

Memorandum



CITY OF DALLAS

DATE May 2, 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 **Public Improvement District (PID) Upcoming Agenda Items: (1) Call for a Public Hearing to be held on June 8, 2022 to renew the 1) Knox Street Public Improvement District, 2) Lake Highlands Public Improvement District, 3) Midtown Improvement District, 4) the expansion of the Dallas Tourism Public Improvement District to include 6 additional hotels, and Providing Information on Planned Amendments to PID Management Contracts to Include Good Governance Provisions.**

Public Hearing on June 8, 2022:

On May 11, 2022, the City Council will be asked to consider a resolution calling for a public hearing to be held on June 8, 2022 to receive comments concerning the renewals of the 1) Knox Street Public Improvement District (KSPID), 2) the Lake Highlands Public Improvement District (LHPID), 3) the Midtown Improvement District (MID) and 4) the expansion of the Dallas Tourism Public Improvement District (DTPID) to include 6 additional hotels in accordance with Chapter 372 of the Texas Local Government Code (the Act).

The management entities for the KSPID, LHPID, and MID submitted petitions to the City on behalf of property owners requesting to be renewed for a new ten-year term effective January 1, 2023 through December 31, 2032. City staff reviewed the petitions and determined that the KSPID, LHPID, and MID meet the minimum requirements for renewal set in the City's PID policy and state law. The City's PID policy requires signed petitions from owners of at least 60% of the appraised value of real property liable for assessment and at least 60% of the land area or 60% of the record owners of real property liable for assessment. State law requires signed petitions from owners of at least 50% of the appraised value of real property liable for assessment and at least 50% of the land area or 50% of the record owners of real property liable for assessment.

The City Council may choose to approve or deny the renewal of the districts. Unless renewed, the LHPID and MID will terminate on December 31, 2022, resulting in the cessation of services and improvements provided within these two districts. The KSPID is being renewed early to avoid exceeding the seven-year assessment cost total approved by the district's property owners. Unless renewed, the KSPID will need to lower its assessment rate in 2023 and 2024 resulting in a reduction or cessation of services and improvements within the KSPID.

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The 87th Texas Legislature enacted Senate Bill 804 which amended the Act to allow cities to add hotel properties to an existing hotel-PID with the property owner's consent if such property could have been included in the hotel-PID without violating the petition thresholds when the hotel-PID was created. VisitDallas, on behalf of the Dallas Tourism Public Improvement District Corporation (DTPIDC), submitted signed consent forms from six hotel properties that were not operational when the District's boundary was last expanded in August 2020. As such, the DTPIDC is requesting the City Council's consideration to add these six hotels to the District boundary. City staff verified the consent forms and determined that all six additional hotels can be added to the boundaries of the DTPID without violating the statutory requirements of the Act as amended by SB804.

The renewal Service Plans for the KSPID, LHPID, and MID are a ten-year forecast of service level needs and new development activities projected by each PID's management entity (see **Exhibits A, B, and C**). The table below summarizes key information about these three districts that have requested consideration for renewal. The assessment rates detailed below are subject to increase to a maximum of \$0.15 cents per \$100 of appraised value as determined by the Dallas Central Appraisal District or decrease throughout the term subject to a public hearing and City Council approval.

District	Created	Renewed	Council District	Management Company	Boundary Changes	Assessment Rate (cents/\$100 valuation)
KSPID	2010	2017	14	Knox Street Improvement District Corporation	No	\$0.15
LHPID	2008	2015	9, 10, 13	Lake Highlands Improvement District Corporation	Yes	\$0.13
MID	1993	1998, 2003, 2008, 2015	1, 13	Vickery Meadows Management Corporation DBA Midtown Management Corporation	Yes	\$0.05/\$100 for Standard Service Area and \$0.10/\$100 for Premium Service Area

1. Knox Street Public Improvement District (KSPID): The boundary of the KSPID consists of approximately 23 acres located in the Knox Street area of the City, bounded by Highway 75 on the northeast and Katy Trail to the west as shown on **Exhibit A-1**. The purpose of the KSPID is to provide enhanced security, and public safety, trash/litter removal, graffiti control, landscaping improvements in common

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areas including plantings and hardscape, capital improvements including the scope of Complete Streets project and other sidewalk and streetscape improvements, marketing and programming, website and social media marketing, promotional activities such as pop-up events, distinctive lighting including holiday lighting, signage, business development and recruitment to promote the district/area, and expenses incurred in establishing, administering, and operating the KSPID such as liability insurance and financial audit as authorized by the Act and City Council.

2. Lake Highlands Public Improvement District (LHPID): The proposed district consists of approximately 780 acres located in the Lake Highlands area of the City, bounded by Highway 635 on the northeast. The current boundary of the LHPID will be expanded to include properties in the north and south of the current boundary as shown in the attached **Exhibit B-1**. The purpose of the LHPID is to provide 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 LHPID, marketing and promotional activities, distinctive lighting and signage, and expenses incurred to establish, administer, and operate the LHPID as authorized by the Act and City Council.
3. Midtown Improvement District (MID): The Vickery Meadow Public Improvement District has been re-branded. As a result, the new name of the district is the Midtown Improvement District. The proposed district consists of approximately 704 acres located in the Midtown area of the City, bounded by Royal Lane on the northeast. The current boundary of the MID will be modified as shown in the attached **Exhibit C-1**. The purpose of the MID is to provide enhanced public safety and security, neighborhood improvements, landscaping, trash/litter removal, graffiti control, beautification, cultural enhancements, Southern Pacific Trail (SOPAC) improvements, Midtown Park, Shops at Park Lane, Midtown Plaza improvements, capital improvement projects, marketing and promotional activities, lighting and signage, business development and recruitment to promote the District, and expenses incurred to establish, administer, and operate the MID as authorized by the Act, including related audit costs, staff time, and liability insurance.
4. Dallas Tourism Public Improvement District (DTPID): The City Council authorized the establishment of the DTPID in 2012, its renewal in 2016, and its first boundary expansion in March 2020. The current boundary of the DTPID which includes designated hotel properties in the City of Dallas with 100 or more rooms will be expanded as shown in the attached **Exhibit D-1**. A list detailing the hotels to be

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added is on **Exhibit D**. Hotel property owners collect the DTPID assessment from their guests at a rate of 2% of the price of the room nights sold, and then remit this assessment monthly to the City. The City Controller's Office then forwards the DTPID assessment collections to the Dallas Tourism Public Improvement District Corporation (DTPIDC), the DTPID's management entity, less an administrative fee. While adding new hotels to the DTPID may increase DTPID's assessment revenues, the total revenue that the DTPID can utilize is limited to the original revenue projections in the DTPID's service plan budget (capped at \$292.7 million assessment collections over 13-year DTPID term spanning October 2016 to September 2029). If, as a result of adding six hotels to the DTPID boundary, the DTPID's collections are expected to exceed the projected DTPID term revenue total, the DTPID would need to apply for an early renewal through a new petition and City Council approval process.

Good Governance Provisions:

Staff is also working with the City Attorney's Office to strengthen contract oversight and financial transparency in the public improvement district management agreements. The Office of Economic Development proposes to amend each PID management contract to increase transparency, accountability, and City oversight, including alignment with the Chapter 12A Code of Ethics amendments adopted by the City Council on December 8, 2021. More information about these proposed "good governance" provisions will be brought to this committee in August as part of the 2023 Service Plan and 2022 Assessment Rate approval process.

Recommendation

Staff recommends City Council's approval on May 11, 2022 to call a public hearing to be held on June 8, 2022. Should you have any questions, please contact Assistant Director Jiroko Rosales, Office of Economic Development, at Jiroko.Rosales@dallascityhall.com.



Majed A. Al-Ghafry, P.E.
Assistant City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizar Tolbert, Deputy City Manager

Jon Fortune, Deputy City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Robert Perez, Interim Assistant City Manager
Carl Simpson, Interim Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

** The % for each service category is calculated by dividing them by total expenses and carryover funds

(1) 2023 - 2032 Assessments are based on the maximum assessment rate of \$0.15 per \$100 of taxable value. Net Assessment includes County and City PID Charges. Growth rate assumption year over year is 14% (compared to a historically

(2) Carryover funds will be used to fund capital improvement projects such as (but not limited to) gateway markers, landscape improvements and maintenance, streetscape improvements and/or in conjunction with Knox Complete Streets and related study costs. The Complete Streets project is projected to occur in 2022-2023. A funding shortfall of approximately \$1.87M will be initially paid by the Knox District Holding Company, LLC, a special purpose entity formed by the Trammell Crow Company.

The Knox PID District Board proposes to reimburse the Knox Districting Holding Company, LLC approximately \$1.87M from 2024-2030 Knox PID assessments. This proposed capital improvement expenditure is conditioned upon a vote of Board members (without a conflict of interest) affirming the proposed expenditure.

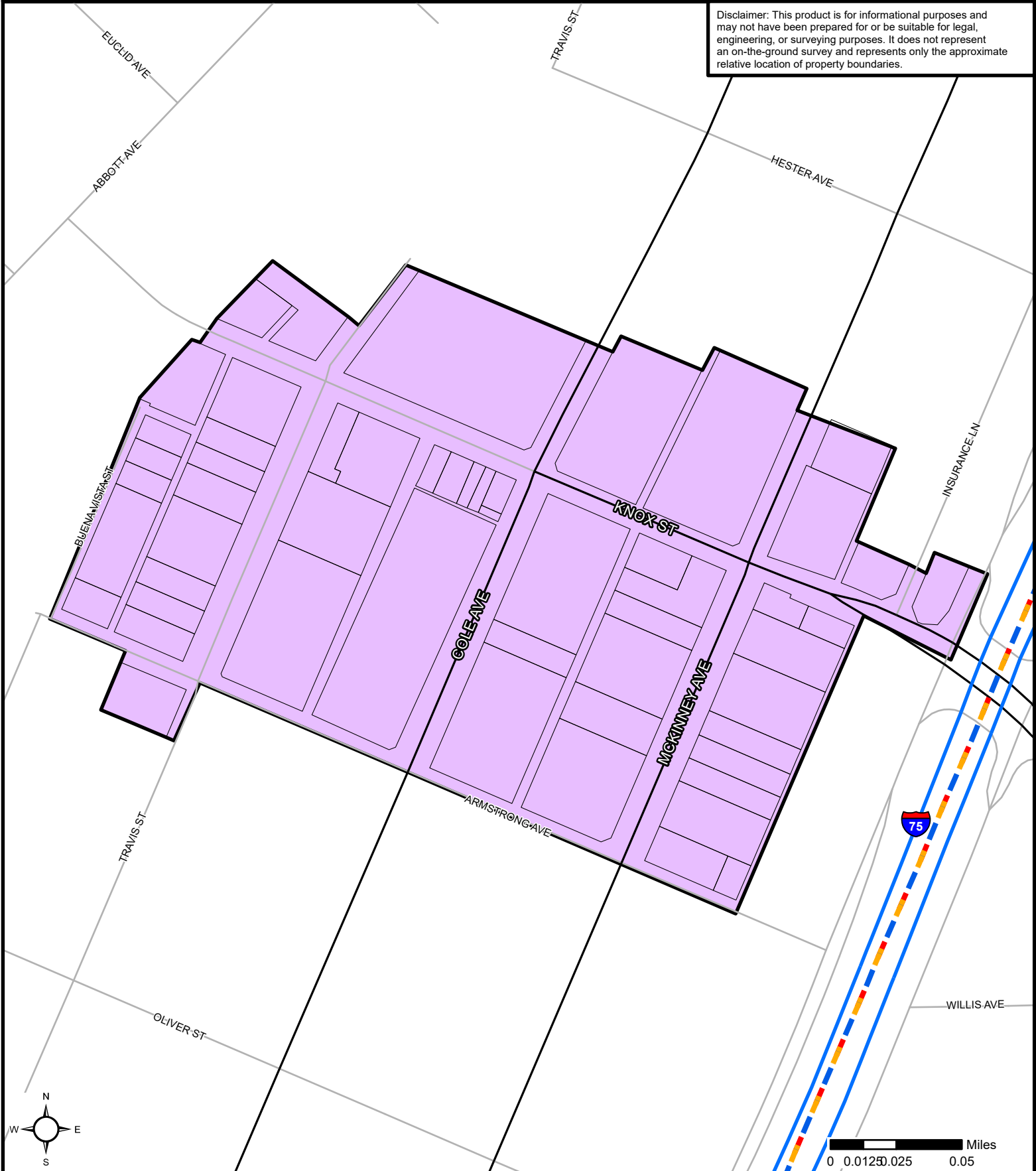
(3) Security will be used for (but not limited to) private security patrol, off-duty police, and related security systems equipment and monitoring. Steady increase in public safety hours and personnel as the district stabilizes and grows.

(4) Website, marketing, social media, branding, banners, special events and holiday tree lighting and decor. Increase in scope as more tenants are introduced to the district with the delivery of new mixed use projects.

(5) Knox PID management corp plans to seek early renewal in order to maintain assessments and on-going expenditures as set forth above.

Knox Street PID Boundaries

Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



Legend

- Knox Street - 2021
- Tax Parcels - 2021

- Freeway
- Tollway
- Highway
- Arterial
- Local Streets

- Rail Station
- DART Red Line
- DART Blue Line
- DART Green Line
- DART Orange Line
- Commuter Rail

**LAKE HIGHLANDS PUBLIC IMPROVEMENT DISTRICT
SERVICE PLAN 2023 TO 2032**

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
REVENUE											
	Fund Balance from previous year	58,741	58,741	58,741	58,741	58,741	58,741	58,741	58,741	58,741	58,741
*	Net Assessment Revenue	1,169,646	1,403,575	1,684,290	2,021,148	2,425,378	2,910,454	3,492,544	4,191,053	5,029,264	6,035,116
	TOTAL REVENUE	1,228,387	1,462,316	1,743,031	2,079,889	2,484,119	2,969,195	3,551,285	4,249,794	5,088,005	6,093,857
EXPENDITURES											
1	Public Safety 41%	\$477,216	\$572,659	\$687,190	\$824,629	\$989,554	\$1,187,465	\$1,424,958	\$1,709,950	\$2,051,940	\$2,462,328
2	Public Area Improvements 32%	\$374,287	\$449,144	\$538,973	\$646,767	\$776,121	\$931,345	\$1,117,614	\$1,341,137	\$1,609,364	\$1,931,237
3	Capital Improvements 10%	\$116,965	\$140,358	\$168,429	\$202,115	\$242,538	\$291,045	\$349,254	\$419,105	\$502,926	\$603,512
4	Promotion/Marketing/Programing 6%	\$70,179	\$84,215	\$101,057	\$121,269	\$145,523	\$174,627	\$209,553	\$251,463	\$301,756	\$362,107
5	Administration 10%	\$116,965	\$140,358	\$168,429	\$202,115	\$242,538	\$291,045	\$349,254	\$419,105	\$502,926	\$603,512
	Audit 1%	\$8,188	\$9,825	\$11,790	\$14,148	\$16,978	\$20,373	\$24,448	\$29,337	\$35,205	\$42,246
	Insurance 1%	\$5,848	\$7,018	\$8,421	\$10,106	\$12,127	\$14,552	\$17,463	\$20,955	\$25,146	\$30,176
	TOTAL OPERATING EXPENDITURES	1,169,646	1,403,575	1,684,290	2,021,148	2,425,378	2,910,454	3,492,544	4,191,053	5,029,264	6,035,116
FUND BALANCE / RESERVES ⁶		\$ 58,741	\$ 58,741	\$ 58,741	\$ 58,741	\$ 58,741	\$ 58,741	\$ 58,741	\$ 58,741	\$ 58,741	\$ 58,741

* Assumes a 20% increase in property values each year based on the future growth and development of Lake Highlands.

1. Regular security patrols, patrol vehicle leases, safety lighting, crime reduction programs & events, and related expenses.

2. Median upkeep, non-standard ROW improvements, irrigation, Watercrest park & other park improvements, holiday lighting, distinctive lighting, Whitehurst improvements, non standard improvement, holiday lighting, wayfinding, signage, district art and murals, design, construction, aesthetics, graffiti removal and related services

3. Skillman corridor streetscape, gateway signage, Whitehurst Projects, lanscape enhancements, acquisition and installation of public art and any large scale improvements.

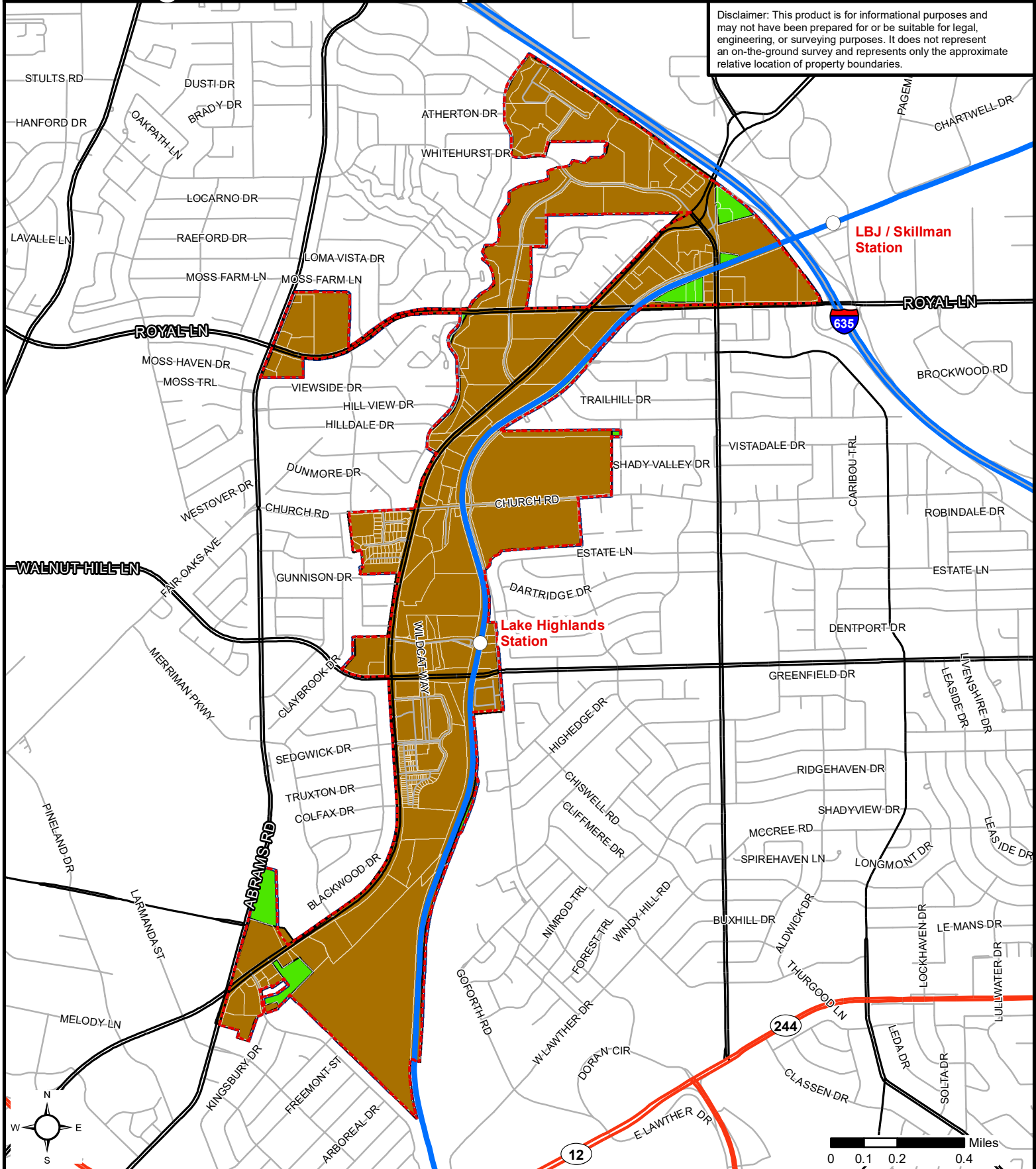
4. Website, marketing, outreach, marketing materials, branding efforts, programming, and business development.

5. Office management expenses, rent, staff and annaul property owner notice mailings.

6. Fund balance from the previous year designated by the Board of Directors for projects that falls within the Capital Improvement and Improvements categories

Lake Highlands Public Improvement District Boundaries

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Legend

- Lake Highlands PID Existing Boundary
- Lake Highlands PID Proposed Boundary Expansion
- Tax Parcels - 2021

— Freeway

— Tollway

— Highway

— Arterial

— Local Streets

○ Rail Station

— DART Red Line

— DART Blue Line

— DART Green Line

— DART Orange Line

— Commuter Rail

[illegible]

REVENUES:											
Net Assessment		\$1,978,778	\$2,268,485	\$2,675,645	\$3,144,254	\$3,588,475	\$4,197,798	\$4,853,852	\$5,757,973	\$6,436,022	\$7,194,887
Interest Income		\$3,000	\$3,150	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Surplus Carried Forward		\$292,000	\$145,000	\$3,150	\$4,150	\$4,150	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE		\$2,273,778	\$2,416,635	\$2,679,795	\$3,148,404	\$3,592,625	\$4,197,798	\$4,853,852	\$5,757,973	\$6,436,022	\$7,194,887
DISBURSEMENTS:											
Public Safety & Security ¹	26%	\$554,058	\$589,806	\$668,911	\$754,621	\$825,349	\$923,516	\$1,019,309	\$1,151,595	\$1,222,844	\$1,295,080
Capital Improvements ²	27%	\$565,543	\$621,382	\$561,885	\$660,293	\$757,730	\$923,516	\$1,067,848	\$1,324,334	\$1,415,925	\$1,654,824
Property Standard & Operations ³	20%	\$415,543	\$499,067	\$615,398	\$723,178	\$861,234	\$1,049,449	\$1,213,463	\$1,497,073	\$1,737,726	\$1,870,671
Community Outreach, Cultural Enhancement & Marketing ⁴	14%	\$296,817	\$362,958	\$401,347	\$471,638	\$574,156	\$629,670	\$776,616	\$921,276	\$1,094,124	\$1,223,131
Business Recruitment & Economic Development ⁵	4%	\$79,151	\$90,739	\$133,782	\$157,213	\$179,424	\$209,890	\$194,154	\$230,319	\$257,441	\$287,795
Administrative Expenses ⁶	9%	\$197,878	\$226,848	\$267,564	\$345,868	\$358,848	\$419,780	\$533,924	\$575,797	\$643,602	\$791,438
Insurance & Audit Expenses	1%	\$19,788	\$22,685	\$26,756	\$31,443	\$35,885	\$41,978	\$48,539	\$57,580	\$64,360	\$71,949
TOTAL DISBURSEMENTS		\$2,128,778	\$2,413,485	\$2,675,645	\$3,144,254	\$3,592,625	\$4,197,798	\$4,853,852	\$5,757,973	\$6,436,022	\$7,194,887
ENDING FUND BALANCE		\$145,000	\$3,150	\$4,150	\$4,150	\$0	\$0	\$0	\$0	\$0	\$0

Notes:

- ¹ Safety and security initiatives, including but not limited to neighborhood safety database, SOPAC Trail & neighborhood security patrols, crime prevention, homeless outreach team, public safety programs
- ² Building and public space improvement including but not limited to, sidewalks, new landscaping enhancements, complete streets programming, low impact development features, net zero initiatives, transportation enhancements, neighborhood planning studies, district identification and wayfinding signage, design & construction services, and other district improvements
- ³ Litter removal, additional waste services, graffiti mitigation & prevention, paint, sidewalk cleaning, cart pickup, lighting, electrical service, water utilities, seasonal landscape enhancements, SOPAC & Trail/Open Space/Five Points Plaza Management
- ⁴ Community enrichment activities such as, community events, outreach, recreational programming, youth development activities, seasonal events; Marketing and promotion activities including but not limited to website, advertising, streetlight pole banners, videography and photography, artwork, and newsletter.
- ⁵ Business recruitment & development to promote the district, data collection, innovation district initiatives, as well as efforts to ease the burden of opening and operating a business
- ⁶ Office Management & Items Required by PID Contract

* Assumes average 13% annual increase in property value based on the future growth and development. Carried forward surplus due to ongoing planning and park improvement projects.

² Building and public space improvement including but not limited to, sidewalks, new landscaping enhancements, complete streets programming, low impact development features, net zero initiatives, transportation enhancements, neighborhood planning studies, district identification and wayfinding signage, design & construction services, and other district improvements

³ Litter removal, additional waste services, graffiti mitigation & prevention, paint, sidewalk cleaning, cart pickup, lighting, electrical service, water utilities, seasonal landscape enhancements, SOPAC & Trail/Open Space/Five Points Plaza Management

⁴ Community enrichment activities such as, community events, outreach, recreational programing, youth development activities, seasonal events; Marketing and promotion activities including but not limited to website, adverstising, streetlight pole banners, videography and photography, artwork, and newsletter.

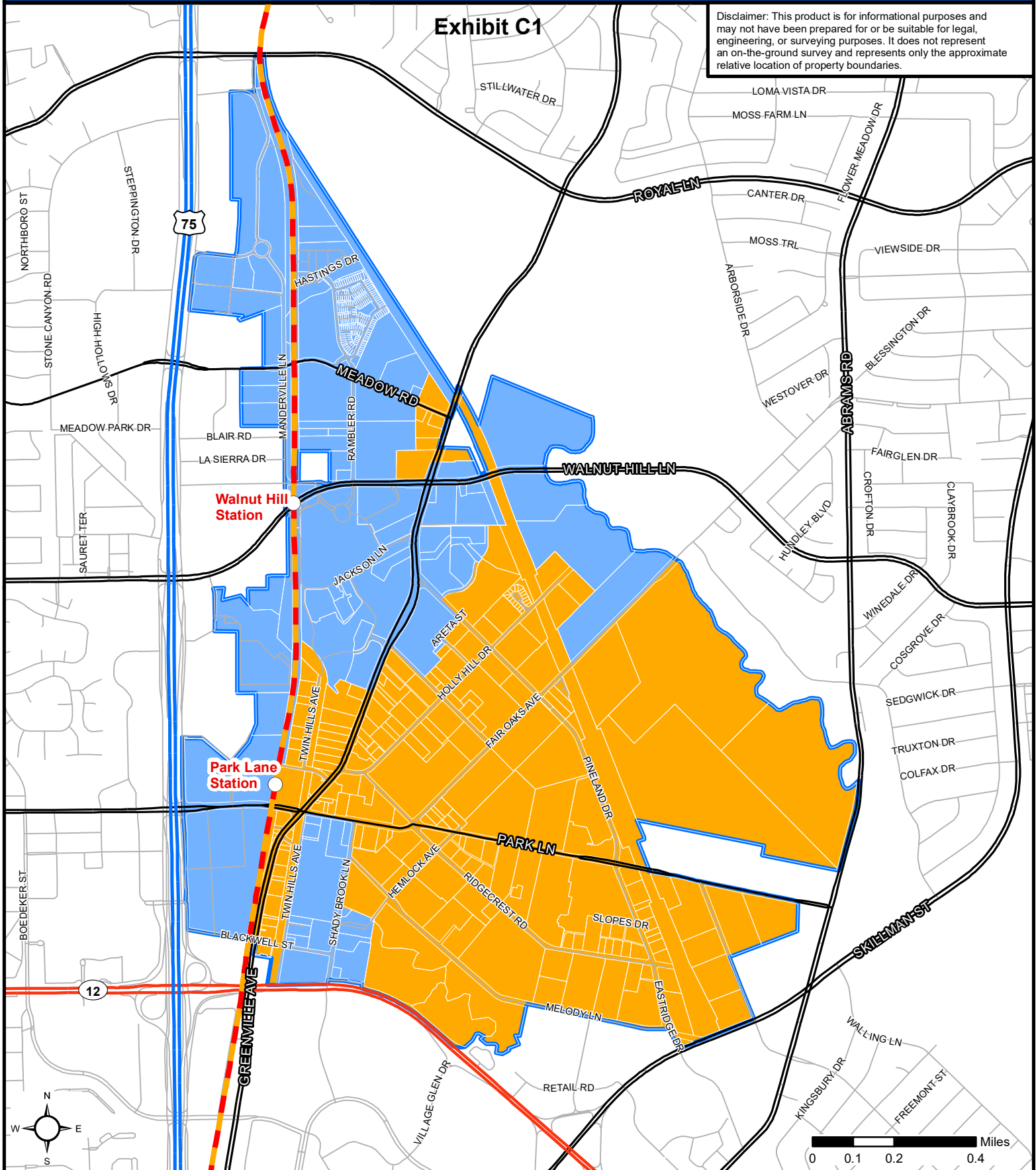
⁵ Business recruitment & development to promote the district, data collection, innovation district initiatives, as well as efforts to ease the burden of opening and operating a business

⁶. Office Management & Items Required by PID Contract
⁷. Assumes average 13% annual increase in property value based on the future growth and development. Carried forward surplus due to on going planning and park improvement projects.

Midtown Improvement District (Formerly Vickery Meadow PID) Boundary Extension

Exhibit C1

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Legend

- Proposed MID Standard Service Area
- Proposed MID Premium Service Area
- Proposed MID Parcels

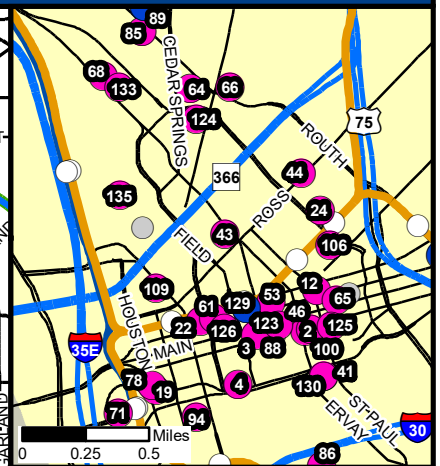
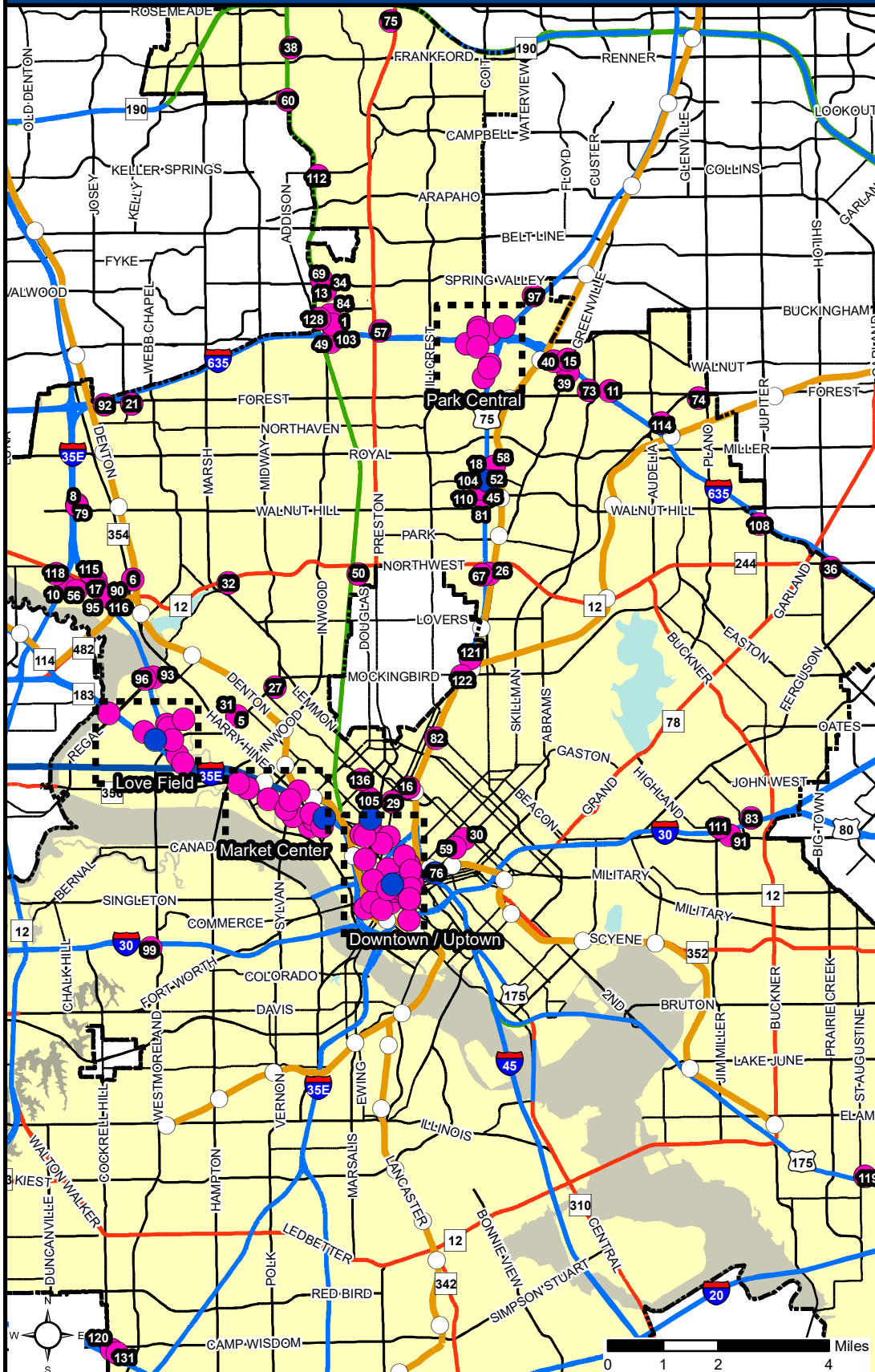
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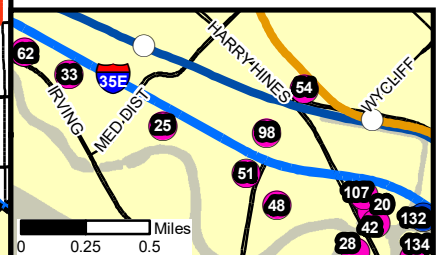
Exhibit D
Tourism PID
Proposed Additional Hotels over 100 Rooms to the DTPID Boundary Expansion

No	Hotel_Name	ST_NUMBER	ST_NAME	DCAD_Acc_N	TotalVal	PARCEL_ARE
52	Hilton Garden Inn Dallas-Central Expy/North Park Area	10350	N CENTRAL EXPY	007292000B0030000	\$9,533,020	67,041
55	Holiday Inn Express & Suites Dallas Market Ctr - Love Field	7800	JOHN W CARPENTER FWY	00000778423000000	\$4,901,870	72,990
76	Kimpton Pittman Hotel	2550	PACIFIC AVE	000280000A0020100	\$12,830,720	49,519
89	Marriott Dallas Uptown	3031	FAIRMOUNT ST	000944000904A0000	\$57,642,200	24,696
129	Thompson Hotels Dallas	1401	ELM ST	00000100441000000	\$138,210,000	80,899
132	Tru by Hilton Dallas Market Center	1949	N STEMMONS FWY	00000137743000000	\$9,200,000	63,889

Exhibit D-1 - Tourism PID Hotels



Downtown / Uptown



Market Center

