



City of San Antonio

Agenda Memorandum

File Number:18-3928

Agenda Item Number: 42.

Agenda Date: 6/21/2018

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Associated Agreements and Plan for San Antonio Tourism Public Improvement District

SUMMARY:

This Ordinance authorizes an Agreement between City of San Antonio, Visit San Antonio, and San Antonio Tourism Public Improvement District Corporation, and an associated Petition and Service Agreement, regarding the proposed formulation of a San Antonio Tourism Public Improvement District (SATPID) for San Antonio designed to protect and grow San Antonio's \$13.6 billion visitor industry and its associated market share.

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 them with other Texas cities currently in consideration stages. The proposal for the creation of a TPID for San Antonio is recommended and supported by the San Antonio Hotel and Lodging Association (SAHLA) and is designed to positively influence demand to the various participating hotels as well as positively impacting economic opportunities for the San Antonio community as a whole.

ISSUE:

Competition between destinations for leisure visitors, meetings and conventions is growing at a regional, national and international level. Since 2010, San Antonio demand has grown moderately but has also seen a decline in its market share in Room Night Demand within the state of Texas. Over this same period, other major Texas cities such as Dallas, Houston and Austin have grown their room demand at a more significant pace. This characteristic is attributed to many factors including the growth of other destinations' hotel inventory, corporate business in other communities, leisure activity and convention/group business. However, one of the key contributors has been the significant growth of the sales and marketing budgets in other destinations while San Antonio's sales and marketing budget either remained flat or saw limited growth. Consequently, this is one of the drivers for the proposed SATPID.

The SATPID is a mechanism for additional funding for tourism promotion activities. The funds are raised from a 1.25% assessment on lodging stays from the participating SATPID hotels. In accordance with Texas law, hotels with 100 rooms or more within the City limits of San Antonio are asking for the opportunity to petition for the creation of a SATPID. Additionally, if the district is approved, participation is available for hotels who are not in the pre-defined boundaries on a voluntary opt-in basis. The funds collected will be used to provide services desired by and directly benefiting the assessed hotels within the district. The assessments will be covered by a 1.25% TPID fee passed through to the guests on their room night folio.

The SATPID will have two zones. Zone 1 will consist of properties within the San Antonio Central Business District (CBD) and Zone 2 will consist of properties outside the CBD. The San Antonio Tourism Public Improvement District Corporation (SATPIDC) will have a Board of Directors comprised proportionally of members of the two zones. The primary driver of the recognition of two zones is to facilitate marketing and sales strategies that are impactful to hotels within each of the two participating zones. Additionally, the SATPIDC will provide direction and oversight to Visit San Antonio on the various sales and marketing investment strategies undertaken with SATPID funds.

The Master Contract is a tri-party agreement that outlines the partnership roles for the City, the SATPIDC, and VSA. The proposed Term of the Master Contract and resulting SATPID will be for an eight (8) year period terminating on September 30, 2026. This term is recommended so as to coincide with the current Destination and Marketing Services Agreement between the City and VSA.

The creation of the district is based on the petitioning of affected hoteliers and City Council approval. Therefore, a critical step to establish the SATPID is for the City to agree to the proposed language outlined in the referenced Petition and Service Plan. Once approved, it is the intention of the parties that no change can be made to the petition language and any such requirement to change the approved petition language would result in the withdrawal of the petitions requesting creation of the TPID. This commitment by the City affords the hotel ownership groups the ability to agree to the identical language. State law requires signatures from more than 60% of hotel owners in the District. Both the Petition and Service Plan lay out administrative parameters and reference the anticipated \$10 million raised annually. Additionally, the Service Plan outlines the various investment categories accordingly: 45% for Marketing, 45% for Sales, 5% Industry Partnerships and 5% for Research, Administration and Contingency.

ALTERNATIVES:

City Council could elect to not approve or delay the approval of the Tri-Party Agreement, Petition and Service Plan. However, if this agreement is not approved, it would jeopardize or eliminate the opportunity of more than a \$10 million annual investment for San Antonio generated by the participating SATPID properties. Additionally, not approving these agreements would further posture San Antonio for continued loss of market share and negatively impact resulting job growth.

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 approval of this Ordinance authorizing an Agreement between City of San Antonio, Visit San Antonio, and San Antonio Tourism Public Improvement District Corporation, and an associated Petition and Service Agreement, regarding the proposed formulation of a San Antonio Tourism Public Improvement District (SATPID) for San Antonio designed to protect and grow San Antonio's \$13.6 billion visitor industry and its associated market share.