



Legislation Text

File #: 22-855, **Version:** 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: May 11, 2022
COUNCIL DISTRICT(S): 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize **(1)** a public hearing to be held on June 8, 2022, to receive comments concerning the renewal of the Knox Street Public Improvement District (the District), in accordance with Chapter 372 of the Texas Local Government Code (the Act), for the specified area of the District, for the purpose of providing supplemental public services, to be funded by an assessment on real property and real property improvements in the District; and, at the close of the public hearing; **(2)** approval of a resolution renewing the District for a period of ten years; **(3)** approval of the District's Service Plan for 2023-2032 for the purpose of providing supplemental public services, to be funded by assessments on real property and real property improvements in the District; and **(4)** approval of a management contract with Knox Street Improvement District Corporation, a Texas nonprofit corporation as the management entity for the District - Financing: This action has no cost consideration to the City (see Fiscal Information)

BACKGROUND

On February 28, 2022, Knox Street Improvement District Corporation, representing owners of real property located within the District, submitted petitions to the City of Dallas requesting the renewal of the District and approval of the District's Service Plan for a new ten-year term effective January 1, 2023 to December 31, 2032, in accordance with the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372 (the Act). The Dallas City Council first authorized the creation of the District in 2010 and its renewal in 2017. This is the District's second renewal petition.

City staff reviewed the petitions and verified that owners of record representing more than 83% of the appraised value and more than 86% of the land area of real property in the District liable for assessment had signed the petitions, thereby exceeding the minimum requirements for renewal set in the current City of Dallas Public Improvement District (PID) Policy and the Act. 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 of real property liable for assessment. Section 372.005 of the Act 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 of real property liable

for assessment.

This action calls for a public hearing to be held on June 8, 2022 for the City Council to receive comments on the renewal of the District for a new ten-year term. The City desires, by the calling and holding of a public hearing, to provide a reasonable opportunity for any owner of property located within the District to speak for or against the renewal of the District. Upon closing of the public hearing, City Council will be asked to consider a resolution renewing the District. No later than seven days after City Council authorizes the District's renewal, City staff will file a copy of the authorizing resolution with the Dallas County Clerk's Office in accordance with Section 372.010 of the Act.

The petition for the District is outlined as follows:

- A. District Name.** The name of the District is Knox Street Public Improvement District.
- B. District Location.** The District is located wholly within the City of Dallas, Texas, a Texas home rule municipality. The boundaries of the District are shown on **Exhibit A**.
- C. Nature of the Proposed Services and Improvements.** The purpose of the assessments to be levied in the District is to supplement and enhance services provided to or for the District's benefit including, but not limited to: enhanced security and public safety, trash/litter removal, graffiti control, landscaping improvements in common 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, related expenses incurred in establishing, administering, and operating the District such as liability insurance and financial audit as authorized by the Act and City Council.
- D. Estimated Cost of the Services and Improvements** During the next ten-year term of the District, the estimated annual cost of services and improvements to be provided by the District is expected to begin at approximately \$1,069,234.00 in 2023 (plus \$800,854.00 to be carried-forward) and to end at \$1,557,512.00 in 2032 (plus \$15,397.00 to be carried-forward to following term subject to Council approval). The total estimated net assessment revenue to be collected during the ten-year period is approximately \$9,228,298.00. The District shall incur no bonded indebtedness. The ten-year budget detailing the estimated cost per year and total estimated costs for the entire term (the Service Plan) is attached as **Exhibit B**.
- E. Method of Assessment.** The assessment shall apportion the costs each year among the property owners on the basis of special benefits accruing to the property. The proposed method of assessment, which may specify included or excluded classes of assessable property, shall be assessed according to the value of the real property and real property improvements as determined by the Dallas Central Appraisal District (DCAD). The net assessment amount for 2023 is proposed to be \$477,288.00. The annual assessment rate for 2023 is approximately equal to \$0.15 per \$100.00 valuation. Once levied, this assessment rate shall not increase during the 2023 Service Plan year.

Future annual assessment rates, however, may be increased up to a maximum of \$0.15 per \$100.00 valuation, subject to appropriations set forth in the petition that renewed the District. Any future increase in the assessment rate would also be subject to a public hearing and City Council approval.

F. Apportionment of Costs Between the District and the Municipality as a Whole. The assessment is levied on the real property and real property improvements in the District according to the value of such property. Levying the assessment for the services and improvements based on the appraised value of the property results in the apportionment of the costs on the basis of special benefits accruing to the property.

The real property of jurisdictions and entities that have obtained an exemption from City of Dallas real property taxes pursuant to the Texas Tax Code (except under the provisions of Sections 11.24 and 11.28 of the Texas Tax Code) will not be subject to an assessment on that portion of the assessed value of the property exempt from City real property taxes. Payment of assessments by exempt jurisdictions and entities must be established by contract. Property owned by tax-exempt religious organizations will be exempt from assessment as well as City rights-of-way, City parks, railroad rights-of-way, and cemeteries. The City of Dallas is not responsible for payment of assessment against City-owned property in the District.

G. District Management. The District shall be managed by Knox Street Improvement District Corporation (KSIDC), a Texas nonprofit corporation established under the provisions of Section 501(c) of the Internal Revenue Code, or its successors or assigns, as approved by property owners and the City Council. KSIDC will be responsible for the management of the District, development, and recommendation of an annually updated Service Plan, and perform other required responsibilities pursuant to a contract with the City. The City Council will review and approve annually the Service Plan and assessment plan, determine and levy assessments and conduct other functions as required by the Act.

H. District Dissolution. The District shall automatically dissolve on December 31, 2032, unless renewed or dissolved through the petition and approval process as provided by the Act. If the District is dissolved, the District nonetheless shall remain in effect for the purpose of meeting obligations of indebtedness for improvements.

I. Advisory Body. An advisory body may be established to develop and recommend an improvement plan to the governing body of the municipality. At this time, staff is not recommending that an advisory board be appointed but is recommending that the responsibilities for the development and recommendation of the annual Service Plan and other duties of the advisory board contained in the Act be assigned to KSIDC or a successor entity approved by property owners and the City Council.

Following approval, the KSIDC will be contractually required to implement the Petitioned Service Plan in accordance with the Act and the following administrative provisions:

i. Service Plan Budget Modifications. The Petitioned Service Plan covers a period of 10 years, groups services and improvements to be provided into program categories

("Program Category"), and the percentage of available funds allocated to each Program Category by KSIDC. As required by the Act, changes to the adopted Annual Service Plan budget category percentages (%), need City Council approval.

- ii. **No Collection of Assessments in Excess of Petitioned Cost Total.** The City has no power to levy and collect assessments within the District in excess of the total cost of services and improvements, that property owners agreed to when they signed the District's renewal petition. If appraised property values increase or decrease within the District, the apportionment of the cost among the property owners may change on an annual basis but the cumulative amount of assessment revenue that is generated over the District's term cannot exceed the total cost of services and improvements projected on the Petitioned Service Plan. No over-collection of assessments is anticipated over the District's term. If, however, the District's cumulative, net assessment collections will exceed the cumulative assessments budgeted on the Petitioned Service Plan, KSIDC shall: (1) reduce the District's assessment rate in a subsequent year(s) to offset the over-collection, (2) return the assessment funds to the property owners, and/or (3) retain and not expend such additional assessments until a revised petition for an early renewal of the District that includes the additional assessments and increased service levels/costs is signed by the District property owners and approved by City Council, in accordance with the Act and the City's PID Policy.
- iii. **Excess Funds.** The District must identify any unspent assessment funds arising from greater than anticipated collections and/or lower than budgeted costs on the upcoming year's Annual Service Plan as either revenue available for current/future expenditures or return the excess funds to property owners, provided that the District's revenue at any time (inclusive of unspent carry-forward revenue and interest generated from assessments) does not exceed the total cost of services and improvements budgeted on the Petitioned Service Plan. Requests to carry-forward funds in excess of 20% of the District's budgeted collections, KSIDC must explain/justify why the District is carrying such a large fund balance (i.e. future capital improvement project, etc.) At no time shall carryover funds be used for services or improvements that were not approved in the District's Petition. If in the last year of the District's term, there are unspent funds, City Council reserves the right to adjust the assessment rate to absorb such funds to the extent not otherwise approved by City Council to be using during the District's ensuing renewal term. In all instances, City Council shall have final approval as to whether the District and/or KSIDC is permitted to carry over assessments to the following year.
- iv. **Expenditure Overruns and Use of Approved Fund Balance/Contingency Reserves.** If annual expenditures will exceed revenues (for example, due to lower than projected collections or greater than projected costs), KSIDC shall take measures to avoid a negative fund balance at year-end, such as: (1) reducing spending among Program Categories in a manner that best serves the interest of District property owners, tenants, and residents, provided that amendments to Program Category budget percentages require City Council approval, (2) accessing approved amounts set-aside in a budgeted contingency reserve category as applicable), (3) and/or accessing approved excess assessments carried forward from prior year fund balance.

The term of the District upon renewal is ten years, from 2023 to 2032. Pending approval, actual operations in the District will commence on January 1, 2023.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 23, 2010, City Council authorized the establishment of the Knox Street Public Improvement District for a period of seven years and named the Knox Street Improvement District Corporation as the management entity for the District by Resolution No. 10-1670.

On June 28, 2017, City Council authorized the renewal of the District for a seven-year period and designated the Knox Street Improvement District Corporation as the management entity for the District by Resolution No. 17-1119.

On September 12, 2018, City Council authorized an amended and restated management contract with Knox Street Improvement District Corporation, the non-profit corporation designated as the management entity for the District to reflect changes in the process for disbursement of assessment revenue, authorizing the City to disburse assessments to Knox Street Improvement District Corporation, and to address other amendments to the agreement form; by Resolution No. 18-1311.

[The Economic Development Committee was briefed by a memorandum regarding this matter on May 2, 2022. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=10858992&GUID=A36B2EAC-599C-4339-8270-4230EE3D5819>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=10858992&GUID=A36B2EAC-599C-4339-8270-4230EE3D5819)

FISCAL INFORMATION

This action has no cost consideration to the City. For District property owners, the proposed assessment amount is approximately equal to \$0.15 per \$100.00 of appraised value as determined by the DCAD (i.e., property owners within the boundaries of the District pay the assessment and the funds are managed by private, non-profit entities under a management contract with the City).

CONTACT INFORMATION

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