

June 8, 2022

WHEREAS, Chapter 372 of the Texas Local Government Code (the “Act”) allows for the creation of public improvement districts; and

WHEREAS, on February 1, 2022, Lake Highlands Improvement District Corporation (“LHIDC”), representing owners of real property located within the Lake Highlands Public Improvement District (the “District”), delivered to the City of Dallas a petition to renew the District in accordance with the Act; and

WHEREAS, pursuant to Section 372.007 of the Act, City staff reviewed the petition and determined the owners of sixty-two percent (62%) of the appraised value of the taxable real property liable for assessment, and sixty-two percent 62% of the land area of all taxable real property liable for assessment within the District executed the petition, in accordance with the necessary thresholds for the City Council to consider creation of the District; and

WHEREAS, the Act further requires that prior to the adoption of the resolution providing for the reestablishment of the District to provide supplemental public services to be funded by assessments on real property and real property improvements, City Council must hold a public hearing on: (i) the advisability of the improvements; (ii) the nature of the improvements; (iii) the estimated cost of the improvements; (iv) the boundaries of the public improvement district; (v) the method of assessment; and (vi) the apportionment of costs between the district and the municipality as a whole; and

WHEREAS, on May 11, 2022, City Council called for a public hearing to be held on June 8, 2022, to hear comments and concerns regarding the renewal of the District and at the close of the public hearing, to consider a resolution to renew the District, by Resolution No. 22-0722; and

WHEREAS, after providing the notices required by Section 372.009 of the Act, City Council on June 8, 2022, conducted a public hearing on the advisability of the improvements and services, and adjourned such public hearing.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That pursuant to the requirements of the Act, City Council, after considering the Petition for the proposed District and evidence and testimony presented at the public hearing on June 8, 2022, hereby finds and declares:

- A. **District Name.** The name of the District is Lake Highlands Public Improvement District.

SECTION 1. (continued)

- B. **Advisability of Services and Improvements Proposed for District.** It is advisable to renew the District to provide the services and improvements described in this Resolution and **Exhibit B**.
- C. **District Location.** The District is located wholly within the City of Dallas, Texas, a Texas home rule municipality. The boundaries of the District are shown on **Exhibit A**.
- D. **Nature of the Proposed Services and Improvements.** The purpose of the assessments to be levied in the District is to supplement and enhance services provided to or for the District's benefit including, but not limited to: public safety and enhanced security, beautification, recreation, cultural enhancements, custodial and landscaping maintenance, capital improvements, common area improvements permissible under the Act, acquisition and installation of art, business recruitment, and development to promote the area in and around the District, marketing and promotional activities, distinctive lighting and signage, and related expenses incurred to establish, administer, and operate the District as authorized by the Act and City Council.
- E. **Estimated Cost of the Services and Improvements.** During the next ten-year term of the District, the estimated annual cost of services and improvements to be provided by the District is expected to begin at approximately \$1,169,646.00 in 2023 (plus \$58,741.00 to be carried-forward) and to end at \$6,035,116.00 in 2032 (plus \$58,741.00 to be carried-forward to following term subject to Council approval). The total estimated net assessment revenue to be collected during the ten-year period is approximately \$30,362,469.00. The District shall incur no bonded indebtedness. The ten-year budget detailing the estimated cost per year and total estimated costs for the entire term (the Service Plan) is attached as **Exhibit B**.
- F. **Method of Assessment.** The assessment shall apportion the costs each year among the property owners on the basis of special benefits accruing to the property. The proposed method of assessment, which may specify included or excluded classes of assessable property, shall be assessed according to the value of the real property and real property improvements as determined by the Dallas Central Appraisal District ("DCAD"). The net assessment amount for 2023 is proposed to be \$1,169,646.00. The annual assessment rate for 2023 is approximately equal to \$0.13 per \$100.00 valuation. Once levied, this assessment rate shall not increase during the 2023 Service Plan year.

SECTION 1. (continued)

Future annual assessment rates, however, may be increased up to a maximum of \$0.15 per \$100.00 valuation, subject to appropriations set forth in the petition that renewed the District. Any future increase in the assessment rate would also be subject to a public hearing and City Council approval.

- G. **Apportionment of Costs Between the District and the Municipality as a Whole.** The assessment is levied on the real property and real property improvements in the District according to the value of such property. Levying the assessment for the services and improvements based on the appraised value of the property results in the apportionment of the costs on the basis of special benefits accruing to the property.

The real property of jurisdictions and entities that have obtained an exemption from City of Dallas real property taxes pursuant to the Texas Tax Code (except under the provisions of Sections 11.24 and 11.28 of the Texas Tax Code) will not be subject to an assessment on that portion of the assessed value of the property exempt from City real property taxes. Payment of assessments by exempt jurisdictions and entities must be established by contract, approved as to form by the City Attorney. Property owned by tax-exempt religious organizations will be exempt from assessment as well as City rights-of-way, City parks, railroad rights-of-way, cemeteries and property owned by persons already receiving and qualifying for 65-or-older homestead exemption under Texas Tax Code, Section 11.13 (c) or (d). The City of Dallas is not responsible for payment of assessment against City-owned property in the District.

- H. **District Management.** The District shall be managed by Lake Highlands Improvement District Corporation (“LHIDC”), a Texas nonprofit corporation established under the Texas Business Organizations Code, Chapter 22 and operated exclusively for exempt purposes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, or its successors or assigns, as approved by property owners and the City Council, to develop and recommend a service plan, improvement plan and assessment plan for approval by the City Council in order to promote the efficient management of the District. LHIDC will be responsible for the management of the District, development, and recommendation of an annually updated Service Plan, and perform other required responsibilities pursuant to a contract, approved as to form by the City Attorney, with the City. The City Council will review and approve annually the Service Plan and assessment plan, determine and levy assessments and conduct other functions as required by the Act.

SECTION 1. (continued)

- I. **District Dissolution.** The District shall automatically dissolve on December 31, 2032, unless renewed or dissolved through the petition and approval process as provided by the Act. If the District is dissolved, the District nonetheless shall remain in effect for the purpose of meeting obligations of indebtedness for improvements.
- J. **Advisory Body.** An advisory body may be established to develop and recommend an improvement plan to the governing body of the municipality. At this time, staff is not recommending that an advisory board be appointed but is recommending that the responsibilities for the development and recommendation of the annual Service Plan and other duties of the advisory board contained in the Act be assigned to LHIDC or a successor entity approved by property owners and the City Council.

SECTION 2. That the facts and recitations contained in the preamble of this Resolution are hereby found and declared to be true and that the action of the City Council closing the public hearing in these proceedings is hereby ratified and confirmed.

SECTION 3. That the District is hereby authorized and re-established as a Public Improvement District under the Act in accordance with the findings as to the advisability of the services and improvements contained in this Resolution, with an effective date of January 1, 2023. The District shall be subject to all of the terms, conditions, limitations and reservations contained in the findings of Section 1 of this Resolution and **Exhibit B**.

SECTION 4. That the District shall automatically dissolve on December 31, 2032 unless the District is renewed through the petition and approval process as provided by the Act, or the District is sooner terminated as provided by law. The power of the City to continue to levy and collect assessments within the District will cease, and the District will be dissolved on the date that a petition requesting dissolution is filed with the City Secretary of the City of Dallas and the petition contains the signatures of at least enough property owners in the District to make the petition sufficient under Section 372.005(b) of the Act.

SECTION 5. That the power of the City to continue to levy and collect assessments within the District will cease, and the District will be dissolved on the date that a petition requesting dissolution is filed with the City Secretary of the City of Dallas and the petition contains the signatures of at least enough property owners in the District to make the petition sufficient under Section 372.005(b) of the Act.

SECTION 6. That City Council hereby approves the Petitioned Service Plan prepared by LHIDC which is attached hereto and made part hereof (**Exhibit B**) and directs LHIDC to implement it in accordance with the Act and the following contractually required administrative provisions:

SECTION 6. (continued)

- A. **Service Plan Budget Modifications.** The Petitioned Service Plan covers a period of ten (10) years and defines the cost of services and improvements and new development activities in the District as projected by LHIDC. As required by the Act, changes to the adopted Annual Service Plan budget category percentages (%), need City Council approval.
- B. **No Collection of Assessments in Excess of Petitioned Cost Total.** The City has no power to levy and collect assessments within the District in excess of the total cost of services and improvements, that property owners agreed to when they signed the District's request to renewal petition. If appraised property values increase or decrease within the District, the apportionment of the cost among the property owners may change on an annual basis but the cumulative amount of assessment revenue that is generated over the District's term cannot exceed the total cost of services and improvements projected on the Petitioned Service Plan. Therefore, no over-collection of assessments is anticipated over the District's term. If, however, the District's cumulative, net assessment collections will exceed the cumulative assessments budgeted on the Petitioned Service Plan, LHIDC shall: (1) reduce the District's assessment rate in a subsequent year(s) to offset the over-collection, (2) return the assessment funds to the property owners, and/or (3) retain and not expend such additional assessments until a revised petition for an early renewal of the District that includes the additional assessments and increased service levels/costs is signed by the District property owners and approved by City Council, in accordance with the Act and the City's PID Policy.
- C. **Excess Funds.** The District must identify any unspent assessment funds arising from greater than anticipated collections and/or lower than budgeted costs on the upcoming year's Annual Service Plan as either revenue available for current/future expenditures or return the excess funds to property owners, provided that the District's revenue at any time (inclusive of unspent carry-forward revenue and interest generated from assessments) does not exceed the total cost of services and improvements budgeted on the Petitioned Service Plan. Requests to carry-forward funds in excess of 20% of the District's budgeted collections, LHIDC must explain/justify why the District is carrying such a large fund balance (i.e., future capital improvement project, etc.) At no time shall carryover funds be used for services or improvements that were not approved in the District's Petition. If in the last year of the District's term, there are unspent funds, City Council reserves the right to adjust the assessment rate to absorb such funds to the extent not otherwise approved by City Council to be using during the District's ensuing renewal term. In all instances, City Council shall have final approval as to whether the District and/or LHIDC is permitted to carry over assessments to the following year.

SECTION 6. (continued)

- D. **Expenditure Overruns and Use of Approved Fund Balance/Contingency Reserves.** If annual expenditures will exceed revenues (for example, due to lower than projected collections or greater than projected costs), LHIDC shall take measures to avoid a negative fund balance at year-end, such as: (1) reducing spending among Program Categories in a manner that best serves the interest of District property owners, tenants, and residents, provided that amendments to Program Category budget percentages require City Council approval, (2) accessing approved amounts set-aside in a budgeted contingency reserve category as applicable), (3) and/or accessing approved excess assessments carried forward from prior year fund balance.

SECTION 7. That pursuant to the exception granted by Section 252.022(a)(9) of the Texas Local Government Code, the City Manager is hereby authorized and directed, upon approval as to form by the City Attorney, to enter into a contract with LHIDC to manage special supplemental services to be paid from the assessments collected. The contract with LHIDC shall be in accordance with the Petitioned Service Plan and this Resolution and shall provide for compliance by the LHIDC with the Business Inclusion and Development Plan for participation of minorities and women providing services and improvements to the District.

SECTION 8. That the contract with LHIDC shall also provide for assessment collection services by Dallas County (“County”) to the LHIDC for collection of the special assessments. The County shall receive a fee per account as compensation for its collection services. Currently, the fee is \$2.75 per account and subject to change by the County.

SECTION 9. That the contract with LHIDC shall provide that the City shall be responsible for disbursement of the assessments to the District. City will transfer assessment funds to LHIDC at least 30-45 days from the end of the previous month. Additionally, City will retain a percentage of the net assessments (assessments less collection service fees) for repayments, if any, required by the County in settlement of tax protests (“retainage funds”). If the retainage funds are not sufficient to address repayments, the deficiency funds shall be provided by LHIDC.

SECTION 10. That the contract shall include, but not be limited to, the terms and conditions as set forth in the City of Dallas Public Improvement District Policy as authorized by City Council on October 23, 2013 by Resolution No. 13-1825 and amended on March 25, 2020 by Resolution No. 20-0496 and terms and conditions to increase financial transparency, accountability and City oversight, including alignment with the Chapter 12A Code of Ethics amendments adopted by the City Council on December 8, 2021.

June 8, 2022

SECTION 11. That the Director of the Office of Economic Development (or his or her designee) is directed to, no later than seven (7) days after the date this resolution takes effect, shall file a copy of this resolution with the Dallas County Clerk's office in accordance with Section 372.010 of the Act.

SECTION 12. This resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.