



MEMORANDUM

TO: Mayor and City Council Members

FROM: Anthony J. Snipes, Assistant City Manager *AJS*

DATE: December 02, 2014

SUBJECT: Request to Add Item to the City Legislative Program on the Authority to Consider and Approve Creation of a Tourism Public Improvement District

This memorandum serves to inform Council of an item on the December 11, 2014 Council agenda requesting approval of adding one item to the City of Austin's Legislative Agenda for the upcoming 2015 Texas Legislative Session.

Specifically, City staff asks that Council approve pursuit of state legislation that would allow the City of Austin to be added to the list of cities that are authorized to consider and approve creation of a tourism public improvement district. If authorized by the State, such a district could only be created if the City Council receives a petition signed by over fifty percent of the property owners who would be subject to the district assessment. Even if such a petition is received, the creation of the District is still subject to the approval of the City Council. Currently, only the City of Dallas is authorized under Texas state law to consider and approve creation of a tourism public improvement district.

Background

State law was modified in 2011 to allow creation of PIDs with non-contiguous property and for special purposes. This change allowed for establishment of PIDs for tourism-related purposes. Several tourism public improvement districts (TPIDs) have been approved by city councils throughout the nation. These districts have been very successful at raising additional funds for local convention and visitors bureaus to attract city-wide and large group convention business to their area, as well as to create competition in the market which benefits hotel properties throughout the District.

Dallas' TPID Experience

In 2011, the City of Dallas sought authority at the Texas Legislature for the City of Dallas to be authorized to create a tourism public improvement district composed solely of hotels with over 100 rooms. The legislation was bracketed to only include the City of Dallas. It allowed Dallas hoteliers with properties of over 100 rooms to petition the Dallas City Council for creation of a tourism public improvement district.

To create the district, per State Law, a petition had to be secured showing support from owners representing over 50% of total value of all properties with 100+ rooms, and support

from either over 50% of property owners or over 50% of the total area of properties with 100+ rooms. They also needed to secure City Council approval of the creation of the district, its service plan, and the district's proposed assessment rate. The Texas Legislature approved the Dallas Tourism PID legislation in 2011.

In 2012, Dallas hoteliers submitted a qualifying petition to the Dallas City Council to create the first Tourism Public Improvement District in Texas. At the public hearing on creation of the District, hotel leaders, arts advocates, and other civic entities all testified in favor of the creation of the District; there were no witnesses in opposition. The Tourism Public Improvement District was approved by a unanimous vote of the Dallas City Council.

The Dallas Tourism PID has an initial term of five years and is expected to bring in approximately \$10 million per year based on a 2% assessment on their occupied rooms. It expends the majority of its funding on incentives to bring in new city wide conventions and large-group business. The budget also includes funding to ramp up Dallas' marketing campaign for business and leisure travelers. To ensure the benefits of the PID extended beyond the downtown corridor, the district included representatives from all parts of the city on the TPID board and created a formal program that offers incentive support to individual hotels throughout the city for new group business that they generate.

The Dallas Tourism Public Improvement District has now been in existence for over two years and has been incredibly successful. Before the creation of the Tourism Public Improvement District, the Dallas CVB had a closure rate of 23 % of the bids that they put out for city-wide convention business. Since the creation of the District, the CVB's closure rate for securing city-wide conventions has doubled to 46% of its bids. The creation of the District has also contributed to higher overall city hotel occupancy tax, sales tax, and alcohol tax proceeds in all parts of the city.

Cities Across Texas to Take Action

It is anticipated that this year several Texas cities will ask the Texas Legislature to add their communities to the list of eligible municipalities that can consider creation of such a district. The Arlington City Council just approved seeking this authorization into its legislative agenda for the 2015 Texas Legislative Session. We anticipate a number of other cities will seek such authority in subsequent Legislative sessions.

The local Austin Hotel & Lodging Association and the Texas Hotel & Lodging Association have both passed resolutions of their boards to ask the City of Austin to include this item in the City of Austin's 2015 Legislative program. It should be noted that the creation of any such district does not impact or impair the city's ability to increase the local hotel occupancy tax for future city projects such as expansion of the Austin convention center.

Incorporating this item into the City of Austin's Legislative Agenda for the upcoming 2015 Texas Legislative Session would not obligate Council to create a TPID. It would engender greater municipal authority with respect to public improvement districts.

Should you have any questions or comments, please do not hesitate to contact me.

CC: Marc A. Ott, City Manager