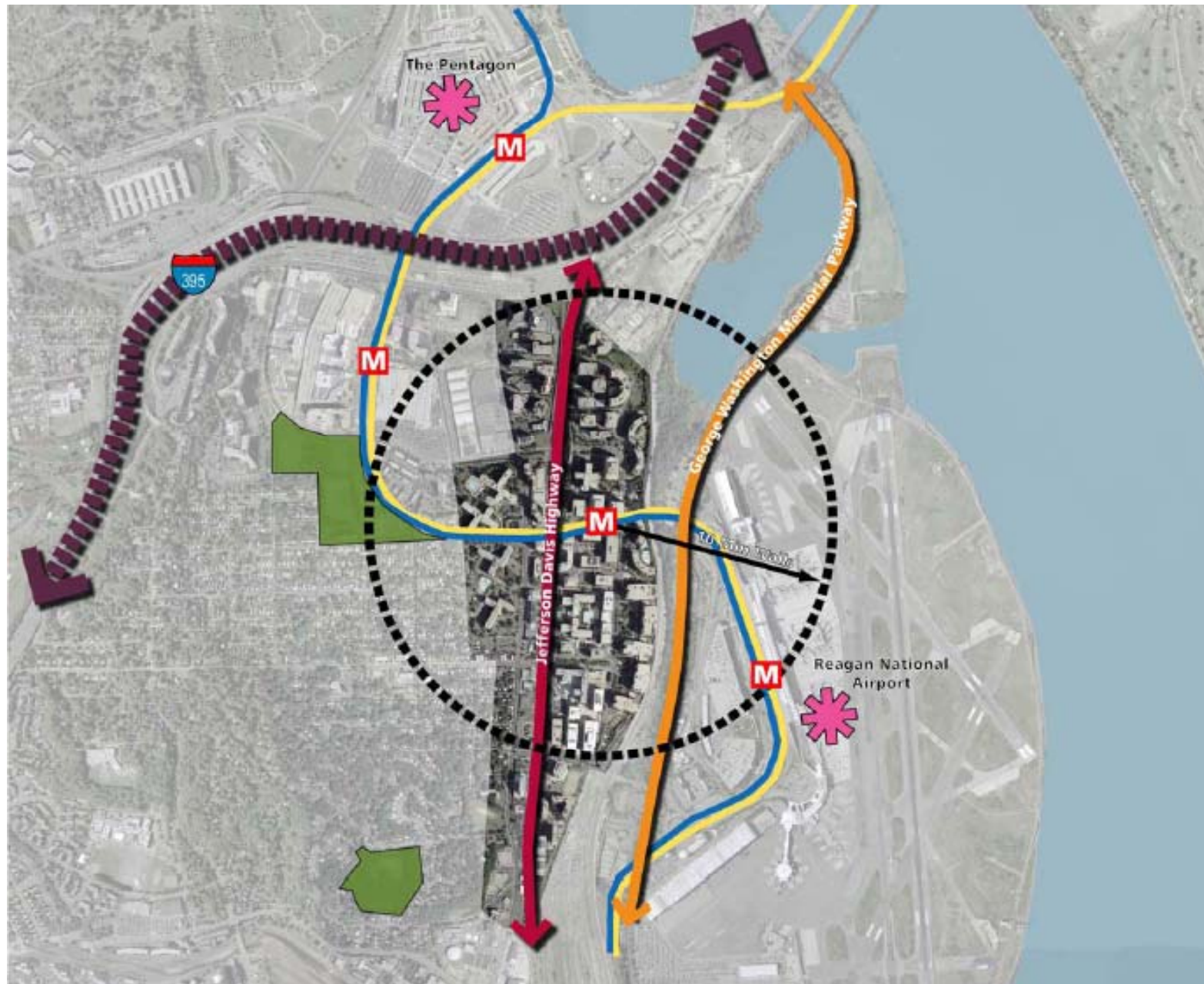
Crystal City Plan – Starting Points

Base Realignment and Closure (BRAC) of 2005:

- 3.2 million s.f. of office space in 20+ buildings
- 1/3 of the office s.f in Crystal City & 13,000 jobs

“...Initiate a planning process... for the physical redevelopment of Crystal City to encourage and augment Crystal City’s competitive advantages.”

Crystal City Vicinity Map



Existing Conditions



Opening Challenges

- Substantially improve Crystal City without losing what is valued.
- Locate density and height in the appropriate places.
- Devise a “stretch” plan to test.



Adopted Concept Plan



View of 23rd Street Plaza from Clark/Bell

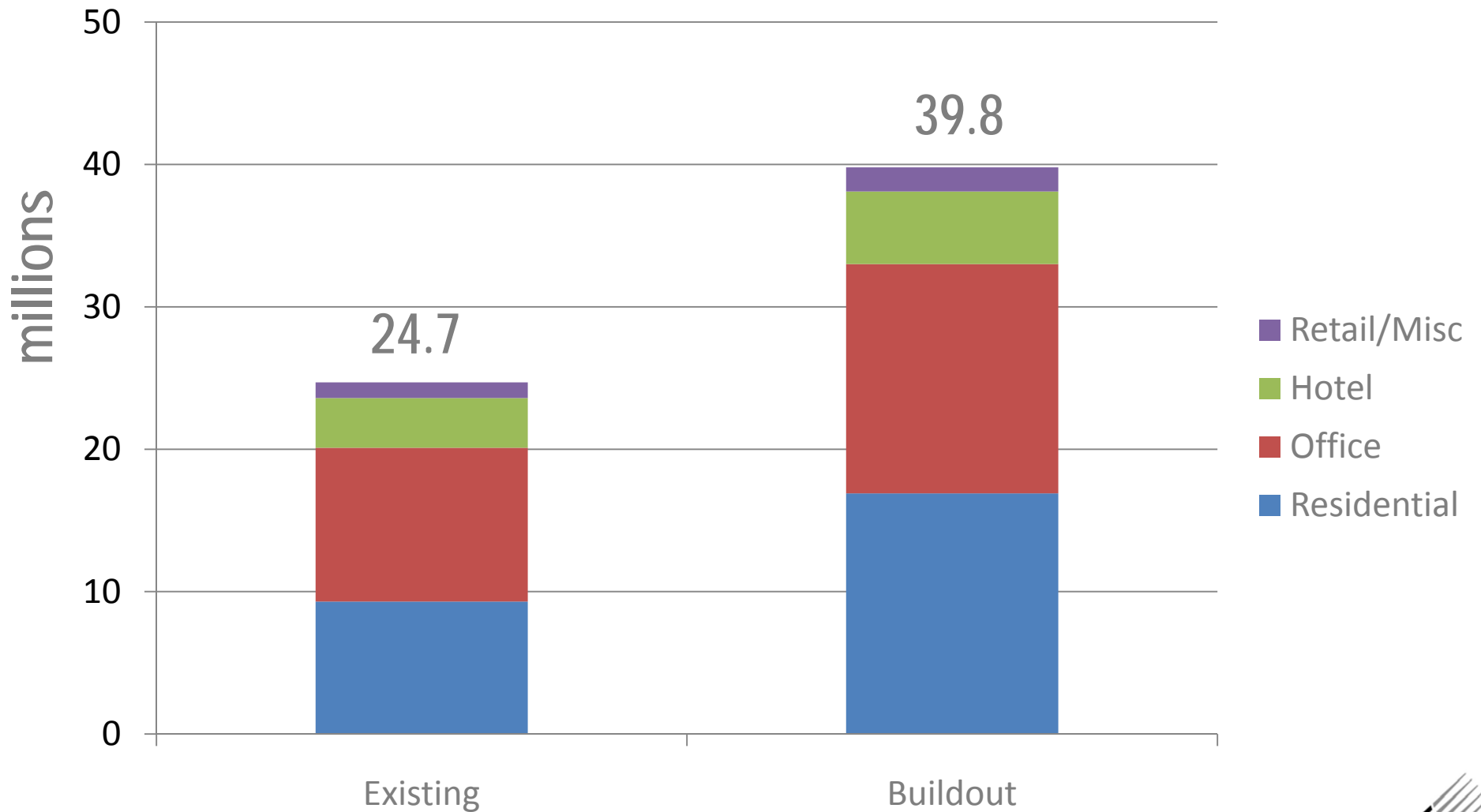


Aerial View view of Center Park and 18th Street Market Square

Streetcar Route

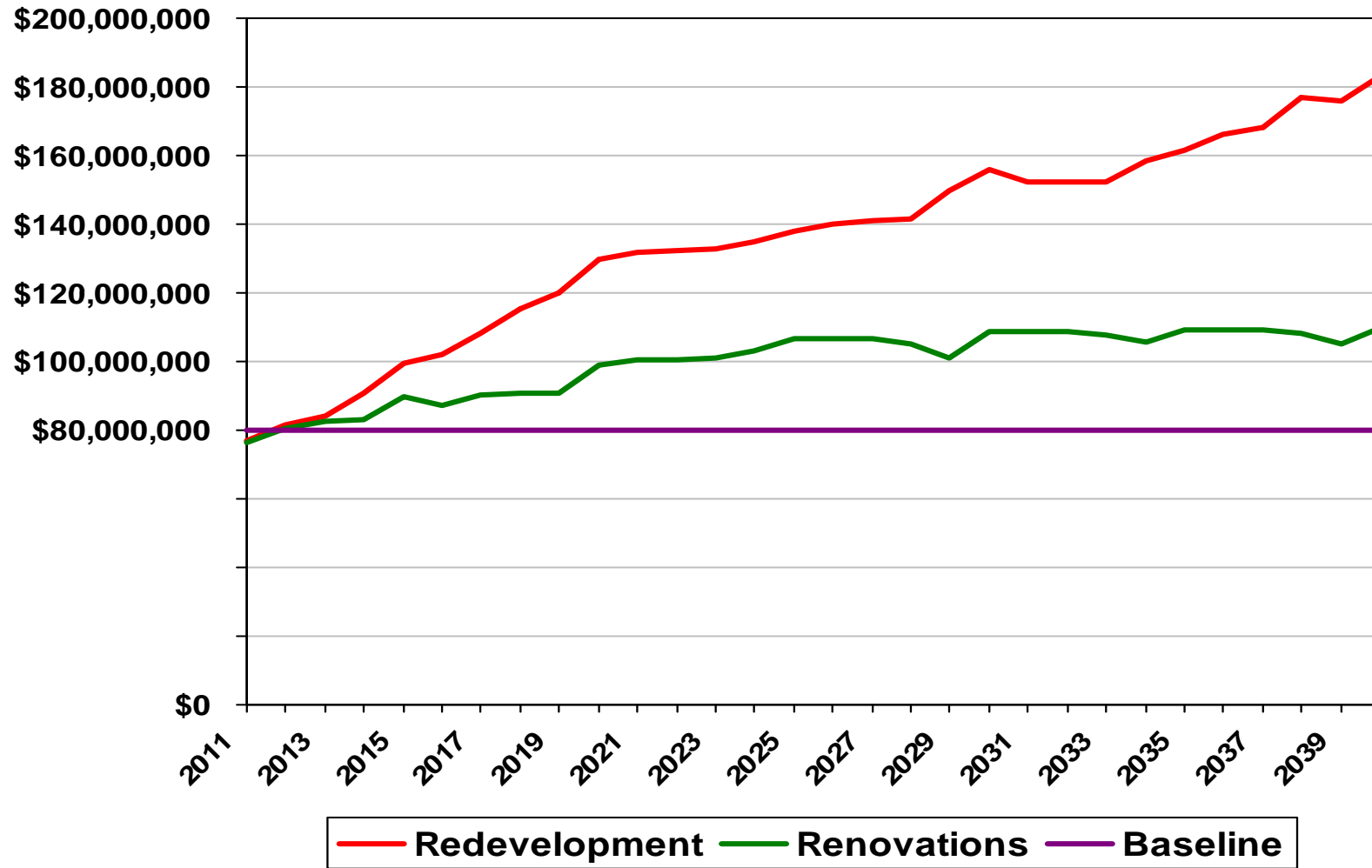


Crystal City Plan – Development Summary (GSF)



Taxable Base Scenarios: Crystal City, 2011-'40

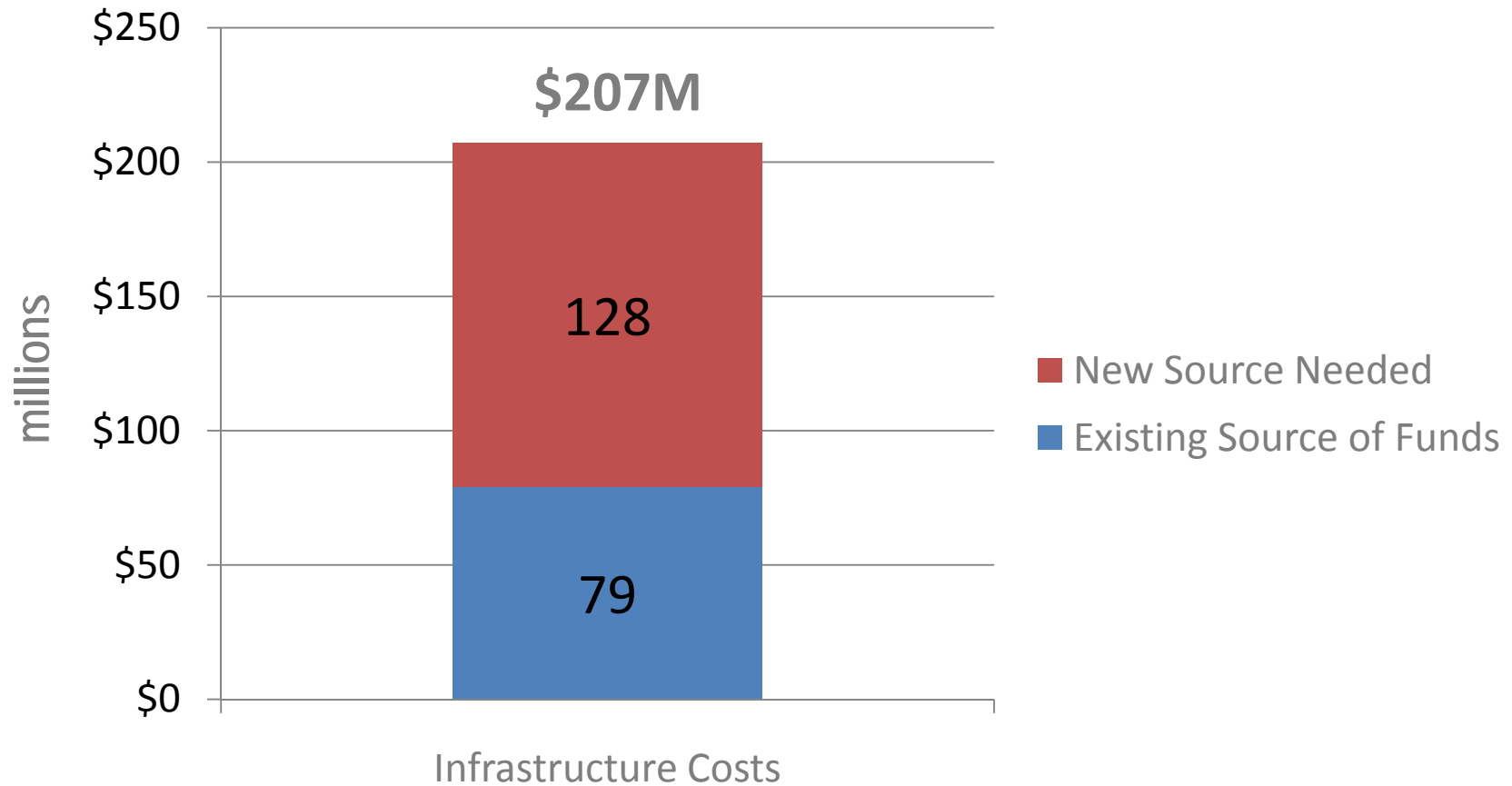
(real property)



Questions Asked

- What are the infrastructure costs by phase and what portion of that requires TIF funding?
- Which developments will happen, and when?
- How much TIF funding does the development generate?
- What portion of the TIF returns to the general fund?
- Which areas and properties should be included?

CC Plan Infrastructure Costs: 2011-'28



Questions Addressed

1. Identified Total TIF Need by Phase:

- **P1 2011-'16: \$11,410,000**
 - **P2 2017-'22: \$67,500,000**
 - **P3 2023-'28: \$49,500,000**
- TOTAL: \$128,410,000***

*not including debt service coverage or financing costs, if necessary

Questions Addressed (cont')

2. Identified development sites in the proposed TIF District and when they would likely be built.
3. Tested Three Development Scenarios through 2028.

Scenario	GSF Built	% Pipeline	% CC Plan
Low	8.7 M	70	10
Medium	13.5 M	100	25
High	16.9 M	100	40

Questions Addressed (cont')

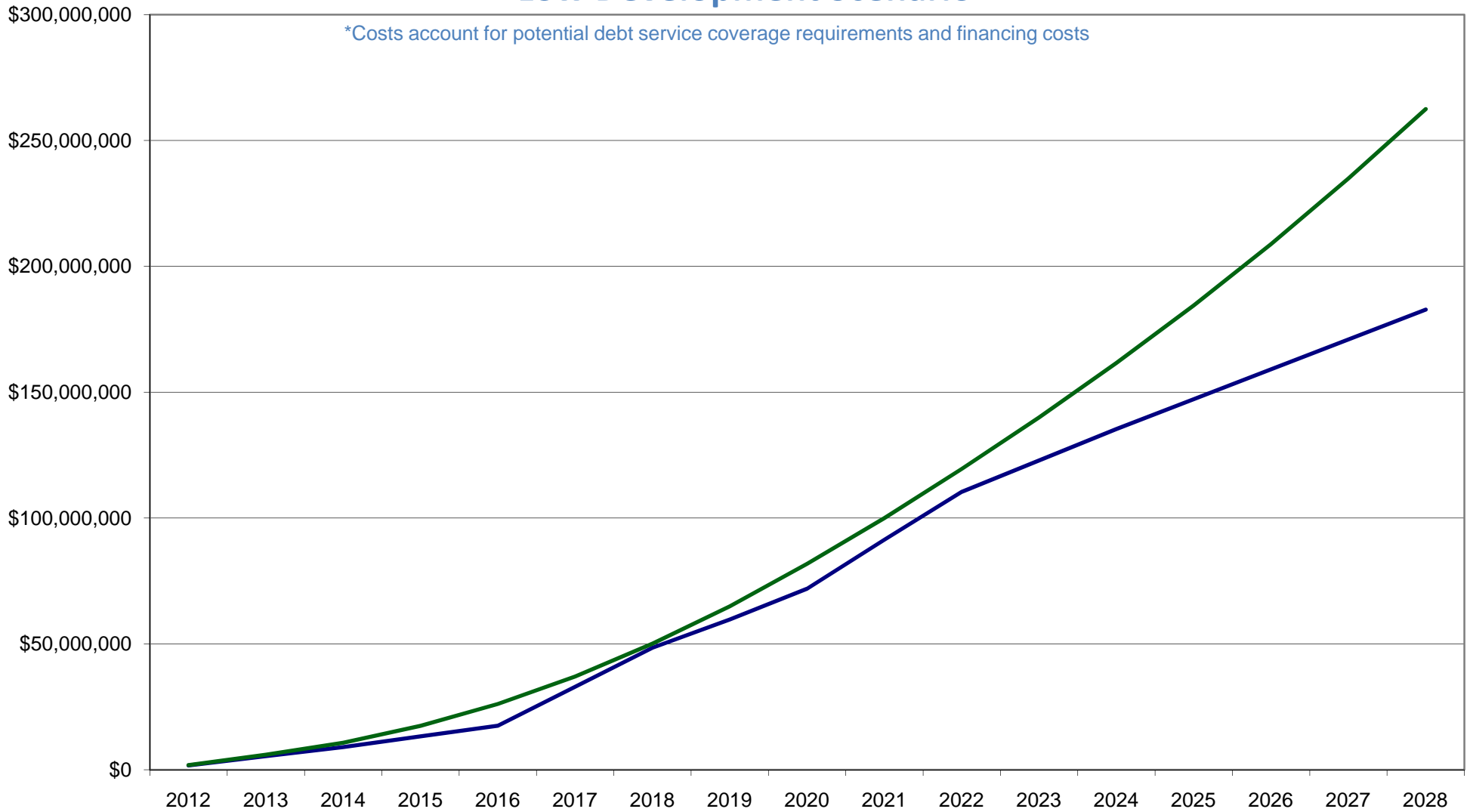
4. Identified the TIF cash flows from each scenario.

Scenario	Through 2016	Through 2028
Low	\$82.2 M	\$798.4 M
Medium	\$98.4 M	\$960.6 M
High	\$112.5M	\$1.1 B

Questions Addressed (cont')

5. Tested different tax increment shares (e.g. 25%, 33%) to best align TIF funds with TIF need.
6. Selected 33 percent because it: (under the Low scenario)
 - Pays for the anticipated improvements;
 - Does not draw upon the natural appreciation from non-redeveloped properties; and
 - Allocates the majority of the increment from new projects back to the general fund.

Comparison of Cumulative TIF Costs vs. TIF Revenues Low Development Scenario



— TIF Costs — TIF Revenues (at 33%)



Results

- Arlington County Board adopted Crystal City Plan in September 2010; adopted TIF District in October 2010.
- First full-year of TIF revenue budgeted for \$3.5 million.
- TIF-funded projects already underway: street improvements and stage-setting for streetcar.

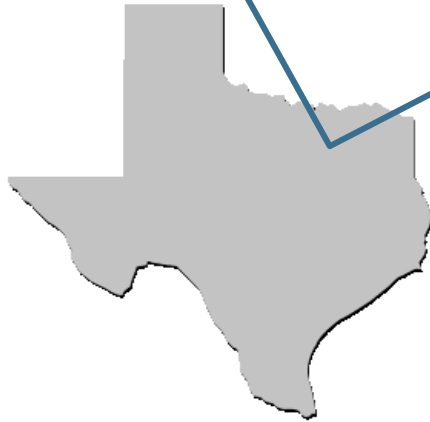
Transit-Oriented TIF

Karl Stundins

Area Redevelopment Program Manager

City of Dallas

Dallas, TX



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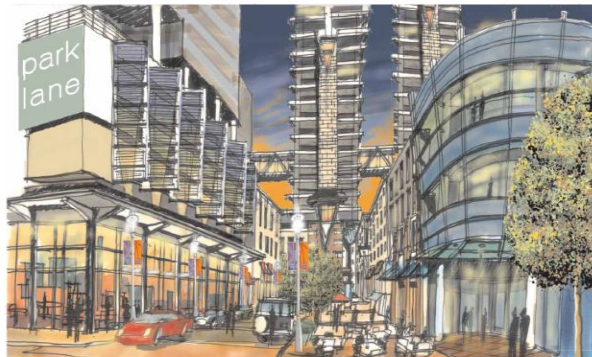
Transit Oriented Tax Increment Financing *Using Tax Increment Financing in Dallas*

CDFFA Webinar
August 30, 2012

Overview

The purpose of this presentation is to provide:

- ✓ Background -- Dallas TIF Program/TIF Policy
- ✓ Lessons learned – Using Dallas' experience to provide direction for entities evaluating Transit Oriented TIF Districts



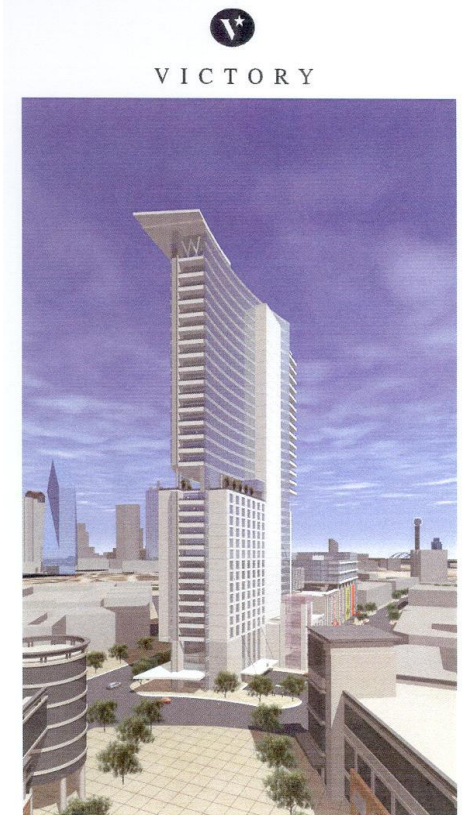
Dallas TIF Program/TIF Policy

- ✓ The Tax Increment Financing program in Dallas began in 1988 with the creation of the State-Thomas TIF District. Seven districts were created between 1988 and 1999. All of these initial TIF districts were in or near the downtown Dallas core. Most of these TIF zones were Transit-Oriented:
 - State-Thomas – primarily a residential district with supporting retail (*not a TOD site*)
 - Cityplace – transit-oriented development around Cityplace Station. Early retail development (Target) led to residential development. Residential development spurred additional mixed use development – West Village.



Dallas TIF Program/TIF Policy (cont.)

- Oak Cliff Gateway – primarily a residential district adjacent to Methodist Medical Center with supporting retail (*not a TOD site*)
- Cedars – located on DART rail line one stop south of Dallas Convention Center, this area is the hub of the Dallas film industry, contains several live music venues and is attracting new specialty hotels and housing
- City Center – focus on filling functionally obsolete office space surrounding the DART downtown rail transit mall
- Farmers Market –residential district adjacent to the Dallas Farmers Market (with planned future rail stop)
- Sports Arena – located at first rail stop north of downtown, the Victory development is creating a dense mixed use community



W Hotel

Dallas TIF Program/TIF Policy (cont.)

- ✓ Overall, the Dallas experience with this first tier of TIF districts was very positive. Property value in TIF Districts is up cumulatively approximately 140% over the total of the base values for each district.
- ✓ Some TIF districts like State-Thomas (not shown in chart below), Cityplace and Sports Arena are up by over seven times the initial property value for the area.

TIF District	Initial (Base)	Certified 2012	Base vs. 2012 (\$ Change)	Base vs 2012 (% Change)	TIF Captured Value Total	City Anticipated Increment for TIF Fund
TIF Districts created between 1988-1998						
Cityplace	\$45,065,342	\$526,628,309	\$481,562,967	1068.6%	\$481,562,967	n/a
Oak Cliff Gateway (Zone A-B)	\$40,097,623	\$127,411,066	\$87,313,443	217.8%	\$87,313,443	\$695,888
Cedars	\$35,300,760	\$76,404,425	\$41,103,665	116.4%	\$41,103,665	\$327,596
City Center	\$866,044,996	\$1,228,203,267	\$362,158,271	41.8%	\$362,158,271	\$2,597,761
Farmers Market	\$27,706,851	\$111,686,928	\$83,980,077	303.1%	\$83,980,077	\$669,321
Sports Arena	\$16,423,773	\$407,717,569	\$391,293,796	2382.5%	\$391,293,796	\$3,118,612
Subtotal	\$1,030,639,345	\$2,478,051,564	\$1,447,412,219	140.4%	\$1,447,412,219	\$7,409,178



Dallas TIF Program/TIF Policy (cont.)

- ✓ In 2005, there was a renewed interest in creating additional TIF districts, as multiple significant redevelopment projects were proposed in strategic areas. Many of these projects were large in scope and most were located in areas served by the DART light rail system or in areas with future streetcar service planned.
- ✓ City developed a criteria for evaluating requests for additional TIF Districts based on lessons learned from initial seven TIF districts.
- ✓ City Council adopted a TIF policy that evaluated proposed districts in terms of Financial Performance and implementation of public policy initiatives.

Dallas TIF Program/TIF Policy (cont.)

- ✓ Proposals for new TIF Districts, under the adopted criteria, are evaluated on:
 - Financial Performance –
 - taxes generated exceed taxes foregone
 - financial participation by other taxing entities
 - incentives needed to make project feasible (review of financial information)
 - minimum of \$100 million invested in initial 5 years of proposed TIF district
 - Public Policy Initiatives – The proposed TIF Plan provides for:
 - affordable housing
 - strong urban design
 - preferential hiring to neighborhood residents
 - enhancement of other public investments/core assets of Dallas
 - benefits statistically targeted areas
 - park/trail/green space
 - M/WBE business hiring

Dallas TIF Program/TIF Policy (cont.)

Criteria	Points (Max)	Points Scored
Financial		
Total new taxes generated by the District from all revenue sources exceed amount of taxes foregone - Direct monetary benefits to all taxing jurisdictions exceeds public funds invested during term of TIF District; Cash benefits to the City exceeds City expenditures	50	50
Other taxing units participation	15	5
Comprehensive Review of Project Pro Forma - including rental rates, land costs, site analysis, construction costs, other sources of funds and grants, operating expenses and rate of return for the developer	20	10
A minimum of \$15 million in new private investment will occur within 3 years of adoption of TIF District	15	15
Subtotal	100	80
Policy		
Provides affordable housing - 10 points max. (5 points for each 10% affordable units). A minimum of 10% affordable housing is required for each TIF District	10	10
Plan provides Urban Design Guidelines and/or historic preservation guidelines, if applicable	10	10
Provides preferential hiring for neighborhood residents for new jobs created	5	5
Enhances public investments over \$10 million made within last 5 years or expected within the next 5 years (i.e. DART Light Rail System, Trinity River, bond improvements)	20	10
Enhances core assets of City	25	15
Provides direct benefits to distressed areas	20	15
Adds park or green space or to City/County Trail system and provides for ongoing maintenance of these amenities	5	5
Complies with Fair Share Guidelines for private investment	5	5
Subtotal	100	75
Grant Total : Financial & Policy	200	155

✓ The criteria is intended to be a minimum standard. Meeting this criteria does not entitle creation of a new TIF district.

✓ The ranking to the left shows the staff evaluation of the Vickery Meadow TIF District.

✓ This TIF Proposal scored 155 out of 200 possible points. This exceeds the 140 points needed for a staff recommendation.

Dallas TIF Program/TIF Policy (cont.)

- ✓ Between 2005 and 2006, City Council authorized the creation of seven new TIF districts. All of these TIF districts were adjacent to or near DART Light Rail stations. These TIF districts are:
 - Design District – creating a mixed-use district out of an area previously used for warehousing and showroom uses.
 - Vickery Meadow – a mixed-use, transit-oriented development planned around the Park Lane DART Light Rail Station.



PERSPECTIVE
Mixed-Use Development
Dallas, Texas

July 4, 2011
Paul H. Edge, AIA
Owner: CROW HOLDINGS
Developer: HOK

CROW HOLDINGS

Good Fulton & Farrell Architects
1000 Ross Avenue, Suite 2000
Dallas, Texas 75202
Phone: 214.760.1000
www.gff.com

Dallas TIF Program/TIF Policy (cont.)

- Downtown Connection – this district was set up along the downtown rail transit mall to improve the connection between the successful uptown market and the downtown core and to fund the Mercantile redevelopment project.
- Southwestern Medical – a mixed use development is planned around the Parkland Light Rail Station.
- Deep Ellum – a mixed-use development is planned to support the existing Deep Ellum core (excluded from the TIF district) around the Deep Ellum, Baylor and Fair Park Light Rail Stations.
- Grand Park South – a mixed-use development is planned around the Trunk/Fair Park Light Rail Station
- Skillman Corridor – the focus of this plan is to create a town center with a new DART Light Rail Station near the intersection of Walnut Hill and Skillman



Dallas TIF Program/TIF Policy (cont.)



- Fort Worth Avenue – this district seeks to redevelopment a portion of the old highway corridor between downtown Dallas and the Trinity River corridor and historic single-family neighborhoods in North Oak Cliff – incorporating plans for a future streetcar line
- Davis Garden – this district focuses on redeveloping outdated apartment communities in the Davis Street corridor west of the Bishop Arts District and the large tract of undeveloped land just east of the Pinnacle Park area – incorporating plans for a future streetcar line
- TOD – this unique district ties several sub-areas along the DART light rail line and revolves around redistributing revenue generated near the SMU area to previously severely economically depressed areas
- Maple-Mockingbird – this area promotes redevelopment of the area between Love Field Airport and the Southwestern Medical District along the DART light rail line
- Cypress Waters – allowing the development of a remote, large parcel of land never served by city services

Dallas TIF Program/TIF Policy (cont)

TIF District	Initial (Base)	Certified 2012	Base vs. 2012 (\$ Change)	Base vs 2012 (% Change)	TIF Captured Value Total	City Anticipated Increment for TIF Fund
TIF Districts created between 1988-1998						
TIF Districts created since 2005						
Design District	\$141,852,062	\$307,974,106	166,122,044	117.1%	\$166,122,044	\$1,191,593
Vickery Meadow	\$161,270,320	\$341,865,080	180,594,760	112.0%	\$180,594,760	\$1,151,472
Southwestern Medical (Zone A-B)	\$67,411,054	\$139,196,520	71,785,466	106.5%	\$71,785,466	\$457,704
Downtown Connection (Zone A-B)	\$564,917,317	\$1,761,856,555	1,196,939,238	211.9%	\$1,196,939,238	\$8,585,645
Deep Ellum (Zone A-B)	\$113,885,770	\$160,159,315	46,273,545	40.6%	\$46,273,545	\$313,480
Grand Park South	\$44,850,019	\$42,878,702	-1,971,317	-4.4%	\$0	\$0
Skillman Corridor	\$335,957,311	\$448,622,015	112,664,704	33.5%	\$112,664,704	\$763,247
Fort Worth Avenue	\$86,133,447	\$109,070,598	22,937,151	26.6%	\$22,937,151	\$127,966
Davis Garden (Zone A-B)	\$137,834,597	\$140,160,429	2,325,832	1.7%	\$2,325,832	\$16,683
TOD TIF All Sub_districts	\$202,074,521	\$212,063,516	9,988,995	4.9%	\$9,988,995	\$67,670
Maple-Mockingbird Zone A-B	\$184,005,009	\$178,338,196	-5,666,813	-3.1%	\$0	\$0
Cypress Waters	\$73,383	\$219,394	146,011	199.0%	\$146,011	\$989
Subtotal	\$2,040,264,810	\$3,842,404,426	1,802,139,616	88.3%	\$1,809,777,746	\$12,676,451
Total All Districts	\$3,070,904,155	\$6,320,455,990	3,249,551,835	105.8%	\$3,257,189,965	\$20,085,630

Dallas TIF Program/TIF Policy (cont)

- ✓ The State-Thomas TIF District provides a good example of how TIF districts work for the City as a long-term investment.
- ✓ The State-Thomas TIF District stopped collecting increment in 2006, three years before the projected termination of the district. District-wide infrastructure improvements are being completed with surplus revenue from the district.
- ✓ The City's total financial contribution to the TIF district was \$7.4 million. The City recouped this amount approximately three years after final TIF collection.
- ✓ Estimated added tax collections from property in the State-Thomas TIF District over the next ten years after payback is approximately \$39 million (assuming a 5% appreciation rate in property values).

Tax Year	Actual Taxable Value	Captured Taxable Value City	Tax Increment Revenue	Tax Increment Revenue	Tax Increment Revenue
			City	City	City
			TIF Expenditure	TIF Return	Estimated Future TIF Return
1988	\$47,506,802				
1989	\$44,246,920	\$0	\$0	\$0	
1990	\$50,988,370	\$3,481,568	\$16,935	\$16,935	
1991	\$49,070,870	\$1,564,068	\$6,093	\$6,093	
1992	\$35,718,330	\$0	\$0	\$0	
1993	\$32,980,227	\$0	\$0	\$0	
1994	\$33,494,782	\$0	\$0	\$0	
1995	\$47,825,632	\$318,830	\$2,143	\$0	
1996	\$64,227,678	\$16,720,876	\$112,047	\$0	
1997	\$77,751,632	\$30,244,830	\$197,075	\$0	
1998	\$114,475,880	\$66,969,078	\$434,696	\$0	
1999	\$136,415,677	\$88,908,875	\$593,467	\$0	
2000	\$218,824,552	\$171,317,750	\$1,143,546	\$0	
2001	\$274,975,220	\$227,468,418	\$1,518,352	\$0	
2002	\$259,279,336	\$211,772,534	\$1,481,984	\$0	
2003	\$260,829,895	\$213,323,093	\$1,492,835	\$0	
2004	\$307,362,621	\$259,855,819	\$373,534	\$1,870,182	
2005	\$337,464,845	\$289,958,043		\$2,150,619	
2006	\$438,293,832	\$390,787,030		\$2,849,619	
2007	\$438,611,991	\$391,105,189		\$2,925,076	
2008	\$460,542,591	\$413,035,789			\$3,011,857
2009	\$483,569,720	\$436,062,918			\$3,179,771
2010	\$507,748,206	\$460,241,404			\$3,356,080
2011	\$533,135,616	\$485,628,814			\$3,541,205
2012	\$559,792,397	\$512,285,595			\$3,735,587
2013	\$587,782,017	\$540,275,215			\$3,939,687
2014	\$617,171,118	\$569,664,316			\$4,153,992
2015	\$648,029,674	\$600,522,872			\$4,379,013
2016	\$680,431,158	\$632,924,356			\$4,615,284
2017	\$714,452,715	\$666,945,913			\$4,863,370
2018	\$750,175,351	\$702,668,549			\$5,123,859
2019	\$787,684,119	\$740,177,317			\$5,397,373
2020	\$827,068,325	\$779,561,523			\$5,684,563
			(\$7,372,707)	\$9,818,524	\$54,981,640



Lessons Learned – Financing will be difficult

- ✓ Dallas experience indicates that it is **rare that there is sufficient demand in multiple real estate market segments - residential, retail, office, medical – at the same time, at the same location**, to make it easy for a bank to fund a mixed use deal.
- ✓ Funding is especially difficult in emerging markets, without established rental rates (or established LOW rental rates on class B or lower space). This is where most Dallas TIF Districts are located.
- ✓ Lenders and equity seem to prefer simpler markets in established markets
- ✓ The lending crisis of 2007-? is not entirely over – still tough to find financing for deals perceived as risky.
- ✓ DALLAS ACTIONS – created own sources of additional equity – EB-5 (foreign investor) Program; New Market Tax Credit allocation for City; utilization of other funding – historic tax credits, Low Income Tax Credits, Bond funds, grant funds.



Lake Highlands Town Center
Perspective View



Even with a great rendering, everyone has a problem if there is no financing

Lessons Learned – Patience is Required

- ✓ Transit Oriented development favors long term real estate investors. Given large up front costs and uncertainty, it is difficult for fee developers to make projects feasible.
- ✓ The Dallas experience indicates that it is rare that a large transit oriented development site will be developed over a short period (3-5 years); a large development may be built over 10 – 20 years
 - In many cases, an initial phase is funded and built, then monitored. If rents and revenues meet expectations, the next phase is started. The next phase is evaluated after completion – and so on.
 - An understanding of market absorption is essential in scaling back optimistic projections from the developer – it is hard to dump 800+ new apartment units into any market at the same time
 - Ultimately, the payoff is there – both for the community and the investors.



The Cityplace Area in Dallas was developed over 20 years. Note: the tract in the foreground (nearest the transit station) is yet to be developed – as property owner waits for projects with sufficient density

Lessons Learned – Monitor/Modify

- ✓ Most Dallas Transit Oriented Developments have not been immediate successes, especially financially. Most , cities like Dallas without a strong history of transit, don't have a lot of fully successful of how to configure projects.
- ✓ Be prepared to constantly monitor progress and be ready to adjust if the original plan isn't working.
- ✓ Things that might go wrong:
 - Projected rental rates are not realized. People like the project; investors don't like the project.
 - Not all market segments work: example - Sports Arena TIF District where the retail segment has been unsuccessful.
 - The initial private development does not find lenders/equity in a timely manner: example – Skillman Corridor TIF District.
 - Design elements of the project do not create an environment that attract higher rental rates.
 - The lack of a developer with 'Deep Pockets' – up front costs are high. If a developer starts running short on operating cash, there is pressure to scale back on design and density in exchange for cash flow.
- Lots of things that can go if you avoid the pitfalls.



Lessons Learned – Design Matters

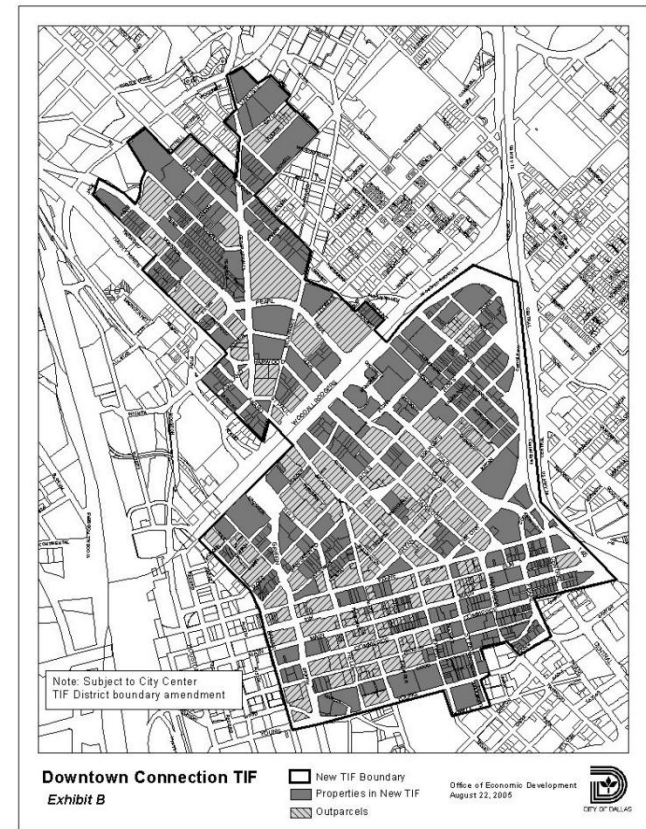
- ✓ The City of Dallas is putting a greater emphasis on specific design elements on every Transit Oriented TIF project. Dallas created a Design Studio group to provide high quality design review for all TIF projects.
- ✓ The City is also bringing in or encouraging developers that are new to Transit Oriented development to bring in groups like StreetWorks to assist with detailed site planning.
- ✓ Real estate brokers are creatures of habit. Some essential design elements for a transit oriented development will not be supported by local brokers because it is not what worked in the market in the past.
- ✓ It is much more expensive to reconfigure public infrastructure after it (and the private improvements are in, if it isn't in the right place – and there is a 'right' place.
- ✓ The key is design where both the public and private sphere are loved by the pedestrian.



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Lessons Learned – Supplement Private Financing

- ✓ In order provide funding for unproven market areas, it is important to create new funding sources to augment private equity and lending:
 - Create TIF Districts where areas with a strong market can create increment to provide TIF subsidies for nearby or related areas where market conditions are unproven.
 - The Downtown Connection TIF District is a good example. This district bridges the downtown and uptown neighborhood of Dallas. The historic downtown core is located in the southern portion of the TIF district. In 1997, this area contained nearly 11.3 million square of vacant office space. Increment generated in the Uptown area (without public financial subsidy) has helped spur reuse/redevelopment activity on all but 1.4 million square feet of space.
 - Create other funding sources: Dallas has an EB-5 Program and is pursuing a New Market Tax Credit allocation.
 - Look to traditional sources of additional project funding – GO Bonds for infrastructure, historic tax credits, Low Income Tax Credits, grants, etc.



Lessons Learned – Try new approaches

✓ TOD TIF District

- **Created district linking subareas on rail line.** District incorporated potential redevelopment sites in northern part of City near SMU campus and Bush Library that were likely to redevelop with minimal public subsidy and very distressed property in the southern portion of the city
- **District created in 2007 at recent height of real estate market.** Property values have declined throughout the district since creation of the TIF District and proposed redevelopment in the northern zone is occurring at a much slower rate.
- **City of Dallas likes this concept but the results are not in yet.** Base property values are finally beginning to exceed the base value. Some initial projects are hitting the tax rolls and other projects (long on hold due to financial reasons) now seem ready to move forward.

Appendix – Dallas Approach to Transit-Oriented TIFs

- ✓ **Create TIF districts with boundaries that limit public risk**
 - Include only contiguous property not likely to decrease any further in value
 - Choose property between other real estate that has value – not on the edge of the frontier
 - Included property with a few large land owners – not a large number of owners
 - Included property with owners that have financial capacity, experience and desire to develop property
- ✓ **TIF boundaries should only include property with a big upside for value increase and limited downside.**

Appendix – Dallas Approach to Transit-Oriented TIFs

✓ Create TIF districts with financial strategies that limit public risk

- Limit up front bond sales; have developers finance project related infrastructure and be reimbursed out of future TIF revenue or bond sales
- Use other sources of funding to augment TIF funds:
 - General Obligation bonds for large improvements that benefit greater community
 - New Market Tax Credits, Low Income Tax Credits, Historic Tax Credits
 - HUD loans – 221D program, Section 108
 - Bond funds from other organizations – County, Special financing districts
- Reduce administrative costs and be accountable

Appendix – Dallas Approach to Transit-Oriented TIFs

- ✓ **Create TIF district in areas where there is not an established real estate market.**
 - TIF incentives are needed to make projects work in these areas. There is limited funding capacity for additional, more regional infrastructure
 - Insure that projects would not move forward ‘but for’ the public assistance
 - ‘Sell’ the program to policy makers as something with little risk – funded by development community with reimbursement contingent on performance

Appendix – Dallas Approach to Transit-Oriented TIFs

- ✓ **In areas where the real estate market is extremely depressed and projects are not likely to happen without significant public support, create TIF districts that tie together growing markets with non-performing markets.**
 - Non-subsidized development in the growing markets can provide needed funding in the non-performing markets
 - The limitation with this approach is that funding for catalyst projects in the non-performing real estate areas require significant, non-subsidized development elsewhere.
 - Examples of this concept include Downtown Connection and TOD TIF districts

Appendix – Dallas Approach to Transit-Oriented TIFs

- ✓ **Create unique neighborhoods through the TIF program.**
 - Dallas program starts with the identification of potential areas in the city where, based on past experience, staff/developers believe there is an opportunity to reposition real estate in an entire neighborhood
 - A planning effort identifies potential gaps in the market and creates a vision of what the future neighborhood can become over time in terms of land use, density, design, public amenities, transit and transportation
 - Plans capitalize on existing features of a district that can be built around to retain a sense of history – Dallas districts are rarely entirely vacant
 - Neighborhood creation takes time – patience is required.

Appendix – Dallas Approach to Transit-Oriented TIFs

- ✓ **Create TIF districts that support other public initiatives.**
 - Dallas TIF districts support other public programs such as
 - Support strong urban design
 - Support for mixed income housing developments
 - Support for M/WBE hiring programs
 - Support for Affirmative Fair Housing Marketing Programs
 - Support for citywide urban design initiatives
 - Dallas TIF efforts support the development and expansion of the city's light rail system
 - Finally, the Dallas program promotes TIF districts that complement city assets:
 - Local medical districts and large hospitals
 - The downtown area and convention center
 - Sports venues

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Finance WebCourse**



September 18-19, 2012
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