

Memorandum



DATE May 7, 2018

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Deep Ellum and Prestonwood Public Improvement District Renewals**

Summary

The managers for the Deep Ellum and Prestonwood Public Improvement Districts have each submitted renewal petitions. The Prestonwood PID is scheduled to expire in 2018. The Deep Ellum PID is renewing early to change the PID boundary and to increase the PID budget. In accordance with Chapter 372 of the Texas Local Government Code, this committee will be asked to forward two items to council for each PID – a call for a public hearing on May 9, and a public hearing and consideration of renewal on May 23.

Background

DEEP ELLUM: The Deep Ellum PID was established in 1999, and was renewed in 2006 and 2013. The PID is scheduled to expire in 2020, but its manager, Deep Ellum Foundation, initiated an early renewal petition for two reasons:

1. To amend the PID district boundary. Properties on the far southeast edge of the PID were removed at the request of the property owners, and recent new developments were added.
2. To amend the PID budget. The management entity underestimated the costs for insurance and audits. Without an amendment to increase the budget, the PID would have gone over-budget next year.

Deep Ellum Foundation delivered a petition to renew the PID in accordance with Chapter 372 of the Texas Local Government Code. The proposed boundary in the petition is larger than the version presented for approval today. Based on a lack of property owner participation on the southeastern edge of the proposed boundary, the proposed district boundary was reduced in conformance with Section 372.012 of the Texas Local Government Code.

City staff reviewed the petition and determined that the owners of more than sixty percent of the property value (61.8%) and more than sixty percent of the land area (60.8%) in the revised boundary area supported renewal of the Deep Ellum PID, exceeding the requirements of state law and the city's policy.

Staff has also evaluated the service plan and recommended that the services be provided as proposed by the proposed service plan and find that the plan is viable.

PRESTONWOOD: The Prestonwood PID is the only existing single-family PID in Dallas. The District was first established in 1997 and renewed in 2004 and 2011. The district is scheduled to expire at the end of this year. The primary purpose of the District is to enhance public safety and security related improvements in the Prestonwood area.

Prestonwood Homeowners Association, the PID manager, delivered a petition to renew the Prestonwood Public Improvement District. The petition does not amend the service plan or boundary of the PID. It simply extends the term and establishes a new budget.

The terms of the renewed districts are 2019 to 2025. Each of the renewed districts shall terminate on December 31, 2025, unless renewed or terminated early by petition.

Issue

The Prestonwood PID is scheduled to terminate at the end of 2018, and this petition seeks to renew their existing boundary and service and improvement categories. The Deep Ellum PID is not scheduled to terminate until 2020, but has submitted a petition to renew early in order to amend the PID boundary and to increase the budget. The boundary change will accommodate requests of property owners on the southeast edge to be removed from the PID, and will allow the managers of the PID to budget sufficient funds to continue insurance coverage and to fulfill the audit requirements of the City.

Alternatives

If the PIDs are not renewed, the Prestonwood PID will expire at the end of this year and the Deep Ellum PID will have the option to either halt operations at the end of the year, or to continue operations in the existing boundary and over-collect their budget.

Financing

No cost consideration to the City.

Coordination

Staff has coordinated with the managers of the two PIDs and with the City Attorney's Office to ensure that the two petitions conform with state law and the City's current public improvement district policy.

Recommendation

Staff recommends that City Council call the public hearings on May 9, and after close of the public hearings on May 23, approve both district renewals.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

c: The Honorable Mayor and the Members of City Council
 T.C. Broadnax, City Manager
 Larry Casto, City Attorney
 Craig D. Kinton, City Auditor
 Billerae Johnson, City Secretary
 Daniel F. Solis, Administrative Judge
 Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
 Majed A. Al-Ghafry, Assistant City Manager

 Jon Fortune, Assistant City Manager
 Jo M. (Jody) Puckett, Assistant City Manager (Interim)
 Joey Zapata, Assistant City Manager
 M. Elizabeth Reich, Chief Financial Officer
 Nadia Chandler Hardy, Chief of Community Services
 Theresa O'Donnell, Chief of Resilience
 Directors and Assistant Directors

Deep Ellum and Prestonwood Public Improvement District Renewals

**Economic Development &
Housing Committee
May 7, 2018**

**Courtney Pogue, Director
Office of Economic Development
City of Dallas**



Purpose

1. Overview of Public Improvement Districts
2. Request Committee approval for Council actions to renew the Deep Ellum and Prestonwood PIDs:
 - Call public hearing at May 9 Council meeting
 - Hold public hearing and consider renewals on May 23



Overview

- A public improvement district (PID) is a special assessment area created by petition of property owners in the district. A PID is not a legal entity. The petition merely creates authority for the City to levy the assessment in the area.
- PID assessments are a first and prior lien against the property assessed superior to all liens except tax liens.
- The manager of each PID uses the assessments for services above and beyond existing City services
- Each PID has a program of eligible activities, such as marketing, security, landscaping, lighting, etc.
- The total assessment amount is limited by the budget approved by property owners in the petition.



Authority

- PIDS are governed by state law (Chapter 372 of the Texas Local Government Code) and by the current City of Dallas PID Policy (adopted in December 2005 and last amended on October 23, 2013).
- A revision to this policy is underway, and will be brought to this Committee for review and approval.



Creation

- PIDS are created by petition. State law sets the minimum petition requirements, including:
 - The general nature of proposed improvements,
 - The estimated cost of the proposed improvements,
 - The boundaries of the proposed district (can be non-contiguous),
 - Apportionment of cost between the district and the City,
 - The proposed method of assessment,
 - That persons signing the petition want to the district to be created, and
 - The method of management of the district.



Creation

STATE LAW:

- Under state law, petitions are sufficient if signed by owners of taxable real property representing:
 - More than **50%** of the **appraised value** of the district, and either
 - More than **50%** of all **record owners** of assessible property, or
 - More than **50%** of the taxable property **area**.
- For PIDs consisting entirely of hotels, all petition limits are increased to **60%**.

Creation

CITY POLICY:

- Commercial and Mixed Use PIDs:
 - The City policy increases all percentages to **60%** for commercial and mixed-use PIDs.
- Single Family PIDs:
 - The City policy increases all percentages to **66.7%** for single-family PIDs.
 - Single family PIDs are only allowed if 80% of the single family lots have been developed. Districts are not permitted in undeveloped subdivisions.
 - For single family PIDs, the only allowed uses of the assessments are “screening wall improvements, park improvements and maintenance, landscaping, and other public improvements and additional security if less than 50% of the total PID budget.”

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Management

- Under state law, PID management can be by the City, the private sector, or a partnership of the City and private sector.
- All of our PIDs are managed by private sector entities such as non-profit organizations or homeowners' associations, and each PID has an owner-elected board.
- The City Policy additionally requires that each PID manager:
 - Submit quarterly reports of all activities and expenditures
 - Submit an annual independent audit of all PID expenditures
 - Hold an annual meeting open to all property owners in a public meeting space with written notice to all property owners at least two weeks prior to this meeting to provide an opportunity for property owner questions, comments, and input to be considered during the PID Budget and Service Plan approval process

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Use of Assessment

The following are eligible uses of the PID assessment:

1. Landscaping;
2. Erection of fountains, distinctive lighting, and signs;
3. Acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of-way;
4. Construction or improvement of pedestrian malls;
5. Acquisition and installation of pieces of art;
6. Acquisition, construction, or improvement of libraries;
7. Acquisition, construction, or improvement of off-street parking facilities;
8. Acquisition, construction, improvement, or rerouting of mass transportation facilities;

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Use of Assessment

9. Acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
10. Establishment or improvement of parks;
11. Projects similar to those listed in (1)-(10);
12. Acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
13. Special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;
14. Payment of expenses incurred in the establishment, administration, and operation of the district (limited to 15% of budget per City Policy); and
15. Development, rehabilitation, or expansion of affordable housing.¹⁰



Budget and Assessment

- The particular uses of the PID assessment for each District are determined by the petition to create or renew the PID, which describes the specific uses planned for the district and the budget for each use.
- Once established, each PID manager creates and maintains a five-year service plan which identifies the projected costs of the improvements. The City approves this plan each year.
- The plan must also detail how assessments will be made (i.e. by front footage, by square footage, by assessed value, or by any other means that results in the imposition of equal shares of the cost on similarly benefitted properties).
- With the exception of the Tourism PID which is apportioned based on room nights sold, all Dallas PID assessments are based on an allocation of the budget by property value. Per the City Policy, in no event may this allocation result in an assessment greater than \$0.15 per \$100 valuation.

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Boundaries

- Boundaries of existing PIDs can only be modified as part of a renewal process
- An existing PID may petition City to be dissolved and re-created with a new boundary subject to petition requirements and approval by City Council
- Boundary of the Tourism PID includes all hotels located in Dallas that contain 100 or more rooms at time of creation. Hotels that drop below 100 room level will be removed from Tourism PID assessment rolls. New hotels may only be added as part of renewal process



Dallas PIDS

1. Dallas Downtown Improvement District
2. Deep Ellum PID
3. Klyde Warren Park/Dallas Arts District PID
4. Knox Street PID
5. North Lake Highlands PID
6. Lake Highlands PID
7. Oak Lawn-Hi Line PID
8. Prestonwood PID
9. South Dallas/Fair Park PID
10. South Side PID
11. Tourism PID
12. University Crossing PID
13. Uptown PID
14. Vickery Meadow PID



Renewals

- In Dallas, PIDs are typically authorized for a period of up to seven (7) years with option of renewal.
- The renewal process is the same as the creation process, and requires preparing a budget, service plan, and assessment plan for the district and re-petitioning the property owners.

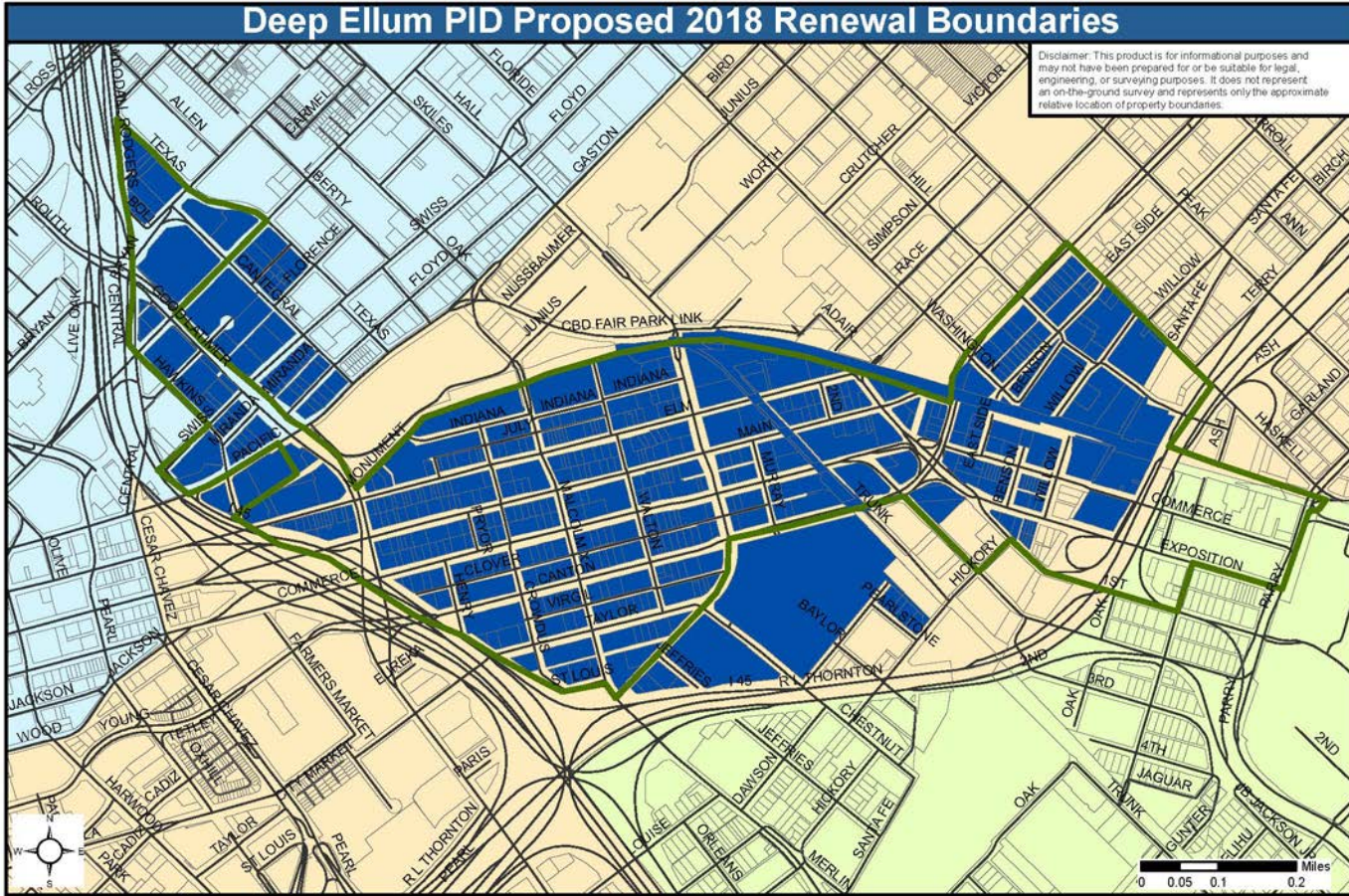
Deep Ellum PID Renewal

- The Deep Ellum PID was established in 1999, and was renewed in 2006 and 2013.
- The PID is scheduled to expire in 2020, but its manager initiated an early renewal petition for two reasons:
 - **To amend the PID district boundary.** Properties on the far southeast edge were removed, and recent new developments were added.
 - **To amend the PID budget.** The management entity underestimated the costs for insurance and audits. Without an amendment to increase the budget, the PID would have gone over-budget next year.

Deep Ellum PID Renewal

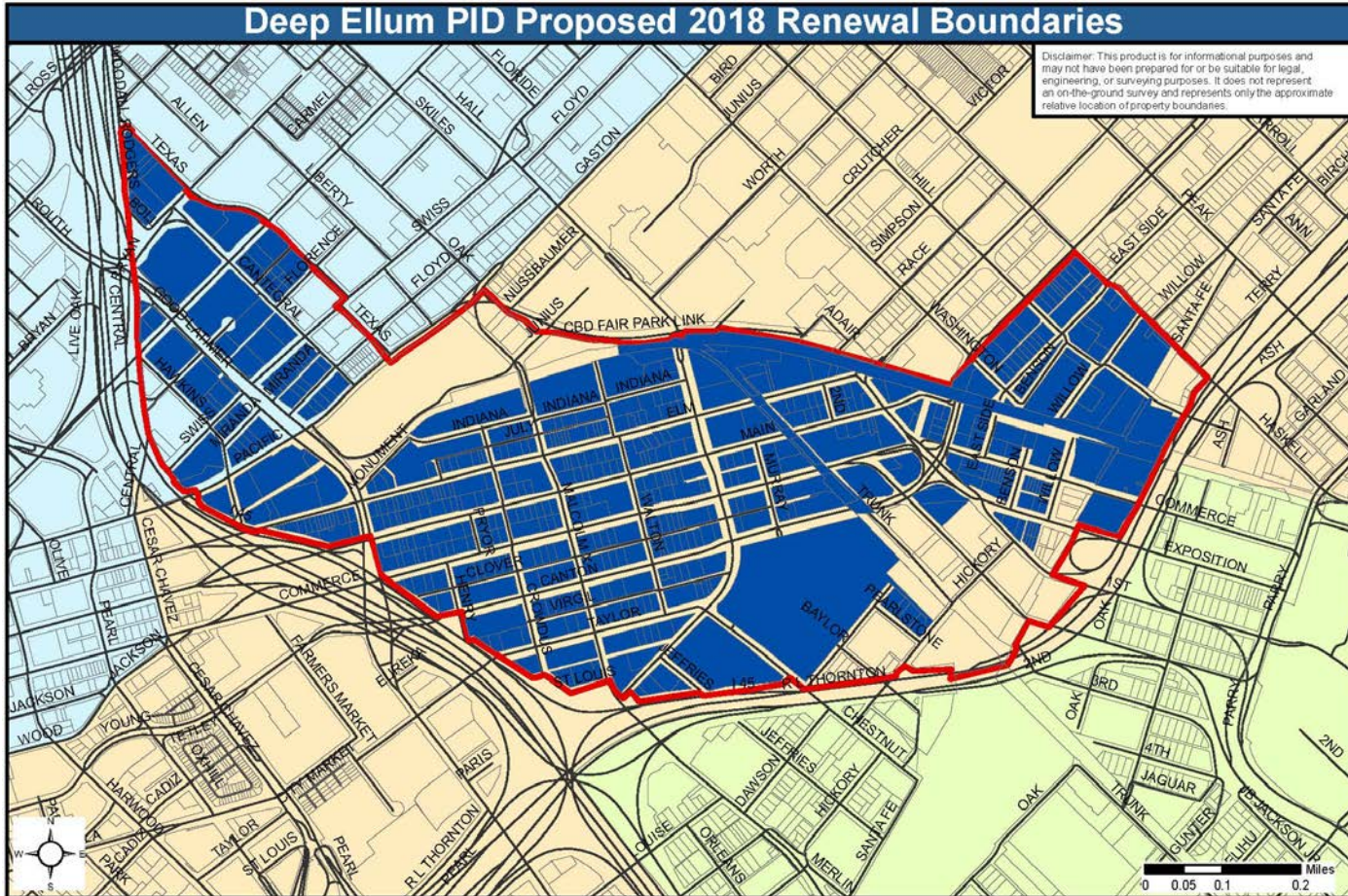
- Deep Ellum Foundation, the PID manager, delivered a petition to renew the PID in accordance with Chapter 372 of the Texas Local Government Code.
- The proposed boundary in the petition is larger than the version presented for approval today. Based on a lack of property owner participation on the southeastern edge of the proposed boundary, the proposed district boundary was reduced in conformance with Section 372.012 of the Texas Local Government Code.
- City staff reviewed the petition and determined that the owners of more than sixty percent of the property value (61.8%) and more than sixty percent of the land area (60.8%) in the revised boundary area supported renewal of the Deep Ellum PID, exceeding the requirements of state law and the city's policy.
- Staff has also evaluated the service plan and recommended that the services be provided as proposed by the proposed service plan and find that the plan is viable.


Deep Ellum PID Renewal




Economic and Neighborhood Vitality

Deep Ellum PID Renewal



 Boundary proposed in petition

 Boundary proposed for approval today

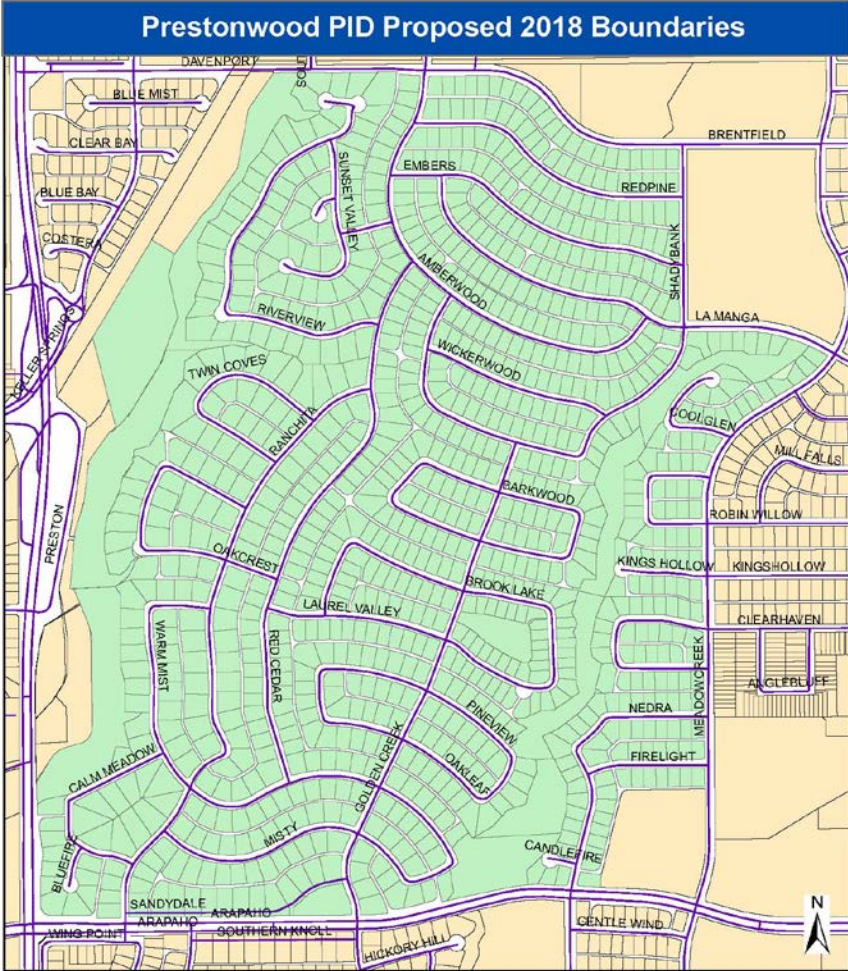
Deep Ellum PID Renewal

- On the May 9 agenda Council will be asked to call a public hearing for May 23, to allow property owners to speak for or against the renewal of the PID.
- After the public hearing on May 23, Council will be asked to approve renewal of the PID. Subject to City Council approval, the renewed PID will operate for seven years beginning on January 1, 2019.
- The District will be continue to be managed by the Deep Ellum Foundation, a 501(c)(3) nonprofit corporation.
- The Dallas City Council will continue its annual reviews of the service and assessment plans for the PID, and will continue to determine and levy assessments in accordance with those plans.

Prestonwood PID Renewal

- The Prestonwood PID is the only existing single-family PID in Dallas. The District was first established in 1997 and renewed in 2004 and 2011. The district is scheduled to expire in 2019.
- The primary purpose of the District is to enhance public safety and security related improvements in the Prestonwood area.
- Prestonwood Homeowners Association, the PID manager, delivered a petition to renew the Prestonwood Public Improvement District.
- The petition does not amend the service plan or boundary of the PID. It simply extends the term and established a new budget.

Prestonwood PID Renewal



Prestonwood PID Renewal

- City staff reviewed the petition and determined that the owners of more than 66.7 percent of the property value (81%) and more than 66.7 percent of the land area (80.5%) had supported the renewal of the Deep Ellum PID, exceeding the requirements of state law and the city's policy.
- Staff has also evaluated the service plan and recommended that the services be provided as proposed by the proposed service plan and find that the plan is viable.

Prestonwood PID Renewal

- On the May 9 agenda Council will be asked to call a public hearing for May 23, to allow property owners to speak for or against the renewal of the PID.
- After the public hearing on May 23, Council will be asked to approve renewal of the PID. Subject to City Council approval, the renewed PID will operate for seven years beginning on January 1, 2019.
- The District will be continue to be managed by Prestonwood Homeowners Association, Inc., a 501(c)(3) nonprofit corporation.
- The Dallas City Council will continue its annual reviews of the service and assessment plans for the PID, and will continue to determine and levy assessments in accordance with those plans.

Staff Recommendation

Staff recommends that the Economic Development and Housing Committee approve the following actions by the City Council:

- ✓ Call public hearings to consider the renewal of the Deep Ellum and Prestonwood Public Improvement Districts on May 9.
- ✓ Hold the public hearings on May 23, and at the close of each hearing approve the renewal of the Deep Ellum and Prestonwood Public Improvement Districts.



Deep Ellum and Prestonwood Public Improvement District Renewals

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