The Fiscal Impacts of DART's Transit-Oriented Development

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Introduction

In late 2005, we prepared a report for the Dallas Area Rapid Transit (DART) in which we estimated the total value of new investment completed, underway or planned near DART LRT stations since 1999. Using only those projects reported to the press, we calculated the total value of the transit-oriented development (TOD) at approximately $3.3 billion.

These new investments have had, or will have, significant impacts on local property taxes as well as local and state sales taxes. In what follows, we present our preliminary assessment of the annual revenue streams associated with TOD adjacent to DART LRT stations.

Local property taxes

Starting with the assumption that at least $3.3 billion has been added to local tax rolls, we can calculate the amount of annual revenue for cities, school districts, and counties. Though part of DART's service area, as well as some of the identified TOD, lies outside of City of Dallas, Dallas County, and the Dallas ISD, we have used the tax rates of those entities to estimate total new property tax revenues.[1]

In assessing property tax revenues we need to adjust total values for exemptions and incentives. For example, owner-occupied residential properties are potentially eligible for homestead, over-65, and other exemptions that reduce the taxable value of the development. In addition, some facilities may have been granted local property tax abatements that could also reduce the effective taxable value. The scope of this analysis does not permit a detailed assessment of these reductions in taxable value; therefore, we have applied a constant 15 percent reduction to allow for differences in total value versus taxable property values, $2.8 billion total taxable value. Applying 2006 property tax rates, we find that $3.3 billion of new valuations associated with TOD is producing (or will produce) $78 million in annual receipts for area cities, counties and school districts (see Table 1). Local ISDs are receiving more than half of these new revenues.

Table 1

Local Property Tax Rates and Revenues
Generated by Transit-Oriented Development

Entity	Total Value	Taxable Value	Tax Rate	Property Tax Revenue
Municipalities	$ 3.3 billion	$ 2.8 billion	0.7292	$ 20,418,000
County Entities*	3.3 billion	$ 2.8 billion	0.553934	$ 15,510,000
School Districts	3.3 billion	$ 2.8 billion	1.50264	$ 42,074,000
Total				***$ 78,002,000***

*Rate includes community college tax, hospital district tax, and school equalization tax in addition to general county tax. Sources: Dallas Central Appraisal District, Authors' estimates.

[1] In reality, tax rates do not vary substantially across DART cities, counties and ISDs.

Sales taxes

Based on a review of all the announced projects close to DART stations, we estimate that retail uses account for about 30 percent of the existing and proposed developments totaling slightly more than 3 million square feet of retail space. Given the wide range of retail uses in TOD projects, from high end boutiques and national chains to local service providers and convenience stores, it is appropriate to assume a conservative estimate for annual retail sales per square foot of space. In this analysis, we assume that each square foot of retail space will generate an average of $220 in retail sales per year. Applying these assumptions results in estimated annual retail sales of about $678 million associated with TOD in the DART service area. However, since some retail sales are non-taxable, we reduce this figure to $650 million in taxable sales per year from new retail developments near DART LRT stations. These sales will generate $40.6 million for the state and $6.5 million in general revenue funds for local municipalities each year when all announced developments are completed.