



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 24.

Agenda Date: 12/5/2019

In Control: City Council A Session

DEPARTMENT: Convention & Sports Facilities

DEPARTMENT HEAD: Patricia Muzquiz Cantor

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Consideration of an Ordinance approving the 2020 Service and Assessment Plan, the 2020 Assessment Roll, and maintaining the Assessment Rate for 2020 at 1.25% of the gross hotel room revenue subject to local hotel tax that is derived from an individual room rental of qualified rooms, for the San Antonio Tourism Public Improvement District.

SUMMARY:

This item will consider an Ordinance approving the 2020 Service and Assessment Plan, the 2020 Assessment Roll, and maintaining the Assessment Rate for 2020 at 1.25% of the gross hotel room revenue subject to local hotel tax that is derived from an individual room rental of qualified rooms, for the San Antonio Tourism Public Improvement District (SATPID). Members of the public may appear before City Council to speak for or against this item consistent with state law.

BACKGROUND INFORMATION:

The visitor industry is a key economic generator for the City of San Antonio with a \$15.2 billion annual economic impact. Additionally, San Antonio hosts approximately 39 million visitors annually and provides for more than 140,000 local jobs.

In order to help advance San Antonio as a premier U.S. destination, various industry and community partners including the City of San Antonio, San Antonio Hotel & Lodging Association, Texas Hotel & Lodging Association and Visit San Antonio worked together to propose and implement a San Antonio Tourism Public Improvement District (SATPID). The Assessment Roll consists of hotels in the San Antonio city limits with

100 rooms or more that pay a 1.25% assessment on taxable occupied rooms for the purpose of generating funds to market and promote San Antonio as a convention and tourism destination. There are 155 hotels on the Assessment Roll that will pay a 1.25% rate on taxable occupied rooms.

The result of the 1.25% on taxable occupied rooms is approximately \$10.9M. Below is proposed FY20 Service Plan:

SERVICE	%	\$
Marketing	49.5%	\$5,420,151
Sales	40.5%	\$4,434,669
Industry Partnerships	5%	\$547,490
Research and Administration	3%	\$328,494
Contingency Marketing/Sales Funds	2%	\$218,996
TOTAL	100%	\$10,949,800

On December 6, 2018, the San Antonio City Council approved the creation of the District, for an eight (8) year period, that went into effect beginning January 1, 2019 and ending on September 30, 2026. In accordance with Texas law, hotels with 100 rooms or more within the City limits of San Antonio can participate in the district. The TPID assessment only applies to hotel stays that are also subject to the City hotel occupancy tax. The TPID fees are remitted to the City under the same schedule and process now in place for payment of the hotel occupancy tax. The purpose of the SATPID is to utilize the TPID assessment fees to drive increased hotel business demand for participating properties through strategic sales and marketing initiatives.

The SATPID has two zones. Zone 1 consists of properties primarily within the San Antonio Central Business District (CBD) and Zone 2 consists of properties outside the CBD but within the City limits of San Antonio. The SATPID Corporation (SATPIDC) maintains a Board of Directors comprised proportionally of members of the two zones. The primary driver of the recognition of two zones is to facilitate board composition and better inform marketing and sales strategies that are impactful to hotels within each of the participating zones. Zone 1 consists of 48 hotels in the Central Business District (CBD) and Zone 2 consists of 107 hotels outside the CBD but within the City limits of San Antonio as shown on the attached maps. Collectively from both zones there are 155 hotels on the Assessment Roll.

While assessments began to be collected by properties beginning on January 1, 2019, actual sales and marketing investments and initiatives performed by Visit San Antonio (VSA) did not begin until May 2019 due to the timing of assessment receipts being remitted from hotels to the City, and then subsequently from the City to VSA. However, preliminary results indicate some immediate strong outcomes.

Additional marketing efforts in 2019 resulted in:

- Doubling VSA's online engagement from a goal of 17 million to 40 million furthering VSA's messaging to consumers.
- Generated more than 300 million additional impressions through the summer of 2019, expanding the number of eyes seeing VSA's advertising.
- For every dollar invested in TPID advertising and marketing efforts, VSA estimates \$60 in direct spending from visitors was received back into the San Antonio area. This was identified by the number of digital devices that have shown up in the destination after seeing an outer market targeted ad on the same device and applying the average visitor spending.

Additional sales efforts in 2019 resulted in:

- 24,968 additional group room nights above VSA's 2019 fiscal year room night goal. These groups were in part influenced by TPID National Sales Manager efforts and have an associated economic impact of \$15.7 million
- 65 "Individual Incentive Hotel Program" approved applications, representing an estimated 38,990 group room nights and \$7.7 million in room revenue for an ROI of 17:1. This program allows district hotels reimbursement opportunities from TPID funds to incentivize meetings and/or conventions are held in San Antonio.
- Opportunities like the recent Chicago "In-Market" Customer Event with 22 Chicago-area meeting customers, representing an estimated 165,000 group room nights and \$29.7 million in potential room revenue. This event was funded by TPID in order to highlight San Antonio as a future host destination for various associations.

Overall, 2019 was projected to be flat or at least a soft year compared to a banner 2018. However, 2019 year-to-date room nights sold was up 2.8% through October. This growth is also mirrored by a growth in City's Hotel Occupancy Tax over original projections. While not a direct result, this growth was indirectly influenced by TPID sales and marketing efforts and enhanced the destination's performance.

ISSUE:

The SATPID is a mechanism for funding additional tourism promotion activities. VSA is charged to help administer and manage the investments of these funds towards various sales and marketing initiatives at the direction of the SATPIDC Board of Directors. As part of the service plan commitment, a minimum of 90% of all assessments must be invested in sales and marketing programming. Those initiatives have been incorporated into the multiple sales and marketing strategies within the 2020 VSA Marketing Plan.

The SATPID has developed and is recommending the attached Service and Assessment Plan for 2020 (Attachment). The Plan reflects a total annual budget of \$10,949,800 with the following program services:

- Marketing Strategies & Investments (49.5%: \$5,420,151) targeted at potential visitors to drive greater overnight visitation include but not limited to:
 - Increased digital and internet marketing efforts to grow awareness and optimize internet presence to drive higher overnight visitation;
 - Additional print ads in magazines;
 - Increased television ads and online video allowing San Antonio's messaging to increase from 14 to 30 TV markets;
 - Additional radio and streaming radio ads;
 - Preparation and production of new collateral and promotional materials such as brochures, flyers and maps;
- Sales Strategies & Investments (40.5%: \$4,434,669) include but not limited to:
 - Provide additional financial incentives to maintain and attract new meetings, conventions and events that will have a significant impact on demand for hotel activity for assessed hotels within the District;
 - Fund a Sales Manager and strategic revenue management staff that allows for re-deployment in key regions to supplement the selling of San Antonio as a premier destination as well as more informed strategic selling strategies;
 - Increased attendance at professional industry conferences and affiliation events to promote increased business for assessed hotels within the District;
 - Additional lead generation efforts designed to attract increased tourist and group events to

- assessed hotels within the District;
 - Attendance of additional trade shows to promote increased leads for assessed hotels within the District under 500 rooms;
 - Additional sales blitzes featuring assessed hotels within the District; and
 - Additional key market specific familiarization tours showcasing assessed hotels within the District.
- Other Expenditures - (10%: \$1,094,980) include but not limited to:
 - Industry Partnerships program geared to protect the flow of existing and new hotel business and a positive business environment for hotels at the local and state level.
 - Research and Administration includes the costs for research initiatives that help to assess the effectiveness and ROI of funded sales and marketing initiatives. This category also funds the costs for other general administrative SATPID costs such as insurance, legal, and accounting fees.
 - Contingency sales and marketing funds may be used to supplement the marketing, sales, or the other budget categories outlined within the service plan.

ALTERNATIVES:

The City Council is required by the Act to consider and approve the Service and Assessment Plan on an annual basis. If the City Council does not approve the Plan, the San Antonio TPID may not implement supplemental services within the PID. This would result in a lessened economic impact for the affected property owners, the City of San Antonio, and the San Antonio community as a whole.

FISCAL IMPACT:

The TPID assessment only applies to properties with 100 rooms or more in the District and are assessed to hotel stays that are also subject to the City hotel occupancy tax. The SATPID is recommending maintaining the assessment levy against the hotel at 1.25% on each taxable room night folio. The TPID assessment is remitted to the City under the same schedule and process now in place for payment of the hotel occupancy tax.

For 2020, the TPID assessments are estimated to total \$10,949,800. The increased visitation resulting from the TPID sales and marketing efforts are expected to positively impact the City's sales tax, alcoholic beverage tax, and property tax receipts due to the enhanced economic activity. In particular, the City of San Antonio should anticipate an estimated \$985,487 of Hotel Occupancy Tax (HOT) revenue as HOT revenue is calculated on the combined amount of room rate and the Tourism PID assessment.

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 SATPIDC. There are no General Fund Costs associated with this initiative.

RECOMMENDATION:

Staff recommends approval of the 2020 TPID Service and Assessment Plan to fund services and improvements for the San Antonio Tourism Public Improvement District.