



City of San Antonio

Agenda Memorandum

File Number: 18-6626

Agenda Item Number: 4C.

Agenda Date: 12/6/2018

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Public Hearings on advisability of creation of the San Antonio Public Improvement District and the associated assessment rate and an Ordinance creating the San Antonio Tourism Public Improvement District; specifying the nature and cost of the proposed improvements; establishing District boundaries; specifying the method of assessment; providing for the apportionment of costs between the City and the District; levying an assessment rate of 1.25% of the gross hotel room night revenue of qualified hotels within the District; and providing for the method of payment of the assessment.

SUMMARY:

This Ordinance authorizes the creation of the San Antonio Tourism Public Improvement District (SATPID) designed to protect and grow San Antonio's \$13.6 billion visitor industry and its associated market share. The ordinance specifies the nature and cost of the proposed improvements, sets forth the SATPID's boundaries, specifies the method of assessment, provides for the apportionment of costs between the City and the District, levies an assessment rate of 1.25% of the gross hotel room night revenue of qualified hotels within the District and provides for the method of payment of the assessment.

BACKGROUND INFORMATION:

The Visitor Industry is a key economic generator for the City of San Antonio with a \$13.6 billion annual economic impact. Additionally, San Antonio hosts approximately 30 million visitors annually and provides for more than 130,000 local jobs. The significance of Visit San Antonio's (VSA) efforts working jointly with its partners is directly connected to the success of San Antonio's visitor industry.

VSA is tasked with the sales, marketing and promotion of San Antonio to convention, group and leisure visitors. VSA acted as a City department through September 2016. Beginning in October 2016, City Council approved its transition to a 501c(6) public/private entity. One of the key charges for that transition was to allow VSA to explore additional funding opportunities and the ability to expand sales and marketing initiatives and partnerships.

The introduction of Tourism Public Improvement Districts (TPIDs) began on the west coast and currently there are 167 TPIDs nationwide in 14 states. In 2011, legislation was enacted in Texas introducing the TPID opportunity within the state. Since then, Dallas, Fort Worth and Arlington have already implemented such districts, while other Texas cities are currently considering the creation of similar districts. On June 21, 2018, by the passage of Ordinance No. 2018-06-21-0500, City Council authorized various agreements related to the proposed creation of the SATPID and approved the SATPID Service Plan, including the Assessment Plan. That ordinance authorized a contract which provides that the SATPID will be overseen by the San Antonio Tourism Public Improvement District Corporation, a non-profit entity with a Board of Directors composed solely of stakeholder hotels within the SATPID.

The San Antonio Hotel Lodging Association (SAHLA) presented the City with a petition signed by 103 registered property owners of hotels with 100 or more rooms within the proposed SATPID on October 24, 2018. The Office of the City Clerk verified the petition, as required by state law. Chapter 372 of the Texas Local Government Code requires that the petition be signed by record property owners representing more than 60% of the appraised value of taxable real property liable for assessment in the proposed district and more than 60% of all record owners of taxable real property that are liable for assessment. The petition submitted by SAHLA includes the signatures of record property owners representing 74.24% of the appraised value of taxable real property liable for assessment in the proposed district and 64.52% of all record owners of taxable real property that are liable for assessment.

The proposed assessment rate of 1.25% of the gross hotel room night revenue of hotels with 100 or more rooms within the proposed SATPID would raise an approximate annual amount of \$10 million to be used for increased marketing and sales initiatives, industry partnerships and research and administration. The assessment would begin January 1, 2019, and the gross hotel room night revenue will be self-reported by hotels within the SATPID and remitted on a monthly basis.

At the request of the petitioning property owners, the SATPID would be created for a period of approximately eight years, terminating September 30, 2026.

ISSUE:

The SATPID is a mechanism for additional funding for tourism promotion activities. The funds will be raised from a 1.25% assessment on lodging stays from the participating SATPID hotels. In accordance with Texas law, petitioners representing hotels with 100 rooms or more within the City limits of San Antonio are asking for the creation of a SATPID. The assessments will be covered by a 1.25% TPID fee passed through to the guests on their room night folio.

ALTERNATIVES:

City Council could elect to not establish the SATPID by determining that the creation of such a district is not feasible or desirable. However, if the SATPID is not created, it would jeopardize or eliminate the opportunity of more than a \$10 million annual investment for San Antonio generated by the participating SATPID properties. City Council could also elect a different method of assessment and levy a different rate.

FISCAL IMPACT:

It is estimated that the SATPID will generate more than \$10 million annually for direct investment into sales, marketing and promotional efforts to boost tourism, leisure and corporate business travel, and convention and

group business in San Antonio. As a result, it is also expected to increase city sales tax, alcoholic beverage tax, and property tax receipts due to the enhanced economic activity. There are no additional costs to the City of San Antonio. Any administrative costs incurred by the City for the collection and disbursement of the assessment fees are reimbursed to the City from the assessment fees collected via the proposed Agreement. There are no General Fund Costs associated with this initiative.

RECOMMENDATION:

Staff recommends creation of the San Antonio Tourism Public Improvement District, as requested by the petitioners to protect and grow San Antonio's \$13.6 billion visitor industry and its associated market share. Staff also recommends that levy of an assessment of 1.25% of the gross hotel room night revenue of hotels with 100 or more rooms within the SATPID.