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Eighteen Years Later

By Rick Loessberg

CATCHING UP WITH THE DALLAS IN-TOWN HOUSING PROGRAM

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In 1995, *Economic Development Commentary* (National Council for Urban Economic Development) published an article, "In-Town Housing," that discussed the conditions that must exist in order for such housing to be successful. In addition, the article also contained a brief description of the new in-town housing program that the city of Dallas had recently created, and it noted that although the program had only been in existence for less than two years, its early results had been "promising."

It has now been almost 18 years since this program was first mentioned in *Economic Development Commentary*. Given the amount of resources that cities often commit to such efforts and given that Dallas, which is the nation's ninth largest city, did not previously have much (if any) of an in-town housing tradition, re-visiting this program to see whether it has been successful could be very beneficial to other cities interested in creating similar housing.

Built in 1914 as the first Ford Motor Company factory west of the Mississippi River, this building became a factory for Adam Hats in 1955. Located just east of downtown Dallas, it was converted into housing in 1997.

DALLAS AND ITS DOWNTOWN

In many respects, Dallas is the prototypical post-World War II Sun Belt city. Automobile-dominated, it has been characterized by rapid outward growth and low-density, suburban-style-tract homes. In 1940, even though Dallas was the second-largest city in Texas, it was only the 31st largest city in the United States with a population of 294,734. However, by 1990, the city's population had more than tripled to 1,006,877 and in 2010, its population had reached 1,197,816.

At the same time the city was adding thousands of new residents, it was also adding hundreds of new square miles to its city limits. Whereas the city consisted of only 40 square miles in 1940, it now contains about 340 square miles which makes it geographically larger than Baltimore, Boston, Buffalo, Pittsburgh, San Francisco, and St. Louis *combined*.

Downtown Dallas is completely encircled by freeways and contains about 1.3 square miles, making it about the same size as many other downtowns, including those of Cleveland, Denver, Indianapolis, and Seattle. Not unlike the central business districts of many other cities, Dallas' downtown saw many of its department stores, retailers, white-linen table-cloth restaurants, and movie theaters begin to leave in the late 1960s. However, for much of the next two decades, downtown continued to remain a center of major economic activity employing about 100,000 people, containing a disproportionate amount of the city's tax base, and being the site of substantial real estate construction (during 1972-1985, 21 high-rise office buildings/hotels, each containing at least 25 stories, were built).

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CATCHING UP WITH THE DALLAS IN-TOWN HOUSING PROGRAM

Like many American cities, Dallas has sought to encourage the creation of in-town housing as a means for improving its downtown area. However, prior to this effort, the city did not have much of an in-town housing tradition or a history of directly participating in urban development activities. This article examines the origin of the Dallas in-town housing program, discusses the various incentives that the program has used, describes the housing that has been built, and assesses whether the program has been successful. It also offers some observations that might be helpful to other cities with in-town housing aspirations.

Originally built as a railroad freight warehouse/terminal for the Santa Fe railroad in 1925, this downtown structure was converted into 190 housing units in 1998.

However, although large numbers of people continued to work in downtown, virtually no one lived there. According to the 1990 census, there were only 235 housing units in downtown, and all of these were located in one development that had been built in 1965.

A number of factors had been responsible for this lack of downtown housing. The phenomenal outward growth that the city was experiencing and the ability to buy new and large homes at relatively reasonable prices in these rapidly developing neighborhoods lessened much of the demand for housing in the center of the city. In fact, at the same time that the city's population was growing by over 19 percent during 1970-1990, the population of the one-mile-area surrounding downtown was declining by 38 percent.

Another factor contributing to the lack of downtown housing in Dallas was the city's political philosophy. Although the city had had a long history of corporate involvement in civic affairs, its political philosophy precluded it from intervening in the market or attempting to directly assist a particular type of development. In fact, Dallas was the largest city in the country to have not participated in the federal urban renewal program of the 1950s and 1960s, and as late as 1985, it chose not to create a tax increment finance (TIF) district for a Rouse Company festival marketplace because of concerns about aiding a private developer.

Ironically, downtown's ability to attract substantial office investment also worked against the creation of housing in the area as the new office towers that were being constructed seemingly offered investors a fool-proof method for making money, discouraged lenders and developers from considering other types of downtown projects, and bid-up the price of land to such a level that only office projects could produce the rates of return that investors were now expecting. It also inadvertently created a perception that while other downtowns might have a problem, downtown Dallas did not – city council members referred to their downtown as "Emerald City." With this perception, there was no reason for city hall to change its philosophy and provide the type of assistance that might be needed to either counteract the high costs of building housing in downtown or to prove that a market for in-town housing might actually exist.

THE NEED FOR AN IN-TOWN HOUSING PROGRAM EMERGES

However, by the early 1990s, this situation had changed dramatically as the nation's savings and loan crisis collided with what was now an over-abundant supply of downtown office space. Downtown's office vacancy rate jumped from 23 percent to 35 percent – thus making it higher than Detroit's – and its property values fell by two-thirds to levels not seen since the 1930s.

Landmark structures like the Republic Bank Building and the Mercantile Building, which had at one time been among the city's tallest buildings and which had symbolized the city's emergence as a national financial center, were now completely empty. Others, like the Cokesbury Book Store, were being torn down, not to be replaced with new structures, but with surface parking lots because such uses were financially more advantageous. Major employers began discussing leaving downtown for either the new local suburban campuses that had recently been built or for entirely different metropolitan areas, and there was a concern that even the venerable downtown Neiman Marcus store might also close.

Many neighborhoods that were adjacent to downtown were in even worse condition. The 100-acre State-Thomas area, located slightly northeast of downtown, had once been a working class African-American neighborhood. It, however, had undergone intense land speculation during the 1970s and 1980s with hundreds of homes being demolished (and only a few dozen remaining) in anticipation of the high-rise buildings that never came.

Similarly, the 250-acre Cityplace area, which was located just north of the State-Thomas area, had been acquired by the Southland Corporation during the same period. Southland had intended to build a 42-story of-

The State-Thomas area now contains about 2,300 housing units that did not exist when the city began its in-town housing area.

fice tower as part of a planned mixed-use development on the site and had succeeded in clearing over 70 percent of the site before the company fell into bankruptcy. Like State-Thomas, the Cityplace area also resembled a community that had been swept clean by a tornado.

So seemingly sudden and massive was this change to the downtown area that the Dallas City Council began considering options that previously would have been regarded as heresy. In 1988, the city created its first TIF district so that something constructive might emerge from the remnants of the State-Thomas area. Four years later, the city similarly created a TIF district for the Cityplace area, for the Cedars area to the south of downtown, and for the Gateway area to the west. Yet, downtown-area building vacancies continued to increase, and property values continued to decline.

In late 1992, when it was announced that the Cotton Exchange Building, which once had been the equivalent of the New York Stock Exchange for cotton trading, was going to be demolished for yet another parking lot, Dallas city hall and the downtown business community, at the request of Mayor Steve Bartlett, began exploring what other options could be pursued. What emerged several months later was a proposal for an in-town housing program that the mayor called "one of the most exciting and far-reaching changes we [will] make in the city."

DALLAS' NEW IN-TOWN HOUSING PROGRAM

The Dallas in-town housing program was designed to take advantage of the large inventory of vacant (and often historic) office buildings that existed in downtown and convert them into housing. It was thought that by renovating and converting these older buildings, the city would be able to simultaneously reduce the amount of vacant office space that was depressing the office market, help preserve some of downtown's more historic structures, improve the area's tax base, revitalize retail, create after-hours street life, make downtown more aesthetically pleasing, and attract new residents who typically lived in the suburbs.

The program was designed after city hall and the downtown business community had first examined what other cities like Boston and Chicago had done to encourage downtown-area housing; consulted with the developers of such housing in St. Louis, Charlotte, and Denver; and reviewed the results of a specially-commissioned study that determined that there was sufficient demand in Dallas for 24,000 units of downtown-area housing.

This former downtown furniture factory was converted into housing in 1994.

Recognizing that the city had to "become a development partner with the private sector" and that it had to "be willing to risk its own resources and to use inventive and sometimes costly incentives," in May 1993, the city council unanimously approved an in-town housing program for downtown and the one-mile radius surrounding it. The new program authorized the waiving of the city's various development fees, the use of tax abatements, the provision of gap financing ($25 million in CDBG funds for use as Section 108 loans was allocated for this purpose), and city participation in the funding of on-site infrastructure.

Recognizing that the city had to "become a development partner with the private sector" and that it had to "be willing to risk its own resources and to use inventive and sometimes costly incentives," in May 1993, the city council unanimously approved an in-town housing program for downtown and the one-mile radius surrounding it.

The program also contained a requirement that at least 20 percent of the housing that was produced with its assistance had to be affordable to people earning no more than 80 percent of the area's median household income. The program also had a goal of creating 1,350 housing units in downtown within five years and another 4,000 units in the one-mile area surrounding it.

THE RESULTS

There were the inevitable start-up issues associated with the city's new program: operating procedures had to be developed, HUD took longer than expected to approve the city's Section 108 program, and refining cost estimates for projects involving historic buildings often proved to be problematic. However, while the process was sometimes frustrating, most recognized, as did Cliff Booth, who converted a ten-story freight storage building into 205 units of housing, that there was not "anyone to blame . . . or a culprit. It's just there are significant barriers to doing . . . a project like this." Jack McJunkin, who converted a downtown department store into 127 units, also noted that, "everybody [has] . . . had [to] learn a lot in this process – both the developers and the folks at the city. Dallas is new at urban revitalization, and we have [had] a lot of catching up to do."

Given the steep learning curves that were involved, it is not surprising to discover that the program did not quite reach its original five-year goal of 5,350 units. However, a total of 4,413 units – 82 percent of its goal – was built by the end of 1998. Of these 4,413 units, 180 were built in downtown, and 4,233 were built in the one-mile area surrounding it.

By 1998, there were signs that most of the start-up issues had sufficiently been resolved and that invaluable experience had been gained. Indeed, in the years that followed, production increased dramatically, and as a result, by 2012, there was a total of 19,808 units within the city's in-town housing area with 4,180 being located in downtown.

Year	# New Units in Downtown	# New Units Outside of Downtown	# Total Units Produced
1994-1998	180	4,251	4,431
1999-2003	1,558	5,240	6,798
2004-2008	1,979	5,229	7,208
2009-2012	463	908	1,371
Totals	**4,180**	**15,628**	**19,808**

Not surprisingly, about one-half of the housing that has been produced has been in the areas north of downtown where large tracts of already-cleared land were readily available. Downtown, which had the density and the availability of large vacant buildings that could be converted into housing, has accounted for about one-fourth of the new housing that has been created. In comparison, the areas to the south, east, and west of downtown have enjoyed much less activity. This is probably because land ownership in these areas is much more fragmented, land-uses have often been so incompatible, and there have not been as many buildings available for conversion. In addition, there have been substantially more years of disinvestment and adverse public perception to overcome.

The 19,808 units that have been created in the in-town area have come in a variety of unique types and styles. There are newly-constructed high-rises with observation decks and roof-top swimming pools. There are old factories and warehouses that have been turned into loft apartments with high ceilings and concrete floors, and there are high-rise bank buildings from the 1940s and 1950s that have been converted into modern apartments. There are new mid-rise developments with clock towers, elaborate fountains, and center courtyards, and there are new townhouses with walk-up entrances. In all, the housing that has been produced is unique and has helped create neighborhoods that are unlike any others in Dallas.

Initially, the announced projects that often received the most publicity involved renovating and converting historic buildings in downtown. However, as seen in the chart, while transforming downtown's older buildings into housing has accounted for about 60 percent of the housing in the CBD, 79 percent of the total housing that has been built in the in-town area has involved new construction.

MERCANTILE BUILDING

Before there was the Dallas Cowboys, Texas Instruments, or a widely-popular television show from the 1980s, Dallas was probably better known as being the financial center of the southwest. No building better represented Dallas' role in banking than the 31-story Mercantile National Bank Building which was initially constructed in downtown Dallas in 1943. Home to one of the largest financial institutions in the state, it was, at one time, the tallest building west of the Mississippi River, and it was the only major skyscraper constructed in the U.S. during World War II.

Subsequently expanded on five different occasions, by 1972, the Mercantile complex contained almost one-million-square feet and occupied an entire city block. Unfortunately, the collapse of the real estate market in the mid-1980s led to the demise of both the bank and its downtown complex. The bank was dissolved in 1989, and the complex became completely vacant in 1993. Ironically, the complex's massive size, which had once been a symbol of Dallas' banking influence and power, now prevented it from being renovated, and it only acted to further discourage any new investment in the area.

It was not until 2005 that Dallas Mayor Laura Miller, negotiating with Forest City Enterprise and using a complicated and unique set of incentives, completed an agreement that would finally bring productive life once again to the property. Under the negotiated agreement, Forest City would spend at least $110 million as the property's original tower would be converted into 213 housing units, and the site's other three buildings would be demolished and replaced with a new adjoining 15-story structure with 153 units.

To facilitate this activity, the city agreed to provide $58 million of TIF assistance for demolition, environmental remediation, façade renovation, parking construction, and utilities. This $58 million of TIF assistance was not only eight times larger than any amount previously provided to any other housing project, but the city also agreed to provide this assistance through the issuance of TIF bonds *at the beginning of the project* (which it had never done before). In addition, the city also agreed to abate taxes on the site for a period of 10-15 years, it conveyed several other downtown properties to Forest City, and it agreed to provide another $10 million of TIF assistance so that these conveyed properties could be converted into housing.

Photo courtesy of the City of Dallas.

Dallas' venerable Mercantile Tower along with its new addition, The Element. Collectively, these two structures contain 360 housing units.

Construction began on the Mercantile project in 2006, and it was completed in 2008. Now called "Dallas' icon address for downtown living," its rents (at about $1.41 per square foot) are among the highest in downtown, it has an occupancy rate of 93 percent, and its assessed valuation has increased from about $3.7 million to $36 million.

Moreover, the redevelopment of this property has eliminated the dark shadow that it previously cast on its surrounding buildings. A total of $200 million is now being invested in the renovation or expansion of a number of other buildings located within one block of "the Merc," most of which have been closed and vacant for 10-30 years.

Type of Housing	# Units	% of Total Units	% Located in CBD	% Located Outside of CBD
New Construction/ Mid-rise	12,102	61.1%	33.9%	66.1%
New Construction/ High-rise	2,813	14.2%	2.2%	97.8%
New Construction/ Town House	694	3.5%	6.5%	93.5%
Warehouse/Industrial Conversion	1,406	7.1%	18.0%	82.0%
High-rise Conversion	2,278	11.5%	88.5%	11.5%
Other Conversion	515	2.6%	79.6%	20.4%
Totals	**19,808**	**100%**		

The overwhelming majority of the 19,808 units are rentals; only about 12 percent are for-purchase townhouses or condominium units. There have been no single-family detached structures built.

According to real estate consulting firm CBRE, the average monthly rent in the first quarter of 2012 for housing in downtown was $1.27 per square foot and $1.42 for housing in the area north of downtown; both figures are significantly higher than the average 94¢ per square foot rent for the entire DFW market. Occupancy in downtown was 92.7 percent and 93.3 percent for the area north of it; again, both figures are higher than the 91.8 percent rate for the total DFW market.

Clearly, by many different measures, the in-town area appears to be in much better condition than it was in 1993. However, downtown retail is one area, though, where the results may not be as impressive as perhaps one might have originally anticipated given the number of housing units that now exist.

The value of the 19,808 units that have been built is approximately $2.8 billion and has helped increase the assessed valuation of downtown from about $2.2 billion in 1993 to about $3.7 billion in 2011, that of State-Thomas from $48 million to $485 million and that of the Cityplace area from $45 million to $478 million. It has also helped reduce the downtown office vacancy rate to 28.5 percent.

There is no longer a concern that Neiman Marcus will close its flagship store and leave downtown, and several Fortune 500 companies like AT&T and Comerica have actually moved their corporate headquarters to downtown in the last few years. Street life in the State-Thomas and Cityplace areas now also rivals that of many northeastern cities.

There is also evidence that the downtown area is being successful at attracting and retaining people who might otherwise live in the suburbs. Besides the higher rents that are being paid (which indicates that downtown-area residents have incomes that are much larger than what most Dallas residents possess), a 1996 study of the characteristics of the tenants of about the first 1000 units built in the downtown area determined that the previous address for over one-half of the residents had been in a city other than Dallas. Similarly, information from the 2010 census has disclosed that while only about 7.8 percent of Dallas' population had lived in another city in the previous year, 15 percent of the population in the in-town area had.

Clearly, by many different measures, the in-town area appears to be in much better condition than it was in 1993. However, downtown retail is one area, though, where the results may not be as impressive as perhaps one might have originally anticipated given the number of housing units that now exist. When the city started its in-town housing program, many hoped that this would lead to national retailers like Banana Republic, Gap, and Borders occupying space on Main Street and that downtown would be able to support a grocery store and the other types of stores and services that people use in every-day life. For many, the opening of a downtown grocery store was especially essential, with one developer saying that he would know that downtown housing "had arrived" when it was possible for someone to go downstairs from their apartment and buy ice cream or a carton of milk from a corner store.

While there are certainly a number of noticeable improvements in downtown's retail situation – a Jos. A. Bank has opened as have four 7-Eleven stores, and there is now a much better selection of restaurants and fewer beauty supply stores and wig shops – the grocery store that opened in 2005 struggled and had to be heavily subsidized by the city before it finally closed in 2012, and the other improvements in retail have not been substantial enough to enable people who either work or live in the area to do most of their personal shopping in downtown.

Photo courtesy of Hamilton Properties.

A view of the swimming pool deck for the Dallas Power & Light Building which now consists of 154 housing units in downtown Dallas.

Possible explanations of why more significant retail and street life activity have not occurred include the possibility that downtown's housing projects are not located close enough to one another for a downtown the geographic size of Dallas. Whereas the State-Thomas area, for instance, has all of its many housing developments clustered immediately next to one another (and has much more street life and restaurant activity than downtown), the downtown developments are much more disbursed. At best, there is usually no more than one development immediately adjacent to or across the street from another development. In addition, it has also been suggested that the estimated number of households that was needed to create the type of downtown retail resurgence that was envisioned may have been too low and that the opening of two grocery stores that are located at the first light rail station just north of downtown may have diminished the need to have such stores within the CBD.

ANALYSIS OF PROVIDED ASSISTANCE

Since 1993, the city's in-town housing program has provided 61 housing projects with a total of $252.7 million in direct TIF assistance, tax abatements, and Section 108 funding.

TIF Assistance Provided	Tax Abatement Assistance Provided	Section 108 Assistance Provided	Total Assistance Provided (all types)
$134.5 million	$99.2 million	$19 million	$252.7 million

This assistance has led to the creation of 10,840 housing units (equivalent to 54.7 percent of the total amount of in-town housing units that have been built) with a value of about $960 million. This assistance has been especially valuable to adaptive re-use projects (93 percent of the housing produced through the conversion of an older building has received assistance), projects located in downtown (81 percent of the housing produced in downtown was done with program assistance), and the larger projects that have been undertaken.

PROJECT TYPE	AVERAGE # UNITS
Assisted Projects + Non-Assisted Projects	114
Non-Assisted Projects	86
Assisted Projects	161
• New Construction	187
• Adaptive Re-use	140

Such projects have used this assistance to overcome the additional costs associated with converting older buildings, building in downtown, and providing higher-quality amenities and public improvements that have helped distinguish the in-town area and its housing from other Dallas sub-markets.

Ted Hamilton, who has been involved with producing about 700 of the downtown units, has said that this assistance was "absolutely critical" to his projects because even with the higher-than-average rents that can be charged for in-town housing, the higher costs of producing such housing were still not offset. Robert Shaw, who developed some of the initial housing that was built in State-Thomas, has similarly noted the importance of having such assistance since, as he put it, banks typically don't like to lend money for public improvements since they can't put a lien on a street.

This assistance was also invaluable given that the Dallas in-town housing market was unproven and that local lenders were still recovering from the savings and loan crisis. As a result, it was initially very difficult to obtain traditional financing for in-town housing; in fact, the financing for the first project in State-Thomas came from Japan. The assistance from the in-town program thus helped fill a void and lessened a perceived risk.

Of the three types of financial assistance that the program has provided, tax increment financing has proven to be the most important, accounting for most of the total program assistance that has been provided and facilitating the production of two-thirds of the aforementioned 10,840 units.

Types of Assistance Provided	# Projects	# Units Produced	Total Assistance Provided	Average Amount of Total Assistance per Project
Abatement only	15	3419	$70.1 million	$4.7 million
TIF only	34	5093	$48.1 million	$1.4 million
Abatement + TIF	6	1510	$103.9 million	$6.2 million*
Abatement + TIF + Sec 108	1	156	$9.5 million	$9.5 million
Abatement + Sec 108	5	662	$21.1 million	$4.2 million
Totals/Average	**61**	**10,840**	**$252.7 million**	**$4.2 million**

*(*This figure is actually the statistical median and is being used because the amount of TIF assistance that was provided for one project – $58 million – is almost nine times larger than the next-largest award and significantly distorts the mean figure.)*

This is somewhat interesting given that tax increment financing was not prominently emphasized when the city's in-town housing program was created in 1993. At that time, there were no TIF districts in downtown, and the handful of districts in the area immediately surrounding the CBD had just begun. However, as the State-Thomas and Cityplace districts became operational and the city became more familiar with the needs of in-town housing developers, it became quickly apparent that waiving fees and taxes were not going to be enough and that these would not directly lead to the infrastructure improvements that were needed. It also became apparent that Section 108 financing involved too many rules and took too long.

What emerged as the solution to this dilemma was tax increment financing which offered the city a flexible method of funding the on-site infrastructure that the in-town housing program promised. It allowed the city to

DALLAS IN-TOWN HOUSING TAX INCENTIVES

In Texas, the property tax is the primary funding source for local governments whether they be school districts, counties, cities, or other special purpose districts. Fortunately, the Dallas in-town housing effort has been greatly aided by a decision of most of the area's major taxing entities to provide tax incentives for in-town housing. Typically, these incentives have involved abating at least 90 percent of any increase in value for a period of 10-to-15 years.

Dallas County, which is also responsible for levying taxes for the local hospital district, was the first entity to join the city in its in-town housing effort when, in October 1993, it revised its abatement policy. Shortly thereafter, the Dallas Independent School District began providing abatements for selected in-town housing projects. Collectively, the participation of the city, the two county entities, and the school district represented 95 percent of the total local property tax bill for in-town area property-owners. While the school district was forced to discontinue this practice after several years because of a change in the state school finance law, it did provide incentives during the critical early years of the in-town housing effort and was involved with the creation of almost 2500 housing units.

Although it is usually very difficult to demonstrate how the provision of a property tax incentive influences a Fortune 500 firm's decision of where to locate a new facility, the situation for a housing development is much different. For example, the new Fortune 500 facility is part of a massive industrial empire with many different subsidiaries, cost centers, and revenue streams which affect the corporation's bottom line and make it difficult to show how the annual abatement of $500,000 in taxes for a firm with annual revenues of over $60 billion is important. In contrast, the housing development, for tax and investment purposes, is usually structured as a "stand-alone" limited partnership. As a result, the financial viability and profitability of the housing development is solely dependent upon the property's ability to minimize its expenses and maximize its revenues.

A review of the pro formas that were submitted to the county as part of its incentive application process has shown that operating cost reductions of 10-20 percent were quite common for both new construction projects and adaptive re-use projects when such incentives were provided. Such reductions, in turn, thus increased net operating income and a project's rate of return. These reductions also made the projects more economically viable and were especially important to those projects that did not require or have access to other forms of assistance for infrastructure, gap financing, or environmental remediation.

John Miller, who was involved with several of the first adaptive re-use projects in the area outside of downtown, has noted the importance of these incentives, saying that "there was no way" any of the projects he was involved with could have occurred without them. "The numbers just didn't work enough to get investors interested."

provide assistance for a wide variety of activities and improvements (parking garages, water lines, environmental remediation, landscaping, lighting, historic façade acquisition, etc.) depending upon what was needed, and it allowed the city to do so without having to issue bonds or allocate money from its general fund budget. In fact, in most instances, the city did not actually provide a developer with cash as increment had not yet been generated. Instead, the city entered into a formal agreement with the developer and promised to reimburse the developer for the desired activity when – and only if – increment was generated later in the future; in the event sufficient increment was not generated, then the developer would not be fully repaid.

Recognizing the opportunities that tax increment financing offered, city staff and the downtown business community began working on the creation of a TIF district in downtown's Main Street core in 1995. This district subsequently came into existence in 1996. Three additional districts were created in 1998 and 2005 to encourage development around the city's new sports arena immediately northwest of downtown, to facilitate the building of 1000 residential units in downtown's southeastern corner, and to better connect downtown's historic core with the "Uptown" area to the north. Dallas County chose to participate in three of these four downtown-area districts which helped increase the funding authority for the districts by about 20 percent.

The Meridian was the first new housing built in the State-Thomas neighborhood in over 50 years and became the model for mid-rise apartment construction in the Dallas in-town area.

Although the average TIF project award for all of the in-town area districts has been $3.2 million, the size and the use of the award have actually varied significantly depending upon whether the TIF district is located in downtown or in a largely-cleared, outlying site like State-Thomas. For example, the average State-Thomas TIF award was $1.4 million, and 100 percent of the funding that was provided by this district was for streetscaping, the burial of overhead utilities, drainage, and new infrastructure. In comparison, the average award for the downtown City Center TIF district has been $4.7 million. Reflecting the different conditions and needs associated with downtown and the conversion of older buildings into housing, only 15 percent of the City Center funding has been used for activities similar to those done by State-Thomas. Instead, the vast majority – 70 percent – of the City Center funding has been used for demolition/environmental remediation and the acquisition and improvement of historic facades.

Tax abatements have accounted for about $99 million of the assistance that has been provided and is associated with 4715 units that have been produced. The average ten-year tax abatement has had a value of about $3.8 million. While most of the assisted projects involved the conversion of an historic building, abatements were used in six new construction projects to produce 1841 units.

A total of $19 million in Section 108 funding was provided for six projects (one for new construction, and five for the conversion of older structures) and has helped produce about 800 units. This assistance was primarily used during the in-town program's infancy before TIF assistance was available in downtown. The average Section 108 loan was about $4 million, and Section 108 funding was usually equivalent to about 20-40 percent of a project's total cost. With the subsequent creation of three TIF districts in downtown and the alternative funding source that these districts have provided, the city has since sparingly used its CDBG funding for this purpose.

OBSERVATIONS

For those seeking to encourage in-town housing in their own communities, it is important to understand that what has occurred in Dallas did not happen overnight and that it did not even happen within five years. It has taken almost 20 years, and the effort is still continuing. Cities looking to replicate similar results must be patient and persistent. They cannot be quick to either declare victory and cease their efforts at the first signs of success or quit if initial results are not what they want them to be.

Cities must also be willing to learn and to make adjustments. The staff report that accompanied the recommendation to create the Dallas in-town housing program said that "the public development incentives that are established must continually be refined and modified to respond to ever-changing physical and fiscal considerations." Dallas followed its own advice and shortened review processes, created additional TIF districts, expanded TIF budgets, and created new line-item categories within these budgets to help facilitate the often difficult conversion of older high-rise buildings into housing.

Karl Stundins, who has overseen the city's TIF operations since 1996, says that the city has refined what it does almost every year and is always adapting and trying other things. He also adds that just because a method or a project worked one time, that doesn't mean that it will work the next.

It is also recognized that the method by which Dallas provided its TIF assistance may not be available to other communities. While the Dallas in-town housing market was largely un-proven, Dallas itself was still economically healthy, and there were enough developers who were willing to proceed and who had sufficient resources to wait for the increment to actually be generated.

CONCLUSION

Susan Mead, a Dallas attorney who was instrumental in the development of the city's in-town housing program, says that the downtown-area housing that has been built and the street life that it has created has "finally made Dallas a city instead of a town." That the Dallas in-town housing program has been able to create almost 20,000 units of unique, high-quality housing; stop the disinvestment that was occurring in downtown; and show that even Sun Belt cities with no tradition of in-town housing can support such housing is remarkable. When one considers that much of this housing is now over ten years old and that the value, the popularity, and the occupancy of this housing remains high and is not just the result of being something that is new, it is even more so.