



MEMORANDUM

TO: Mayor and Council Members

FROM: Trisha Tatro, Director, Austin Convention Center Department *TMT*

THROUGH: Veronica Briseño, Assistant City Manager *[Signature]*

DATE: August 21, 2023

SUBJECT: **Update on the Formation of an Austin Tourism Public Improvement District**

The purpose of this memo is to update the City Council (Council) on progress made on the creation of the Austin Tourism Public Improvement District (ATPID), pursuant to [Resolution No. 20190523-029](#) (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 372¹](#) have been satisfied. Staff previously updated Council via memo in [October 2020](#) with staff's intent to bring forth the ATPID Service Plan and Petition Language for approval, again in [November 2020](#) when the ATPID stakeholders requested a postponement, and most recently in [July 2023](#) with a staff-requested postponement for further engagement. Staff now seeks Council approval of the Service Plan and Petition language at the August 31st Council meeting.

Purpose. The purpose of the ATPID will be to provide special supplemental services for increased marketing and sales initiatives to generate area hotel activity, sales incentives to retain and secure meetings, events, 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. Tourism Public Improvement Districts (TPIDs) currently exist in seven Texas cities: Dallas, San Antonio, Arlington, Fort Worth, Waco, Corpus Christi, and Frisco.

Activation Process. The following steps are needed to implement the ATPID. Unless noted otherwise, the steps involve some form of City staff or Council action. These steps are similar to the processes undertaken by other Texas cities during the creation of their respective TPIDs.

1. Council approval of the service plan language and the petition language for the proposed ATPID.

¹ The City's Public Improvement District Policy ([Resolution No. 20200220-015](#)) would not apply to the ATPID as it would be a Tourism PID created under Local Government Code section 372.0035

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 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.

Service Plan and Petition Language. The draft Service Plan includes a 2% assessment of gross taxable room night rental revenue on hotels located within the City of Austin. Hotel eligibility for the ATPID is limited to hotel properties with one hundred (100) or more rooms that are located within the Austin city limits. The term of the ATPID will be for 10 years. The proposed allocation of revenue under the Primary Program of Work is as follows:

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

Under the Primary Program of Work, the draft Service Plan allows the Convention Center an additional 20% allocation from the Marketing and Sales category if the Convention Center's 20% allocation is fully expended in a given year.

During the years the Convention Center will be closed for the redevelopment and expansion project, a Secondary Program of Work will be in effect. This Program of Work is allocated as follows:

- Minimum 10% for Convention Center Sales and Group Business Incentives
- Maximum 10% for Variable Room Night Generation;
- 60% for Marketing and Sales;
- 10% for Hotel Activity Incentive Program; and
- 10% for research and ATPID administration.

The Variable Room Night Generation category was created to allow flexibility in the ATPID funding during the closure, as it is unlikely the Convention Center will be able to provide the level of incentives to events as they normally would. The Convention Center will be eligible for this 10% during each year it is in effect.

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.

Next Steps. Staff will bring the draft service plan and draft petition language to Council for approval at the August 31st, 2023, meeting. Staff will provide an overview of the ATPID at the next meeting of the Audit and Finance Committee, and is prepared to give, at Council's discretion, a work session briefing on August 29. 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% of the appraised value of the hotels within the proposed ATPID, as well as approval of over 60% of the owners of either the number of hotels within the proposed ATPID or over 60% 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.

If you have any questions, please do not hesitate to reach out to me by phone 512-404-4218, or email at trisha.tatro@austintexas.gov .

cc: Jesús Garza, Interim City Manager