



City of Dallas

Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan Update and Project Financing Zone

**Economic Development Committee
October 4, 2021**

Rosa Fleming - Director, Convention and Event Services
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Joey Zapata - Assistant City Manager
Dr. Eric A. Johnson - Chief of Economic Development
& Neighborhood Services



Purpose

Convention and Event Services (CES) is requesting the Economic Development Committee's recommendation to seek full City Council approval of an ordinance allowing the establishment of a **Project Financing Zone** (PFZ) as one of the financing streams for the Kay Bailey Hutchison Convention Center (KBHCCD) Master Plan.





Agenda

1. Project Overview
 - *The What: Project Purpose and Need*
2. Purpose of the Plan
 - *The Why: The Problem*
3. Convention Center Alternatives to Date
 - *The Process: How We Got To The Alternatives*
4. Financing Structure
 - *Project Financing Zone and Proposed Financing Structure*
5. Summary and Next Steps



The What: Project Vision



Produce a master plan that transforms the KBHCCD into the #1 Convention Center and convention center urban district in the United States that:

- meets current and future market demands efficiently, adaptably and flexibly
- generates an unparalleled experience for customers, visitors, exhibitors and City residents that leads to economic prosperity and return on Citizen's investments
- integrates the surrounding communities through a series of multi-modal and barrier-free connective links, and
- promotes accessibility, energy, excitement and equity both locally and regionally.



The What: Four Integrated Plans



KBHCCD Master Plan

- Modernized Facility and Upgraded Service

Multimodal Station Feasibility and Transportation Study

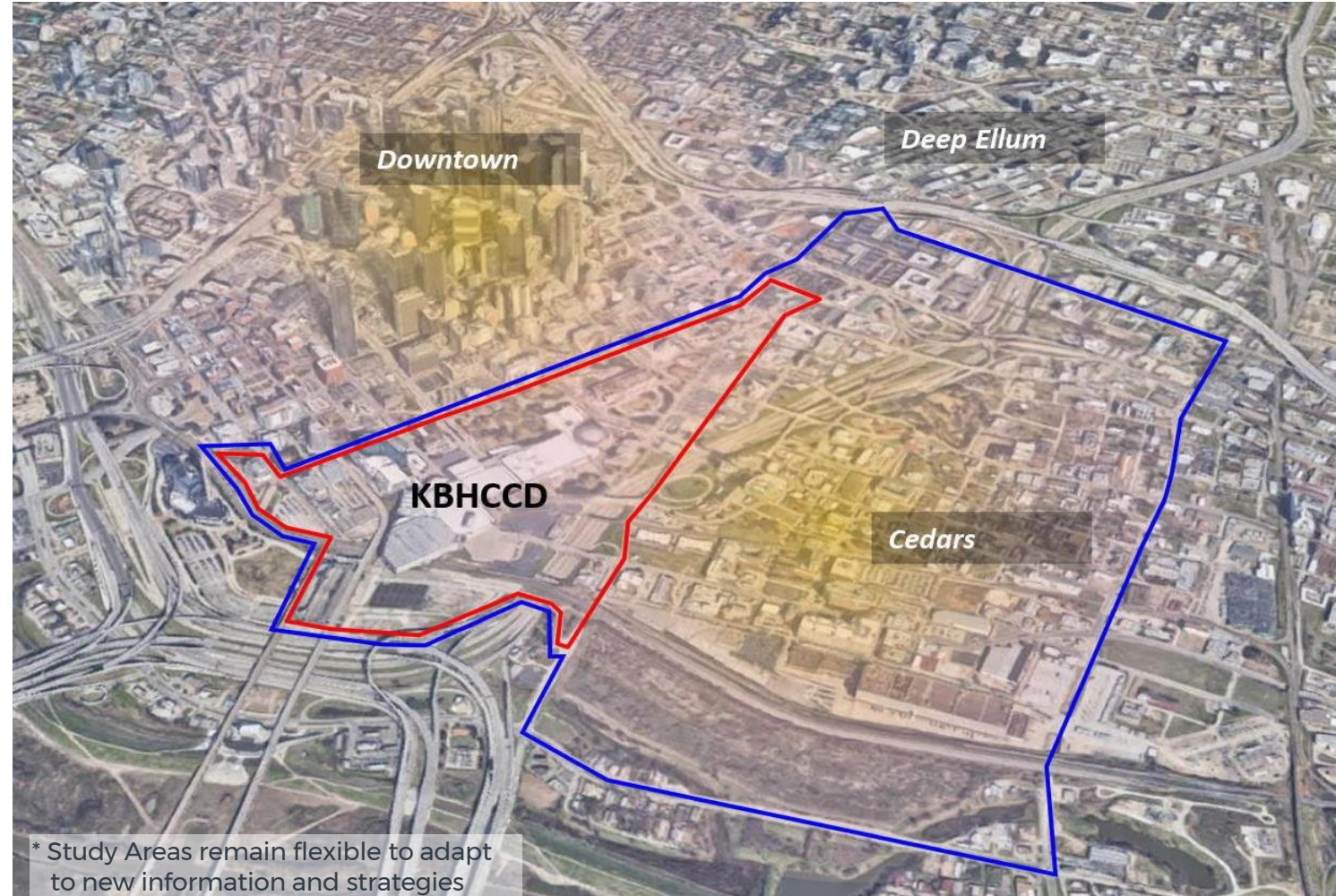
- Bring Transit Assets together

Area Master Plan

- Connect to Urban Realm and Create a destination

Financial Feasibility and Implementation

- Capture value to fund implementation



The What: Project Delivery and Governance



Project delivery and long-term operations should allocate risk and responsibility between the public and private sectors to capitalize on private sector efficiency, new public tools, and ensure City goals for an exemplary and equitable Convention Center and District are achieved.

- **Various governance options exist, separately or in combination**, for delivering and operating the Convention Center, development district, and multi-modal transportation investments
- The approved **Economic Development Corporation should have a lead role in delivering or managing major components** of the capital projects and real estate development and asset management
- There are likely to be **opportunities for public-private partnerships for a portion of the work that would shift risk and take advantage of market efficiencies**, in particular for the surrounding district's commercial development and public realm, and potentially for the multi-modal hub



Why are we in the Convention business?



Convention Centers are a city's living room for guests and locals, allowing the community to host major and multiple events, from business trade shows, to conventions, association conferences, and consumer shows, to sports events and fanfests. Despite the KBHCCD impact, there is significant latent demand for Dallas to lead to new opportunities.

The **KBHCCD annually:**

Hosts more than **800,000 attendees**, mostly patrons from outside of Dallas

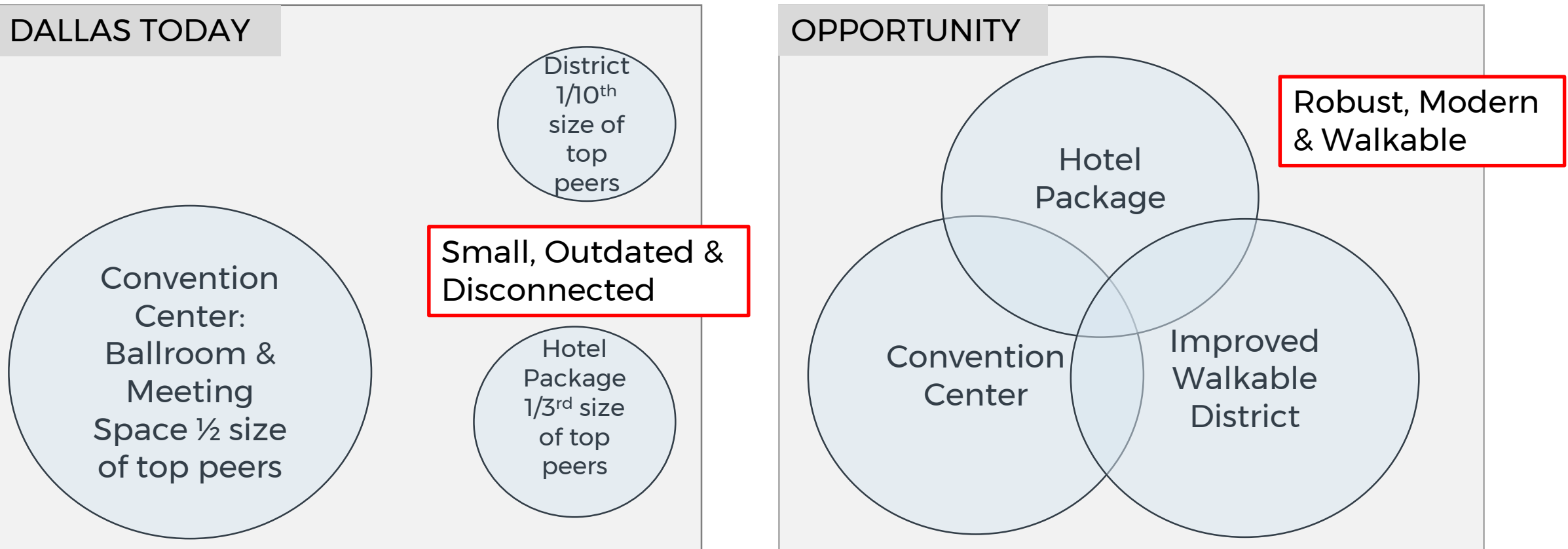
- Generates more than **330,000 hotel room nights**
- Induces almost **\$300 million in direct new spending to Dallas**, plus spinoff spending
- **Supports 5,000+ long-term jobs** in hotels, restaurants, bars and retailers, ride share/taxi drivers and others associated with both DFW airport, Love Field and many other support businesses
- Introduces hundreds of thousands of visitors to Dallas and downtown who spend time and dollars in the City



The Why: Market Expectations have Shifted for the KBHCCD



Event planners demand more from convention centers, districts around them and the walkable hotel package. There are 20+ cities in North America offering more compelling versions of these elements. KBHCCD is **disconnected** from downtown and Cedars, outdated, and has **little ballroom/meeting room space**, and has **1/3 of the walkable hotel rooms** that it should.



The Why: Competitive Cities Are Moving Ahead



Many of the competitive cities are currently expanding (or have recently expanded) their convention centers and packages, including:

- Las Vegas Convention Center, Las Vegas NV
- Washington State Convention Center, Seattle WA
- Javits Center, New York NY
- Colorado Convention Center, Denver CO
- Indiana Convention Center, Indianapolis IN
- Henry B Gonzales Convention Center, San Antonio TX
- Kentucky International Convention Center, Louisville KY
- Expansions in the works include Austin, Orlando, Fort Worth, Cincinnati and others

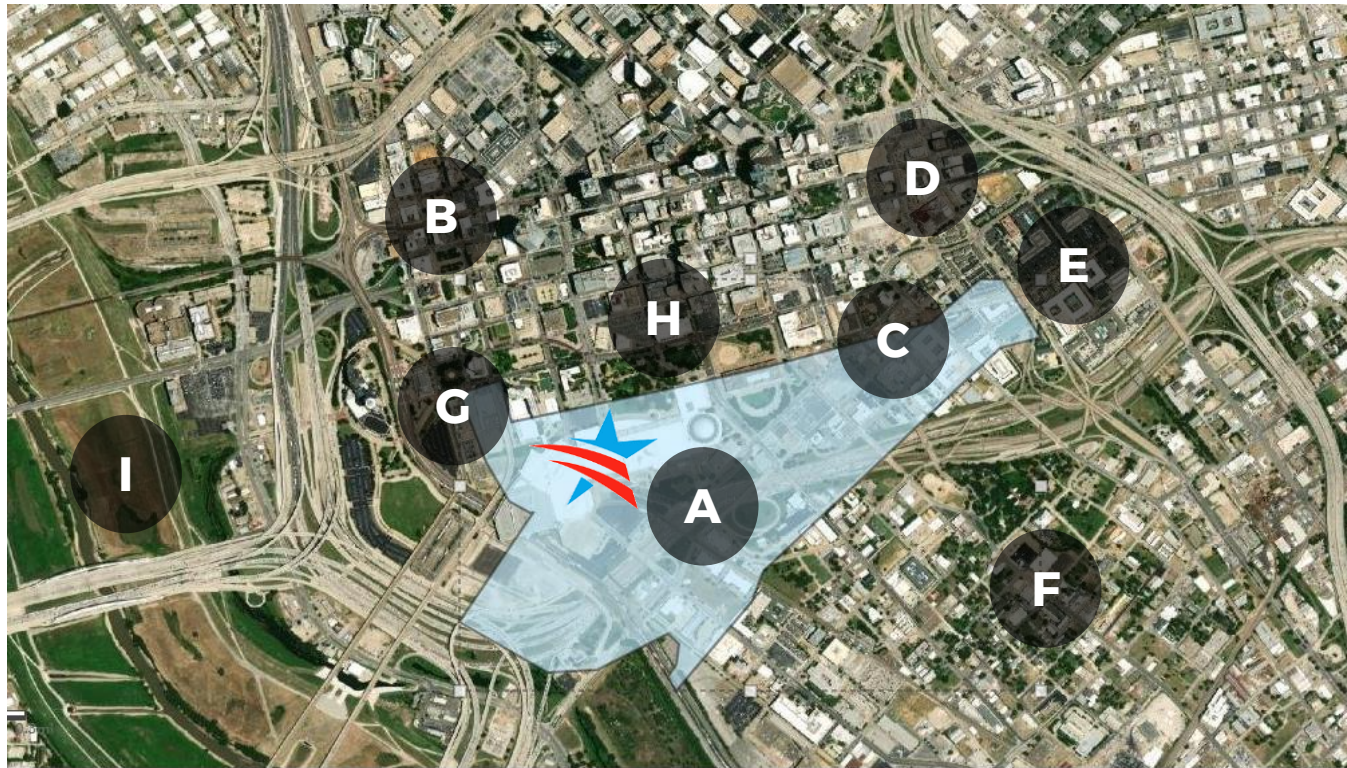


The Why: Build on Downtown's Momentum



Downtown Dallas continues to emerge as a destination to live, work, play, and visit. A repositioned Convention Center will set the stage for a vibrant new district and can leverage the excitement and energy generated by this renaissance.

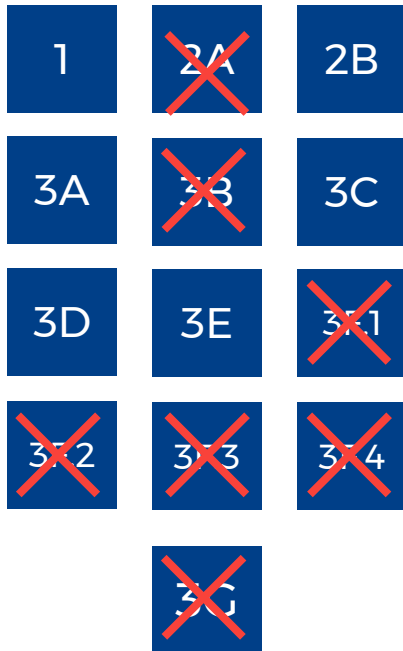
Recent/Planned Major Developments



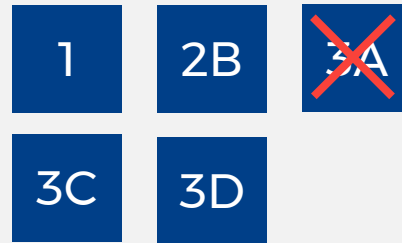
- A. I-30 Deck Park (proposed)
- B. D2 Subway
- C. Newpark Dallas
- D. East Quarter Growth
- E. Farmers Market Growth
- F. Cedars Growth
- G. Dallas Morning News Site
- H. AT&T Discovery District Opening
- I. Harold Simmons Park



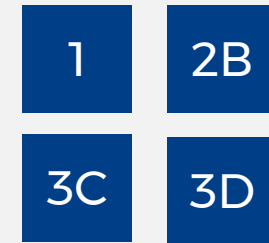
Convention Center: Screening the Alternatives



Phase 1 Screen based on feedback and fatal flaws



Phase 2 Screen based on meeting goals and objectives



Develop and analyze a full range of alternatives (over 13)






Advance the most promising alternatives for a more rigorous analysis (five alternatives)

Identify and advance the most promising alternatives for City Council review



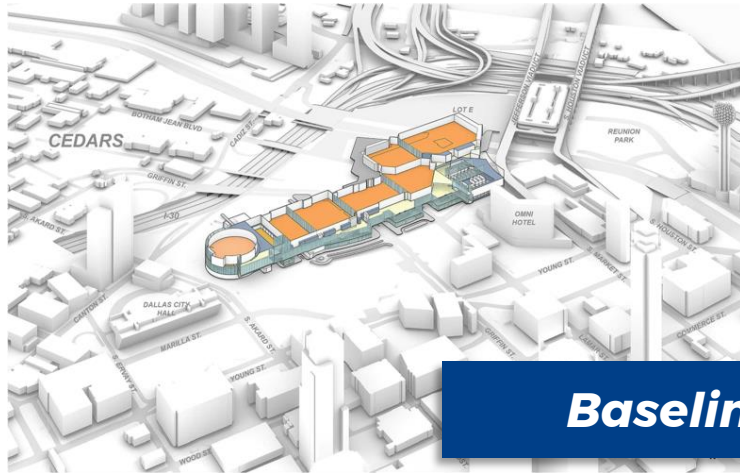
Convention Center: Baseline + Three Alternatives Identified



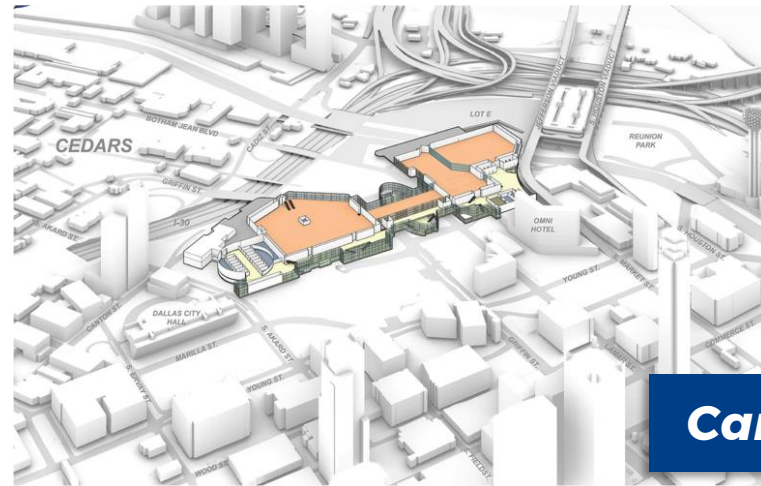
Big D	1 Baseline (Patch and Repair) 				
Bigger D	2A Campus 	2B Hybrid/Revised Campus 			
Biggest D	3A Flat East of Lamar 	3B Stacked 	3C Flat West of Lamar 	3D Flat Underground 	3E Flat East of Griffin 
	3F.1 Lot E + Hall F reuse 	3F.2 Lot E 	3F.3 Lot E Future Expansion Exhibit Halls on Level 2 	3F.4 Lot E Future Expansion Exhibit Halls on Level 0 	3G Former Reunion Arena Site (no graphic developed) 



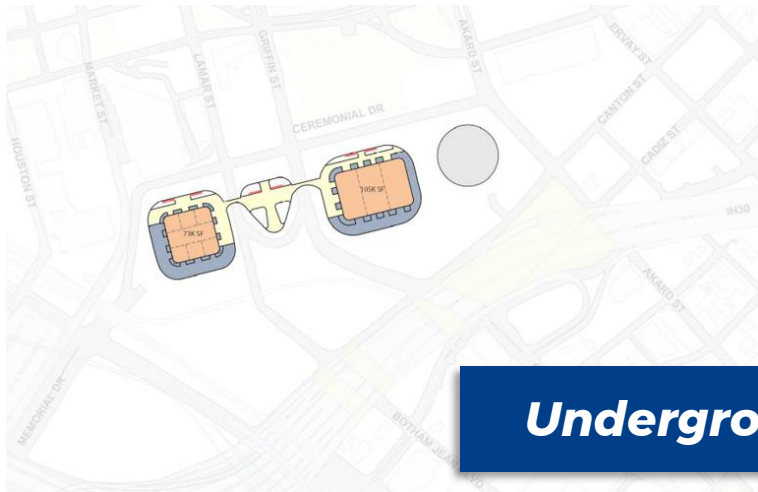
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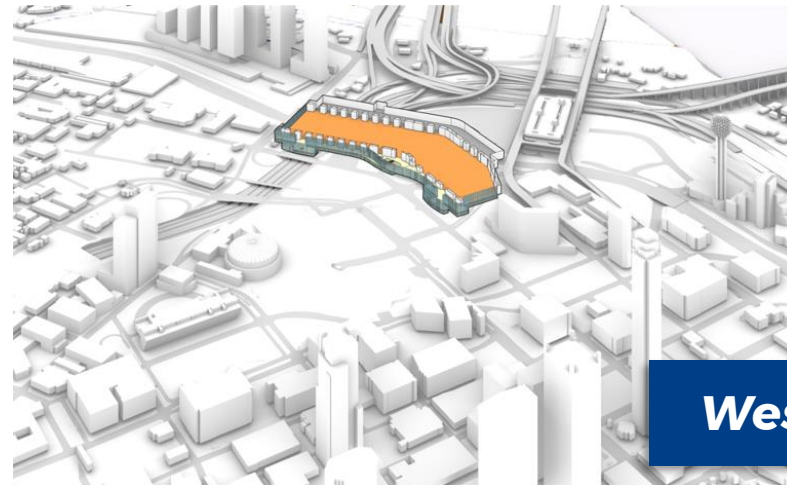
Baseline



Campus Hybrid



Underground



West of Lamar



Summary: Rating of Options



Substantially meets the goal



Partially meets the goal



Substantially does not meet the goal



Goals/Objectives	Baseline	Campus/Hybrid	West of Lamar	Underground
Meets CC Program Needs				
Improves District				
Connects to Downtown				
Connects to Cedars				
Development Potential				
Economic Impact				
Construction Phasing				
Overall Ranking:				





Project financing model established on September 13, 2013, through Senate Bill 748 as part of the 83rd Texas Legislature

Amends the Texas Tax Code (“Code”) to add Section 351.1015 which authorizes the City of Dallas and the City of Fort Worth to designate certain areas within their jurisdictions as areas eligible to receive the state’s portion of certain revenues

- Code defines those revenues as “incremental hotel-associated revenue” (Hotel Occupancy Tax (HOT), state sales tax and mixed beverage tax revenues collected from hotels)
- Revenues can be used to help finance the acquisition, lease, construction, improvement, enlargement and equipment of qualified projects within the zone
- City Council, based on staff recommendations, can adopt an ordinance designating a PFZ and provide the adopted ordinance to the Texas State Comptroller
- Upon notification of the adoption of the ordinance, the Comptroller is required to deposit incremental hotel-associated revenue into a separate suspense account to be held in trust for the municipality creating the zone
- Increment can be provided to the municipality for up to 30 years
- Municipality has five years to begin the project, or the increment is recaptured by the state



Financing Strategy: Proposed Funding Sources



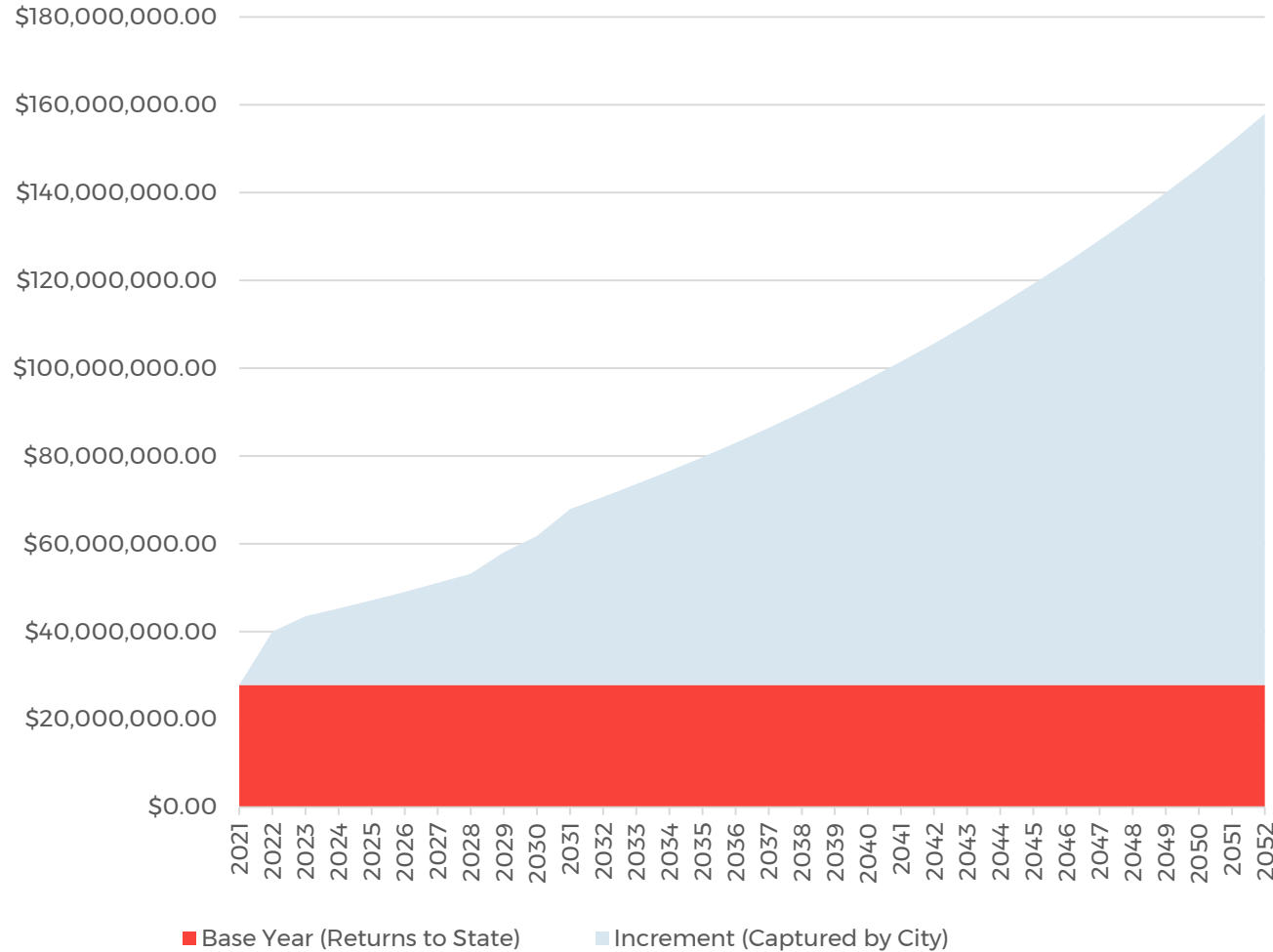
Funding Sources	Range of Revenue Sources	Note
Debt Restructuring	\$250 - \$500 M	CES working with Bond Counsel
Project Financing Zone (PFZ)	Approx. \$2.2 B	State Funds Redirected to City of Dallas
2% Hotel Occupancy Tax Increase	Approx. \$1.5 B	New visitor fee
Monetization of Public RE (CC Sites)	\$100 - \$240 M	Leverages existing under-utilized assets
Total Proposed Funding Sources	\$4.0 B - \$4.4 B	



Dallas Project Financing Zone Projections



PFZ Annual Increment



	Base Year (Returns to State)	Increment (Captured by City)
2021	\$28,000,000	\$0
2022	\$28,000,000	\$12,000,000
2023	\$28,000,000	\$16,000,000
2024	\$28,000,000	\$17,000,000
2025	\$28,000,000	\$19,000,000
2026	\$28,000,000	\$21,000,000
2027	\$28,000,000	\$23,000,000
2028	\$28,000,000	\$25,000,000
2029	\$28,000,000	\$30,000,000
2030	\$28,000,000	\$34,000,000
2031	\$28,000,000	\$40,000,000
2032	\$28,000,000	\$43,000,000
2033	\$28,000,000	\$46,000,000
2034	\$28,000,000	\$49,000,000
2035	\$28,000,000	\$52,000,000
2036	\$28,000,000	\$55,000,000
2037	\$28,000,000	\$59,000,000
2038	\$28,000,000	\$62,000,000
2039	\$28,000,000	\$66,000,000
2040	\$28,000,000	\$70,000,000
2041	\$28,000,000	\$74,000,000
2042	\$28,000,000	\$78,000,000
2043	\$28,000,000	\$82,000,000
2044	\$28,000,000	\$87,000,000
2045	\$28,000,000	\$91,000,000
2046	\$28,000,000	\$96,000,000
2047	\$28,000,000	\$101,000,000
2048	\$28,000,000	\$107,000,000
2049	\$28,000,000	\$112,000,000
2050	\$28,000,000	\$118,000,000
2051	\$28,000,000	\$124,000,000
2052	\$28,000,000	\$130,000,000



Financing Structure: Project Financing Zone (cont.)



Benefits

Redirects tax revenues from the State of Texas to the City of Dallas.

Does not create new taxes or fees, even on users/visitors.

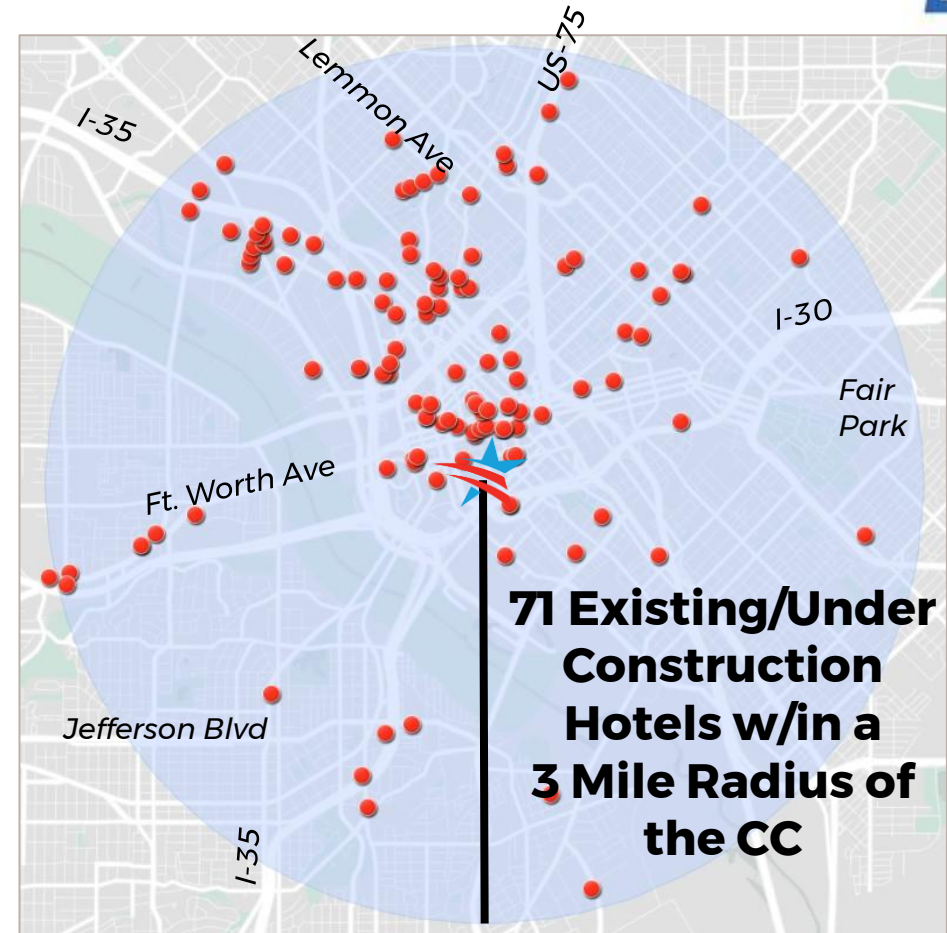
From within a **designated 3-mile zone**, **incremental hotel-associated state tax revenue** (Hotel occupancy, mixed-beverage, and sales tax) above the established base-year amount is returned to CES for **up to 30 years** for a Convention Center project.

Enabled by local government code Chapter 351, must be initiated by City Council and approved by State Comptroller.

Value

~ \$2.2 B

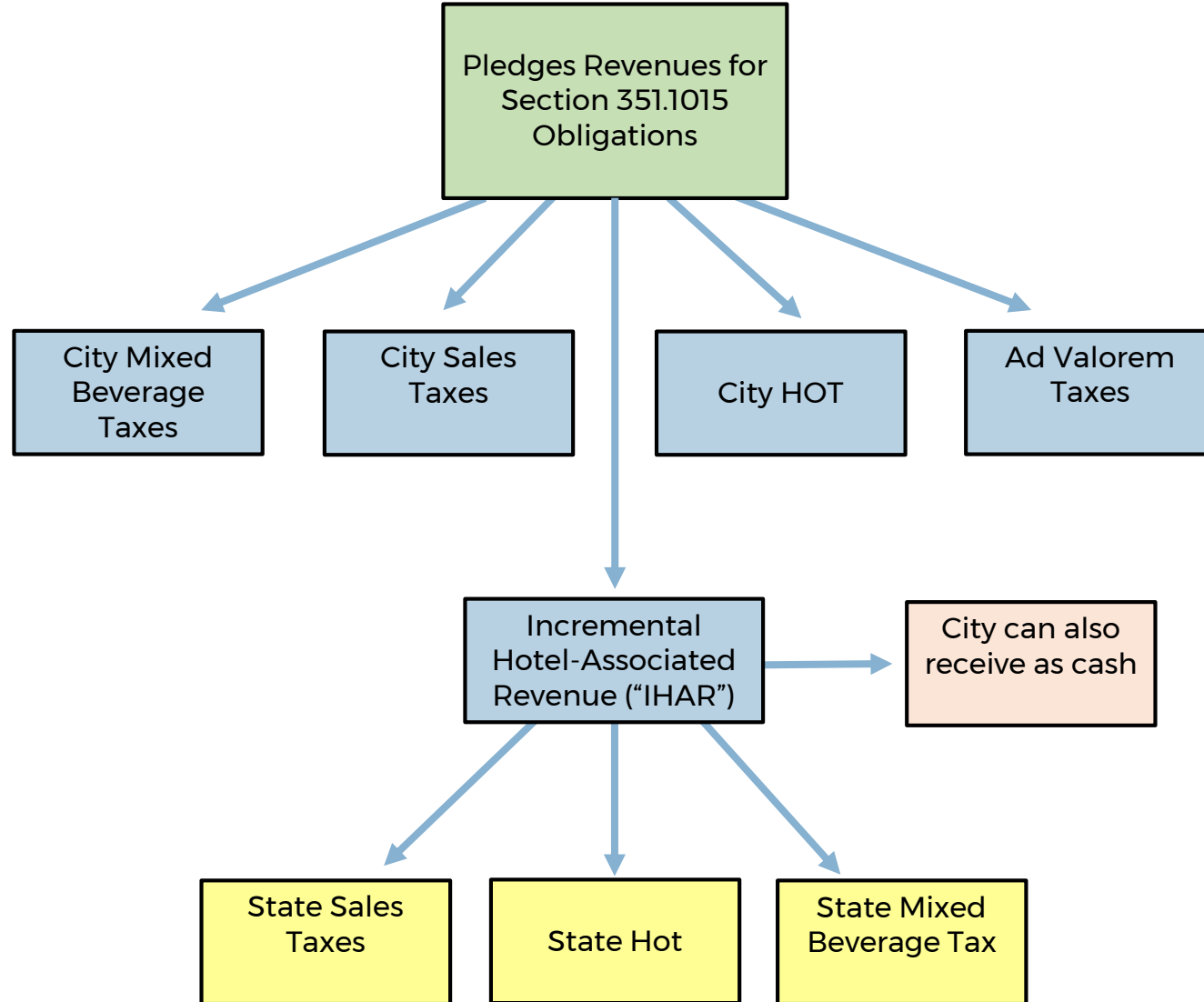
Total PFZ Increment Revenue (2021\$), 30-Yr



*These numbers represent conceptual, order-of-magnitude estimates that are appropriate for a master plan.



Financing Structure: Project Financing Zone (cont.)



Project Benefits



Convention Center Project Creates the Opportunity To:

- **Nearly double annual attendance** via the addition of new events and somewhat larger events, on average
- **Generate ~330k additional annual hotel room nights** in Dallas by stabilization, bringing annual total to ~700k hotel room nights
- Yield **50-100K jobs** (construction and permanent), up to **\$2.5 B in property taxes** and **\$30-50B** in total spending over 30 years
- Improve operating efficiency to bolster Convention and Event Services (CES) **continued operation as an enterprise department without reliance on the General Fund**
- **Redirect state taxes** back to Dallas, **capture new visitor and user fees**, and **leverage existing assets** to renovate or reconstruct the Convention Center



Summary of Analysis



Benefits of the Project Financing Zone (PFZ)

- A PFZ will redirect State of Texas hotel tax revenue to fund a City of Dallas venue project for 30 years
- The Texas Tax Code permits a PFZ in Dallas to be used only for convention center projects
- The PFZ is projected to generate up to \$2.2 B (2021\$) over 30 years
 - *Projection assumes rooms revenue return to pre-pandemic levels by 2024, then increase by historical 4.1% annual inflation-adjusted growth rate*
- Initiating the PFZ now maximizes increment captured by capitalizing on COVID-induced reduction in tax revenue
- The City of Dallas has five years to initiate the project upon approval of the PFZ, and may decline to use the PFZ at no risk should the project not move forward

Alternatives Analysis

- Alternative 3C - West of Lamar best meets the goals and objectives of the master plan



Next Steps



- Should the Economic Development Committee recommend City Council action for the adoption of the Project Financing Zone Ordinance, staff would schedule the item for the October 13, 2021, City Council agenda.
- If approved by City Council, Convention and Event Services staff, working with the City Controller's Office, would provide the requisite ordinance and correspondence to the Texas Comptroller of Public Accounts before November 13, 2021





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