

Austin Tourism Public Improvement District (ATPID)

DRAFT Service Plan

Revised: September 6, 2023

District Name

The name of the district shall be the Austin Tourism Public Improvement District (ATPID or District).

District Location

The ATPID will be located wholly within the City of Austin, Texas (City), a Texas home rule municipality. The proposed boundaries of the proposed ATPID are as shown on the attached map marked Exhibit "A" and includes hotel properties that may be non-contiguous with one hundred (100) or more rooms within the City of Austin.

Purpose of the ATPID

The purpose of the ATPID will be to provide funding for special supplemental services relating to increased marketing, sales initiatives and sales incentives to retain and secure existing and new meetings, sporting and other events, and conventions at the Austin Convention Center (ACC) and the Palmer Event Center (PEC), 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.

Method of Assessment

The ATPID assessment will be levied on hotel properties located within the ATPID with 100 or more rooms ordinarily used for sleeping. The annual assessment rate for all hotel properties within the District shall be two percent (2%) of gross taxable room night rental revenue, which reflects the special benefits accruing to the hotel properties because of the services provided by the ATPID funding. The ATPID assessment shall only apply to hotel room night sales which are subject to local hotel occupancy tax under Texas state law. If a room night rental transaction is exempt from local hotel occupancy tax, it is also exempt from the application of the ATPID assessment.

The estimated ten (10) year ATPID service plan is shown in the table below. Revenue growth is estimated at 7.5% or more each year in order to maximize the likelihood the ATPID can

access all potential revenues during each fiscal year. It is possible that the actual revenues each year will be less than this projection.

Fiscal Year*	Convention Center Sales & Group Business Incentives (Max 20%)	Marketing and Additional Sales Outreach (Min 60%)	Hotel Activity Incentive Program (10%)	Research & Administration (10%)	Total
2023-24	\$4,145,455	\$12,436,364	\$2,072,727	\$2,072,727	\$20,727,273
2024-25**	\$5,941,818	\$17,825,455	\$2,970,909	\$2,970,909	\$29,709,091
2025-26**	\$6,387,455	\$19,162,364	\$3,193,727	\$3,193,727	\$31,937,273
2026-27**	\$6,866,514	\$20,599,541	\$3,433,257	\$3,433,257	\$34,332,568
2027-28**	\$7,381,502	\$22,144,506	\$3,690,751	\$3,690,751	\$36,907,511
2028-29**	\$7,935,115	\$23,805,344	\$3,967,557	\$3,967,557	\$39,675,574
2029-30	\$8,530,248	\$25,590,745	\$4,265,124	\$4,265,124	\$42,651,242
2030-31	\$9,170,017	\$27,510,051	\$4,585,009	\$4,585,009	\$45,850,085
2031-32	\$9,857,768	\$29,573,305	\$4,928,884	\$4,928,884	\$49,288,842
2032-33	\$10,597,101	\$31,791,303	\$5,298,550	\$5,298,550	\$52,985,505
Total	\$76,812,993	\$230,438,978	\$38,406,496	\$38,406,496	\$384,064,963

* Each fiscal year would run for twelve (12) months from October 1st until September 30th with the exception of 2023-2024 Fiscal year which is anticipated to begin January 1, 2024 and end on September 30, 2024.

**During the Secondary Program of Work (the years that the Austin Convention Center is closed due to the redevelopment and expansion project), the funding under the Convention Center Sales & Group Business Incentives category will be available to cover the direct hosting costs incurred by the City to retain the following city wide events that will be vital for sustaining hotel activity during the time that the Austin Convention Center is closed down: South by Southwest (SXSW), Austin City Limits (ACL) Music Festival, the US Grand Prix/Formula 1 Race, CMT Music Awards, and a New Year's Eve National Broadcast/Festival in Austin.

Estimated Cost

During the proposed ten (10) year ATPID term, the annual budget/cost of services of the ATPID are estimated to grow from \$20.7 million in year one of the ATPID to \$52.9M in the last year of the ATPID annually, as shown in the chart above. The ATPID shall not incur bonded indebtedness. The ATPID service plan and assessment rate are subject to annual review by the ATPID Management Corporation Board of Directors and are subject to an annual public hearing and approval by the Austin City Council. If the estimated cost and revenue collected from the ATPID assessment is greater than the estimated amount projected in the Annual Service Plan, surplus revenues shall be allocated in the subsequent fiscal year as directed by the ATPID Corporation Board of Directors. Surplus revenues and unspent funds do not include funds that have been committed for a contracted future sales incentive and are being retained to fund that commitment.

Programs, Services, and Activities

Programs and services funded by the ATPID will be subject to review, approval, and oversight by the ATPID Management Corporation Board of Directors. All ATPID programs and services shall be supplemental to Visit Austin's annual marketing and sales services activities and therefore are intended to not supplant the existing hotel tax and other contract funding for those activities. These supplemental programs and services shall include Convention Center Sales & Group Business Incentives, Marketing and Additional Sales Outreach, a Hotel Activity Incentive Program, and Research and Administration.

Because of the planned demolition and rebuilding of the Austin Convention Center (ACC), the programs, services and activities shall be allocated based on two separate Programs of Work: the "Primary Program of Work" and the "Secondary Program of Work". The Primary Program of Work shall be applicable both prior to the closure and redevelopment of the ACC and after the reopening of the newly redeveloped ACC. The Secondary Program of Work shall be applicable only during the closure and reconstruction of the ACC, and shall revert back to the Primary Program of Work upon reopening of the newly developed ACC. Reopening of the ACC shall be defined as the issuance of the Temporary Certificate of Occupancy, Certificate of Occupancy, or upon the first contracted event at the redeveloped ACC, whichever comes first.

Primary Program of Work

As stated above, the Primary Program of Work shall be in effect prior to the closure and redevelopment of the ACC and again upon reopening of the redeveloped Center as defined in the prior section.

Convention Center Sales and Group Business Incentives (Minimum 20%)

A minimum of twenty percent (20%) of the budget is to be allocated to the Convention Center Department for Group Business Incentives category, which includes but is not limited to the following:

- Incentives to retain existing and/or attract new and/or expanded convention center group business, sporting and other events, or conferences at the Austin Convention Center and the Palmer Events Center that are directly related to holding citywide events that produce substantial new, expanded or retained demand and compression for hotel room nights.

A minimum of ten percent (10%) of the total annual ATPID budget (50 percent of this budget category) shall be used for incentives to retain existing and/or attract new and/or expanded convention center group business, with the allocation of incentives between existing and



new or expanded group business incentives at the discretion of the Austin Convention Center.

The remaining ten percent (10%) of the total annual ATPID budget (50 percent of this budget category) shall be used for incentives for new, expanded, or retained convention center or other group business incentives that meet the return on investment (ROI) requirement determined by the ATPID Management Corporation Board of Directors. The ROI requirement for incentives shall be at least a \$7 in room night revenues for each \$1 in ATPID incentives, subject to the exception that the ATPID Board may vote by a three-fourths majority to allow a different ROI standard if there are exigent or exceptional circumstances that strongly warrant a different ROI.

Authorized uses of funds and program eligibility of funding shall be approved by the ATPID Management Corporation Board of Directors during the annual budget adoption and throughout the budget year.

At the end of each fiscal year, any surplus revenues and unspent funds within this budget category will be allocated in the subsequent fiscal year as recommended by a vote of the ATPID Management Corporation Board of Directors subject, as applicable, to approval by the Austin City Council of the updated service plan for that year. Surplus revenues and unspent funds do not include funds that have been committed for a contracted future sales incentive and are being retained to fund that commitment.

Marketing And Additional Sales Outreach (Minimum 60%)

A minimum of sixty percent (60%) of the annual ATPID budget shall be allocated to additional marketing and sales outreach initiatives.

Additional marketing and additional sales initiatives will enable supplemental promotions of District lodging businesses as tourist, meeting, and sporting and other event destinations. The ATPID Management Corporation Board of Directors may consider and approve funds under this category to cover the cost of additional staffing positions to develop and execute supplemental sales and marketing initiatives that would not be possible without ATPID funding. Additional Sales Outreach initiatives shall be subject to an ROI standard in terms of room nights to be generated for every ATPID incentive dollar. This ROI standard shall be set by the ATPID Management Corporation Board of Directors. Similarly, Marketing initiatives shall also be subject to an ROI standard in terms of the metrics that are applicable to the performance of marketing programs. This ROI standard shall be set by the ATPID Management Corporation Board of Directors. Supplemental Marketing and sales efforts will have the goal of increasing overnight visitation and room night sales at District lodging businesses, and may include the following activities:

- Increase in funds available to offer as “Local Share” and other forms of contribution to support Event Trust Fund, Major Event Reimbursement Fund and related events

that drive increased demand for large group sporting and other events and promote substantial overnight visitation and room sales to District lodging businesses;

- Additional and expanded marketing efforts to drive increased demand for overnight visitation and room night sales at District lodging businesses as desirable leisure, meeting, and sporting and other event destinations;
- Supplemental and expanded internet marketing efforts to increase awareness and optimize internet presence to drive increased demand for overnight visitation and room sales to District lodging businesses;
- Additional and expanded print ads in magazines and newspapers, television ads, and radio ads targeted at potential visitors to drive increased demand for overnight visitation and room sales to District lodging businesses;
- Additional and expanded preparation and production of collateral promotional materials such as brochures, flyers and maps featuring District lodging businesses;
- New and expanded lead generation activities designed to attract additional tourists and group sporting and other events that drive increased demand for overnight visitation and room sales to District lodging businesses;
- Attendance of additional trade shows and/or an expanded presence at such trade shows that will further drive demand for overnight visitation and room sales to District lodging businesses;
- Additional and expanded sales blitzes that drive increased demand for overnight visitation and room sales to District lodging businesses;
- Additional and expanded familiarization tours that drive increased demand for overnight visitation and room sales to District lodging businesses;
- Attendance of additional professional industry conferences and affiliation events and/or an expanded presence at such events to enhance the promotion of District lodging businesses;
- In the event that the Convention Center Sales and Group Business Incentives Category is fully expended in a given year, up to twenty percent (20%) of the total annual ATPID budget shall be used for incentives for new, expanded, or retained convention center or other group business incentives that meet the return on investment (ROI) requirement determined by the ATPID Management Corporation Board of Directors, subject, as applicable, to approval by the Austin City Council of the updated service plan for that year.

Hotel Activity Incentive Program (10%)

The Hotel Activity Incentive Program recognizes that a number of sporting, meetings, and other events are held onsite at hotels throughout the District and provides the ATPID with the opportunity to provide sales incentives for sporting, meetings, and other events that are held at specific hotels throughout the District.

Activities in this Program include, but are not limited to, the following:

- Pursuit of additional and expanded conventions, meetings, and sporting and other events, and conferences at District hotels.
- Pursuit of additional and expanded sporting and other events and meetings that create a large demand for hotel room nights and thus bring a significant economic impact to the City of Austin.

The ATPID Management Corporation Board of Directors shall review and approve the uses of ATPID funds and program eligibility of funding awards under the Hotel Activity Incentive Program. Hotel Activity Incentive Program initiatives shall be subject to an ROI standard in terms of room nights to be generated for every ATPID incentive dollar. This ROI standard shall be set by the ATPID Management Corporation Board of Directors.

At the end of each fiscal year, any surplus revenues and unspent funds within this budget category will be allocated in the subsequent fiscal year as recommended by a vote of the ATPID Management Corporation (ATPIDC) Board of Directors subject, as applicable, to approval by the Austin City Council of the updated service plan for that year. Surplus revenues and unspent funds do not include funds that have been committed for a contracted future sales incentive and are being retained to fund that commitment.

Research and Administration (10%)

Additional and expanded research will be funded to track and monitor the effectiveness and impact of programs and services funded by the ATPID. In order to increase demand for hotel activity, research & business modeling programs will provide opportunities to understand the effectiveness and impact of programs being implemented using ATPID dollars, and thus provide the opportunity to generate increased demand for visitation by responding to trends shown in research and business modeling efforts.

The administration and operations portion of the budget shall be utilized for additional administrative staffing costs, office costs, and other general and contract administrative costs that are directly related to the ATPID such as insurance, legal, management and accounting services and other ATPID direct or contract operational costs.

At the end of each fiscal year, any surplus revenues and unspent funds within this budget category will be allocated in the subsequent fiscal year as recommended by the ATPID



Management Corporation Board of Directors, subject, as applicable, to approval by the Austin City Council of the updated service plan for that year.

Secondary Program of Work

The Secondary Program of Work will only be in effect when the Convention Center is completely closed for the redevelopment and expansion of the existing Convention Center. The Secondary Program of Work will immediately revert to the Primary Work upon the reopening of the redeveloped Convention Center, with reopening defined in the Programs, Activities, and Services section.

Convention and Group Business Incentives (Maximum of 20%)

When the Convention Center is completely closed for the redevelopment and expansion of the existing Convention Center, a maximum of twenty percent (20%) of the annual ATPID budget is to be available to the Convention Center Department for Group Business Incentives, which includes but is not limited to the following:

- To be used for incentives to retain existing and/or attract new and/or expanded convention center group business, sporting and other events, or conferences at the Palmer Events Center or a combination of other city facilities directly related to holding citywide events that produce substantial new, expanded or retained demand and compression for hotel room nights during the years of closure.

Authorized uses of district funds and program eligibility of funding shall be approved by the ATPID Management Corporation Board of Directors and/or the ATPID Management Corporation staff.

If there are surplus funds within this category at the end of the fiscal year, any such surplus shall be allocated as provided under the rules that are applicable to this category of expenditures under the Primary Course of Work or the Secondary Course of Work (whichever is in effect at that time). If during the Secondary Course of Work, the Convention Center Department is not able to offer eligible incentives that utilize the entire allocation of ATPID funds that are available under this category, the surplus funding under this category shall be remitted to the City at the end of that fiscal year for hosting costs to the City to retain the following city-wide events that will serve an integral role in retaining hotel activity while the convention center is closed: South by Southwest (SXSW), Austin City Limits (ACL) Music Festival, the US Grand Prix/Formula 1 Race, CMT Music Awards, and/or a New Year's Eve National Broadcast/Festival. These hosting costs include the direct costs to the City that are incident to holding the above listed major city-wide events during the Secondary Program of Work. The ability to reimburse these hosting costs to the City as a "group business incentive" under the Convention and Group Business Incentives Category of the Service Plan only applies during the Secondary Program of Work.

Marketing and Additional Sales Outreach (Minimum 60%)

A minimum of sixty percent (60%) of the budget shall be allocated to additional marketing and additional sales outreach initiatives. Sales and marketing initiatives will enable additional and expanded promotions of District lodging businesses as tourist, meeting, and sporting and other event destinations while the Convention Center is completely closed for the redevelopment and expansion project. The ATPID Management Corporation Board of Directors may consider and approve sales & marketing funds to cover the cost of supplemental staffing positions to develop and execute additional and expanded sales and marketing initiatives that would not be possible without ATPID funding. Additional Sales Outreach initiatives shall be subject to an ROI standard in terms of room nights to be generated for every ATPID incentive dollar. This ROI standard shall be set by the ATPID Management Corporation Board of Directors. Similarly, Marketing initiatives shall also be subject to an ROI standard in terms of the metrics that are applicable to the performance of marketing programs. This ROI standard shall be set by the ATPID Management Corporation Board of Directors. Supplemental and expanded Sales and Marketing efforts will have the goal of increasing overnight visitation and room night sales at District lodging businesses, and may include the following activities:

- Additional and expanded marketing and sales efforts to drive increased demand for overnight visitation and room night sales at District lodging businesses as desirable leisure, meeting, and sporting and other event destinations;
- Supplemental and expanded internet marketing efforts to increase awareness and optimize internet presence to drive increased demand for overnight visitation and room sales to District lodging businesses;
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- New and expanded lead generation activities designed to attract additional tourists and group sporting and other events that drive increased demand for overnight visitation and room sales to District lodging businesses;
- Attendance of additional trade shows and/or an expanded presence at such shows that will further drive demand for overnight visitation and room sales to District lodging businesses;
- Additional and expanded sales blitzes that drive increased demand for overnight visitation and room sales to District lodging businesses;
- Additional and expanded familiarization tours that drive increased demand for overnight visitation and room sales to District lodging businesses;
- Supplemental and expanded special sporting and other events, including but not limited to, events eligible for the Events Trust Fund, Major Event Reimbursement

Program, and related state programs that are designed to drive increased demand for overnight visitation and room sales to District lodging businesses;

- Increase the funds available to offer as “Local Share” and other forms of contribution to support Event Trust Fund, Major Event Reimbursement Program and related state program events that drive increased demand for large group events and promote substantial overnight visitation and room sales to District lodging businesses;
- Attendance of additional professional industry conferences and affiliation events and/or an expanded presence at such events to enhance the promotion of District lodging businesses;
- At the end of each fiscal year, any surplus revenues and unspent funds within this budget category will be allocated in the subsequent fiscal year as recommended by the ATPID Management Corporation Board of Directors, subject, as applicable, to approval by the Austin City Council of the updated service plan for that year. Unspent funds do not include funds that have been committed for a contracted future sales incentive and are being retained to fund that commitment.

Hotel Activity Incentive Program (10%)

The Hotel Activity Incentive Program recognizes that a number of sporting, meetings, and other events are held onsite at hotels throughout the District and provides the ATPID with the opportunity to provide sales incentives for sporting, meetings, and other events that are held at specific hotels throughout the District.

The activities in this Program include, but are not limited to, the following:

- Pursuit of additional and expanded conventions, meetings, sporting and other events, and conferences at District hotels.
- Pursuit of additional and expanded sporting and other events and meetings that create a large demand for hotel room nights and thus bring a significant economic impact to the City of Austin.

The ATPID Management Corporation Board of Directors shall review and approve the expenses and program eligibility of funding awards under the Hotel Activity Incentive Program. Hotel Activity Incentive Program initiatives shall be subject to an ROI standard in terms of room nights to be generated for every ATPID incentive dollar. This ROI standard shall be set by the ATPID Management Corporation Board of Directors.

At the end of each fiscal year, any surplus revenues and unspent funds within this budget category will be allocated in the subsequent fiscal year as recommended by the ATPID Management Corporation Board of Directors subject, as applicable, to approval by the Austin City Council of the updated service plan for that year. Surplus revenues and unspent funds do not include funds that have been committed for a contracted future sales incentive and are being retained to fund that commitment.

Research and Administration (10%)

Additional research will be funded to track and monitor the effectiveness and impact of programs and services funded by the ATPID. In order to increase demand for hotel activity, research & business modeling programs will provide opportunities to understand the effectiveness and impact of programs being implemented using ATPID dollars, and thus provide the opportunity to generate increased demand for visitation by responding to trends shown in research and business modeling efforts.

The administration and operations portion of the budget shall be utilized for additional administrative staffing costs, office costs, and other general and contract administrative costs that are directly related to the ATPID such as insurance, legal, and accounting fees and other ATPID direct operational costs.

At the end of each fiscal year, any surplus revenues and unspent funds within this budget category will be allocated in the subsequent fiscal year as recommended by the ATPID Management Corporation Board of Directors, subject, as applicable, to approval by the Austin City Council of the updated service plan for that year.

Apportionment of Cost Between the ATPID and the Municipality as a Whole

The ATPID shall pay the cost of the supplemental services described in this petition by assessment against the hotel properties with 100 rooms or more within the ATPID. All ATPID funded services will supplement, not supplant, the pre-existing percentage of total local hotel tax and other funding from the City of Austin to Visit Austin for contracted marketing and sales services at the time of the creation of the ATPID. Should the percentage of total local hotel tax and other funding that is allocated annually by the City of Austin to Visit Austin for sales and marketing services be lowered from a historic five-year average, the Austin hotel industry reserves the right to seek termination of the ATPID.

ATPID Management

The ATPID shall be overseen by a to-be-formed ATPID Management Corporation, a nonprofit corporation which will also operate as a tax-exempt entity under the provisions of section 501(c) of the Internal Revenue Code. The Austin City Council will review and approve annually the service plan and assessment plan that is proposed by the ATPID Board of Directors and determine and levy assessments against hotels with 100 or more rooms within the District. The ATPID Management Corporation will oversee the management of the day-to-day operations of the ATPID pursuant to a contract with the City and the Austin Convention and Visitors Bureau. This contract may include the use of a hired Executive



Director and/or other contract services to provide administrative support related to the day-to-day operation of the District.

The ATPID Management Corporation Board of Directors will be composed of eleven (11) voting directors. The composition of the eleven (11) voting directors are allocated as follows:

- Four (4) directors representing hotels with 400 or more rooms;
- Four (4) directors representing hotels with 141 to 399 rooms;
- Three (3) directors representing hotels with 100 to 140 rooms;

A representative percentage of the TPID Board of Directors composition shall be from non-downtown hotels. This percentage shall, to the extent possible, remain commensurate with the current percentage of taxable hotel night revenue that is received by the City of Austin from non-downtown hotels within the District. There shall also be three Ex-Officio members of the ATPID Management Corporation Board of Directors which shall include Visit Austin's President & CEO, Austin Hotel & Lodging Association's President & CEO, and a Leadership representative from the staff of the Austin Convention Center Department. The number and composition of the ATPID Management Corporation Board of Directors may be amended by the ATPID Management Corporation Board of Directors through an amendment of the corporation bylaws.

District Term and Potential Renewal

The ATPID will be formed for a ten (10) year period, beginning November 1, 2023. After ten (10) years, the ATPID may be renewed if the requisite number of hotel property owners petition to continue the District, and a majority vote of the Austin City Council is secured to renew the district, as provided under state law.

Exhibit A Boundary Map

