



## Legislation Text

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**File #:** 24-1143, **Version:** 1

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**STRATEGIC PRIORITY:** Economic Development  
**AGENDA DATE:** April 24, 2024  
**COUNCIL DISTRICT(S):** 10  
**DEPARTMENT:** Office of Economic Development  
**EXECUTIVE:** Majed Al-Ghafry

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### **SUBJECT**

Authorize **(1)** a public hearing to be held on May 22, 2024, to receive comments concerning the renewal of the North Lake Highlands Public Improvement District (the "District"), in accordance with Chapter 372 of the Texas Local Government Code 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 2025-2034 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 Lake Highlands 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 1, 2024, Lake Highlands Improvement District Corporation (LHIDC), a Texas nonprofit 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, 2025 to December 31, 2034, in accordance with the Act.

City staff reviewed the petitions and verified that owners of record representing 77.8% of the appraised value and 67.6% 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. In new and renewing commercial or mixed-use district PIDs, the City's PID Policy requires signed petitions from owners of at least 60.0% of the appraised value of real property liable for assessment and at least 60.0% of the land area of real property liable for assessment. Section 372.005 of the Act requires signed petitions from owners of at least 50.0% of the appraised value of real property liable for assessment and at least 50.0% of the land area of real property liable for assessment.

This action calls for a public hearing to be held on May 22, 2024 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, the City Council will be asked to consider a resolution renewing the District. No later than seven days after the 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 North Lake Highlands 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 public safety and enhanced security, beautification, recreation, cultural enhancements, custodial and landscaping maintenance, capital improvements, trail improvements, common area improvements permissible under the Act, acquisition and installation of art, business recruitment, and development to promote the area in and around the District, marketing and promotional activities, distinctive lighting and signage, and related expenses incurred in, administering and operating the District as authorized by the Act and the City Council. To the extent of a conflict between the proposed permissible services and improvements referenced in this Petition, the Service Plan, and the Act, the Act shall prevail.
- 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 \$1,275,795.00 in 2025 and to end at \$6,582,823.00 in 2034. The total estimated net assessment revenue to be collected during the ten-year period is approximately \$33,117,960.00. 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 2025 is proposed to be \$1,275,795.00. The annual assessment rate for 2025 is approximately equal to \$0.12 per \$100.00 valuation. Once levied, this assessment rate shall not increase during the 2025 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 LHIDC, a Texas nonprofit corporation established under the provisions of Section 501(c)(3) of the Internal Revenue Code, or its successors or assigns, as approved by property owners and the City Council. LHIDC 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, 2034, 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 LHIDC or a successor entity approved by property owners and the City Council.

Following approval, the LHIDC 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 LHIDC. As required by the Act, changes to the adopted Annual Service Plan budget category percentages need the 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, LHIDC 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 20.0% of the District's budgeted collections, LHIDC 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, the 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 used during the District's ensuing renewal term. In all instances, the City Council shall have final approval as to whether the District and/or LHIDC 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), LHIDC 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 the 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 2025 to 2034. Pending approval, actual operations in the District will commence on January 1, 2025.

### **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On August 9, 2017, the City Council authorized the creation of the North Lake Highlands Public Improvement District, approval of the Service Plan and management contract by Resolution No. 17-1232.

On September 12, 2018, the City Council authorized an amended and restated management contract with Lake Highlands 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 Lake Highlands Improvement District Corporation, and to address other amendments to the agreement by Resolution No. 18-1315.

On August 23, 2023, the City Council authorized an ordinance approving and adopting the District's 2024 Service Plan, 2023 Assessment Plan and the 2023 Assessment Roll by Resolution No. 23-1182 and Ordinance No. 32534.

[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 District property owners, the proposed assessment amount is approximately equal to \$0.12 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).