



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 34

Agenda Date: December 12, 2023

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Creation of a Public Finance Zone

SUMMARY:

This ordinance designates a certain geographic area in the City of San Antonio as “Project Financing Zone Number One, City of San Antonio, Texas” and provides an expiration date for the zone.

BACKGROUND INFORMATION:

During the last legislative session, the City was successful in passing Senate Bill 2220. As a result, a new funding option is available to the City to utilize certain incremental state revenues for qualified projects. The bill added the City of San Antonio to the list of cities eligible to participate in what is referred to in current law as a “Project Finance Zone”, or PFZ.

A PFZ allows an eligible city to create a 3-mile zone centered around a convention center facility or venue in which the increment – or growth – in the State’s hotel associated revenues from all hotels within the PFZ’s boundaries can be captured and used by a city for a 30-year period for investment in qualified projects. Hotel-associated revenues include the State’s: hotel occupancy tax, sales tax revenue, mixed beverage sales tax revenue, and mixed beverage gross receipts tax

revenue collected from hotels and businesses located within hotels.

As the City of San Antonio pursued passage of SB 2220, the importance of San Antonio's competitive position as a destination for bringing visitors not only to San Antonio but to the State of Texas was communicated to State leadership. This included the need to continue investment in our key facilities with a potential expansion of the Henry B. Gonzalez Convention Center and a substantial renovation of the Alamodome.

Therefore, with this item, the creation of PFZ is recommended with the designation of the Henry B. Gonzalez Convention Center and the Alamodome as qualified projects. With the designation of these facilities as qualified projects, the three-mile radius for the PFZ is formed around the center point of the Convention Center and the Alamodome as required under the Statute. Attachment A is a map depicting the boundaries of the proposed PFZ. To be clear, within the proposed PFZ, the State's growth in hotel associated revenues as defined above will be captured for a 30-year period beginning with calendar year 2024. These funds will be used by the City for capital investment into the Convention Center and Alamodome as the designated qualifying projects.

The creation of the PFZ with this Ordinance is a procedural first step. It does not commit the City to moving forward with either an expansion of the Convention Center or renovation of the Alamodome. The PFZ and its boundaries would be established with calendar year 2023 as the base year. Any growth in the State's hotel associated revenue above the base in calendar year 2023 would be held in a suspense account by the State Comptroller pending submission by the City of its commencement of the projects. If the qualified projects do not commence within five years of the creation of the PFZ, the PFZ would terminate and any funds in the suspense account would be returned to the State's general account.

Although the financial capacity of the PFZ is not expected to fully fund the requirements of an expansion of the Convention Center and substantial renovation of the Alamodome, it is an important component providing an additional funding source that can be utilized in the development of a financing plan for these projects. Without taking this procedural action to establish the PFZ, it is currently and otherwise unavailable to be used as a funding source. A significant level of due diligence will still need to be conducted in order to develop a comprehensive development and financing plan for these facilities. Market feasibility coupled with project development and the financial capacity of the PFZ and other revenue sources will be studied and assessed. As progress is made on these efforts, the City Council will be engaged and kept apprised through periodic briefings.

ISSUE:

The creation of the PFZ on December 12, 2023, and the establishment of the Convention Center and Alamodome as qualifying projects allows calendar year 2023 to become the base year of the PFZ and the State's hotel associated incremental revenues beginning on January 1, 2024 will be captured for a 30-year period.

ALTERNATIVES:

The City could choose to delay the creation of the PFZ; however, it is anticipated that creation of the PFZ in December 2023 would capture two new hotels that are anticipated to come online in 2024.

FISCAL IMPACT:

The creation of the PFZ has no impact on the City's Operating Budget.

RECOMMENDATION:

Staff recommends approval of this ordinance designating a certain geographic area in the City of San Antonio as "Project Financing Zone Number One, City of San Antonio, Texas" and providing an expiration date for the zone.