



Legislation Text

File #: 20-401, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: March 25, 2020
COUNCIL DISTRICT(S): 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: ~~Michael Mendoza~~ [Dr. Eric A. Johnson](#)

SUBJECT

A public hearing to receive comments concerning the proposed expansion of the Dallas Tourism Public Improvement District (the District) in accordance with House Bill 1136 which recently amended Chapter 372 of the Texas Local Government Code, allowing the City to include property in the District if such property could have been included in the District without violating the petition thresholds in place 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 14 additional Dallas hotels not described in the resolution or petition re-establishing the District in 2016 - Financing: No cost consideration to the City (see Fiscal Information)

BACKGROUND

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. These designated 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. Accordingly, the City Controller's Office segregates these excess collections from the amount the City can legally levy and sends the excess collections to the DTPIDC. Since the hotel corporations were unwilling or unable to adjust their accounting system to correct this problem, the excess collections have been deemed "donations" via agreement between the District and the hotels.

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.

During the 86th Texas Legislative session, the Texas Hotel Lodging Association sought an amendment to the Act to give municipalities the ability to expand the boundaries of a hotel-PID during the term of the district without a re-petition. The State 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.

In accordance with the new state legislation, on March 25, 2020, City Council will consider two separate but related agenda items: (1) a public hearing to expand the boundaries of the District to include an estimated 14 Dallas hotels with over 100 rooms not described in the resolution or petition re-establishing the District in 2016 and at the close of the hearing, a resolution approving the expanded boundaries of the District; and (2) an amendment to the City's PID Policy to allow the addition of new hotels to the District during an existing term. At the public hearing, all interested individuals will have an opportunity to speak for or against the expansion of the District.

On December 2, 2019, the Economic Development Committee was briefed on the impact of this action and recommended moving it to the City Council for consideration and approval in Spring 2020. Specifically, expanding the boundary of the District 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, however, 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); Section 334.254(d)(1) of the Brimer Bill specifically excludes tourism PID assessments from state and local HOT tax rate cap of 17 percent. Finally, adding new hotels to the District does not change the original District Service Plan budget that Council and the original hotels approved in 2016. While this action may result in increased District assessment revenues, the total revenue that the District can utilize is limited to original revenue projections in the District's service plan budget (capped at \$292.7 million assessment collections over 13-year District 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 apply for early renewal through a new petition and City Council approval process.

For the FY 2019-20 Service Plan year, the District's 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 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 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 September 11, 2019, a public hearing concerning the expansion of the District's boundary was remanded to a Council Committee.

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