



Legislation Text

File #: 22-12, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: April 27, 2022
COUNCIL DISTRICT(S): 2
DEPARTMENT: Department of Convention and Event Services
EXECUTIVE: Majed Al-Ghafry

SUBJECT

A resolution **(1)** designating the following as venue projects: an expansion of the Kay Bailey Hutchison Convention Center Dallas, a convention center facility, and related infrastructure (collectively, the "Convention Center Expansion Venue Project"); and the acquisition, construction, and improvement of certain Fair Park Facilities and related infrastructure (collectively, the "Fair Park Facilities Venue Project," and, together with the Convention Center Expansion Venue Project, the "Venue Projects"); **(2)** designating the imposition of a new hotel occupancy tax increase at the rate of two percent as a method of financing the Venue Projects; **(3)** directing the City Manager to send the resolution to the Comptroller for a determination on whether the implementation of the resolution will have a significant negative fiscal impact on state revenue; **(4)** directing the City Manager to place an ordinance on the City Council's agenda calling an election on the question of approving and implementing the resolution upon the first of the following to occur: (a) receiving notice from the Comptroller that implementation of this resolution will not have a significant negative fiscal impact on state revenue; or (b) the expiration of 30 days from the date the Comptroller receives a copy of the resolution if the notice is not provided; and **(5)** authorizing the City Council, if the method of financing is approved at the election, to establish the Convention Center Expansion and Fair Park Facilities Venue Projects Funds - Estimated Revenue: Convention and Event Services Fund \$1,500,000,000.00 over 30 years

BACKGROUND

The Kay Bailey Hutchison Convention Center Dallas ("KBHCCD") Master Plan is in the eleventh month of the master planning process. The master planning contract with WSP USA, Inc. ("WSP") was approved by City Council Resolution No. 21-0245 on January 27, 2021 based on the outcomes of a Request for Qualifications/Request for Proposals process, which was conducted in coordination with multiple stakeholders and 14 city departments. The overall goal of the procurement process was to engage a firm that could develop a plan to create a walkable convention center district that incorporates transportation and private development in a way that ensures Dallas continues to be competitive economically in multiple sectors, including the tourism and hospitality space, and in its ability to keep pace with the downtown growth of other large competing cities.

Convention and Event Services (“CES”) briefed City Council on February 2, 2022, following numerous committee briefings, memoranda, and updates. At the February 2nd meeting, staff recommended that the 3C West of Lamar convention center alternative, which would expand the KBHCCD building footprint, its operating capacity, and its convention center service offerings, be moved forward for full City Council approval. City Council adopted the recommended 3C West of Lamar alternative as the preferred alternative to implement the KBHCCD expansion on February 9, 2022. Additionally, City Council authorized the City Manager to take necessary steps to implement the 3C West of Lamar alternative.

During the 87th Texas Legislature, Regular Session (the “Legislature”), the Legislature enacted Senate Bill 2181 (“SB 2181”), which added Section 334.2518 (“Section 334.2518”) to Chapter 334 of the Local Government Code, as amended (“Chapter 334”). Section 334.2518 authorizes the City of Dallas (the “City”) to use hotel occupancy taxes under Chapter 334 (the “2% Brimer HOT”) to finance certain facilities. CES staff has identified the Section 334.2518 2% Brimer HOT as a method of financing the implementation of the 3C West of Lamar alternative and necessary Fair Park improvements. The City intends to use Section 334.2518 to finance (i) the Convention Center Expansion Venue Project and (ii) the Fair Park Facilities Venue Project, including the acquisition, construction, and improvement of the Automotive Building, the Centennial Building, the Band Shell, the Music Hall, the Cotton Bowl and the Coliseum, and related infrastructure.

CES staff recommends City Council adoption of a resolution (the “Resolution”) that authorizes the City Manager or his designee to submit the Resolution to the Texas Comptroller of Public Accounts (the “Comptroller”) for a determination on whether implementation of the Resolution will have a significant negative fiscal impact on state revenue, as required by Section 334.021, Local Government Code, as amended.

The Resolution includes the ballot proposition for the Venue Projects, as required under Section 334.2518 to impose an increase in the HOT tax at a rate of two percent (2%) to finance the Venue Projects. Upon the earlier to occur of: receiving written notice from the Comptroller that implementation of the Resolution will not have a significant negative fiscal impact on state revenue; or (B) the expiration of 30 days from the date the Comptroller receives a copy of the Resolution if no such written notice is provided by the Comptroller, the City Manager will place on the City Council’s agenda an ordinance to call an election to submit the ballot proposition to the voters at an election to be held on November 8, 2022 (the “Brimer Election”). If approved by the voters, the maximum hotel occupancy tax rate imposed from all sources in the City would be 15% of the price paid for a room in a hotel. The City expects to issue revenue bonds (the “Bonds”) to be secured by the Security defined below.

The Bonds are expected to be issued under the umbrella of Chapter 1371, Government Code, as amended (“Chapter 1371”), and secured by the following revenue streams: (i) project financing zone revenues authorized pursuant to Sections 351.106 and 351.1015, Tax Code, as amended (“PFZ Revenues”); (ii) 4.718% of the 7% municipal hotel occupancy taxes authorized pursuant to Chapter 351, Tax Code, as amended (the “4.718% HOT”); and (iii) the 2% Brimer HOT, (together with the PFZ Revenues and the 4.718% HOT, the “Security”). While City staff anticipates that the Convention Center Expansion Venue Project will be financed by all three revenue sources, financing of the Fair Park Facilities Venue Project will be limited to no more than 20% of the 2% Brimer HOT, in accordance with Section 334.2518.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Transportation and Infrastructure Committee was briefed on the Kay Bailey Hutchison Convention Center Dallas Master Plan on December 8, 2020.

[City Council was briefed by memorandum regarding the Kay Bailey Hutchison Convention Center Dallas Master Plan on January 22, 2021.](#)

[<https://dallascityhall.com/government/citymanager/Documents/FY%2020-21%20Memos/Kay%20Bailey%20Hutchison%20Convention%20Center%20Master%20Plan%20update%20-%20Memo_01222021.pdf>](https://dallascityhall.com/government/citymanager/Documents/FY%2020-21%20Memos/Kay%20Bailey%20Hutchison%20Convention%20Center%20Master%20Plan%20update%20-%20Memo_01222021.pdf)

On January 27, 2021, City Council authorized the contract with WSP USA, Inc. by Resolution No. 21-0245.

[City Council was briefed by memorandum regarding progress to-date on the Kay Bailey Hutchison Convention Center Dallas Master Plan on August 13, 2021.](#)

[<https://dallascityhall.com/government/citymanager/Documents/FY%2020-21%20Memos/KBHCCD%20Master%20Plan%20Contract%20Update_Memo_08132021.pdf>](https://dallascityhall.com/government/citymanager/Documents/FY%2020-21%20Memos/KBHCCD%20Master%20Plan%20Contract%20Update_Memo_08132021.pdf)

The Economic Development Committee was briefed on October 4, 2021 regarding the Kay Bailey Hutchison Convention Center Master Plan and the Project Financing Zone.

On October 13, 2021 City Council authorized the designation of Project Financing Zone Number One, City of Dallas, Texas by Ordinance No. 32016, by Resolution No. 21-1650.

The Transportation and Infrastructure Committee was briefed regarding the Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan Alternative Recommendation and Requirements Pursuant to Texas Local Government Code Chapter 334 on December 7, 2021.

[The Transportation and Infrastructure Committee was updated by memorandum on questions presented during the December 7, 2021 briefing on December 17, 2021.](#)

[<https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/KBHCCD%20Master%20Plan_Memo_12172021.pdf>](https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/KBHCCD%20Master%20Plan_Memo_12172021.pdf)

[City Council was briefed by memorandum regarding this matter on December 17, 2021.](#)

[<https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/KBHCCD%20Master%20Plan_Memo_12172021.pdf>](https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/KBHCCD%20Master%20Plan_Memo_12172021.pdf)

The Transportation and Infrastructure Committee was briefed regarding the Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan Alternative Recommendation and Requirements Pursuant to Texas Local Government Code Chapter 334 on January 18, 2022.

[City Council was updated by memorandum regarding questions presented during the January 18, 2022 Transportation and Infrastructure briefing on January 28, 2022.](#)

[<https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/KBHCCD%20Master%20Plan%20Update%20Memo%20-%20Follow-Up%20to%20TRNI%20Committee.pdf>](https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/KBHCCD%20Master%20Plan%20Update%20Memo%20-%20Follow-Up%20to%20TRNI%20Committee.pdf)

City Council was briefed by memorandum regarding questions presented by a consultant regarding the Katy Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan on January 28, 2022. <<https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/KBHCCD%20Master%20Plan%20Update%20-%20Additional%20Questions.pdf>>

City Council was briefed regarding the Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan Alternative Recommendation and Requirements Pursuant to Texas Local Government Code Chapter 334 on February 2, 2022.

City Council was provided follow-up responses regarding questions presented during the February 2, 2022 City Council Briefing concerning the Kay Bailey Hutchison Convention Center Dallas Master Plan on February 4, 2022. <<https://dallascityhall.com/government/citymanager/Documents/FY%2021-22%20Memos/Kay%20Bailey%20Hutchison%20Convention%20Center%20Dallas%20%28KBHCCD%29%20Master%20Plan%20-%20February%202%202022%20City%20Council%20Briefing%20Follow-Up%20%28002%29.pdf>>

On February 9, 2022, City Council authorized (1) adopting the 3C, located west of Lamar Street, as the preferred alternative to implement the Kay Bailey Hutchison Convention Center Dallas Master Plan - Phase 1; and (2) authorizing the city manager to take the necessary steps to implement the 3C alternative, located west of Lamar Street by Resolution No. 22-0334.

On April 7, 2022, the Park and Recreation Board unanimously voted to designate, as the Fair Park Facilities Venue Projects, the following Fair Park sites: the Automotive Building, the Centennial Building, the Band Shell, the Music Hall, the Cotton Bowl and the Coliseum, and related infrastructure.

FISCAL INFORMATION

Estimated Revenue: Convention and Event Services Fund \$1,500,000,000.00 over 30 years

Fund	FY 2022	FY 2023	Future Years
Convention Center Fund	\$0.00	\$0.00	\$1,500,000,000.00