

Memorandum



DATE April 17, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **Upcoming Agenda Items: April 22, 2020 Downtown Improvement District Renewal Call for Public Hearing**

The Dallas City Council first authorized creation of the Dallas Downtown Improvement District (District) in 1992 and subsequent renewals in 1996, 2001, 2006, and 2013. The current term of the District expires on December 31, 2020. The District is seeking renewal for another seven-year term effective January 1, 2021 and to continue to be managed by Downtown Dallas, Inc. (DDI), a Texas nonprofit corporation. Per state law, City Council must conduct a public hearing to approve renewal of the District and approval of the District's Service Plan. On April 22, 2020, City Council will be asked to consider a resolution calling for a public hearing to be held on May 27, 2020 to receive comments regarding renewal of the District.

Background

On January 30, 2020, DDI, Inc. submitted petitions requesting renewal of the District. City staff reviewed the petitions and verified that owners of record representing more than 71% of the appraised value and 73% of the land area of real property in the District liable for assessment had signed the petitions. Signed petitions exceeded the minimum renewal requirements established in the City's Public Improvement District (PID) Policy and Chapter 372 of the Texas Local Government Code (the Act), the latter which requires signed petitions from owners representing 50% of the appraised value of real property liable for assessment and 50% percent of the land area of all real property liable for assessment.

The purpose of the District is to supplement and enhance services within the District, but not to replace or supplant existing City services. The District is currently managed by. Located in Council Districts 2 and 14, the District consists of approximately 2,110 properties and is primarily a combination of commercial and residential uses (see **Exhibit A**).

The general nature of the proposed services and improvements to be performed by the District includes safety and cleaning programs, transportation enhancements, park and public space beautification and management, economic planning, promotion of Downtown Dallas, special events, and other related expenses incurred in establishing, administering and operating the District as authorized by the Act and City Council.

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The cost for service and improvements will be apportioned among District property owners on the basis of special benefits accruing to each property as determined by the DCAD appraised value of real property and real property improvements in the District. The annual assessment rate for the 2021 Service Plan year is approximately equal to \$0.129 per \$100 valuation. Religious organizations, jurisdictions, and entities exempt from paying property taxes to the City of Dallas will also be exempt from assessment as well as property of owners receiving the 65-or-older homestead exemption. The City of Dallas has contractually agreed to pay assessments against exempt City property in the District. Payment of assessments by exempt jurisdictions and entities must be established by contract.

The District's Service Plan is a seven-year forecast of service level needs and new development activities projected by DDI, Inc. (see **Exhibit B**). The projected annual cost of services and improvements to be provided by DDI, Inc. ranges from \$9.5 to \$19.4 million. The total estimated assessment revenue to be collected during the District's upcoming term is approximately \$97.8 million. On an annual basis, DDI, Inc. will be required to prepare an updated, five year Service Plan and host a public meeting where any District property owner will have an opportunity to ask questions, make comments, and provide input on the District's proposed service plan budget prior to adoption by City Council. DDI, Inc. must also provide District property owners with at least two weeks written notice prior to the annual meeting.

If the District's total collections will exceed the total Service Plan budgeted collections, DDI, Inc. will be contractually required to either 1) reduce the District's assessment rate in subsequent years to offset the over-collection, 2) or return the assessment funds to the property owners, 3) or obtain property owner consent for an increased collection, services, and costs via an early renewal process.

To provide some budgeting flexibility, the City's PID Policy allows DDI, Inc. to use their discretion to increase or decrease a budget category by up to 20 percent of a category's cumulative Service Plan total. For example, if annual expenditures will exceed annual revenues due to lower than projected assessments or greater than projected costs, DDI, Inc. may use their discretion to reduce spending among Service Plan categories in a manner that best serves the interest of District property owners and residents, provided that the District's total assessment collections do not exceed the cumulative collection totals on the District's Service Plan. If annual revenues will exceed expenditures due to greater than budgeted assessment collections or lower than budgeted costs resulting from delays or cost adjustments, the District may carry-forward the excess revenue to subsequent years, provided that the cumulative amount of all assessment revenue does not exceed the cumulative totals on the District's Service Plan and that no expenditure category is adjusted by more than 20 percent of a category's cumulative Service Plan total.

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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 DDI, Inc. or a successor entity approved by property owners and the City Council.

The District shall automatically dissolve on December 31, 2027 unless renewed or dissolved through the petition and approval process as provided by the Act.

Alternatives

City Council may choose to deny the renewal of the District, resulting in the cessation of services and improvements provided within the District.

Recommendation

Staff recommends City Council's approval on April 22, 2020 to: (1) call a public hearing to be held on May 27, 2020 to receive comments concerning the renewal of the Dallas Downtown Improvement District; (2) approval of a resolution renewing the District for a period of seven years; (3) approval of a Service Plan for 2021-2027 for the purpose of providing supplemental public services in the District; and (4) Downtown Dallas, Inc., a Texas nonprofit corporation as the management entity for the District.

Fiscal Information

This action has no cost consideration to the City. However, the estimated future cost consideration to the City of participating in the District is \$8,852,696 over the seven-year renewal term based on the property value growth rates provided by DDI, subject to annual appropriations and City Council approval during the District's annual Service Plan and assessment rate adoption process. This figure includes an estimated \$5,972,179 General Fund cost consideration and an estimated \$2,880,516 Convention and Event Services Enterprise Fund cost consideration.

Additionally, this action will have a future cost consideration on others outside the City of Dallas. Property owners within the boundaries of the District will pay a proposed assessment amount that is approximately equal to \$0.129 per \$100.00 of appraised value as determined by DCAD. The projected cost consideration for the Omni Hotel over the proposed renewal term is \$4,137,706 using property value growth projections provided by DDI.

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Should you have any questions, please contact Courtney Pogue, Director of the Office of Economic Development at (214) 670-1696 or at Courtney.pogue@dallascityhall.com



Courtney Pogue, Director
Office of Economic Development

- c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
- Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

EXHIBIT A

DOWNTOWN IMPROVEMENT DISTRICT (DID) MAP

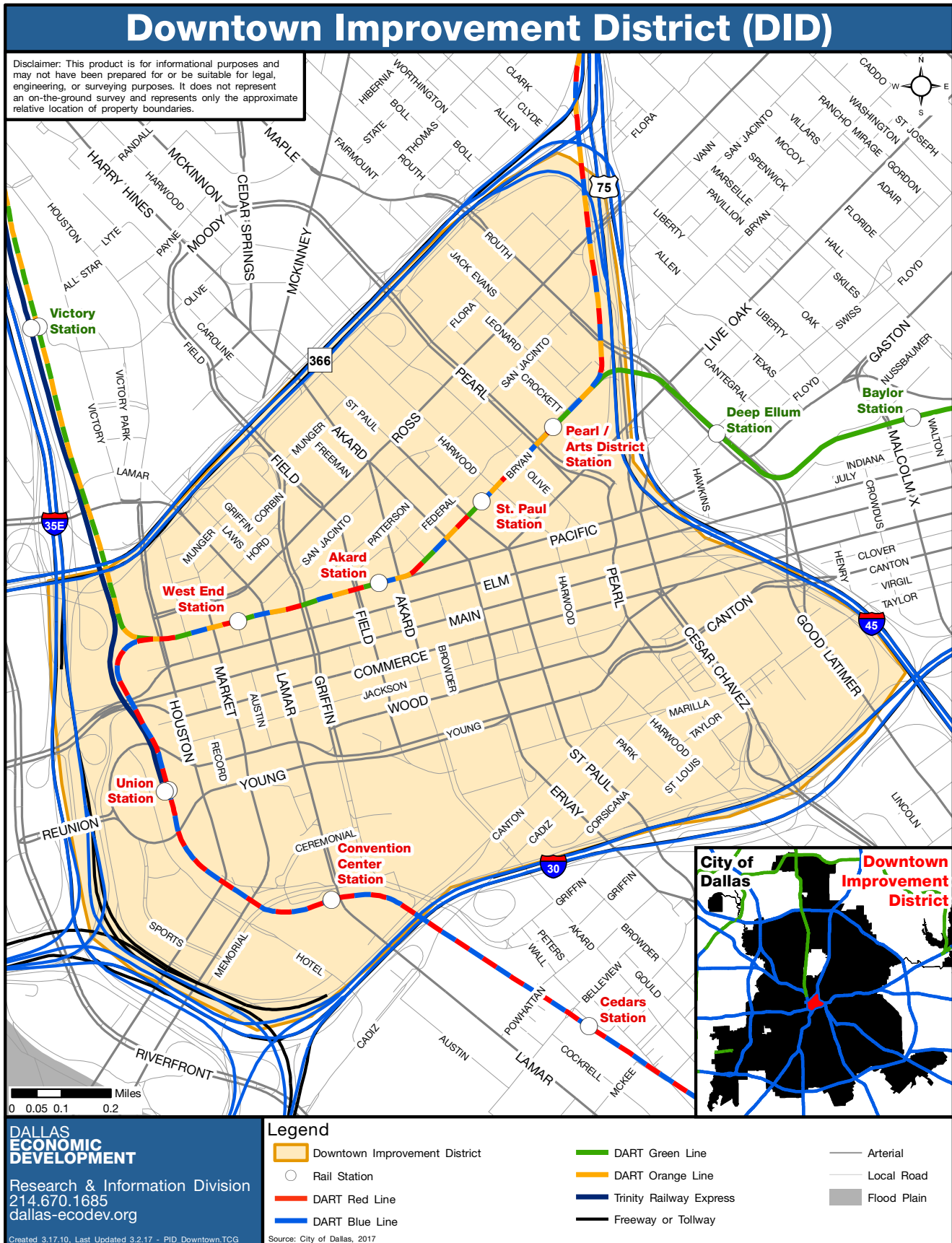


EXHIBIT B
DID SERVICE PLAN 2021-2027

REVENUES	2021	2022	2023	2024	2025	2026	2027
Net Assessment Revenue*	\$9,417,000	\$10,652,000	\$12,154,900	\$13,745,827	\$15,405,286	\$17,108,998	\$19,343,957
Exempt Jurisdictions	\$81,500	\$81,500	\$81,500	\$81,500	\$81,500	\$81,500	\$81,500
Interest on Cash Balances	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
TOTAL INCOME & REVENUES	\$9,500,000	\$10,735,000	\$12,237,900	\$13,828,827	\$15,488,286	\$17,191,998	\$19,426,957
EXPENDITURES							
Organization & Administration	\$950,000	\$1,073,500	\$1,223,790	\$1,382,883	\$1,548,829	\$1,719,200	\$1,942,696
Economic Development, Planning & Mobility ¹	\$475,000	\$536,750	\$611,895	\$691,441	\$774,414	\$859,600	\$971,348
Communications & Community Partnerships ²	\$760,000	\$858,800	\$979,032	\$1,106,306	\$1,239,063	\$1,375,360	\$1,554,157
Parks Operations & Programming ³	\$665,000	\$751,450	\$856,653	\$968,018	\$1,084,180	\$1,203,440	\$1,359,887
Safety, Cleaning & Improvements ⁴	\$6,650,000	\$7,514,500	\$8,566,530	\$9,680,179	\$10,841,800	\$12,034,398	\$13,598,869
TOTAL EXPENDITURES	\$9,500,000	\$10,735,000	\$12,237,900	\$13,828,827	\$15,488,286	\$17,191,998	\$19,426,957
FUND BALANCE/RESERVE	\$0	\$0	\$0	\$0	\$0	\$0	\$0

* 2021 - 2027 estimated Assessments, less administrative fees and contingency for delinquent and/or protested accounts, as well as exempt accounts removed by the County. Estimates based on current assessment rolls and assumes a 12.7% average growth rate based on the high growth of Downtown Dallas.

¹ Business development and recruitment, Downtown planning and transportation enhancements

² Communications, promotion and marketing support of the district. Business/merchant relations, community programming and special event support

³ Security, cleaning, maintenance, events, programming and improvements related to Downtown park management

⁴ Downtown Clean Team and Safety Patrol, public safety programs, maintenance programs, landscape enhancements and capital improvements