



CITY OF DALLAS  
OFFICE OF ECONOMIC DEVELOPMENT  
DEVELOPMENT INCENTIVE APPLICATION

APPLICANT NAME: \_\_\_\_\_

ENTITY TYPE AND STATE OF FORMATION: \_\_\_\_\_

AUTHORIZED REPRESENTATIVE: \_\_\_\_\_

AUTHORIZED REPRESENTATIVE TITLE: \_\_\_\_\_

**AUTHORIZED REPRESENTATIVE CONTACT INFORMATION:**

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

**AFFIDAVIT OF AUTHORIZED REPRESENTATIVE AND  
AUTHORIZATION TO OBTAIN INFORMATION**

Before me on this day personally appeared \_\_\_\_\_ as Authorized Representative for the Applicant, and after by me being duly sworn, hereby certifies that all materials submitted to the City of Dallas or its agents or employees (collectively "City") about this application are true and correct. The undersigned understands that submission of false information shall result in disqualification for development incentives, and that submission of incomplete information may result in rejection of the application.

The undersigned authorizes the City to contact any party in order verify information in this application. The undersigned acknowledges that Applicant is not obligated to provide City this authorization but has voluntarily agreed to such release so that City will consider this application. The undersigned hereby authorizes, on behalf of Applicant, without reservation, any person or entity contacted by City to furnish all information requested by City.

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

BEFORE ME, the undersigned authority, on this day personally appeared \_\_\_\_\_ and by oath stated that the facts herein stated are true and correct. SWORN TO AND SUBSCRIBED BEFORE ME before me on this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of Texas



## DEVELOPMENT INCENTIVE APPLICATION

### INSTRUCTIONS:

Please complete and submit the following information to the Office of Economic Development for review of your request for a development incentive. The City reserves the right to reject any application that it determines to be incomplete or inaccurate.

Two electronic copies of your application and all attachments should be submitted on two flash drives sealed in an envelope. The envelope may be mailed or delivered to:

**The City of Dallas Office of Economic Development**  
**1500 Marilla, Room 5CS**  
**Dallas, Texas 75201**  
**Attn: Development Incentive Application**

Each document on the flash drives should be clearly labelled to easily identify the portion of the application with which it corresponds. Excel spreadsheets may not link to external data sources, and must be unlocked so that all data, including formulas, are viewable.

### NEXT STEPS:

Upon receipt of a complete application, the Office of Economic Development will commence underwriting the project in conformance with the *City Standards for Financial Underwriting* attached as **Exhibit A** and will convene a staff team to review the proposed project. This underwriting and review process is expected to be complete in 45 days, at which point the developer will be sent either a draft non-binding term sheet or notification that the project has been declined for subsidy.

Once a term sheet is executed, the project will be scheduled for briefing to any appropriate advisory boards (such as a TIF board), followed by a briefing to the Economic Development and Housing Committee. If recommended by the Committee, the project will be scheduled for consideration at the next available agenda meeting of the Dallas City Council. If approved by the City Council, the City will send a development agreement for review and execution by the Applicant.

The entire process, from submission of a complete application to execution of a development agreement, should take 4 to 6 months.



## APPLICATION:

Please submit all of the information and attachments described below.

### **Part One: Applicant Information**

1. Organizational chart and formation documents of Applicant and its members or partners, including a disclosure of any direct or indirect relationship or interest between the parties.
2. Copies of a Certificate of Account Status from the Texas Comptroller's Office for Applicant and all partner or member entities. (Comptroller's TIN or TID).
3. DUNS and EIN numbers for Applicant and all partner or member entities.
4. Description of any comparable projects completed in the prior 5 years, including addresses.
5. Description of any projects currently underway or completed in the prior 3 years in the City of Dallas, including addresses.
6. List of staff, consultants, attorneys, architects, contractors, and other advisors to be involved in the project, contact information for each, and a description of each person or entity's qualifications and relevant experience in conformance with **Exhibit A, Section I.10**.
7. List of Related Companies, subsidiaries and disclose identity of interests between parties. i.e. between owner, developer, broker, contractor, investor, etc.
8. Description of any actual or potential conflicts of interest with City officials or employees.

### **Part Two: Project Information**

1. Executive summary of the proposed development, project schedule and phasing, capital improvements to be constructed, residential components, and plans for any required relocation.
2. Detailed development budget.
3. If project involves residential use, describe plans for compliance with applicable affordability requirements, including any TIF project and financing plan requirements and Chapter 20A of the Dallas City Code. Detail number of affordable units, level(s) of affordability, and include a rent schedule.



4. Conceptual schematic drawings (including floor plans, elevations, and site plans) which have been reviewed and approved by the Planning and Urban Design Department's Urban Design Peer Review Panel. These should be submitted in PDF format.
5. Streetscape plans such as sidewalk dimensions, landscaping and irrigation plans, pedestrian lighting plan, utility burial locations, and description of any utility upgrades.
6. Copies of market feasibility studies or other third-party market studies in conformance with **Exhibit A, Section I.7**.
7. Description of existing and proposed improvement values (real property, business personal property, inventory).
8. Description of jobs to be created, relocated, or retained by project, with timelines, wage information, benefits information, and plans or commitments to hire Dallas residents. If jobs are to be relocated, please provide address where jobs currently exist.
9. Confirmation that you have already met with the Planning and Urban Design Department's Urban Design Peer Review Panel and the Minority/Women Business Enterprise staff of the City's Business Development and Procurement Services Department, the dates of the meetings, the person(s) you met with, and the outcome of those meetings.
10. Information about community engagement completed or planned.

### **Part Three: Property Information**

1. Site address and appraisal district account numbers.
2. Description of current property ownership. If property is owned by someone other than Applicant, include a description of the Applicant's plan to acquire site control as well as copies of any lease, option, or purchase agreements.
3. Copy of recent title policy or title commitment.
4. Survey of the property from a licensed land surveyor showing metes and bounds, a written legal description, easements, encumbrances, rights-of-ways, physical features, and utility lines.
5. Copies of engineering, environmental, or other property studies in conformance with **Exhibit A, Section I.8**. If necessary, describe any plans for remediation or other environmental cleanup.
6. Current zoning classification, and a Zoning Verification Letter from the Department of Sustainable Development in conformance with **Exhibit A, Section I.8**, along with a



description of any required or desired change in zoning classification or any zoning variance.

7. Appraisal of property prepared by a license appraiser of the State of Texas and dated within one year of the application submission date.
8. Description of current property use.
9. Disclose any property within  $\frac{1}{4}$  mile of the development site that is owned, controlled, or under option or purchase agreement for future site control, by Developer or any affiliate or subsidiary of Developer.

#### **Part Four: Financial Information**

1. Most recent two years of audited financial statement of Applicant or anyone having 20% or more ownership interest. If Applicant is a special purpose or single-asset entity, also submit the most recent two years of audited financial statements for the controlling entity of Applicant. These will be submitted separately to the third-party underwriter.
2. Sources of project funding and copies of all supporting information in conformance with **Exhibit A, Section I.2.**
3. Comprehensive development budget. Must be broken out with sufficient detail that City can determine cost reasonableness in conformance with **Exhibit A, Section I.1.** Must include specific line items for public improvements, contractor and developer overhead, profit, and travel.
4. Operating proforma with a minimum 20-year term. If any permanent financing source contemplates a term longer than 20 years, the proforma should have a term matching the term for that financing source. If the project includes a residential component, the proforma should account for the requirements of Dallas City Code Chapter 20A related to housing vouchers, as well as the affordable housing requirements of any relevant TIF project and financing plan.
5. Indicate the amount and cause of the project's financial gap, in conformance with **Exhibit A, Section II.**
6. Description of City of Dallas incentive type and amount sought, and methodology by which incentive amount was determined.
7. Description of why an incentive is necessary for this project to succeed.
8. Description of any previous City subsidy or incentive received by Applicant or its affiliates.



9. Description of any current or previous *other* local government or state incentives under negotiation or awarded for projects by Applicant or its affiliates during the last 10 years. Provide contact information for each governmental entity.
10. Description of any prior or pending bankruptcy by Applicant or its affiliates, and of any current, pending, or threatened litigation against the City involving Applicant, its affiliates, or any member of the development team including Applicant's attorneys.
11. For each person owning or controlling a 20% or greater interest in Applicant (or a 20% or greater interest in a member, partner, or other entity with an ownership interest in Applicant), the following information must be submitted. The information may be submitted separately from the other application information, either through a Dropbox or other file sharing account controlled by the individual owner, or via submission directly to the City's third-party underwriter, if applicable.
  - a. A personal financial statement, and
  - b. A signed and notarized Authorization and Release on the form attached as **Exhibit B**.



## EXHIBIT A

### City Standards for Financial Underwriting

The City Standards for Financial Underwriting (the “Standards”) will comply with local, state and federal regulations. If the Standards contradict said regulations, the regulations shall control in all respects.

All City incentives are provided as a gap financing mechanism. This means that the project must maximize the project’s debt capacity based on reasonable lending market ratios and provide an equity investment that delivers a reasonable return.

#### I. ASSUMPTIONS

The Standards operate on the following assumptions:

##### 1. Project Costs are Reasonable

All project costs will be carefully reviewed for reasonableness. A breakdown of all project costs will be required as part of the City incentive application. Fair market price quotations, engineer’s estimates, and/or appraisals must be submitted to support all project cost elements. Third party price quotations or a comparison of prices under existing contracts or services from previous projects are required to verify all costs.

A “sources and uses of funds” form will be reviewed for each “use of funds” (cost element). A determination will be made by the City in its sole discretion on the reasonableness of the cost for construction, machinery, and equipment costs. Costs will be reviewed based on estimates from third-party contracts (architect, engineer, equipment supplier, installer, etc.) for land/building acquisition. A determination will be made by the City in its sole discretion that the price of real estate is reasonable based upon fair market value by a certified real estate appraisal. For development costs (such as building fees, architectural/ engineering fees, or financing fees), a determination will be made by the City in its sole discretion if the costs are itemized and supported by contracts or other documentation.

For a working capital loan (if applicable), a comparison will be made on the amount of working capital requested as compared to industry averages, risk, historical needs of the business and the projected need. This will be accomplished by analyzing the financial statements, projections, operating cycle and financial ratios of the borrower.



## **2. All Sources of Project Financing Are Committed**

A review will be made to determine if sufficient sources of funds have been identified and are committed to the project as determined by the City in its sole discretion. The participating financing parties must have the demonstrated financial capacity to provide the funds in a timely manner. The terms and conditions of all other sources of funding must be disclosed.

A “sources and uses of funds” form will be reviewed for all sources of funds. A determination will be made if there is evidence verifying the commitment or an intent to commit funds under terms and conditions acceptable to the City.

For debt sources, letters of intent or interest dated no more than three months prior to the date of application must be provided. Letters must include the specific level of commitment and the terms and conditions of the loan. The application must also include a copy of the actual loan package that was submitted to the lender. If a development incentive is approved, documentation of a firm commitment of debt sources must be submitted during the closing process.

For grant sources, a letter of commitment for each source must be provided which outlines the level of commitment, the terms of the commitment, any conditions precedent to funding, and the timing for receipt of the funds.

For equity sources, a determination will be made by the City in its sole discretion if the equity can be verified by business or personal bank financial statements. If the equity is to be provided by an outside investor, evidence must be obtained on the level of commitment, the terms and conditions if any, and availability of funds (with an accompanying financial statement from the investor verifying the availability of the funds).

## **3. City Incentive Funds Are Not Substituted for Non-Federal Funds**

The amounts and sources of funds will be reviewed by the City to ensure that City financing is not being used to substantially reduce the amount of non-federal funding for the project.





#### **4. The Project Is Financially Feasible**

The project will be examined to determine its viability and assure that the public benefit will be realized. The current and historical financial statements of both the business and principals will be analyzed. Income and expenses shall be evaluated and compared to historical and industry averages. Project costs will also be reviewed to determine their reasonableness, as determined by the City administrator in its sole discretion.

As a part of this financial analysis, the past, current, and projected financial data will be analyzed to determine if the job estimates are reasonable and can be supported. Labor costs shall be checked against industry averages.

The terms and conditions of the City incentive financing must be appropriate. The interest rate should be set such that available cash flow is sufficient to meet debt obligations with enough remaining cash flow to operate successfully. The terms of the financing will be determined based on the use of funds. Generally speaking, terms will be established based upon the following:

- Working Capital: 3 – 7 years
- Machinery and equipment: 3- 15 years, depending on the useful life
- Non-residential real estate: 15-20 years, construction/bridge 2 years
- Residential Real Estate: permanent 15 – 20 years, construction/bridge 2-3 years

A longer loan amortization schedule may be justified on a case by case basis with a balloon payment due at the end of the term of the loan or economic life of the asset. Each incentive review will include a written explanation of the appropriate analysis and the reason for recommending the loan terms and conditions.

#### **5. The Return on Equity Investment is Reasonable**

The City incentive financing application will be reviewed to determine if the return on investment to the Applicant is reasonable. The amount of cash that the Applicant is projected to receive, in relation to its initial equity, shall not unduly enrich Applicant. However, the analysis will also take into consideration if the return on investment is too low, which could cause the Applicant to lose motivation and not follow through with the project.



The City shall review projected revenues, expenses (including owners' and officer's salaries), owners' draws, debt service and net operating income. A comparison to historical financial information will be made in relation to industry averages to determine reasonableness.

A review of the business' obligations and the personal obligations of the business owner(s) will determine what return on equity investment is necessary to meet personal and business obligations. If the return on investment is above the industry averages, adjusted for risk and local conditions, steps will be taken to adjust the City's development incentive terms or owners'/officers' salaries and/or draws. If the return on investment is below the industry average, the terms may be adjusting to bring it closer to the industry average in the sole discretion of the City.

#### **6. The City Incentive Schedule is Feasible**

The disbursement of City incentive funds will be negotiated with Applicant and other funding sources. City incentive financing funds should be disbursed in a manner that does not put the City incentive financing at undue risk relative to other sources of funds. The sources and uses of funds will be reviewed to determine if the City incentive financing funds will be expended at the same rate as the other funds. A review of the other funding sources' policies on the order of expenditure of funds will be made. If these policies require the public funds to be disbursed first, the Director of the City of Dallas Office of Economic Development ("Director") will insure that adequate safeguards are taken to manage risk to the City. Such safeguards may include but not be limited to performance or completion bonds.

#### **7. The Project is Feasible**

In addition to analysis of the development pro forma for a project, an analysis will also be made on the operating pro forma of the development and the assumptions behind it. The City development incentive financing application must thus be supported with additional documentation, including but not limited to:

- Market studies
- Real estate appraisals
- Feasibility studies



These reports must be no more than 6 months old and prepared by an independent third-party source which has the qualifications to perform the study. In-house or subsidiary vendors will not be considered since this is not an arms-length transaction.

These studies are especially important in evaluating capacity to cover debt service for housing projects, commercial projects and community development activities. For

projects that do not generate revenue, engineering and other types of feasibility studies are necessary to properly evaluate a project.

## **8. The Site and Location Are Suitable**

The project site and its location will also be evaluated for each incentive application. The following factors will be reviewed to determine the suitability of the project in relation to its environment.

The neighborhood where the project is located should show signs of stability with strong and continuous growth patterns. In the case of a redevelopment area, the proposed redevelopment area plan must be sufficiently designed and funded to achieve the anticipated outcomes.

The property's condition is important, both structurally and environmentally. Third party studies and reports will be analyzed to determine property condition, such as: a property appraisal, Phase I Environmental Site Assessment, property condition assessment, and, if necessary, an operations and maintenance program for removal of asbestos, lead-based paint, radon, PCB's, other toxic waste, and the removal of underground storage tanks.

An evaluation must be made regarding adequate zoning. A Zoning Verification Letter from the Department of Sustainable Development must affirm that the proposed use of the site is classified as either a legal conforming or a legal non-conforming use under local zoning requirements.

Proof of ownership and proper title to the property must be demonstrated to City's satisfaction which can include purchase options, a title policy or commitment, or other documentation satisfactory to Director in his or her sole discretion.



A survey of the property from a licensed land surveyor showing metes and bounds, a written legal description, easements, encumbrances, rights-of-ways, physical features, and utility lines must be furnished for review.

## **9. Public Benefit Shall be Determined**

The Texas Constitution prohibits the city from making gifts of public funds.<sup>1</sup> Texas courts have found, however, that the Texas Constitution does not prohibit payments of public funds if the payment serves a legitimate public purpose and affords a clear public benefit received in return.<sup>2</sup>

The Supreme Court of Texas established a three-part test to ensure that a payment accomplishes a public purpose consistent with the Texas Constitution.<sup>3</sup> To satisfy the test, the City of Dallas must: (1) ensure that the payment's predominant purpose is to accomplish a public purpose, not to benefit private parties; (2) retain public control over the funds to ensure that the public purpose is accomplished and to protect the public's investment; and (3) ensure that the City of Dallas receives a return benefit.

Each project will be analyzed to ensure that the incentive serves a public purpose and provides a public benefit.

## **10. The Development Team Has the Capacity and Capability to Undertake the Project**

A written description of the development team will be evaluated. This description will outline roles and responsibilities and provide previous experience in similar types of developments. This will be supplemented with resumes and historical backgrounds.

## **11. Repayment Ability**

All City incentives will be evaluated to determine whether any portion can be repaid. In all cases, project cash flow and other sources of funds as appropriate will be evaluated to determine capacity to repay the loan. Cash flow from the project must be sufficient to repay debt service. The target range for cash flow coverage are as follows:

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<sup>1</sup> Tex. Const. Art. III, Sec. 52(a)

<sup>2</sup> Texas Mun. League v. Workers Comp. Com'n., 74 S.W.3d 377 (Tex. 2002)

<sup>3</sup> Ibid.



- Economic Development Business loans: \$1.25 in cash flow for every \$1.00 of debt service
- Commercial Real Estate loans: \$1.25 in cash flow for every \$1.00 of debt service
- Housing Real Estate loans: \$1.10 in cash flow for every \$1.00 of debt service
- Community Facility loans: \$1.10 in cash flow for every \$1.00 of debt service
- Bridge Loans: Debt Coverage Ratio not applicable, but take out financing must be committed

Additional sources of cash flow will be required for loans that have a cash flow coverage less than the above requirements. This may include but is not limited to a cash reserve account for debt service from the owner or an investor, and a cash equivalent resource, such as a certificate of deposit. The Chief of Economic Development & Neighborhood Services can waive the minimum debt coverage on a case-by-case basis with the approval of City Council.

For projects that do not generate income from operations, other sources of funds that may be considered for repayment including but not limited to:

- Increase in property taxes (e.g. tax increment financing (TIF))
- Revenues derived from a project (e.g. lease payments, rental payments, or parking revenue)
- User fees (e.g. water or sewer fees)

## II. FINANCIAL GAP

To receive City financing, a project must have a “financial gap.” This gap must be documented. There are three types of financial gaps.

1. **Unavailability of Capital.** The project can afford the cost of financing but is unable to obtain the funds from private debt and/or equity sources. The gap may be a result of a lender’s loan to value requirements or the inherent risk of the project or the industry. For example, a loan may be provided for 70% of the project’s costs, which leaves a 30% financing gap. The business may not have the cash to “bridge” the gap, or its cash flow would be seriously restricted by doing so, which would jeopardize the business. The project sponsor must demonstrate that it has applied for funding from other sources



and been rejected, or that other financing is not available, in a form acceptable to the Director.

2. **Cost of Capital.** The project cannot support the interest rate, the loan term, and/or the collateral requirements of other lenders. The lender must demonstrate, in a form acceptable to the Director, that it is unwilling to change its terms. The gap may only be a problem in the initial years of the project. A pro forma and cash flow statement must be reviewed with a sensitivity analysis to determine whether to defer principal and/or interest, or to allow the loan to be amortized over a longer period.
3. **Return on Equity Investment.** The project's financial returns may be too low to justify the business or a third-party investor to proceed with the project. The risks of the project outweigh the returns. The rate of return on investment must be reviewed and adjusted to industry standards, as well as location risks, to determine if the gap exists. The City incentive financing rate and term can be designed to provide a return that is in line with similar projects. This may not apply to non-profit organizations.



**EXHIBIT B**

**AUTHORIZATION AND RELEASE**

**TO OBTAIN PERSONAL CREDIT INFORMATION**

The undersigned hereby authorizes the City of Dallas or its agents or employees (collectively "City") to obtain any and all information pertaining to my business or personal credit history from any reporting agency or bureau, and to consider such information when making any decisions regarding the development incentive application submitted by \_\_\_\_\_.

I understand that I am not obligated to provide City this authorization; however, I have voluntarily agreed that such information can be released to City so that it will consider the development incentive application. I authorize, without reservation, any person or entity contacted by City to furnish information requested by City.

**I HEREBY RELEASE CITY FROM ANY AND ALL LIABILITY RELATED TO THIS AUTHORIZATION AND RELEASE TO OBTAIN PERSONAL CREDIT INFORMATION.**

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

**ACKNOWLEDGEMENT**

STATE OF TEXAS           §

COUNTY OF DALLAS       §

This instrument was acknowledged before me on the \_\_ day of \_\_\_\_\_, 20\_\_, by \_\_\_\_\_, an individual.

\_\_\_\_\_  
Notary Public, State of Texas