



Recommendation for Action

File #: 23-2337, **Agenda Item #:** 12.

7/20/2023

Posting Language

Approve the draft service plan and draft petition language for the creation of a proposed Austin Tourism Public Improvement District.

Lead Department

Austin Convention Center Department.

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

May 5, 2019 - Council approved as amended Resolution No. 20190523-029 directing City Manager to prepare for creation of the ATPID on an 11-0 vote.

For More Information:

Trisha Tatro, Director, Austin Convention Center, 512-404-4218.

Council Committee, Boards and Commission Action:

July 12, 2023- Present draft Service Plan language to the Tourism Commission.

Additional Backup Information:

This RCA is to approve the draft service plan language and draft petition language for the proposed Austin Tourism Public Improvement District (ATPID) that will subsequently be sent to and considered by record owners of taxable real property in the proposed district. This action is pursuant to [Resolution No. 20190523-029 <https://www.austintexas.gov/edims/document.cfm?id=320822>](https://www.austintexas.gov/edims/document.cfm?id=320822) (Palm District Resolution), which directed the City Manager to prepare for the creation of the ATPID, which would increase hotel activity and tourism in Austin, while also generating revenue that would make available funding to help address homelessness, or any other lawful municipal purpose, once the statutory limitations of the funding under [Local Government Code Chapter 372 <https://statutes.capitol.texas.gov/Docs/LG/pdf/LG.372.pdf>](https://statutes.capitol.texas.gov/Docs/LG/pdf/LG.372.pdf) have been satisfied. The ATPID will be created under Local Government Code section 372.0035, and as such, is not subject to the City's Public Improvement District Policy.

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 draft service plan includes a two percent voluntary assessment of gross taxable room night rental revenue on hotels within the service plan. Hotel eligibility for the ATPID is limited to hotel properties, which need not be contiguous, with 100 or more rooms within the Austin city limits. The term of the ATPID will be for 10 years. The proposed allocation of revenue is as follows:

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

If the draft petition and service plan documents are approved by Council, the petition language and service plan will be presented to hotel ownership groups for their petition signatures. It should be noted that, once the petition and service plan are approved by Council and signed by hotel ownership groups, the petition and service plan cannot later be changed by Council or City staff without having to start the entire petition approval process over again. State law requires signatures indicating their approval of the petition and service plan from hotel owners of over 60 percent of the appraised value of the hotels within the proposed ATPID, as well as approval of over 60 percent of the owners of either the number of hotels within the proposed ATPID or over 60 percent of the surface area of the hotels in the proposed ATPID.

Staff anticipates bringing the ATPID creation documents, including the management agreement, to Council for consideration in late 2023. Council would subsequently annually approve the updated service plan and assessment rate.

The following generally highlights certain key steps necessary to create the ATPID:

1. Council approval of the draft service plan language and the draft petition language for the proposed ATPID.
2. Hotel industry gathers the petition signatures from over 60 percent of the ownership groups of the eligible hotels.
3. Petition validation by the City Clerk to ensure satisfaction of the statutory mandated thresholds for approval of the ATPID by the hotel ownership groups.
4. Notifications for and holding of two public hearings: (a) a public hearing on the proposed creation of the ATPID and (b) a public hearing on the setting of the assessment rate and hearing objections to the assessment. The two public hearings can be held consecutively on the same day.
5. Approval of the creation of the ATPID by resolution of the Council at the end of the first public hearing and approval by ordinance of the service plan and proposed assessment and method of payment of the assessment for the ATPID at the end of the second public hearing.
6. Notification to the area hoteliers of the creation of the ATPID and setting of the assessment rate and their liability for the assessment, which will allow them time to add the assessment into their room night charges within their reservation and billing systems.
7. Creation of the ATPID management corporation and board of directors by the local hotel industry. The Texas Hotel & Lodging Association along with Visit Austin and the hotel ownership groups will create the nonprofit corporation and the corporation will have its own board of directors that is composed of hotel operators within the district.
 - The ATPID management corporation will oversee the management of the day-to-day operations of the ATPID pursuant to a three-way contract between the ATPID management corporation, the City, and Visit Austin.
8. Council approval of the management contract between the ATPID management corporation, the

City of Austin, and Visit Austin.

9. Council subsequently annually reviews and approves the updated service plan and assessment plans proposed by the ATPID board of directors and determines and levies assessments.