

Tourism Public Improvement Districts

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Background/General Information

What is a Public Improvement District (PID)?

The State of Texas grants municipalities and counties the power to create Public Improvement Districts (PIDs) under [Texas Local Government Code \(LGC\), Chapter 372](#). The city or county may initiate or receive a petition from property owners requesting creation of a PID which has a defined geographic area within the municipality or county. For many years, cities have had the power to create local PIDs within defined areas of a city. Creation of a public improvement district is usually done to generate funding for special physical improvements (e.g., enhanced lighting, landscaping, sidewalks, etc.) or special services (e.g., public safety services, marketing services, etc.) that are desired by the property owners in that specific area of the city. For example, larger cities often approve the creation of a “Downtown” Public Improvement District

composed of “contiguous” properties within the downtown area of the city. The term “contiguous” refers to the fact that the properties within such a district are all located next to each other within a defined area. Alternatively, cities also can approve creation of one or more “Neighborhood” Public Improvement Districts, composed of contiguous properties within a specific neighborhood of a city.

What is a Tourism Public Improvement District (TPID)?

A Tourism Public Improvement District (TPID or District) is a special type of public improvement district that is composed solely of “non-contiguous” hotels to generate funding for services related to advertising and promotion and business recruitment and development to increase hotel activity. The term “non-contiguous” refers to the fact that the hotels within such a district are located throughout the city and are generally not adjacent to each other. State law and/or the organizers of the proposed Tourism PID may also provide a minimum room count for a hotel to be eligible for inclusion in the Tourism PID.

When did the Texas Legislature Authorize the Creation of Tourism PIDs?

The authority to create a Tourism PID in Texas was approved by the Texas Legislature in 2011 and initially only allowed such a District to be created by the City of Dallas. Under state law, a Dallas Tourism PID could only include hotels within the City of Dallas with 100 or more rooms.

In 2015, the Texas Legislature expanded this authority to allow the Cities of Arlington, Fort Worth, San Antonio, and Austin to also consider creation of a Tourism PID that is composed solely of hotels.

What State law changes to Tourism PIDs passed in the 2019 Texas legislative session?

[HB 1136](#) was an omnibus Tourism PID bill that was passed in the 2019 Texas Legislative Session. HB 1136 provided three primary changes to the operation of Tourism PIDs:

1. Amended state law to allow all Texas cities to consider creation of a Tourism PID; and
2. It specifically codified/limited the use of Tourism PID funds to two primary purposes that are directly related to promoting hotel activity:
 - a. Marketing and Advertising; and
 - b. Business Promotion and Development (sales).

In all of the existing Texas Tourism PIDs, marketing and sales were already the only categories of expenditures for Tourism PID funds -- other than administrative costs and expenditures that were incident to accomplishing the marketing or sales function (e.g. research). This legislation codified that limitation.

3. Clarified the right of Tourism PIDs to add additional hotel properties into the Tourism PID during the existing term of the District.

What are the major differences under state law between a Tourism PID and other PIDs?

There are three major differences between a Tourism PID and other PIDs in Texas.

1. **Required Petition Approval Percentage:** Traditional PIDs must be initiated by a petition that is signed by at least fifty percent (50%) of the ownership of the properties within the proposed District. For Tourism PIDs, the petition to create the district must be signed by at least sixty percent (60%) of the ownership of the properties within the proposed District.
2. **Types of Properties Included Within the District:** Traditional PIDs typically include “contiguous” residential properties within a defined neighborhood or “contiguous” real properties within a defined downtown or business area of the city. As noted earlier, “contiguous” means that the properties within the district are all adjacent to each other within a defined area. Tourism PIDs, however, are composed solely of hotel properties and the hotel properties do not have to be contiguous to the other hotels to be included within the proposed District. For the City of Austin, state law further provides that a Tourism PID may only be composed of Austin hotels with 100 or more rooms.
3. **Format for Funding the District:** Traditional PIDs are funded by an “assessment” against each real property parcel within the District and the assessment is generally based on a formula that considers the property’s market value, square footage, frontage area, or other factors. The PID assessment against the property is collected each year by the City with the property tax payment for that property. Conversely, Tourism PIDs are funded through an assessment against each hotel that is based on a set percentage of the taxable room night sales for that hotel. For example, the Tourism PIDs in Dallas, Fort Worth, Arlington, Corpus Christi, Waco, and Frisco are each funded by a two percent (2%) Tourism PID Assessment. This two percent (2%) Tourism PID assessment is calculated as two percent (2%) of the taxable room night sales of each hotel within the District. For all seven Texas Tourism PIDs, the hotels within the Tourism PID pass on the cost of the two percent (2%) Tourism PID Assessment to the guest as a “Tourism PID Fee” on each guest’s

hotel room night folio. Accordingly, each month, hotels within the Tourism PID remit both their local hotel tax proceeds to the City and remit the Tourism PID assessment amount for that month for their hotel.

What is the motivation of the local hotel industry to propose creation of a Tourism PID?

Creation of a Tourism PID allows the local hotel industry to self-generate additional funding to pursue three primary purposes:

- To fund an **enhanced marketing program** to generate increased hotel business, and leisure and other transient tourism and hotel activity throughout the City.
- To provide **increased funding for sales incentives** to attract and retain groups, large conferences, conventions, sporting tournaments and other events, and other hotel night generating activity.
- To provide funding for the **administration and research** activities that are incident to doing an effective marketing and sales program to generate group, event, and transient hotel activity.

Prior to the creation of a Tourism PID, many Convention and Visitor Bureaus (CVBs) struggled to find sufficient funding for marketing and sales incentives. It is important to note that the creation of a Tourism PID is to supplement and not to replace the funding that the existing CVB has historically received from local hotel occupancy tax and other sources for marketing and business promotion.

What has been the impact of the existing Texas Tourism PIDs?

The Tourism PID in Dallas was the first and now the longest operating Tourism PID in Texas. On all counts, it has been a tremendous success.

1. **Conversion Rate:** When the Dallas Tourism PID was created, Visit Dallas had a “conversion rate” of securing 23% of the bids it put out for city-wide convention business. With the additional funding from the Tourism PID, Visit Dallas has been able to double its “conversion rate” and is now securing 46% of the bids that they put out for city-wide convention business. The uptick in their conversion rate has yielded a doubling of the number of city-wide conventions/events in Dallas.
2. **Return on Incentives (ROI):** For every dollar the Dallas Tourism PID expended in sales incentives, it produced an unprecedented \$14 in hotel room night activity.

3. **Overall Hotel Occupancy City-Wide:** Within the first four years of the creation of the Dallas Tourism PID, hotel occupancy throughout the City increased an average of over 17 percent.
4. **Satisfaction of Area Hoteliers:** Area hoteliers were so satisfied with the work of the Dallas Tourism PID (DTPID) that they petitioned the City of Dallas to renew the Dallas Tourism PID for an additional 13-year term. The petition for renewal of the DTPID included signatures from the owners of over 60 percent of the hotels within the District. At the public hearing on renewal of the district, the local hotel association supported continuation of the district and there was not a single hotel that testified in opposition to the renewal of the district.
5. **Satisfaction of Hoteliers in Other Tourism PID Cities:** The Dallas Tourism PID was so successful that it led to Tourism PIDs being formed in Arlington, Fort Worth, San Antonio, Waco, Corpus Christi, and Frisco. To date, the hoteliers and city leaders in all of those cities have been very pleased with the performance and impact of their respective Tourism PIDs.

Process & Implementation

How is a Tourism PID created?

The process for creating a Tourism PID is controlled by [Chapter 372 of the Texas Local Government Code](#).

To create a Tourism PID, the owners of over sixty percent (60%) of the hotel properties within the proposed District must sign a petition asking the City Council to approve creation of the Tourism PID. State law requires that the petition must meet two out of three set thresholds to be valid. Once a Tourism PID petition with sufficient signatures is presented to the City Council, the City must publish notice and also provide written mailed notice of the proposed public hearings on creation of the District to each eligible hotel property within the proposed District. After these notices have been provided, the City Council must hold two public hearings. At the end of the first public hearing, the City Council must decide whether to approve or not approve the creation of the Tourism PID and the proposed Service Plan. Since all the petitions that were signed were based on a Service Plan that is included with the petition document, the City Council cannot later amend the terms of the proposed Service Plan, without requiring the Tourism PID organizers to do a completely new petition drive that incorporates the amended Service Plan.

If the City Council approves the creation of the proposed Tourism PID and its Service Plan, a second public hearing will be held to approve the proposed assessment rate against each property to fund the District. At the conclusion of the second public hearing, the City Council can

choose to either approve or not approve the proposed assessment rate to fund the District. Again, since all the Tourism PID petitions that were signed were based on a set assessment rate, the City Council cannot later amend the proposed assessment rate without requiring the Tourism PID organizer to do a new petition drive that incorporates the amended assessment rate.

There is nothing under State law that prevents a City Council from holding both the public hearing to create the District and the public hearing to set the assessment rate consecutively on the same day.

Who can be a “signatory” to the Tourism PID petition?

The signatories to the petition for a Tourism PID must be either the owner of the hotel property within the proposed District or a person or entity authorized to sign on behalf of that ownership group for the hotel. In many cases, the hotel’s General Manager will sign the petition on behalf of the ownership group for the hotel property. In other cases, it may be an officer of a hotel management company, or an officer of the ownership group for the hotel property. It should be noted that the ownership group for the hotel is determined by who is listed as the ownership entity on the county appraisal district records (e.g., Travis County Appraisal District).

What is the projected schedule for implementing the Austin Tourism PID?

The projected schedule for implementing the Austin Tourism PID is as follows:

1. **July 7, 2023:** Distribution of the Draft Austin Tourism PID petition and service to members of the Austin City Council and applicable city staff.
2. **July 18, 2023:** Briefing of the Austin City Council on the proposed draft petition and service plan for the Austin Tourism PID.
3. **July 20, 2023:** City Council vote to approve the format and content of the proposed petition and service plan for the Austin Tourism PID.
4. **July 21 to September 21, 2023:** Collection of signed petitions from the eligible hotels within the District.
5. **September 22, 2023:** Submission of the signed petitions to the City for validation of the petitions.
6. **October 2023:** Publication and Mailed Notice on the two public hearings on the proposed Austin Tourism PID.
7. **October 2023:** City Council Public Hearing on creation of the proposed District and approval of the Service Plan, followed by a City Council Public Hearing to set the assessment rate for the District.

8. **November (TBD), 2023:** Start date for implementation of the Austin Tourism PID and the levy of the proposed Tourism PID fee on each taxable hotel room night.

Is a Tourism PID permanent?

No. Tourism PIDs, like all other PIDs, exist for a defined period of time. Most Texas Tourism PIDs are for a period of 10 years. After the defined period of time for the Tourism PID is done, the District's existence can end or be renewed by a new petition of the area hoteliers. For the Tourism PID to be renewed, it would also need to receive approval of the City Council through the same process used to initially create the District.

It should be noted that local hoteliers may also choose to dissolve the Tourism PID prior to the end of its term by petitioning the City Council to dissolve the District using the same process that was used to create the district.

How much will the Austin Tourism PID generate annually in new funding?

The proposed Austin Tourism PID is anticipated to generate \$27.6 million in year one of the TPID and to incrementally grow in revenues by 7.5% annually, yielding an estimated \$52.9 million dollars in Tourism PID funds in year ten of the TPID. As noted earlier, the TPID funding is to be used for supplemental marketing and sales activities to promote increased Austin hotel activity.

How can Tourism PID funds be expended under state law?

There is a very broad array of eligible expenditure categories for a general PID. However, a Tourism PID is much more restricted in its permitted expenditures categories. [Chapter 372 of the Local Government Code](#) sets out only two statutory categories eligible for expenditure of Tourism PID funds.

Specifically, [Local Government Code Section 372.003 \(b\) \(13\)](#) of the PID law permits Tourism PID expenditures only for:

1. Services related to “**advertising and promotion**” (in this case, with the intent to increase hotel activity); and
2. Services related to “**business recruitment and development**” (again, with the intent to increase hotel activity and convention business through sales incentives and other sales efforts).

When a Tourism PID is proposed, the petition document must include a Service Plan that indicates what percentage of Tourism PID funds will be spent on each of the two above noted statutory expenditure categories.

It should also be noted that all Tourism PID expenditures must result in a commensurate benefit to the hotels within the District. This requirement is codified in [Local Government Code Section 372.015 \(a\)](#) that provides that the Tourism PID assessment must be based on “special benefits” accruing to the property because of the Tourism PID expenditures.

What is the role of the Service Plan for a Tourism PID?

The Service Plan for a Tourism PID is included with the petitions that are signed by the hotel ownership groups in order to create the proposed District. The Service Plan is also specifically approved by the City Council when it authorizes creation of the Tourism PID. Similar to the limitations that apply to the use of bond proceeds, the funding categories within the approved Tourism PID Service Plan set out the only purposes for which the Tourism PID funds can be expended during the full term of the Tourism PID.

What role does state law provide for a City Council regarding oversight of the Service Plan for a Tourism PID?

[Local Government Code Section 372.013](#) states that an updated annual Service Plan shall be presented to the City Council for its “review and approval.” State law requires that the updated Service Plan show the “projected costs” for services and that it be “reviewed and updated annually for the purpose of determining the annual budget for improvements.” The update typically involves Tourism PID staff projecting what amount of revenues and expenses can be reasonably anticipated in the upcoming year based on the District’s revenue trends.

Can a City Council change the items or allocations of Tourism PID expenditures when it approves the updated Service Plan for a Tourism PID?

Service Plans for PIDs, including Tourism PIDs, cannot be changed in a substantive manner from the version of the Service Plan that was originally approved when the District was created by the City Council. The original service plan is the covenant on expenditures and what percentage would be allocated for each expenditure category that the signatories agreed to in the creation of the District. In other words, there is no statutory authority for a City Council to change the categories for Tourism PID expenditures, to add in additional categories, or to make more than

marginal changes to the allocation percentages that were outlined for the Tourism PID in the original Service Plan.

How will Austin Tourism PID funds be expended under the proposed Service Plan?

The proposed Austin Tourism PID Service Plan has two Tourism PID funding allocation plans. One allocation plan is in place when the Austin Convention Center is open for business (**Primary Program of Work**). The second allocation plan comes into effect when the Austin Convention Center is closed for redevelopment and expansion (**Secondary Program of Work**). The allocations are as follows:

- **Marketing and Additional Sales Outreach.** Within both Programs of Work, **sixty percent (60%) of the Tourism PID funds will be expended on supplemental sales and marketing initiatives administered by Visit Austin** that will increase hotel activity and convention business. These Tourism PID initiatives will include, but are not limited to, supplemental lead generation activities, increased internet and social media presence, added sales blitzes, increased Event Trust Fund participation, more familiarization (FAM) tours, and an expanded trade show presence.
- **Hotel Activity Incentives.** Within both Programs of Work, **ten percent (10%) of the Austin Tourism PID funds are budgeted for buy-downs of the costs for events/meetings that are held at individual hotels** within the District, if the events meet set ROI requirements.
- **Research and Administration.** Within both Programs of Work, **ten percent (10%) of the Austin Tourism PID funds are allocated to “Research and Administration”**. The research portion of this category focuses on securing data to measure the impact of Tourism PID sales and marketing efforts to ensure that they are meeting set ROI thresholds.
- **Convention Center Sales & Group Business Incentives.** What varies between the two Programs of Work is the percentage allocation to “Convention Center Sales & Group Business Incentives.” Prior to the closure of the Austin Convention Center for the redevelopment and expansion project, and again when the Convention Center is reopened post-expansion, the Austin Convention Center will be allocated twenty percent (20%) of the Austin Tourism PID funds for Convention Center Sales & Group Business Incentives. When the Austin Convention Center is closed for renovation and expansion, the percentage allocated to Convention Center buy-downs is reduced from twenty percent (20%) to ten percent (10%) of total Tourism PID funds. This ten percent (10%) differential is converted to a floating funding category (termed the “**Variable Room Night**”).

Generation” category) that can be used for any of the marketing and sales purposes, at the direction of the Tourism PID Board, including additional buydowns at ACC if there are such opportunities that meet the ROI requirements.

Will the Austin Tourism PID proceeds supplement/add to the current hotel tax funding that is allocated to Visit Austin or supplant/replace this hotel tax funding with Tourism PID proceeds?

The Austin Tourism PID proceeds are clearly intended to supplement/add to the hotel tax funding that is currently allocated to Visit Austin. It is not intended to supplant or replace this hotel tax funding. In fact, the proposal to create the Austin Tourism PID is being pursued to address the substantial funding disparity between Austin and its competitive set cities, in terms of the percentage of hotel tax and other City funds that are available to Visit Austin to promote Austin as a destination for conventions, meetings, and other events that generate hotel activity. Further, the proposed Austin Tourism PID Service Plan specifically provides that during the time period of the Tourism PID, if the City lowers the percentage of local hotel tax and other funding from the City of Austin to Visit Austin for contracted marketing and sales services to below historic allocations of hotel tax funds for this purpose, the local hotel industry reserves the right to petition for termination of the Tourism PID.

Will the City of Austin ultimately receive funding from the Tourism PID that can be allocated to address priority local challenges such as homelessness?

Yes. During the Primary Program of Work, when the Austin Convention Center (ACC) is open, the Austin Tourism PID Service Plan allocates up to twenty percent (20%) of the total Tourism PID funds for sales and group business incentives at the Austin Convention Center and/or Palmer Event Center space for large groups and events. This provides a current estimated allocation of up to \$5.5 million dollars to \$10.6 million dollars annually that can be used for Convention Center space buydowns. Buydowns are essentially financial incentives offered to certain events to bring their business to Austin. Such buydowns of the Convention Center’s space with Tourism PID funds are permitted under the statutory authorization for “business recruitment” activities. Once the event that has a buydown has been held, the Austin Convention Center Department becomes eligible to receive the Tourism PID funds to cover the costs for these buydowns. In turn, these Austin Tourism PID proceeds become “unrestricted revenues” to the City in the year that

the convention center event that is subject to the buydown is held. In other words, these Austin Tourism PID proceeds both serve the Austin Tourism PID purpose of facilitating “business recruitment” of events at the Austin Convention Center facilities, and at the same time create an unrestricted revenue stream for the City in the year that each buydown event is held. This unrestricted revenue stream can be dedicated by the City Council for any public purpose, including but not limited to services for the homeless or other city priorities.

During the “Secondary Program of Work,” when the ACC is closed for redevelopment and expansion, the Austin Tourism PID Service Plan is adjusted to reflect the fact that the ACC will not be hosting as many events that would normally receive buydowns of their costs. Accordingly, the Tourism PID Service Plan provides that during the Secondary Program of Work, there will be up to ten percent (10%) of the total Tourism PID funds that will be allocated for Convention Center space buy-downs. Currently, the Service Plan estimates that the funding during this Program of Work for ACC buydowns will be \$2.7 to \$5.3 million dollars annually. During that time period, such buydowns may be negotiated for events that will take place at the Palmer Event Center or may involve ACC event buydowns that are negotiated and earmarked during the time that the ACC is closed for redevelopment and expansion but apply to an event that will be held in a future year when the expanded ACC is reopened. Again, the buydown funding from the TPID is remitted by the TPID in the year that the convention center buydown event is held.

There are several other important items to note about the Austin Tourism PID’s commitment to a set percentage of city convention center buydowns. First, this commitment was considered a negotiated “concession” by the local hotel industry of twenty percent of the Tourism PID funds. This twenty percent allocation serves to both promote convention center and hotel activity as well as to ensure an unrestricted revenue stream to the City of Austin of this percentage of the Tourism PID funds in the years that these buydown events are held. In the Tourism PID negotiations with the prior Mayor and City Council, the local hotel industry and convention center offered to commit up to forty percent (40%) of a one percent (1%) Tourism PID Fee annually that could be used for convention center buydowns. Under the current proposed Tourism PID Service Plan, the local hotel industry has allocated up to twenty percent (20%) of a two percent (2%) Tourism PID Fee annually, which generates the same range of unrestricted annual revenues for the City.

Further, as a point of comparison regarding “concessions” to Texas Tourism PID cities, only Dallas and Fort Worth have secured a Tourism PID concession to the City regarding allocated Tourism PID funds, and that concession amount was only seven and one-half percent (7.5%) of the Tourism PID funds (in this case for special marketing programs that generate hotel activity). The other five Texas Tourism PID Cities (San Antonio, Corpus Christi, Arlington, Waco, and Frisco) did not provide any concessions to the City regarding Tourism PID allocations. The estimates will be finalized and adjusted prior to Council approval of the Austin Tourism PID.

Can the Austin Tourism PID simply make a direct allocation of Tourism PID funding to the City's General Fund?

No. As noted above, the State Tourism PID statutes only permit Tourism PID proceeds to be used to fund either business recruitment (sales) activities or business promotion (marketing) activities. There is no authority to directly transfer Tourism PID funds to the City for any type of program that does not fit within these two statutory categories.

Can the Tourism PID increase the funding that is allocated for convention center buydowns beyond the 10 to 20 percent that is allocated in the TPID Service Plan?

Yes. If the TPID has expended all of the 10 to 20 percent of TPID funds that is allocated under the Convention Center Buydown category, the TPID Board can allocate additional TPID funding for this same purpose from the "Marketing and Additional Sales Outreach" category. In other words, the 10 to 20 percent allocation for Convention Center Buydowns that is in the TPID Service Plan can be supplemented to cover any additional buydown opportunities that exist that meet the TPID board established ROI requirements.

Can Austin Tourism PID funds be used for further promotions of the arts or increased historical restoration and preservation activities?

As noted earlier, Austin Tourism PID funds can only be used for additional marketing and sales activities that are directly related to increasing hotel activity. It is likely that the supplemental marketing initiatives by the Tourism PID that are undertaken by Visit Austin will involve advertising and promoting the many arts and historical offerings within the City of Austin that sustain and promote Austin hotel activity.

It is also noteworthy that the substantial hotel activity that is anticipated to be generated by the Austin Tourism PID will provide a commensurate increase in local hotel tax revenues. The increased hotel activity/revenues will translate to additional hotel occupancy tax, which further increases the funding for both the arts and for historical restoration and preservation purposes. Specifically, under the current City of Austin allocation for local hotel tax, fifteen percent (15%) of all existing and new local hotel tax revenue is allocated for promotion of the arts and another

fifteen percent (15%) of all existing and new local hotel tax revenue is allocated to historical restoration projects. Finally, it should be noted that the \$27.6 million to \$52.9 million that is estimated to be generated in Tourism PID fees annually will be subject to local hotel occupancy tax, thereby generating between \$2.5 million to \$4.8 million dollars annually in new local hotel occupancy tax. Under current city allocation formulas, fifteen percent (15%) of that amount of new hotel tax revenue or an additional \$375,000 to \$720,000 annually would be generated for promotion of the arts and the same additional amount generated annually for historical restoration and preservation.

Will the Tourism PID funding that is allocated for convention center buydowns and provides an unrestricted revenue stream for the City, be affected by the time period that the Austin Convention Center is closed due to redevelopment and expansion?

Yes. It is expected that the Tourism PID funding for convention center buydowns will be diminished during the anticipated four-year time period that the ACC is closed due to its renovation and expansion. But it is hoped that this reduction in buydowns can be mitigated by use of the Palmer Event Center and by negotiated ACC buydowns that can be negotiated during the time period that the ACC is closed but for events that will apply to a future date when the ACC is once again open. As noted earlier, the TPID buydowns are remitted in the year in which the event is held. Finally, it is worth noting that the capacity for ACC buydowns will dramatically increase once the ACC is reopened in its redeveloped and expanded format.

What entities oversee management of a Tourism PID?

Hoteliers create a nonprofit corporation, a Tourism PID Management Corporation, to help manage and oversee the work of the Tourism PID. This corporation has a board of directors. The voting members of the Tourism PID Board of Directors is solely composed of area hoteliers who have hotels within the District. This structure has been successfully utilized in all seven Tourism PIDs in Texas.

There is a typically a three-way contract between the City, the CVB, and the Tourism PID nonprofit corporation that outlines the duties, oversight, and reporting mechanisms of each entity regarding the operation of the Tourism PID. In a nutshell, this three-way contract notes the role of the City to collect the Tourism PID fees from the hoteliers within the District, using the same collection process that is in place for the local hotel tax. The three-way contract also outlines the role of the CVB to propose and implement annual marketing, sales, and research programs to

achieve the goals of the District, and the reporting and other obligations for the CVB and the District under the City's PID ordinance. Further, this three-way contract notes the duties of the Tourism PID Management Corporation to review and approve the proposed annual programs of the Tourism PID. Finally, there is also a separate contract that exists between the area CVB and the Tourism PID nonprofit management corporation that more specifically outlines the duties of the CVB regarding of the administration of the Tourism PID with the assistance of the local and/or state hotel association.

What is the proposed composition for the Austin Tourism PID Management Corporation Board?

The Austin Tourism PID Management Corporation Board of Directors will be composed of eleven (11) voting directors and three (3) non-voting ex-officio directors. The eleven (11) voting members of the Tourism PID Management Corporation Board will be owners or managers of hotels within the District as noted below:

1. Four directors from hotels with 400 rooms or more.
2. Four directors from hotels with 140 to 399 rooms.
3. Three directors from hotels with 100 to 139 rooms.

The board that will be selected will include representatives from every quadrant of the city and will include downtown and non-downtown representation that is proportionate to the hotel tax generation that is incident to these areas. Every effort will also be made to ensure that the Tourism PID Management Corporation Board reflects ethnic and gender diversity and also that the board reflects the penetration of hotel brands, hotel ownership groups, and hotel management companies within the District.

The three (3) non-voting ex-officio members will include: an ex-officio position for the CEO of the Austin Hotel & Lodging Association (AH&LA), an ex-officio position for the CEO of Visit Austin, and an ex-officio position for a management representative of the Austin Convention Center.

How is the Tourism PID Management Corporation Board of Directors selected?

The composition of a Tourism PID Management Corporation Board of Directors is selected by area hotel leaders with as noted above, a goal of creating a Board that is geographically, industry sector, ethnically, and gender diverse. The Tourism PID Board Members each serve two-year terms. At the end of the two-year term, the Tourism PID Board of Directors creates a nominating committee that can either renew the hotelier's term or nominate a different hotelier from within the district to hold that board seat.

How would interested outside entities provide ideas to the Austin Tourism PID leadership?

Interested outside entities can provide ideas to the Austin Tourism PID leadership through a presentation at one of the Austin Tourism PID board meetings which will take place on a quarterly basis. If an entity is interested in making such a presentation, it should contact Visit Austin to coordinate scheduling.

Finance, Budgeting and Tax

What is the difference between the Tourism PID Assessment and the Tourism PID fee?

If the City Council approves the creation of a Tourism PID, the City levies what is called a Tourism PID “assessment” against each “eligible” hotel that is located within the District. In the case of Austin, “eligible hotels” includes any hotels with 100 or more rooms that are located within the city limits of Austin. The “assessment” that is proposed for the Austin Tourism PID is two percent (2%) of the actual taxable room night sales at each eligible hotel property within the District. In other words, the Tourism PID assessment is the liability that the City places on the district hotels to fund the District. The assessment is remitted monthly by each hotel within the District along with its local hotel tax payment to the City.

The Tourism PID Reimbursement Fee is the charge that the hotels within the District place on each taxable hotel night sale to completely cover the cost of the City’s Tourism PID assessment. In other words, the hotels within the District are permitted to pass through the cost of the City’s Tourism PID assessment against the hotel onto the hotel guest in the form of the Tourism PID Reimbursement Fee. This pass-through protocol is in place for every Tourism PID in Texas and in similar districts across the country.

What hotel charges are subject to a Tourism PID Assessment/fee?

Any hotel charges that are subject to local hotel occupancy tax (HOT) are subject to the Tourism PID Assessment/fee. The hotel charges that are subject to the Tourism PID Fee are typically the hotel room night charges and any other mandatory fees by the hotel that are incident to rental of the hotel room (e.g., resort fees). However, if a hotel charge is subject to a tax other than the hotel tax, it would not be subject to the Tourism PID Fee. For example, food and beverage sales by a hotel are subject to the state and local sales tax, and not the hotel tax. Similarly, mixed

beverage sales by a hotel are subject to the mixed beverage tax and not the hotel tax. In both of those scenarios, since the hotel charge is not subject to the local hotel tax, it would not be subject to the Tourism PID fee.

Finally, if a hotel overnight stay or other hotel charge is considered “exempt” from local hotel tax (e.g., over 30-night stays or a federal traveler’s stay), it would also be exempt from the Tourism PID fee.

Does a Tourism PID fee apply to “prior contracted business” or fully paid hotel night reservations that were in place prior to the creation of the Tourism PID?

State law provides an exemption that would apply to Tourism PID fees for any “prior contracted business” that was in place before the creation of the Tourism PID. This would apply to contracts that specified the existing hotel tax rates and fees that would apply to that contract but did not note the existence of the Tourism PID fee or have a catch all provision in the contract that would allow the inclusion of “other applicable fees.”

Similarly, if a hotel night or other hotel charge was pre-paid and that pre-payment was executed before the creation of the Tourism PID, it would also be considered exempt from the Tourism PID Fee under the “prior contract” exemption.

Would the Tourism PID Fee be subject to local and state hotel occupancy tax?

Because the Tourism PID Fee is treated by hotels as a mandatory cost for each room night sale, the Tourism PID Fee itself is subject to both state and local hotel tax. In the case of a city with a two percent (2%) Tourism PID Assessment: if a hotel has a \$100 room night, the hotel would impose a two percent (2%) Tourism PID fee on that room night, which would amount to \$2 dollars. The combined \$100 room night charge and \$2 Tourism PID Fee would provide for a total of \$102, which would be the new base for calculation of state and local hotel taxes.

How are Tourism PID funds different than local hotel occupancy tax (HOT) funds?

Tourism PID funds are only permitted to be expended for the purposes noted in the Tourism PID Service Plan approved by the Austin City Council when the Tourism PID is created. In all Tourism PIDs within Texas, there have been two primary purposes for which Tourism PID funds are

expended: hotel- and tourism- related marketing and hotel-related sales activities. In support of these purposes, there are Tourism PID expenditures for administrative and research costs. For the entire term of the District, these purposes and limitations remain the same.

Alternatively, the State law categories applicable to the use of local hotel tax are much broader than the purposes for which Tourism PID funds can be expended. Local HOT funds are generally authorized under [Chapter 351 of the Texas Local Government Tax Code](#) and can be expended by most medium to larger cities for any of seven authorized categories under State law.

To further illustrate, local hotel tax funds under Chapter 351 of the Texas Local Government Tax Code can be expended by Texas cities for any of the following purposes that **directly** promote the tourism and hotel and convention industry:

1. Convention Centers;
2. Registration of Convention Delegates;
3. Advertising and Promotion of the City;
4. Promotions of the Arts that Enhance Tourism and Hotel Activity;
5. Historical Restoration Projects that Enhance Tourism and Hotel Activity;
6. Tourism Related Signage; and
7. Shuttles for Tourists from Hotels to Area Attractions.

How is a Tourism PID different from the use of local Venue projects that are funded by an increased local hotel tax?

Tourism PIDs are a specific type of PID that are created under authority contained in Chapter 372 of the Texas Local Government Code. Local Venue Projects (e.g., convention center expansions, stadiums, expo centers, etc.) that are funded by an increase in local HOT are authorized under Chapter 334 of the Local Government Code. A comparison of their respective characteristics follows:

1. Process for Authorization

- a. **Tourism Districts:** Tourism PIDs can only be created through a petition of the hotel ownership groups within the District, followed by approval by the City Council of the creation of the District. While PIDs can be pursued by either a city or a county, only a city can pursue a Tourism PID.
- b. **Venue Projects:** In order to do a local venue project funded by local hotel tax, the City Council or County Commission must approve a ballot item to be considered at a local election on the issue. The proposed project must also fit within one of

the authorized statutory categories for “venue projects” under Chapter 334 of the Local Government Code.

2. Funding Mechanism

- a. **Tourism PIDs:** Tourism PIDs are funded by a City Council-approved assessment against each hotel within the district. This assessment cost can be passed through to hotel guests in the form of a “Tourism PID Fee” or “Tourism PID Fee” on each taxable hotel room night sale.
- b. **Venue Projects:** Venue projects can be funded by several sources including up to a two percent (2%) local hotel occupancy tax. However, state law provides that the local and state hotel occupancy tax and venue tax can in no case result in a combined hotel tax rate that would exceed 17 percent.

3. Eligible Uses

- a. **Tourism PID Fees:** As noted earlier, Tourism PID Fees can only be used for two statutorily provided purposes:
 - 1. Marketing to promote additional hotel activity;
 - 2. Sales activities to promote additional hotel activity.

These uses can also include expenses such as research and administration which are incident to doing sales and marketing.

- b. **Venue Project Hotel Taxes:** Local venue projects funded by local HOT generally involve construction of projects such as convention centers, stadiums, Expo Centers or other authorized projects under Chapter 334 of the Local Government Code.

Characterization of Tourism PID Fees: The Tourism PID fee is not considered a “tax” and does not affect the City’s maximum local hotel occupancy tax rate that the City or County can levy and does not affect the ability of a City or County to levy a hotel tax for a venue project. It should also be noted that any Tourism PID fee that is charged by a hotel is subject to local and state hotel occupancy tax.

Who can I talk to for further information regarding the proposed Austin Tourism PID?

Further information about the proposed Austin Tourism PID can be secured from Tom Noonan (Visit Austin at tnoonan@visitaustin.org), Denise Eisman (Austin Hotel & Lodging Association at denise@austinelodging.org), or Scott Joslove (Texas Hotel & Lodging Association at sjoslove@texaslodging.com).