



Legislation Text

File #: 19-1276, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: September 11, 2019
COUNCIL DISTRICT(S): 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: Michael Mendoza

SUBJECT

A public hearing to receive comments concerning the proposed expansion of the Tourism Public Improvement District (District) in accordance with House Bill 1136 legislation, which was approved this year, allowing the City to include property in a hotel public improvement district if such property could have been included in the District without violating the petition thresholds when the District was created, for the purpose of providing supplemental public services to be funded by special assessments on Dallas hotels with 100 or more rooms; and at the close of the public hearing, approval of a resolution expanding the boundaries of the District to include an estimated 11 additional Dallas hotels in the District not described in the resolution or petition re-establishing the District in 2016 - Financing: No cost consideration to the City (see Fiscal Information)

BACKGROUND

On June 13, 2012, the Dallas City Council authorized the establishment of the District. In accordance with the Public Improvement District Assessment Act (Act) in Chapter 372 of the Texas Local Government Code, the District is defined by its common characteristics rather than a contiguous boundary, and its assessment is based on room-nights sold. Designated hotel properties within the District are assessed at a rate of 2 percent of room-nights sold.

On August 10, 2016, the Dallas City Council authorized the District's renewal for a thirteen-year period effective October 1, 2016. As part of the District's 2016 petition renewal review, staff reviewed the proposed Service Plan, verified the petitions and found the renewal plan to be viable and recommended approval. City staff reviewed the signed petitions and determined that owners of record representing 89.7% of the appraised value of Dallas hotels with 100 or more rooms and 63.7% of the hotels' land area signed petitions in support of the District's renewal, thereby exceeding state law's requirement of over 60% of the appraised value of real property liable for assessment and over 60% of the land area of the real property liable for assessment.

The 86th Texas Legislature enacted House Bill 1136 which amended Section 372.0035 of the Act, effective immediately, to 1) allow all Texas cities, regardless of population size, to establish a hotel Public Improvement District (PID), 2) allow every hotel room in the City, regardless of room size, to be levied, and 3) prohibit hotel PIDs created after September 1, 2019 from using hotel PID revenue for anything except advertising, promotion, or business recruitment directly related to hotels. Additionally, House Bill 1136 has amended the Act to allow the governing body of a municipality to add and levy hotel properties to the boundary of an existing hotel PID without requiring the approval of hotel property owners if such property could have been included when the hotel PID was created without violating the petition thresholds.

The City Controller's Office is responsible for collecting assessments from designated hotels who are assessed at a rate of 2 percent of room-nights sold. Staff have identified several non-District hotels with over 100 rooms who are voluntarily paying the District assessment. By expanding the District boundaries, the City will be able to formally exercise the authority granted by House Bill 1136 to collect funds from these hotels. In accordance with this new legislation, staff are recommending an expansion of the District's boundaries to include an estimated 11 additional over-100 room Dallas hotels not described in the resolution or petition re-establishing the District in 2016. All interested individuals will have an opportunity to speak for or against the expansion of the District at a public hearing, and at the close of the hearing, City Council will consider a resolution approving the expanded boundaries of the District. No changes will be made to the original Service Plan budget that Council approved in 2016. To be able to amend the District's boundaries, however, Council would need to amend the City's existing PID policy on the September 11, 2019 consent agenda which states that new hotels may only be added during the next renewal or re-petition process.

The PID Service Plan is outlined in the following way:

- (a) **Nature of the Services and Improvements.** The purpose of the District is to supplement and enhance services provided within the District, but not to replace or supplant existing City services provided within the District. The proposed services and improvements to be provided in the District include marketing, business recruitment, and promotional activities authorized by the Public Improvement District Assessment Act (Act) in Chapter 372 of the Texas Local Government Code, for improvement and promotion of the district, including the provision of incentives by the Dallas Convention and Visitors Bureau to organizations to encourage them to bring their large and city wide meetings to Dallas and to fund additional marketing by the Dallas Convention and Visitors Bureau to increase hotel stays within the City.
- (b) **Estimated Cost of the Services and Improvements.** During the next five-year period, the estimated annual cost of the improvements and services provided by the District is expected to begin at approximately \$19,133,893.00 in FY 2019-20 and reach \$23,257,367.00 in FY 2023-24. The total estimated assessments to be collected during the next five-year period is approximately \$105,726,838.00. The District shall incur no bonded indebtedness. In the event the District requires additional funds; the District shall re-petition the hotel owners for such an increase. At no time shall the total amount levied exceed the total amount shown in the approved petition budget for the services and improvements to be provided for the year in which the hotel is assessed except as provided in the petition and subject to the collective total for the five-year period. The Service Plan budget and assessment amount are subject to annual review by the Tourism Public Improvement District Board, and are subject to an annual public hearing and approval by the City Council.

- (c) **Boundaries.** The current boundaries of the District are located wholly within the city of Dallas, Texas and may also include non-contiguous hotel properties with 100 or more rooms within the city of Dallas as shown on the attached Exhibit A-1 attached to the resolution unless City Council votes to expand these boundaries on September 11, 2019 to include the additional hotels listed on Exhibit A-2 attached to the resolution.
- (d) **Method of Assessment.** The District assessment will be levied on hotels with 100 or more rooms (“qualifying hotels”) located within the District. The proposed cost of the services and improvements to be provided shall be assessed in a manner that results in imposing equal shares of the cost of the services qualifying on hotels that are similarly benefitted. Under the Act, the apportionment of the cost of the services against property in the District territory must be made on the basis of special benefits accruing to the property because of the services and improvements provided. The total cost of the services and improvements to be provided shall be apportioned at a rate of two percent of room-nights sold at qualifying hotels located within the District territory until the budget for services and improvements for the year is reached. Accordingly, those qualifying hotels that sell more rooms will pay a greater portion of the assessment since those properties benefit more from the promotion and marketing services provided by the District. Rooms that are not subject to the City’s hotel occupancy tax shall not be included for the District assessment. The total assessment must be reviewed and approved annually by the Dallas City Council. The future cost of services and improvements that are budgeted in the FY 2019-20 Service Plan may be increased in amounts indicated in subsequent Service Plans, beyond the amount shown subject to an enhancement in value of property in the District and a corresponding increase in the services and improvements to be provided, and subject to the limitations on the assessment per occupied room and the aggregate amount approved in the petition. The total assessment amount for the year may be less than the amount budgeted for the year, but it shall not be more than the amount budgeted for the year as shown in the adopted Service Plan.
- (e) **Apportionment of costs between the District and the Municipality as a Whole.** The District shall continue to pay the cost of the supplemental services described in the Service Plan by assessment against the hotels with 100 or more rooms within the District, including City-owned qualifying hotels located within the District territory, such as the Omni Hotel.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 13, 2012, City Council authorized the creation of the Tourism Public Improvement District and approval of the Service Plan and management contract by Resolution No. 12-1581.

On August 10, 2016, City Council authorized the renewal of the Tourism Public Improvement District and approval of the Service Plan and management contract by Resolution No. 16-1250.

On September 12, 2018, City Council authorized an ordinance approving and adopting the final 2019 Service Plan, 2018 Assessment Plan and the 2018 Assessment Roll by Resolution No. 18-1322; Ordinance No. 30987.

On August 28, 2019, City Council authorized a public hearing to be held on September 11, 2019, to receive comments concerning the expansion of the Tourism Public Improvement District.

On August 28, 2019, City Council authorized a public hearing to be held on September 11, 2019, to receive comments on the Tourism Public Improvement District final 2019-20 Service Plan and 2019 assessment rate.

City Council was briefed by memorandum regarding this matter on August 23, 2019.

City Council will be briefed by memorandum regarding this matter on September 6, 2019.

FISCAL INFORMATION

Cost consideration to others - for designated hotel properties, the total cost of the services and improvements to be provided shall be apportioned at a rate of 2 percent of room-nights sold at qualifying hotels located within the District territory until the collective total budget for the renewal period is reached.

MAP

Attached