



## Legislation Text

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**File #:** 20-168, **Version:** 1

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**STRATEGIC PRIORITY:** Economic and Neighborhood Vitality  
**AGENDA DATE:** February 26, 2020  
**COUNCIL DISTRICT(S):** 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14  
**DEPARTMENT:** Office of Economic Development  
**EXECUTIVE:** Michael Mendoza

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### **SUBJECT**

Authorize **(1)** a public hearing to be held on March 25, 2020, to receive comments concerning the expansion of the Dallas Tourism Public Improvement District (District) in accordance with House Bill 1136 legislation, which was approved during the 86th Texas Legislative Session, allowing the City to include property in a hotel-public improvement district (hotel-PID) 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 assessments on Dallas hotels with 100 or more rooms; and at the close of the hearing, **(2)** a resolution approving the expanded boundaries of the District to include an estimated 12 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**

The Public Improvement District Act, Chapter 372 of the Texas Local Government Code (the Act), allows a city to create a hotel-public improvement district (hotel-PID) and to collect assessments from hotel property owners. On June 13, 2012, the Dallas City Council authorized the establishment of the Dallas Tourism Public Improvement District (the District). The boundaries of the District are non-contiguous and include designated hotel properties with 100 or more rooms, within the City of Dallas, as approved by City Council when the District was renewed on August 10, 2016 via Resolution No. 16-1250. Hotel property owners recover the District 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 District assessment collections to the Dallas Tourism Public Improvement District Corporation (DTPIDC), the District's management entity, less an administrative fee.

While reviewing the District assessments, staff identified several non-District hotels with over 100 rooms who were voluntarily remitting the 2% District assessment to the City.

These non-District hotels included new hotels coming online after the District was renewed in 2016 that were not subject to the District assessment. Since the hotel corporations were unwilling or unable to adjust their accounting system to correct this problem, the excess collections were deemed “donations” via agreement between the District and the hotels. Accordingly, the Controller’s Office segregates the excess collections from the amount the City can legally levy and sends the excess collections to the DTPIDC.

An audit of VisitDallas issued by the City Auditor’s Office last year identified as a finding that the City did not have the formal authority to accept assessments from hotels not on the annual District assessment roll who were voluntarily paying the District assessment. The audit recommended that the Office of Economic Development, in coordination with VisitDallas, and in consultation with the City Attorney’s Office, verify that (1) the City had the formal authority to accept assessments from hotels not on the annual District assessment roll donating to the District and (2) obtain City Council approval to formally accept additional hotels into the District.

Consequently, the Texas Hotel Lodging Association sought an amendment to the Act that would give municipalities the ability to expand the boundaries of a hotel-PID during the term of the district without a re-petition. During the last legislative session, the legislature enacted House Bill 1136 which 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 in the hotel-PID without violating the petition thresholds in place when the hotel-PID was created or renewed.

On September 11, 2019, City Council delayed a public hearing related to adding new hotels with over 100 rooms to the District’s boundary and requested a briefing on the matter within 90 days. On December 2, 2019, the Economic Development Committee was briefed on this action and approved moving this item to the City Council for consideration and approval. This action, specifically, confirms the City’s legal authority to collect assessments from hotels not on the annual District assessment roll donating to the District. Adding new hotels to the District does not handicap the City’s ability to increase its local hotel occupancy tax rate for future local venue improvement projects as outlined in Chapter 334 of the Texas Local Government Code (the Brimer Bill). While adding new hotels to the District may increase District assessment revenues, the total revenue that the District can utilize is limited to the original revenue projections in the District’s service plan budget (capped at \$292.7 million over the District’s 13 year term spanning October 2016 to September 2029). If as a result of adding new hotels to the District boundary, the District’s collections will exceed the projected District term revenue total, the District will need to early renew through a new petition and City Council approval process.

In accordance with the new state legislation, the City desires to provide a reasonable opportunity for any interested person to speak for or against the expansion of the District to include an estimated 12 additional over-100 room Dallas hotels not described in the resolution or petition re-establishing the District in 2016 at a public hearing on March 25, 2020, and at the close of the hearing, consideration of a resolution approving the expanded boundaries of the District. No changes will be made to the original Service Plan budget that Council and the original hotels approved in 2016. A separate but related matter that will also appear on the March 25, 2020 agenda will be an amendment to the City’s PID policy to allow the addition of new hotels to the District during an existing term.

For the FY 2019-20 Service Plan year, the District 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 Act 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.
- (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 11, 2019, City Council authorized an ordinance approving and adopting the final 2020 Service Plan, 2019 Assessment Plan and the 2019 Assessment Roll by Resolution No. 19-1444; Ordinance No. 31325.

On September 11, 2019, City Council remanded a public hearing concerning the expansion of the District's boundary to a Council Committee.

The Economic Development Committee was briefed on the impact of the District's boundary expansion on December 2, 2019 and recommended the item to the City Council for consideration and approval in Spring 2020.

### **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% of room-nights sold at qualifying hotels located within the District territory until the collective total budget for the renewal period is reached.