



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 20

Agenda Date: December 7, 2023

In Control: City Council A Session

DEPARTMENT: Convention and Sports Facilities

DEPARTMENT HEAD: Patricia Muzquiz Cantor

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Consideration of an Ordinance approving the 2024 Service and Assessment Plan, the 2024 Assessment Roll, and maintaining the Assessment Rate for 2024 at 1.25% of the gross hotel room revenue subject to local hotel tax that is derived from an individual room rental of qualified rooms, for the San Antonio Tourism Public Improvement District.

SUMMARY:

This item will consider an Ordinance approving the 2024 Service and Assessment Plan, the 2024 Assessment Roll which includes existing and new hotel properties and maintaining the Assessment Rate for 2024 at 1.25% of the gross hotel room revenue subject to local hotel tax that is derived from an individual room rental of qualified rooms, for the San Antonio Tourism Public Improvement District (SATPID). Members of the public may appear before City Council to speak for or against this item consistent with state law.

BACKGROUND INFORMATION:

In order to advance San Antonio as a premier U.S. destination, various industry and community partners including the City of San Antonio, San Antonio Hotel & Lodging Association, Texas Hotel & Lodging Association and Visit San Antonio worked together to propose and implement a San Antonio Tourism Public Improvement District (TPID). On December 6, 2018, the San

Antonio City Council approved the creation of the District, for an eight (8) year period, that went into effect beginning January 1, 2019 and ending on September 30, 2026. The Assessment Roll consists of hotels in the San Antonio city limits with 100 rooms or more that pay a 1.25% assessment on taxable occupied rooms for the purpose of generating funds to market and promote San Antonio as a convention and tourism destination.

The SATPID Corporation (SATPIDC) is governed by a Board of Directors representing two primary participating properties within the San Antonio Central Business District (CBD) and properties outside the CBD but within the City limits of San Antonio. Revenue generated through the SATPIDC assessment fee is leveraged to complement Visit San Antonio's sales and marketing efforts. These efforts include increased communications, marketing and preparatory sales efforts that target future business and post-covid COVID recovery efforts.

ISSUE:

The SATPID is a mechanism for funding additional tourism promotion activities. VSA is charged to help administer and manage the investments of these funds towards various sales and marketing initiatives at the direction of the SATPIDC Board of Directors. As part of the service plan commitment, a minimum of 90% of all assessments must be invested in sales and marketing programming. The FY24 budget based on the 2024 Service and Assessment Plan was recently approved by the SATPIDC Board on September 28, 2023. The Public Improvement District Assessment Act requires the Plan to be approved by City Council.

The 2024 TPID Assessment roll includes 164 hotel properties, that will pay a 1.25% rate on taxable occupied rooms. The estimated result of the 1.25% on taxable occupied rooms is approximately \$10.9 million. Below is the proposed FY 2024 Service Plan and recommended program services developed by SATPIDC:

SERVICE PLAN CATEGORY	%	\$ million
Marketing	49.5%	\$5,398,977
Sales	40.5%	\$4,417,345
Industry Partnerships ³	5%	\$545,352
Research and Administration	3%	\$327,210
Contingency Marketing/Sales Funds	2%	\$218,141
TOTAL	100%	\$10,907,025

Marketing Strategies & Investments (49.5%: \$5,398,977) targeted towards the leisure visitor market to drive greater overnight visitation include but not limited to:

- Increase digital and internet marketing efforts to grow awareness and optimize internet presence to drive higher overnight visitation;
- Allow for expanded reach outside of Texas markets to influence travel to San Antonio.

Sales Strategies & Investments (40.5%: \$4,417,345) targeted towards groups and conventions include but not limited to:

- Providing additional financial incentives to maintain and attract new meetings, conventions and events that will have a significant impact on demand for hotel activity for assessed hotels within the District;
- Funds programs designed to increased attendance at professional industry conferences committed to San Antonio (i.e. attendance building);
- Additional lead generation efforts designed to attract increased business and group events to San Antonio and assessed hotels within the District;
- Funds two positions (Sales Manager and Director of Market Strategy) that allows for re-deployment in key regions to supplement the selling of San Antonio as a premier destination and greater consideration of revenue management in the course of booking future business;
- Supports dynamic San Antonio Destination Tradeshow booth to assist with generation of new business and attendance building.

Other Expenditures - (10%: \$1,090,703) include but not limited to:

- Industry Partnerships program geared to assist District properties with advocacy, resources, and communication efforts to assist in business development and relationship building;
- Research and Administration includes the costs for research initiatives and market data, to better inform sales and marketing strategies, as well as help to assess the effectiveness of funded sales and marketing initiatives. This category also funds the costs for other general administrative SATPID costs such as insurance, legal, financial management and audit service fees;
- Contingency sales and marketing funds may be used to supplement the marketing, sales, or the other budget categories outlined within the service plan.

ALTERNATIVES:

The City Council is required by the Act to consider and approve the Service and Assessment Plan on an annual basis. If the City Council does not approve the Plan, the San Antonio TPID may not implement supplemental services within the PID. This lost opportunity to enhance the marketing of San Antonio as a destination would result in a lessened economic impact for the affected property owners, the City of San Antonio, and the San Antonio community as a whole, as well as negatively impact San Antonio's continued recovery efforts.

FISCAL IMPACT:

The TPID assessment only applies to properties with 100 rooms or more in the District and are assessed to hotel stays that are also subject to City hotel occupancy tax. The SATPID is recommending maintaining the assessment levy against the hotel at 1.25% on each taxable room night folio. The TPID assessment is remitted to the City under the same schedule and process in place for payment of the hotel occupancy tax.

For FY 2024, TPID assessments are estimated to total \$10,907,025. The increased visitation resulting from the TPID sales and marketing efforts are expected to positively impact the City's

sales tax, alcoholic beverage tax, and property tax receipts due to the enhanced economic activity.

There are no additional costs to the City of San Antonio. Administrative costs incurred by the City for the collection and disbursement of the assessment fees are reimbursed to the City from the SATPIDC. There are no General Fund Costs associated with this initiative.

RECOMMENDATION:

Staff recommends approval of the Fiscal Year 2024 Service and Assessment Plan, the Fiscal Year 2024 Assessment Roll, approving the levying of a special assessment and maintaining the Assessment Rate for Fiscal Year 2024 at 1.25% of the gross hotel room revenue subject to local hotel tax that is derived from an individual room rental of qualified rooms, for the San Antonio Tourism Public Improvement District.