

FY 2002-2003

**ANNUAL REPORT
REINVESTMENT ZONE NUMBER SEVEN**

**SPORTS ARENA
TAX INCREMENT FINANCING DISTRICT**



CITY OF DALLAS

Department of Development Services
1500 Marilla, 5CS
Dallas, Texas 75201
(214) 670-1685

October 1, 2002 – September 30, 2003

Mission Statement

The mission of Reinvestment Zone Number Seven, the Sports Arena Tax Increment Financing District (Sports Arena TIF District), is to promote the development and redevelopment of the Sports Arena TIF District area. This development and redevelopment would not occur solely through private investment in the reasonably foreseeable future. An accompanying goal is the stabilization and growth of the value of the area's tax base.

Sports Arena TIF District Accomplishments

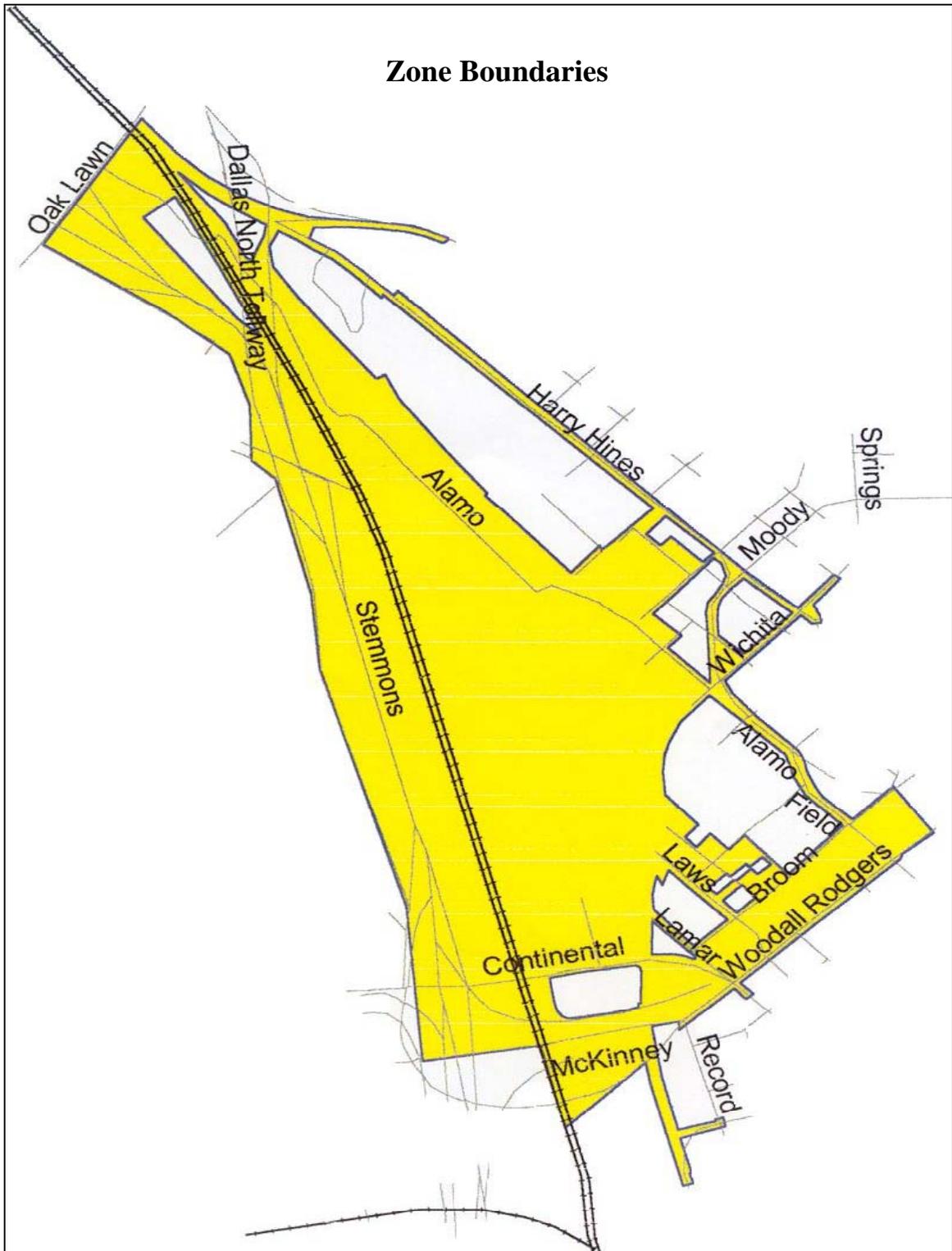
The City Council of the City of Dallas created Reinvestment Zone Number Seven and established the Zone's Board of Directors on October 28, 1998. The Sports Arena TIF District took effect on January 1, 1999. The District's base year (1998) assessed tax value was \$16,423,773.

The City Council of the City of Dallas approved the Final Project Plan and Reinvestment Zone Financing Plan on August 25, 1999, and authorized participation agreements with DISD, Dallas County and the Dallas County Hospital District. The City of Dallas secured TIF participation from DISD, Dallas County, and the Dallas County Hospital District.

The following chart shows developments within the Sports Arena TIF District. Announced projects are subject to changes in scope prior to development.

PROJECT	UNITS or Sq. FT., etc.	APPROXIMATE INVESTMENT	STATUS	YEAR COMPLETED
American Airlines Center	- 815,170 sf (approximately. 19,000 seats)	\$325,000,000 (w/ roads and parking)	Complete	2001
Victory Tower	- 700,000 sf.	\$100,000,000	Announced	2005
Mixed-Use Development:	- 600 residential units - 500,000 sf retail - 400 room hotel - 350,000 sf office space	\$550,000,000	Announced	2005
W Dallas Victory Hotel and Luxury Residences	- 253 hotel rooms - 70 luxury condos -10,000 s.f. of meeting area -26,000 s.f. of retail space	\$110,000,000	Announced	2005

Zone Boundaries



Sports Arena TIF District

(Note – Shaded areas are within the District)

Value and Increment Revenue Summary

The Sports Arena TIF District's 2003 assessed tax value was \$37,994,580. This represents an increase of \$21.6 million over the assessed value of the base year (1998) value, 231.3%, and a \$5.4 million (-12.5%) decrease from the previous year. This decrease will result in the collection of approximately \$360,703 in incremental tax revenue for the Sports Arena TIF District for tax year 2003.

Objectives, Programs and Success indicators

On August 25, 1999, City Council approved the Sports Arena TIF District Project Plan and Reinvestment Zone Financing Plan, previously approved by the Sports Arena TIF District Board of Directors. The Sports Arena TIF District is the most recent TIF District to be created by Dallas. One goal set forth in the Plan is to generate tax increments to reimburse costs of roadway improvements and certain other public improvements necessary in the District or beneficial for the development and redevelopment of the TIF District.

The Sports Arena TIF District is expected to stimulate development and redevelopment that would not otherwise occur solely through private investment in the reasonably foreseeable future in this area of Dallas. Future development is expected to include 500,000 square feet of entertainment/retail space, 600 residential units, a hotel, and 1,050,000 square feet of office space. New plans for office, retail, entertainment and residential developments in the zone continue to be announced.

Year-end Summary of Meetings/ City Council Actions and Highlights of Accomplishments

During the period from October 1, 2002 through September 30, 2003, the Sports Arena TIF District Board of Directors held one meeting on January 7, 2003. According to City Dallas Tax Roll, the Sports Arena TIF District tax value experienced a slight decrease to \$37,994,580, which produces an increment value of \$360,703. During FY 2002-2003, the Sports Arena TIF District Board of Directors collected the 2002 increment of \$430,927.

In July 2003, Starwood Hotels and Resorts announced plans to develop the W Dallas Victory Hotel and Residences project. This project which consist of a 253-room Hotel, 70 luxury condos, and 26,000 s.f. of retail development is expected to open in late 2005.



During FY 2002-2003, the City Council approved one (1) item associated with the Sports Arena TIF District:

- On February 12, 2003, the City Council approved Resolution 03-0619, accepting the FY 2001-2002 Sports Arena TIF District Annual Report on the status of Reinvestment Zone Number Seven. The resolution also authorized the City Manager to submit the annual report to other taxing units that participate in the Zone, as well as to the Attorney General of Texas, and the State Comptroller, as required by state law.

Pending Sports Arena TIF District Items

No items are pending before the Sports Arena TIF District Board of Directors.

In FY 2002-2003, the Sports Arena TIF Board remained consistent with its mission statement, to promote the development and redevelopment of the Zone and the continued enhancement of the value of all taxable real property in the Zone.

Sports Arena TIF District Project Budget and Spending Status

Each TIF District establishes a budget for the public improvement expenditures necessary to support private investment in the district in the Project Plan and Reinvestment Zone Financing Plan. The Sports Arena TIF District budget and spending to date is shown below:

Sports Arena TIF District Project Plan Budget

ACTIVITY	BUDGET AMOUNT	ALLOCATED TO DATE
Orange Roadways	\$22,988,088	\$20,988,088
Woodall Rodgers Plaza	\$2,000,000	\$2,000,000
Administration	\$750,000	\$171,517
Development Total	\$25,738,088	\$23,159,605

Sports Arena TIF District Construction Contracts and Minority Participation

Project	Contractor	Contract Awarded	% Minority Participation
Woodall Rodgers Plaza	EDAW	\$268,628	37.70%
Woodall Rodgers Plaza	Cork Marcheschi	\$315,000	0.00%
Orange Roadways + 4 change orders (including Woodall Rodgers Plaza)	Ed Bell Construction Company, Inc.	\$17,154,799	22.19%

FY 2003-2004 Work Program

The Sports Arena TIF District Board of Directors will continue to work towards recommending City Council approval of the development agreement and reimbursement for developer advances for design and construction of the Orange Roadways Phase II (Continental Bridge), as set forth in the Sports Arena TIF District Project Plan and Reinvestment Zone Financing Plan.

Sports Arena TIF District Board of Directors Recommendations

The Sports Arena TIF District Board recommends that the completion of public infrastructure improvements and the development of properties continue during calendar year 2004 in accordance with the Sports Arena TIF District Project Plan and Reinvestment Zone Financing Plan.

Financial Status of the Zone

City of Dallas, Texas
 Sports Arena Tax Increment Financing District
 Reinvestment Zone Number Seven
 As of September 30, 2003

Section 311.016 of the Tax Increment Financing Act requires the following information as part of the annual report on the status of the TIF District.
 Information is contained in detail on the attached financial statements.

1. **Amount and source of revenue in the tax increment fund established for the Zone:**

\$49,892	Interest Income
\$430,927	Ad Valorem Taxes (Collected in FY'2002-03 based on 2002 Certified Tax Roll)
<u>\$0</u>	Developer Participation
<u>\$480,819</u>	Total Revenue

2. **Amount and purpose of expenditures from the fund:**

\$45,025	Administrative Expense
\$1,975,578	Interest Expense
<u>\$5,789,922</u>	Project Costs *
<u>\$7,810,525</u>	Total Expenditures

* Project costs incurred during FY'2002-03 primarily represent the land acquisition and related costs for the "Houston Street Extension" project.

3. **Amount of Principal and Interest due on outstanding indebtedness is as follows:**

<u>Developer</u>	<u>Project</u>	<u>Advance Principal</u>	<u>Accrued Interest</u>	<u>Total (P & I) Outstanding</u>
Center Oper	Houston Street Extensio	\$19,016,053	\$4,367,259	\$23,383,312
Center Oper	Woodall Rodgers Plaza	<u>\$2,000,000</u>	<u>\$272,041</u>	<u>\$2,272,041</u>
	Total	\$21,016,053	\$4,639,300	\$25,655,353
	Less: payments	<u>\$252,929</u>	<u>\$1,822,718</u>	<u>\$2,075,647</u>
	Net Balance Outstanding	<u>\$20,763,124</u>	<u>\$2,816,582</u>	<u>\$23,579,706</u>

4. **Tax increment base and current captured appraised value retained by the zone:**

	<u>Net Taxable Value 2003</u>	<u>Base Year 1998 Value</u>	<u>Estimated App. Value 2003 **</u>
City of Dallas	\$37,994,580	\$16,423,773	\$21,570,807
Dallas Independent School District	\$37,994,580	\$16,423,773	\$21,570,807
Dallas County	\$37,994,580	\$16,423,773	\$21,570,807
Dallas County Hospital District	\$37,994,580	\$16,423,773	\$21,570,807
Dallas County Community College Di	\$37,994,580	\$16,423,773	\$21,570,807

** Based on preliminary Net Taxable Value. Final values will be determined on February 01, 2004.

5. **Captured appraised value by the municipality and other taxing units, the total amount of the tax increment received, and any additional information necessary to demonstrate compliance with the tax increment financing plan adopted by the governing body of the municipality:**

A. **Captured appraised value shared by the municipality and other participating taxing jurisdictions:**

<u>Taxing Jurisdiction</u>	<u>Amount of Participation Estimated 2003</u>	
	<u>Per \$100</u>	<u>Increment</u>
City of Dallas	0.69980	\$150,953
Dallas Independent School District	0.81975	\$176,827
Dallas County	0.06797	\$14,661
Dallas County Hospital District	0.08467	\$18,263
Dallas County Community College District	<u>0.00000</u>	<u>\$0</u>
Total for all Jurisdictions	<u>\$1.67218</u>	<u>\$360,703</u>

B. The total amount of tax increment billed for the 2003 tax year is shown above. For the 2002 tax year, increment in the amount of \$430,927 was received.

City of Dallas, Texas
Sports Arena Area Tax Increment Financing District Fund
Cash Flow Statement for the Period Ended September 30, 2003
With Comparative Totals for September 30, 2002, 2001, 2000, 1999, and 1998
(Unaudited)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Operating income (loss)	(\$7,379,598.40)	(\$6,274,601.39)	(\$5,877,880.22)	(\$4,774,867.95)	(\$11,696.44)	\$0.00
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Changes in assets and liabilities:						
(Increase) decrease in interest receivable	\$1,151.54	\$100,920.72	\$43,847.42	(\$145,994.67)	\$0.00	\$0.00
(Increase) decrease in ad valorem taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Increase (decrease) in accounts payable	\$0.00	(\$1,402,472.16)	\$1,168,344.16	\$234,128.00	\$0.00	\$0.00
Increase (decrease) in advances from developers	\$4,540,133.82	\$0.00	\$2,000,000.00	\$14,222,989.83	\$0.00	\$0.00
Increase (decrease) in accrued interest	\$1,598,410.47	\$183,829.14	\$655,062.71	\$379,279.73	\$0.00	\$0.00
Increase (decrease) in deferred tax revenue	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Increase (decrease) in other liabilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total adjustments	\$6,139,695.83	(\$1,117,722.30)	\$3,867,254.29	\$14,690,402.89	\$0.00	\$0.00
Net cash provided by operating activities	(\$1,239,902.57)	(\$7,392,323.69)	(\$2,010,625.93)	\$9,915,534.94	(\$11,696.44)	\$0.00
Cash flows from investing activities:						
Interest on investment activities	\$33,035.70	\$261,065.91	\$472,227.16	\$249,995.60	\$0.00	\$0.00
Net increase(decrease) in fair value of investments	\$10,151.23	(\$214,969.63)	\$240,438.16	\$22,106.13	\$0.00	\$0.00
Net cash provided by investing activities	\$43,186.93	\$46,096.28	\$712,665.32	\$272,101.73	\$0.00	\$0.00
Net increase (decrease) in pooled cash and cash equivalents	(\$1,196,715.64)	(\$7,346,227.41)	(\$1,297,960.61)	\$10,187,636.67	(\$11,696.44)	\$0.00
Pooled cash and cash equivalents at beginning of year	\$1,531,752.21	\$8,877,979.62	\$10,175,940.23	(\$11,696.44)	\$0.00	\$0.00
Pooled cash and cash equivalents at end of year	\$335,036.57	\$1,531,752.21	\$8,877,979.62	\$10,175,940.23	(\$11,696.44)	\$0.00

City of Dallas, Texas
 Sports Arena Tax Increment Financing District Fund
 Balance Sheet as of September 30, 2003
 With Comparative Totals for September 30, 2002, 2001, 2000, 1999, and 1998
 (Unaudited)

	2003	2002	2001	2000	3/31/2000 2000	1999	1998
Assets:							
Pooled cash and cash equivalents	\$335,036.57	\$1,531,752.21	\$8,877,979.62	\$10,175,940.23	(\$18,994.07)	(\$11,696.44)	\$0.00
Interest receivable	\$74.99	\$1,226.53	\$102,147.25	\$145,994.67	\$0.00	\$0.00	\$0.00
Ad valorem tax receivable	\$0.00	\$0.00	\$0.00	\$0.00	\$310,283.00	\$0.00	\$0.00
Total assets	\$335,111.56	\$1,532,978.74	\$8,980,126.87	\$10,321,934.90	\$291,288.93	(\$11,696.44)	\$0.00
Liabilities and Fund Balance (Deficit):							
Liabilities:							
Accounts payable	\$0.00	\$0.00	\$1,402,472.16	\$234,128.00	\$0.00	\$0.00	\$0.00
Advances from developers	\$20,763,123.65	\$16,222,989.83	\$16,222,989.83	\$14,222,989.83	\$0.00	\$0.00	\$0.00
Accrued interest	\$2,816,582.05	\$1,218,171.58	\$1,034,342.44	\$379,279.73	\$0.00	\$0.00	\$0.00
Deferred tax revenue	\$0.00	\$0.00	\$0.00	\$0.00	\$310,283.00	\$0.00	\$0.00
Other liabilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total liabilities	\$23,579,705.70	\$17,441,161.41	\$18,659,804.43	\$14,836,397.56	\$310,283.00	\$0.00	\$0.00
Fund Balance (Deficit):							
Fund Balance (Deficit)	(\$23,244,594.14)	(\$15,908,182.67)	(\$9,679,677.56)	(\$4,514,462.66)	(\$18,994.07)	(\$11,696.44)	\$0.00
Total Liabilities and Fund Equity	\$335,111.56	\$1,532,978.74	\$8,980,126.87	\$10,321,934.90	\$291,288.93	(\$11,696.44)	\$0.00

Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
 For the Period Ended September 30, 2003
 With Comparative Totals for September 30, 2002, 2001, 2000, 1999, and 1998
 (Unaudited)

	ITD	2003	2002	2001	2000	3/31/2000 2000	1999	1998
Revenues:								
Tax increment	\$1,292,716.50	\$430,927.00	\$529,258.00	\$257,165.50	\$75,366.00	\$0.00	\$0.00	\$0.00
Interest income	\$1,016,324.37	\$33,035.70	\$261,065.91	\$472,227.16	\$249,995.60	\$0.00	\$0.00	\$0.00
Developer Participation	\$1,169,939.00	\$0.00	\$0.00	\$0.00	\$1,169,939.00	\$0.00	\$0.00	\$0.00
Net increase (decrease) in fair value of investments	\$64,430.40	\$16,856.73	(\$214,969.62)	\$240,437.16	\$22,106.13	\$0.00	\$0.00	\$0.00
Total revenues	\$3,543,410.27	\$480,819.43	\$575,354.29	\$969,829.82	\$1,517,406.73	\$0.00	\$0.00	\$0.00
Expenditures:								
Administrative expenses	\$171,516.88	\$45,025.13	\$76,614.34	\$22,457.41	\$15,723.56	\$7,297.63	\$11,696.44	\$0.00
Interest expenses	\$4,635,540.54	\$1,975,577.97	\$1,353,087.13	\$927,595.71	\$379,279.73	\$0.00	\$0.00	\$0.00
Project costs	\$21,974,242.48	\$5,789,922.30	\$5,374,157.92	\$5,184,992.60	\$5,625,169.66	\$0.00	\$0.00	\$0.00
Total expenditures	\$26,781,299.90	\$7,810,525.40	\$6,803,859.39	\$6,135,045.72	\$6,020,172.95	\$7,297.63	\$11,696.44	\$0.00
Excess (Deficiency) of Revenues over Expenditures	(\$23,237,889.63)	(\$7,329,705.97)	(\$6,228,505.10)	(\$5,165,215.90)	(\$4,502,766.22)	(\$7,297.63)	(\$11,696.44)	\$0.00
Fund balance (Deficit) at beginning of year as previously reported	\$0.00	(\$15,908,182.67)	(\$9,679,677.56)	(\$4,514,462.66)	(\$11,696.44)	(\$11,696.44)	\$0.00	\$0.00
Prior period restatement	(\$6,704.51)	(\$6,705.50)	(\$0.01)	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00
Fund balance (Deficit) at beginning of year, as restated	(\$6,704.51)	(\$15,914,888.17)	(\$9,679,677.57)	(\$4,514,461.66)	(\$11,696.44)	(\$11,696.44)	\$0.00	\$0.00
Fund balance (deficit) at end of year	(\$23,244,594.14)	(\$23,244,594.14)	(\$15,908,182.67)	(\$9,679,677.56)	(\$4,514,462.66)	(\$18,994.07)	(\$11,696.44)	\$0.00

City of Dallas, Texas
Sports Arena Tax Increment Financing District
Notes to Financial Statements for the Year Ended September 30, 2003
with Comparative Statements for September 30, 2002, 2001 thru 1999
(Unaudited)

1. The measurement focus used for the TIF Zone fund is a flow of financial resources. The financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, tax increment revenues and interest are recognized as revenue when they become both "measurable" and "available" to finance expenditures of the current period. Expenditures are recognized when the liability is incurred. For purposes of the "Statement of Cash Flow," the operating loss represents tax increment revenues less total expenditures.
2. State statute requires that each taxing jurisdiction remit its ad valorem taxes to the Zone by May 1 of each year (remittance to occur no more than 90 days after taxes for the jurisdiction become delinquent).
3. The Zone's cash balances are invested in the City's investment pool and earn pro rata interest. The City invests in U.S. Treasury and Agency securities with maturities which are less than five years and money market mutual funds rated Aaa or AAAm. The weighted average maturity of the portfolio is less than 365 days.
4. The Zone's Financial Plan permits expenditures not to exceed \$30,000 per year to reimburse the City for administrative costs. These costs were increased to \$50,000 for fiscal year 2003. The City began billing the Zone for administrative costs in FY 1999. Any future remittance for administrative expenses would come from excess cash as tax increment revenue increases as a result of increased assessed values.
5. The Zone has received following advances from developers, which bear interest from the date of advance, to fund improvements that are being made by the Department of Public Works and Transportation:

\$19,016,053 representing various cash advances, and advances representing land acquisition and related costs incurred by the developer, for the Houston Street Extension project with various dates of advances bear interest at 6.00% compounded semi-annually; and

\$2,000,000 comprising of two advances of \$830,000 and \$1,170,000 for the Woodall Rodgers Public Art project as of December 07, 2000 and September 20, 2001 respectively both bearing interest at 5.48% compounded semi-annually.
6. The Zone has to date reimbursed with TIF funds an amount of \$2,075,647 including principal amount of \$252,929 and accrued interest of \$1,822,718 for the Houston Street Extension project advances, mentioned in note 5.

7. All expenditures for capital improvements including accounts payable of \$1,402,472 as of 9/30/01 have been expensed as project costs as incurred. All project costs resulting in capital improvements, which are owned by the City, are capitalized in the General Fund Assets Account Group of the City of Dallas.

Accounts Payable balance of \$234,128 as of 9/30/00 is the amount of excess increment collection for tax year 1999 from participating taxing jurisdictions as a result of the revised assessment values as of February 2000. This amount was refunded during fiscal year 2001.