

**TIF Increment Allocation Policy
Design District TIF District
Approved by the TIF Board on June 5, 2008
Amended June 20, 2013**

It is important for the City of Dallas to encourage as many projects as possible in the Design District TIF District (the "Design District TIF" or "District"). In that spirit, Design District 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 adds taxable real property value at a particular site or is a space or facility of public benefit such as 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 – A person or entity that has completed all requirements for a TIF-eligible Project as set out in the fully executed development agreement for the Project.

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 demolished structures.
- Redevelopment or major modification of an existing building if this results in an increased taxable value of 50% or more of the original building or any increase in the floor area of an original building if the expansion is over 50% for residential projects, over 65% for mixed-use projects, and over 75% for office/showroom projects.

Total Increment – the annual amount of increment deposited into the TIF fund from the participating jurisdictions.

Individual Increment – the portion of the increment that a Project or Related Project creates each year.

Net Individual Increment – 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 Individual Increment to Total Increment.

Administrative Expenses – the City will take a share of TIF revenue from this District for the amount it bills to the District for costs necessary for administration of the TIF District program, which may include charges from other departments, each year.

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

Shared Increment – the Total Increment less (1) the portion of Administrative Expenses 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 Design District TIF fund that is not already allocated, encumbered, or otherwise set aside for other purposes.

Procedure:

Annually, after the Total Increment has been deposited in the TIF fund, the fund will pay or set aside Administrative Expenses based on a ratio of Individual Increments and any remaining costs from unallocated increment in the TIF fund and the amount allocated for District-Wide Improvements (as described below). After Administrative Expenses and any District-Wide Improvement allocation have been paid or set aside, Developers approved for TIF funding from the Design District TIF will be eligible to receive their Net Individual Increment.

In addition to their Net Individual Increment, Developers will be eligible to receive a portion of any Shared Increment. The Shared Increment allotted to an eligible Developer shall be a ratio of an eligible Developer's Individual Increment to the sum of the Individual Increments for all Projects eligible for reimbursement for that 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 May 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.

Pre-existing Agreement

This Increment Allocation Policy does not affect the Development Agreement for 1525 Turtle Creek at the District approved by City Council on August 9, 2006 by Resolution Nos. 06-2072 and 06-2073. That Project shall be reimbursed according to its Development Agreement, which states that the Developer is eligible for its own Individual Increment, the Individual Increment generated by Related Projects (as defined in the Development Agreement) and 80% of the Shared Increment after administrative expenses only (any set-aside for District-Wide Improvements will not occur until increment has been allocated to satisfy the terms of the Development Agreement).

Catalyst Phase I Project for Expanded District:

The District boundary and budget was expanded in 2013 to assist in facilitating the redevelopment of the former Dallas Apparel Mart site. Market Center Land, L.P., ("MCL"), an affiliate of Crow Holdings has a multi-phased master plan for the site that includes medical/office, a hotel, residential, and mixed uses.

The TIF District expansion created two sub-districts within the Design District TIF District: (1) Design District Sub-District (original district boundary plus additional property) and (2) Market Center/Stemmons Sub-District. The TIF Budget, as amended, includes consolidated budget categories for both sub-districts. However, increment collection for the district as a whole is intended to follow this increment allocation policy and will allow shared increment among both sub-districts based on eligible TIF projects in any given year.

Phase I is considered a catalyst project with the Dallas Proton Treatment Center being developed by another entity in cooperation with MCL that will also include infrastructure improvements essential for other phases of the master plan. The TIF District's obligation to the pre-existing agreement described above is anticipated to met prior to the completion of this Phase I catalyst project.

For the purposes of Individual Increment for the Phase I catalyst project, related projects may include those developed by either the Phase I developer and/or MCL or its affiliates within the Market Center/Stemmons Sub-District not seeking separate TIF incentives.

Pursuant to the standard provisions of this Policy once the Pre-Existing Agreement obligation is met, the project will be eligible to receive a portion of the Shared Increment after the annual set aside for District-Wide Improvements on a proportional basis (as described above).

District-Wide Improvement Set-Aside

When this Policy was first adopted and based on the pre-existing agreement, the TIF Board has set-aside 20% of any Shared increment for District-Wide Improvements after administrative expenses and obligations to the pre-existing agreement. Once the pre-existing agreement for 1525 Turtle Creek at the District has been fully reimbursed the set-aside for District-Wide improvements will continue at 20%. However, if the annual balance in the District-Wide Improvement Set-Aside exceeds \$500,000; the TIF Board may evaluate whether to reduce this percentage set-aside in any given year. 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. The TIF Board shall also have the discretion to release all or part of district wide set aside funds towards reimbursement of one or more TIF eligible projects.

Sample Illustration

(1) The following is a general example to illustrate the procedure described above **until** the 1525 Turtle Creek at the District Project is fully reimbursed per the pre-existing agreement:

Total Increment	100
Less Administrative Expenses	<u>-10</u>
Subtotal	90
Distribution of Increment for Projects:	
Net Project "Individual Increment"	36
Distribution of Shared Increment:	
Shared Increment Available for Distribution	54
80% of Shared Increment towards pre-existing agreement	<u>-43</u>

Subtotal (Unallocated Increment) 11

Distribution of Unallocated Increment: 11

Remaining 20% of unallocated Increment for District-Wide Improvements

(2) The following is a general example to illustrate the procedure described above **after** the 1525 Turtle Creek at the District Project is fully reimbursed per the pre-existing agreement and with the Catalyst Phase I Project described above being the only TIF eligible project:

Total Increment 100

Less Administrative Expenses -10

Less 20% for District-Wide Improvements 18

Subtotal 72

Catalyst Phase I Project: Individual Increment 20

Subtotal 52

Distribution of Shared Increment:

Net Shared Increment (allocated proportionally). If no other TIF Projects the Catalyst Project will be reimbursed from all available shared increment 52

(3) The following is a general example to illustrate the procedure described above **after** the 1525 Turtle Creek at the District Project is fully reimbursed per the pre-existing agreement and at least two TIF eligible projects:

Total Increment 100

Less Administrative Expenses -10

Less 20% for District-Wide Improvements 18

Subtotal 72

Distribution of Increment for Projects:

Catalyst Phase I Project: Individual Increment 20

Project # 2 Individual Increment 10

Subtotal 42

Distribution of Shared Increment:

Net Shared Increment (allocated proportionally among projects). 42

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) 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 Individual Increment to the sum of the 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 Design District TIF Board may make modifications or corrections to this Policy to increase its effectiveness.