

Memorandum



CITY OF DALLAS

DATE August 1, 2022

TO Honorable Members of the City Council Economic Development Committee: Tennell Atkins (Chair), Carolyn King Arnold (Vice-Chair), Adam McGough, Omar Narvaez, Jaime Resendez, Chad West, Gay Donnell Willis

SUBJECT **Upcoming Public Improvement District (PID) Agenda Items: (1) August 10, 2022 Call for Public Hearing for PIDs to Set Annual Assessment Rates for 2022 and Adopt 2023 Service Plans; (2)(a) August 24, 2022 Public Hearing to amend 2022 Service Plans for four PIDs; (b) adopt 2022 Annual Assessment Rates and (c) Adopt 2023 Service Plans; and (3) September 14, 2022 PID Policy and Management Contract Amendments**

Annual Service Plan Adoption Process and 2022 Service Plan Amendments

Public Improvement Districts (PIDs) in the City of Dallas are governed by Chapter 372 of the Texas Local Government Code (Improvement Districts in Municipalities and Counties) and the City of Dallas' PID Policy. Chapter 372 requires that the City Council annually call and hold a public hearing to set the annual assessment rate for property in each PID and approve an updated, five-year Service Plan for each PID. The service plan outlines the proposed cost of services and improvements to be provided to property owners annually. Per contractual agreement with each PID's management company, PID managers are required to prepare an updated service plan budget for their district and to hold an annual meeting with property owners where property owners are provided an opportunity to ask questions and provide input on the PID's preliminary service plan.

City staff reviewed the preliminary 2023 service plans submitted by each PID manager. Finding the preliminary Service Plans to be advisable, City staff recommends that on August 10, 2022, City Council authorizes calling a public hearing to be held on August 24, 2022. During the public hearing, any owner of property located within the boundaries of a PID will be provided a reasonable opportunity to speak for or against the PID's proposed assessment rate. At the close of the public hearing, City Council will take action to adopt the final 2023 Service Plans, the final 2022 Assessment Plans, and the 2022 Assessment Rolls for all the PIDs. A follow-up memo will be sent prior to the August 24, 2022 public hearing with more detailed information regarding final PID budgets proposed for the 2023 Service Plan year.

Additionally, during the 2021 Texas Legislative Session, House Bill 1543 amended Chapter 372 to require that, effective September 1, 2021, any updates to a PID's adopted Service Plan be by City Council ordinance. In accordance with these new requirements,

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Deep Ellum PID, Knox Street PID, Midtown Improvement District, North Lake Highlands PID, and Uptown PID have requested to amend their adopted 2022 Service Plans to reflect lower-than-budgeted expenditures, primarily due to project delays and vacancies. Staff reviewed the proposed mid-year budget amendments and found the requests to be reasonable and are recommending them to City Council for approval.

Background

A PID is a special assessment area created at the request of property owners in the proposed district via petition. Property owners pay a supplemental assessment with their taxes, which PIDs use for services and/or improvements above and beyond existing City services.

The assessment is an apportionment of the total cost of service enhancements and improvements approved by property owners who signed a petition in support of the district's creation or renewal. The assessment allows each PID to have its own work program or service plan, which may consist of eligible activities such as marketing, providing additional security, landscaping and lighting, street cleaning, and cultural or recreational improvements. The City's power to levy is limited to petition and budget categories/costs approved by property owners. Individual PIDs are governed by property owner elected boards and managed by a specifically formed non-profit organization or homeowners' association. Under a management contract with the City, PID managers are responsible for updating the PID's service plan annually, and - following City Council approval - implementation of the PID's annual service plan. Below is a list of the currently existing 14 PIDs in Dallas:

- Dallas Downtown Improvement District
- Deep Ellum Public Improvement District
- Klyde Warren Park/Dallas Arts Public Improvement District
- Knox Street Public Improvement District
- Lake Highlands Public Improvement District
- Midtown Improvement District (formerly Vickery Meadow)
- North Lake Highlands Public Improvement District
- Oak Lawn Hi-Line Public Improvement District
- Prestonwood Public Improvement District
- South Dallas/Fair Park Public Improvement District
- South Side Public Improvement District
- Tourism Public Improvement District
- University Crossing Public Improvement District
- Uptown Public Improvement District

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The City must call for a public hearing by early August and hold a public hearing by the end of August/early September so that Dallas County Tax Office can include the PID assessments in the regular tax bills. If this schedule is not met, the City would need to find another way to collect the assessments, costing the City additional funds to send a separate bill, and would likely not have the same success rate with the collection of assessment payments nor issuing and collecting penalty fees.

The Dallas County Tax Office remits PID assessment collections to the City on a daily basis. In turn, City staff disburse PID collections to PID management organizations on a monthly basis after tabulating and reconciling the monthly collection total and refunds made by the County. City staff record PID collections as revenue in a segregated, special revenue fund established in the City's treasury for each PID. The monthly collections issued to PID managers are recorded as expenditures in each PID fund. The projected amount of assessments to be disbursed from each PID fund are shown as cost considerations to the City, in recognition of revenue and expenditure transactions that will be recorded in each PID fund. To ensure that each PID fund has sufficient spending authority (i.e. appropriations) to disburse all assessments due to PID managers over the upcoming year, staff periodically request City Council approval to increase PID fund appropriations, using each PID's certified assessment roll to project revenue.

Good Governance Provisions:

On May 2, 2022, the Economic Development Committee was briefed via memo that staff is working with the City Attorney's Office to increase PID entity transparency, accountability, and City oversight, including alignment with the City's Chapter 12A Code of Ethics amendments adopted by the City Council on December 8, 2021.

Next steps:

- Brief Economic Development Committee.
- Amend City's PID Policy and 14 PID management contracts to require each PID management entity to align their internal policies and procedures with pertinent sections of the City's Chapter 12A Code of Ethics, as well as good management practices including but not limited to deterring conflicts of interest, collusion, inurement, and other actions that may be considered inappropriate for an organization receiving public funding.

Fiscal Information

There is no cost consideration to the City should the City Council authorize calling for a public hearing on August 10 to be held on August 24, 2022. There is a cost consideration to the City and to owners of property within the boundaries of each PID, should City Council approve each PID's 2023 Service Plan, final 2022 Assessment Plan, and 2022

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Assessment Roll after the close of each PID's public hearing on August 24, 2022. The FY 2022-23 Downtown Improvement District (DID) assessment for City-owned property is estimated at \$1,040,000.00 to be paid from the General Fund (\$696,000.00) and the Convention and Event Services Fund (\$344,000.00). The final DID assessment for City-owned property will be known once the 2022 DID Assessment Roll is finalized in upcoming days and those details will be included in the follow up memo that will be sent to the City Council prior to the August 24 public hearing. With the exception of the City's Tourism PID (2% assessment on value of hotel room nights rather than on property value), owners of property within the boundaries of each PID will pay an assessment that is calculated by applying the PID's 2022 assessment rate per \$100.00 of appraised property valuation as determined by the Dallas Central Appraisal District.

Should you have any questions, please contact Assistant Director, Jiroko Rosales, Office of Economic Development, at 214-671-8266 or Jiroko.Rosales@dallas.gov.



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Robert Perez, Interim Assistant City Manager
Carl Simpson, Interim Assistant City Manager
Jack Ireland, Chief Financial Officer
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