



City of Austin

Recommendation for Action

File #: 24-6258, **Agenda Item #:** 87.

12/12/2024

Posting Language

Approve an ordinance approving the service plan for the Austin Tourism Public Improvement District, composed of hotels with one hundred or more rooms, levying a special assessment on the properties in the district and establishing the method of assessment to enhance services and undertake improvements, including activities related to marketing, business recruitment, and promotion for the district. Funding: For Fiscal Year 2024-25, the ATPID is projected to allocate \$4.2 million in revenue the City would be eligible to receive under the ATPID Service Plan. Actual revenue is dependent on the eligible activities that will occur under the service plan. Revenue is expected to increase in future years. Related to Items #75 and #86.

Lead Department

Austin Convention Center.

Fiscal Note

For Fiscal Year 2024-25, the ATPID is projected to allocate \$4.2 million in revenue the City would be eligible to receive under the ATPID Service Plan. Actual revenue is dependent on the eligible activities that will occur under the service plan. Revenue is expected to increase in future years.

Prior Council Action:

September 14, 2023 - Council approved the draft service plan and petition language for the creation of a proposed Austin Tourism Public Improvement District (ATPID or District) on an 8-0 vote.

For More Information:

Trisha Tatro, Director, Austin Convention Center Department, 512-404-4218; Katy Zamesnik, Assistant Director, Austin Convention Center Department, 512-404-4208.

Additional Backup Information:

The purpose of the ATPID will be to provide special supplemental services relating to increased marketing and sales initiatives, sales incentives to retain and secure meetings and conventions at the Austin Convention Center and the Palmer Event Center, sales incentives to retain and secure additional citywide, transient and group business at individual District hotels, and research to assess the impact of the ATPID marketing and sales initiatives, all with the purpose of increasing the demand for hotel activity within the District. The final 10-year service plan includes a two percent assessment of gross taxable room night rental revenue on hotels within the service plan. The term of the ATPID will be for ten years. There are two items related to this item for this meeting, a resolution for Council to consider making findings on the advisability of the improvement and authorizing the formation of the ATPID and a public hearing on the proposed assessment to be conducted prior to the adoption of this ordinance.

If approved, the District assessment will be levied on hotels in the District, which are those with 100 or more rooms located within the City. The total cost of the services and improvements to be provided shall be apportioned during the year based on a rate of two percent of taxable room nights sold at qualifying hotels located within the District. Accordingly, those qualifying hotels that sell more rooms will pay a greater portion of the assessment since they benefit more from the incentives and the promotion and marketing services

provided by the District. Room night sales that are not subject to the City's hotel occupancy tax shall not be subject to the District assessment. The assessments are to be remitted to the City by each individual hotel property in accordance with the same remittance schedule established for the submission of the City's hotel occupancy tax. The amount of the assessment will be subject to annual review and approval by the City Council.

Following the approval by Council of the draft petition and service plan documents, the petition language and service plan were presented to hotel ownership groups for their petition signatures. Sufficient valid petition signatures have been submitted that the approval threshold for the ATPID has been reached.

The proposed allocation of revenue of the ATPID is as follows:

- Minimum 20 percent for Convention Center Sales and Group Business Incentives;
- Minimum 60 percent for Marketing and Sales;
- 10 percent for Hotel Activity Incentive Program; and
- 10 percent for research and ATPID administration.

The ATPID funding that is allocated under the Convention Center Sales and Group Business Incentives category of the ATPID service plan is the source of funding that will be used for Convention Center facility event incentives and is the source of funding that ultimately may be used for any lawful municipal purpose once the statutory requirements for use of these funds under Local Government Code 372 are satisfied. Those use requirements for an amount of ATPID incentive funding are satisfied once the event at the Convention Center facilities for which that funding is awarded has occurred.

The ATPID will be effective January 1, 2025, and collections will begin April 1, 2025. Council will annually approve the updated service plan and assessment rate. A delay in approval of this item will delay the ability of the ATPID to begin collections until July 1, 2025..