



Legislation Text

File #: 24-1142, **Version:** 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: April 24, 2024
COUNCIL DISTRICT(S): 1, 2, 3, 5, 6, 7, 9, 10, 11, 12, 13, 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize **(1)** a public hearing to be held on May 22, 2024, to receive comments concerning the Dallas Tourism Public Improvement District (the "District") expansion, in accordance with Chapter 372 of the Texas Local Government Code, allowing the City to include property in a hotel-public improvement district with the property owner's consent if such property could have been included in the District, when created, without violating the petition thresholds, to provide supplemental public services funded by assessments on Dallas hotels with 100 or more rooms (Qualifying hotels); and, at the close of the public hearing, **(2)** a resolution approving District boundary expansion to include one additional Qualifying hotel in the District not described in the resolution or petition renewing the District in 2016 or expanding the District's boundaries in 2020, 2022, or 2023 - Financing: This action has no cost consideration to the City (see Fiscal Information)

BACKGROUND

The Public Improvement District Act, of the Texas Local Government Code, Chapter 372 (the Act), allows a city to create a hotel-public improvement district (hotel-PID) and to collect assessments from Qualifying hotel property owners. On June 13, 2012, the Dallas City Council established a named the District. The District's boundaries are non-contiguous and include designated Qualifying hotel properties, as approved by City Council when the District was renewed on August 10, 2016, by Resolution No. 16-1250 and expanded on March 25, 2020, by Resolution No. 20-0520, on June 8, 2022, by Resolution No. 22-0897, and on May 24, 2023, by Resolution No. 23-0740. Qualifying hotel property owners recover the District assessment from hotel guests at a rate of 2% of the price of the room nights sold and remit this assessment monthly to the City. The City Controller's Office then forwards the District assessment collections, less an administrative fee retained by the City, to the Dallas Tourism Public Improvement District Corporation (DTPIDC), the District's management entity.

During its regular session, the 87th Texas Legislature enacted Senate Bill 804, which amended Section 372.0121 of the Act to allow the City to add and levy new hotel properties to the boundary of an existing hotel-PID with the property owner's consent if the petition threshold is met.

State law 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 or 60% of the record owners liable for assessment (e.g., petition threshold).

In accordance with the Act, on February 1, 2024, VisitDallas submitted a consent form signed on behalf of one hotel owner seeking inclusion in the District. City staff reviewed the consent forms and verified that owners of record of Qualifying hotels representing 83.8% of the appraised value and 63.3% of the land area of real property in the District liable for assessment have signed the petition or consent form, thereby exceeding the minimum expansion requirements set forth in the Act.

On May 22, 2024, the City will hold a public hearing to provide a reasonable opportunity for any interested person to speak for or against the District's boundaries in 2020, 2022, or 2023 (District expansion) and at the close of the hearing, consider a resolution to approve the District expansion. No later than seven days after City Council authorizes the District's expansion, 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.

No changes will be made to the original Service Plan budget approved by City Council and the original hotels in 2016. Although adding new hotels to the DTPID may increase DTPID's assessment revenues, the total revenue that the DTPID can utilize is limited to the original revenue projections in the DTPID's service plan budget (capped at \$292.7 million assessment collections over 13-year DTPID term spanning October 2016 to September 2029). If, as a result of adding one hotel to the DTPID boundary, the DTPID's collections are expected to exceed the projected DTPID term revenue total, the DTPID would need to apply for an early renewal through a new petition and City Council approval process.

For the fiscal year (FY) 2023-24 Service Plan year, the District Service Plan is outlined as follows:

- A. Nature of the Services and Improvements.** The purpose of the District will continue to be to: enhance services; and undertake certain improvements, in particular, special supplemental services relating to District marketing, business recruitment, and promotional activities authorized by the Act to improve and promote the District, including the provision of incentives by contractual agreement with VisitDallas to organizations to encourage them to bring their large and city-wide meetings to Dallas and to fund additional marketing by contractual agreement with VisitDallas to increase hotel stays within the City. The District will continue to supplement and enhance services within the assessment area.
- B. Estimated Cost of the Services and Improvements.** During the next five-year period, the estimated annual cost of District improvements and services is expected to be \$33,689,734.00 in FY 2024 and decrease to approximately \$25,997,945.00 in FY 2028. The estimated total net assessments collected during the next five-year period is \$137,539,170.00. The District shall incur no bonded indebtedness.
- C. Boundaries.** The District boundaries are located wholly within the city of Dallas, Texas. The District boundaries are as shown in **Exhibit A** and shall solely include non-contiguous hotel properties with 100 or more rooms within the city of Dallas as shown on the attached list marked **Exhibit A-1**.

D. Method of Assessment. The District assessment will be levied on Qualifying hotels located within the District. The proposed services and improvements costs shall be assessed in a manner that results in imposing equal shares of the cost of the services qualifying on similarly benefitted hotels. Under the Act, the apportionment of the cost of the services against property in the District must be based on special benefits accruing to the property because of the services and improvements provided. The total services and improvements costs shall be apportioned at a rate of 2% of room-nights sold at Qualifying hotels located within the District until the collective total budget for the current period 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 District's promotion and marketing services. 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 annually reviewed and approved by the Dallas City Council. The future services and improvement costs that are budgeted in the FY 2023-24 Service Plan may be increased in amounts indicated in subsequent Service Plans, beyond the amount shown, subject to an enhancement in property value in the District and a corresponding increase in the services and improvements to be provided, subject to the limitations on the assessment per occupied room and the aggregate amount approved in the petition.

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 Qualifying hotels within the District, including City-owned qualifying hotels, such as the Omni Hotel.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 13, 2012, the 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, the 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 March 25, 2020, pursuant to Section 372.007 of the Act, the City Council authorized the expansion of the Tourism Public Improvement District boundary to include 14 additional hotels by Resolution No. 20-0520.

On June 8, 2022, pursuant to Section 372.005(b-1) of the Act, the City Council authorized the expansion of the Tourism Public Improvement District boundary to include 6 additional hotels by Resolution No. 22-0897.

On May 24, 2023, pursuant to Section 372.005(b-1) of the Act, the City Council authorized the expansion of the Tourism Public Improvement District boundary to include 2 additional hotels by Resolution No. 23-0740.

[The Economic Development Committee was briefed by memorandum regarding this matter on April 1, 2024. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=12814313&GUID=9B1BED10-20E8-41DA-9311-8F50692349CF>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=12814313&GUID=9B1BED10-20E8-41DA-9311-8F50692349CF)

FISCAL INFORMATION

This action has no cost consideration to the City. For Qualifying 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 within the District territory until the collective total budget for the current period is reached.