



City of Austin

Recommendation for Action

File #: 25-1424, **Agenda Item #:** 96.

7/24/2025

Posting Language

Authorize negotiation and execution of all documents and agreements necessary or desirable to acquire approximately 21.0 acres (914,760 square feet) of real property and approximately 460,000 square feet of adjacent convention center facilities to be located in the Thomas Westbrook Survey No. 5, Abstract No. 797, generally located at 9201 Circuit of the Americas Boulevard, Del Valle, Texas 78617 and being a portion of that certain 288.93-acre tract (formerly called Tract One) which comprises a portion of that certain 399.528-acre Tract One described by and conveyed in the General Warranty Deed to AHSPE, LLC recorded under Document No. 2011010836 of the Official Public Records of Travis County, Texas, and being part of 'Area 4' of the Planned Unit Development approved in Ordinance No. 20201001-042, as amended by Ordinance No. 20231214-105, from RIDA COTA Hotel, LLC or its successor, related to the development of a hotel and convention center located on or around the Circuit of the Americas site, including a ground lease that contains an option for RIDA COTA Hotel, LLC or its successor to repurchase the hotel property at the conclusion of the term at no cost and a facilities purchase and management agreement that contains an option for RIDA COTA Hotel, LLC or its successor to repurchase the convention center facilities at the conclusion of the term at no cost, all upon the issuance of a confirmatory Private Letter Ruling by the State Comptroller. Funding: there is no fiscal impact.

Lead Department

Financial Services Department

Fiscal Note

There is no anticipated fiscal impact.

For More Information:

Kimberly Olivares, Director of Financial Services, 512-974-2924.

Prior Council Action:

March 6, 2025 - Council adopted Ordinance No. 20250306-048, designating the Project a Qualifying Project upon the satisfaction of certain statutory requirements.

Additional Backup Information:

Chapter 351, Subchapter C of the Texas Tax Code allows the City to collect certain taxes generated by qualified projects that would otherwise be allocated to the State of Texas if a project is designated a qualifying project by the municipality.

Under Chapter 351, if the City owns real property on which a hotel is acquired or constructed, located not more than 1,000 feet away from a qualifying convention center facility that is also owned by the City, the hotel and the convention center facilities can collectively be considered a "Qualified Project". As such, the City is authorized to receive, from the State, a portion of the hotel occupancy tax (HOT) and sales tax generated by the project that would otherwise be retained by the State of Texas and contribute the collected taxes to the development of the Qualified Project for a statutorily mandated period of time referred to as the Rebate Period, currently allowed for up to 10 years after the qualified hotel opens for initial occupancy.

This item would authorize staff to negotiate and execute certain agreements with RIDA COTA Hotel, LLC as the developer related to the development project of an approximately 460,000 square foot convention center facility, an approximately 1,000 room hotel, and related facilities to be located on or around the property on which the Circuit of the Americas is located. In February 2025, Council designated the development project a Qualified Project upon satisfaction of all related statutory requirements and authorized the City Manager to enter into a funding agreement with the developer regarding the commitment of a portion of the HOT. However, in order for the project to meet such statutory requirements, the land beneath the hotel and the convention center facilities must be owned by the City. Therefore, in order to proceed, the agreement between the parties must include certain real estate transactions, including the following:

The Hotel

- An agreement for the City to purchase the real property on which the Hotel is located from the Developer at no cost after the Hotel is constructed.
- Upon City ownership of the Hotel property, a ground lease from the City to the Developer for the Developer to operate and maintain the Hotel so long as the City owns the Hotel property.
- An option for the Developer to repurchase the Hotel property, and any improvements thereon, at no cost at the end of the Rebate Period.

The Convention Center Facility

- An agreement for the City to purchase the Convention Facilities at no cost from the Developer after the Convention Facilities are constructed.
- A Facilities Management Agreement to obligate the developer to operate and maintain the Convention Facilities so long as they are owned by the City.
- An option for the developer to repurchase the Convention Center Facilities at no cost at the end of the Rebate Period.

Conditions

- Before executing any agreement discussed in this item, the City must receive a positive letter from the State Comptroller approving the proposed arrangement regarding the conveyance and lease-back of the Hotel property and the Convention Facilities, as well as the collection and distribution of State taxes as described above.
 - If the comptroller rejects the City's notification of a qualified project, staff will evaluate the reasons for the rejection and address those as necessary in order to bring it back to the comptroller successfully, including seeking additional Council approval where appropriate.
- The real property that is proposed for the project and that is the subject of this item is currently owned by Circuit of the Americas, LLC, a Delaware limited liability company formerly known as AHSPE, LLC. Before executing any agreement discussed in this item, the City must receive confirmation, in a form acceptable to the City, that the property has been conveyed to the developer and that the developer has the ability to enter into the proposed agreement.
- Included in all agreements above, the developer must indemnify and hold the City harmless for any and all claims related to the COTA Project, thereby mitigating any risk to the City including that created by future claims against the City by the State or any third party.

Satisfaction of the conditions above will fulfil the obligations set forth in Ordinance No. 20250306-048, which authorized the negotiation and execution of an agreement obligating the City to provide funding to the developer during the Rebate Period in an amount equal to that received by the City from the State in accordance with Chapter 351 and to provide a one-time contribution of City HOT in an amount not to exceed \$20,000 once such conditions were satisfied.

This project will not compete with the expansion of the Austin Convention Center as each facility has separate and distinct target markets. The developer has projected a positive economic impact for the City related to job creation and tax revenue generation through this project.