

Mayor and Council Communication

DATE: 04/06/21

M&C FILE NUMBER: M&C 21-0228

LOG NAME: 17PID18EXPANDTPID

SUBJECT

(ALL) Conduct Public Benefit Hearing Concerning the Following Matters Related to Fort Worth Public Improvement District No. 18 – Tourism (Tourism PID): (1) Expansion of the Tourism PID to Include Three Additional Hotels and the Advisability of the Improvements and Services to be Undertaken, (2) the Updated and Revised Fiscal Year 2020-2021 Budget and Seven-Year Service Plan, and (3) the 2020-2021 Assessment for the Additional Hotels; Find for the Sufficiency of the Attached Petition Requesting Expansion of the Tourism PID; Approve the Filing of the Attached Revised 2020-2021 Assessment Roll; and Set a Public Benefit Hearing

(**PUBLIC HEARING** - a. Report of City Staff: Crystal Hinojosa; b. Public Comment; c. Council Action: Close Public Hearing and Act on the M&C)

RECOMMENDATION:

It is recommended that the City Council:

1. Conduct a public benefit hearing to consider the following matters related to the Tourism PID:
 - Expansion of the Tourism PID;
 - Advisability of the improvements and/or services
 - General nature of the proposed improvements and/or services;
 - Estimated costs of the improvements and/or services;
 - Proposed Boundaries of the Expanded Tourism PID;
 - Method of Assessment; and
 - Apportionment of costs between the Tourism PID and the City, as a whole
 - Updated and Revised Fiscal Year 2020-2021 Budget and Seven-Year Service Plan; and
 - 2020-2021 Assessment for the Additional Hotels.
 2. Find that the attached petition requesting inclusion into the Tourism PID meets the requirements set forth in Chapter 372 of the Texas Local Government Code;
 3. Approve the filing of the attached, revised 2020-2021 Assessment Roll with the City Secretary for public inspection, to include the three additional hotels; and
 4. Set a public benefit hearing for April 13, 2021, beginning at 7:00 p.m. for final approval of the Expansion of the Tourism PID, the updated and revised Fiscal Year 2020-2021 Budget and Seven-Year Service Plan, and the 2020-2021 Assessment for the additional hotels.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to conduct a public hearing concerning the expansion of the Tourism PID to include three additional hotel properties, the updated and revised fiscal year 2020-2021 budget and seven-year service plan, and the 2020-2021 assessment for the additional hotels, along with certain actions related thereto.

On August 29, 2017, the City Council adopted Resolution No. 4837-08-2017 (Original Resolution) establishing the Tourism PID. On August 18, 2020, the City Council adopted Resolution No. 5264-08-2020 (Expansion Resolution), expanding the boundaries of the Tourism PID to include five additional hotel properties.

Expansion of the Tourism PID

Boundaries and Petition:

The current boundaries of the Tourism PID consist of noncontiguous areas authorized under Section 372.0035 of the Texas Local Government Code (Code) consisting solely of hotel properties with 100 or more rooms ordinarily used for sleeping within the City of Fort Worth. A list of the hotels that are included within the boundaries of the Tourism PID is included in the Original and Expansion Resolutions, copies of which are attached to this M&C within the Petition.

Section 372.0121 of the Code allows the City Council to include additional properties in the Tourism PID if (i) the property is a hotel and (ii) the property could have been included in the Tourism PID without violating Section 372.005 (b-1) of the Code when the Tourism PID was created regardless of whether the record owners of the property signed the original petition. With regard to the second element, the Code requires the petition to be signed by the (1) record owners of taxable real property liable for assessment that constitute more than 60.00% of the appraised value and (2) more than 60% of (i) all record owners liable for assessment or (ii) area of all taxable property liable for assessment within the Tourism PID. If the addition of the new properties results in these numbers dropping at or below the 60.00% threshold, then the properties may not be added.

The additional properties to be included in the Tourism PID meet both of the above-stated elements, therefore they, may be considered by the City Council for inclusion into the Tourism PID.

First, the following three properties to be included in the Tourism PID are all hotels:

- a. Home2 Suites-Cultural District, 3000 & 3012 W Lancaster Ave, Fort Worth, TX 76107
- b. Hotel Drover, 200 Mule Alley Drive, Fort Worth, TX 76164
- c. Residence Inn Waterside-Fort Worth Southwest, 5825 Arborlawn Drive, Fort Worth, TX 76109

With regard to the second element, the City Council found that the previous two petitions (original and expanded) complied with Section 372.005 (b-1) of the Code because they had met the necessary percentages. The property owners, or their duly authorized representatives, for all three new hotel properties, have signed a petition requesting inclusion within the Tourism PID. This results in an increase to 75.7% of the appraised value of taxable real property liable for assessment, 66.9% for the area of all taxable real property liable for assessment, and 63.2% of record owners liable for assessment. Because the percentages are still above the 60.00% threshold, the properties meet the second element.

NOTE: Crossland Economy Studios - Fossil Creek located at 3804 Tanacross Drive, a hotel property that was a part of the original petition recently converted to permanent supportive housing in September of 2020 and is no longer considered a hotel by use and will no longer be paying into the Tourism PID. Removal of this hotel does not affect the percentages that were in place at the time of the original petition.

Nature of the Improvements:

The goals of the Tourism PID focus on increasing the economic impact and enhancing competitiveness in conventions, meetings, leisure and sports tourism and increasing tourism-related economic activity at all times, including during economic downturns and as inventory grows. The Tourism PID projects include incentives and sales efforts, convention and sports marketing and promotion, site visits and familiarization tours, community arts grants, convention services, event funding application, operations, research, and administration, all of which benefit the hotels within the Tourism PID.

Method of Assessment and Apportionment of Costs:

The assessment rate will be an amount equal to 2.00% of the consideration received from the occupancy of any sleeping room furnished by a hotel located within the Tourism PID, with such assessment to be collected in the same manner and in accordance with the same procedures as those established for the collection of the City's Hotel Occupancy Tax, as set forth in Chapter 32, Article II of the City Code, as amended. The entire costs of each improvement and service will be paid from the above-stated assessments and no City funds will be used to pay any portion of such costs unless such funding is approved by the City Council on a case-by-case basis.

Estimated Costs of the Improvements and Services:

The total estimated costs for the proposed services and improvements for the life of the Tourism PID (approximately seven years) will be \$29,555,000.00, which includes an estimated cost of \$2,800,000.00 for the Fiscal Year 2020-2021 Mid-Year Budget Adjustment. The updated and revised budget and seven-year service plan is set forth in more detail below and attached. The final version will be subject to approval by the City Council. The estimated costs of the proposed improvements and services to be provided in subsequent years will be subject to future annual budget and service and assessment plans adopted by the City Council in accordance with the Code. The actual costs of improvements and services will be determined in accordance with the approved budget and service plan to be adopted by City Council and will be paid from Tourism PID assessments.

Advisability:

Staff recommends that the City Council find that these improvements and services are advisable because they will promote the interests of the City and confer a special benefit on the assessed properties within the expanded boundary of the Tourism PID.

Staff recommendation:

The Petition has been examined, verified, and found by City staff to meet the requirements of the Code. Therefore, staff recommends that the City Council find that the Petition to include the above-stated three hotel properties meets the requirements of the Code.

Tourism PID Mid-Year Adjustments

The Tourism PID is funded through a 2% assessment on the consideration received from occupancy of any sleeping room furnished by a hotel in the Tourism PID. Due to the steep drop in hotel occupancy rates as a result of the COVID-19 situation, Tourism PID assessment revenue is now projected to be 33% less than originally budgeted. Consequently, staff has proactively worked with the Fort Worth Tourism Public Improvement District Corporation (FWTPIDC) and the Fort Worth Convention and Visitors Bureau (CVB), which are the contracted Tourism PID managers, to conduct a mid-year review of the Tourism PID's FY 2020-2021 budget. City staff, FWTPIDC, and CVB have identified the need to decrease the Tourism PID assessment revenue by 33% or \$1,378,453.00 to account for the decline in funding as a result of COVID-19. The budgeted expenses show a reduction in each category line item for the current fiscal year service plan (see table below).

Revenue adjustments:

Line Items to be Adjusted	Previously Approved FY21 Budget Item	Recommended Mid-Year Adjustment	Amended FY21 Budget Item
PID Assessments	\$4,178,453.00	(\$1,378,453.00)	\$2,800,000.00
Totals	\$4,178,453.00	(\$1,378,453.00)	\$2,800,000.00

Expenditures adjustments:

Line items to be Adjusted	Previously Approved FY21 Budget Item	Recommended Mid-Year Adjustment	Amended FY21 Budget Item
Incentive & Sales Efforts	\$1,855,554.00	(\$593,554.00)	\$1,262,000.00
Marketing and Research (Promotion/Advertising)	\$1,443,208.00	(\$471,208.00)	\$972,000.00
Site Visits & Familiarization Tours	\$309,259.00	(\$228,259.00)	\$81,000.00
Cultural Enhancements through Marketing and promotion of the Arts	\$309,259.00	(\$52,259.00)	\$257,000.00
Operations & Administration	\$206,173.00	(\$33,173.00)	\$173,000.00
City Administrative Fee	\$55,000.00	\$0.00	\$55,000.00
Totals	\$4,178,453.00	(\$1,378,453.00)	\$2,800,000.00

Staff supports FWTPIDC's and CVB's recommended mid-year budget adjustments. Upon approval of the above recommendations, the total budgeted expenses for FY 2020-2021 will be \$2,800,000.00. This mid-year budget adjustment will increase the unaudited, unassigned fund balance by a total of \$1,378,453.00. The revised Budget and seven-year service plan will take effect upon approval by City Council. The proposed changes to the Tourism PID's FY 2020-2021 budget complies with the City's reserve requirements

Next Steps

The City Council will hold a public hearing to consider the expansion of the Tourism PID, along with the updated and revised budget, seven-year service plan, and levy of assessments against the new hotel properties within the Tourism PID, which will be held during the regular City Council meeting on Tuesday, April 13, 2021. The City Council is expected to take final action and vote on the same following the close of that hearing. Notice of the April 13, 2021 hearing and this hearing were published in the *Fort Worth Star-Telegram* on March 19, 2021, and mailed to all hotel owners/operators on record in the Tourism PID on March 18, 2021, in accordance with state law.

The revised 2020-2021 assessment roll for the Tourism PID is on file with the City Secretary and available for public inspection during normal business hours at any time prior to April 13, 2021, Public Benefit Hearing.

These properties are located in ALL COUNCIL DISTRICTS.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of these recommendations will have no material effect on City funds.

Submitted for City Manager's Office by: Jay Chapa 5804

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact: Crystal Hinojosa 7808

Expedited