



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 23.

Agenda Date: 12/10/2020

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 2021 Service and Assessment Plan, the 2021 Assessment Roll, and maintaining the Assessment Rate for 2021 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 2021 Service and Assessment Plan, the 2021 Assessment Roll, and maintaining the Assessment Rate for 2021 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:

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). 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. 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. 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.

In 2019, the visitor industry represented a \$15.2 billion annual economic impact and provided for more than 140,000 local jobs as the city welcomed approximately 39 million visitors annually. In 2020, the COVID-19 pandemic has severely and negatively impacted the visitor industry locally, nationally, and globally. Just a few months into 2020 the world began to reel from the effects of COVID-19 and San Antonio's visitor industry was no exception. In the first quarter of 2020, VSA began to implement sales and marketing opportunities programmed through the District. However, by mid-March, most of those investment efforts were strategically and purposely halted. The SATPID Corporation (SATPIDC), which is a Board of Directors proportionally representing properties within the San Antonio Central Business District (CBD) and properties outside the CBD but within the City limits of San Antonio, has continued to provide services to District members through increased communications and preparatory sales and marketing efforts targeting future business and recovery efforts. With that said, although the District is in its infancy, there are some preliminary results that indicate some immediate strong outcomes.

- For FY 2020, VSA's online engagement (OLE) was impacted by COVID and closed the year at 22.5 million. In contrast to that, in TPID's inaugural year, TPID efforts helped to double VSA's online engagement (OLE) from a goal of 17 million to more than 40 million furthering San Antonio's messaging to the consumer.
- Earned Media Value was also affected by COVID and closed 2020 at \$26 million from a goal of \$41 Million.
- Spend on advertising and promotion was suspended between March thru June 2020 and between July through September 2020. This affected the possibilities of tracking spend vs travel return.
- 112 "Individual Incentive Hotel Program" approved applications, representing 58,600 group room nights and \$9.7 million in room revenue for an ROI of approximately 11:1.
- Booked a number of future city-wide conventions valued at \$6.4 million in hotel room revenue including One-Stream Software in May 2022 and Experient Envision in February 2022.
- The TPID helped to grow San Antonio's overall room nights sold in 2019 by 2.1%. Unfortunately, in 2020, the pandemic has significantly negatively impacted TPID efforts and hotel occupancy overall. However, the SATPID is positioned to play a critical role in helping San Antonio rebound and accelerate the recovery efforts for San Antonio's visitor industry.

In 2021, there are 154 hotels on the Assessment Roll that will pay a 1.25% rate on taxable occupied rooms. The estimated result of the 1.25% on taxable occupied rooms is approximately \$5.48M. Below is the proposed FY 2021 Service Plan and recommended program services developed by SATPID:

Service Category	%	FY 21 Budget
Marketing	49.50%	\$ 2,712,600
Sales	40.50%	\$ 2,219,400
Industry Partnerships	5.00%	\$ 274,000
Admin/Research	3.00%	\$ 164,400
Contingency	2.00%	\$ 109,600
Totals	100.00%	\$ 5,480,000

- Marketing Strategies & Investments (49.5%: \$2,712,600) 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;
- 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;
- Sales Strategies & Investments (40.5%: \$2,219,400) 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;
 - Funds a Sales Manager that allows for re-deployment in key regions to supplement the selling of San Antonio as a premier destination;
 - 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
- Other Expenditures - (10%: \$548,000) 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 to better inform sales and marketing strategies, as well as help to assess the effectiveness 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.

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 2021 VSA Marketing Plan.

The Service and Assessment Plan was recently approved by the SATPIDC Board on August 19, 2020. The Public Improvement District Assessment Act requires the Plan to be approved by City Council.

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 lost opportunity to enhance the marketing of San Antonio as a destination 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, as well as negatively impact San Antonio's recovery efforts.

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 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 2021, the TPID assessments are estimated to total \$5,480,000. 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 \$493,200 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 2021 TPID Service and Assessment Plan to fund services and improvements for the San Antonio Tourism Public Improvement District.