

# Mayor and Council Communication

**DATE:** 04/13/21

**M&C FILE NUMBER:** M&C 21-0273

**LOG NAME:** 17PID18 MIDYEARFY21

## **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, (2) the Updated and Revised Fiscal Year 2020-2021 Budget and Seven-Year Service Plan, and (3) the 2020-2021 Assessment for the Additional Hotel Properties; Adopt Attached Resolution Correcting the Sufficiency Percentages Associated with the Prior Tourism PID Expansion Petition and Authorizing and Expanding the Tourism PID to Include Three Additional Hotel Properties; Approve Attached Revised 2020-2021 Assessment Roll; Adopt Attached Ordinance Levying Special Assessments on the Additional Hotel Properties for Fiscal Year 2020-2021; Adopt Attached Resolution Updating and Revising the Tourism PID's Fiscal Year 2020-2021 Budget and Seven-Year Service Plan; and Adopt Attached Appropriation Ordinance

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

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. 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 hotel properties, (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;
2. Adopt the attached Resolution: (i) correcting the sufficiency percentages associated with the prior Tourism PID Expansion Petition; (ii) making certain findings concerning the nature and advisability of special improvements and services to be provided for the benefit of the additional hotels to be included in the Tourism PID, the estimated costs of such improvements and services, the method of assessment, the boundaries of the Tourism PID, and the apportionment of costs between the Tourism PID and the City, as a whole; and (iii) authorizing and expanding the Tourism PID to include three additional hotel properties;
3. Direct the City Secretary to publish notice of the expansion of the Tourism PID as required by Chapter 372 of the Texas Local Government Code;
4. Approve the attached revised 2020-2021 Assessment Roll;
5. Adopt the attached ordinance levying special assessments on the additional hotel properties for Fiscal Year 2020-2021, with such assessments to be effective on the date that the Resolution to Expand the Tourism PID is published one time in a newspaper of general circulation in the City;
6. Adopt the attached resolution updating and revising the Tourism PID's Fiscal Year 2020-2021 Budget and Seven-Year Service plan; and
7. Adopt the attached appropriation ordinance decreasing appropriations in the amount of \$1,378,453.00 for Fiscal Year 2020-2021 in the Fort Worth Public Improvement District 18 - Tourism Fund.

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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to conduct a second public hearing concerning the expansion of the Fort Worth Public Improvement District 18 - Tourism (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 hotel properties, along with certain actions related thereto. The City Council conducted the first public hearing on April 6, 2021, finding that the Petition to Expand the Tourism PID met the requirements set forth in Chapter 372 of the Texas Local Government Code ("Code"), approving the filing of the revised 2020-2021 assessment roll, and setting this public hearing for April 13, 2021.

On August 29, 2017, the City Council adopted Resolution No. 4837-08-2017, establishing the Tourism PID ("Establishing Resolution"). On August 18, 2020, the City Council adopted a Resolution No. 5264-08-2020 to expand the boundaries of the Tourism PID to include five (5) additional hotels (Mayor and Council Communication (M&C) 20-0551) ("Expansion Resolution").

## **EXPANSION OF THE TOURISM PID**

### **Boundaries:**

The current boundaries of the Tourism PID consist of noncontiguous areas authorized under Section 372.0035 of the 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 and attached hereto.

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:

1. Home2 Suites-Cultural District, 3000 & 3012 W Lancaster Ave, Fort Worth, TX 76107
2. Hotel Drover, 200 Mule Alley Drive, Fort Worth, TX 76164
3. 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 percentage thresholds. In the process of calculating the updates and revised percentages for 2020 expansion, staff discovered that Hyatt Place TCU, 2500 W. Berry Street, had signed the 2020 Expansion Petition to be included in the Tourism PID but was inadvertently counted as not having signed. When factoring in the signed petition for the Hyatt Place TCU, the petition sufficiency percentages for the 2020 Expansion Petition increased and should have been as follows: (1) 74.9% of the appraised value of taxable real property liable for assessment, (2) 61.1% of record owners of taxable real property liable for assessment, and (3) 65.7% of the area of all taxable real property liable for assessment. This will be corrected in the attached resolution.

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, 63.2% for the area of all taxable real property liable for assessment, and 66.9% 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:**

Staff recommends that City Council adopt the attached resolution correcting the sufficiency percentages associated with the prior Tourism PID petitions and authorizing and expanding the Tourism PID to include the above-state three additional hotel properties.

#### **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 budget also takes into account the three new hotels. 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.

The Tourism PID 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 upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the current operating budget, as appropriated, in the FWPID #18 - Tourism Fund. Prior to any expenditure being incurred, the Economic Development Department has the responsibility to validate the availability of 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