

# Memorandum



CITY OF DALLAS

DATE September 6, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Upcoming Agenda Item 17: September 11, 2019 Public Hearing for Tourism Public Improvement District (TPID) Boundary Expansion and September 11, 2019 Fourth Amendment to the City's Public Improvement District (PID) Policy**

## Background

On August 28, 2019, City Council called a public hearing to be held on September 11, 2019 related to expanding the boundary of the Tourism Public Improvement District (TPID), to include Dallas hotels with over 100 rooms. On September 11, 2019, a separate but related City Council item will also be on the agenda to authorize the fourth amendment to the City's PID policy to allow the addition of new hotels to the TPID boundary in accordance with the new state legislative changes. Council was briefed regarding both matters via memorandum on August 23, 2019.

The Act allows a city to create a hotel-public improvement district ("hotel-PID") and to collect assessments from hotel property owners in exactly the same way it administers its hotel occupancy tax ("HOT") under chapter 351 of the Tax Code. The boundaries of the TPID are non-contiguous and include designated hotel properties with 100 or more rooms, within the city of Dallas, as approved by City Council when the TPID was renewed on August 10, 2016 via Resolution No. 16-1250.

In contrast to a hotel-PID, the property owners in the city's other 13 neighborhood public improvement districts are levied and billed once a year. The assessment levy is included on the property owner's ad valorem tax bill mailed each October after a benefit assessment hearing, preparation of an assessment roll and approval of an ordinance levying the PID assessment each summer.

The TPID assessment is administered just like the Hotel Occupancy Tax (HOT), therefore, the hotel property owners recover their assessment from their guests at a rate of 2% of the price of the room nights sold and then remit this "guest fee" monthly to the City. The City Controller's Office then forwards the hotel-PID assessment monthly to the TPID less an administrative fee.

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## **Issues**

While reviewing the TPID assessments, staff identified several non-TPID hotels with over 100 rooms who were voluntarily remitting the 2% TPID assessment to the City. These non-TPID hotels included new hotels coming on-line after the TPID was renewed in 2016 that were not subject to the hotel-PID assessment. Accordingly, the Controller's Office was segregating these excess collections from the amount the city could legally levy and sending the excess collections to the TPID, the management entity for this district. Since the hotel corporations were unwilling or unable to adjust their accounting system to correct this problem, the excess collections were deemed "donations" via agreement between the TPID and the hotels.

An audit of VisitDallas issued by the City Auditor's Office earlier this year identified as a finding that the City did not have the formal authority to accept assessments from hotels not on the annual TPID assessment roll who were voluntarily paying the assessment fee. The audit recommended that the Office of Economic Development, in coordination with VisitDallas, and in consultation with the City Attorney's Office, verify that 1) the City had the formal authority to accept assessments from hotels not on the annual TPID assessment roll, donating to the TPID and 2) obtain City Council approval as needed to formally accept additional hotels into the district.

During the past legislative session, VisitDallas sought an amendment to the Act to give the City the ability to expand the boundaries of a hotel PID during the term of the district without a re-petition. New Section 372.0121 of the Act allows the City to add new hotels to the boundaries of the TPID and accept assessments from hotels that were not in the original petition. Specifically, this action will add an estimated 11 additional hotels with over 100 rooms not described in the resolution or petition re-establishing the TPID in 2016. Six of the 11 new hotels already voluntarily remit the TPID assessment to the City. Expanding the boundary of the TPID will not change the original TPID Service Plan budget that Council and the original hotels approved in 2016; however, the total amount collected will bring total TPID assessment revenues closer to the cost estimates approved by the hotel property owners over the remaining term of the TPID. The term of the TPID is thirteen years (October 2016 to September 2029).

## **Recommendation**

Staff recommends City Council's approval to hold a public hearing on September 11, 2019 related to a proposed boundary expansion of the TPID to include Dallas hotels, with over 100 rooms, not described in the resolution or petition that re-established the TPID in 2016 and at the conclusion of the public hearing, approval of a resolution expanding the boundaries of the TPID, which would also bring the City into compliance as per audit recommendations.

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### **Fiscal Information**

This action has no cost consideration to the City.

Should you have any questions, please contact Courtney Pogue, Director of the Office of Economic Development at (214) 670-0170.



Michael A. Mendoza  
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
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Directors and Assistant Directors