



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 21

Agenda Date: December 1, 2022

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 2023 Service and Assessment Plan, the 2023 Assessment Roll, the levying of a special assessment and maintaining the Assessment Rate for 2023 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 2023 Service and Assessment Plan, the 2023 Assessment Roll which includes existing and new hotel properties, the levying of a special assessment and maintaining the Assessment Rate for 2023 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 help 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 (VSA) worked together to propose and implement a San Antonio Tourism Public Improvement District (SATPID). On December 6,

2018, the San Antonio City Council approved the creation of the District, for an eight (8) year period 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.

In 2021, the visitor industry represented a \$16.2 billion annual economic impact and provided for more than 128,000 local jobs as the city welcomed nearly 32 million visitors annually. While the turbulence caused by the pandemic and accompanying economic uncertainty has been felt in FY 2022, San Antonio is still in the midst of a remarkable rebound for the tourism and hospitality industry. The SATPID Corporation (SATPIDC), which is a Board of Directors proportionally representing properties within the San Antonio Central Business District (CBD) and properties outside the CBD but within the city limits of San Antonio, has continued to provide services to District members. These efforts include increased communications, marketing and preparatory sales efforts that target future business and recovery efforts.

In FY 2022 some of these efforts included but were not limited to:

- Achieved 50.4 million in VSA's marketing online engagement (which measures VSA website traffic and social media activity by consumers);
- Investments in TPID digital marketing strategies reached an estimated 6.2 million devices and resulted in \$100 million in direct expenditures spent by consumers in the San Antonio area;
- These expenditures represent a \$39/\$1 ROI (\$39 direct expenditures by visitors to \$1 invested in digital advertising);
- Earned Media Value closed 2022 at \$15.1 million;
- In FY 2022, TPID funding assisted VSA in securing 508 future group events/meetings with an associated 532,000 room nights, 463,000 attendees, and \$373 million in economic impact;
- Specifically, in FY 2022, TPID funded incentives for more than 105,000 hotel room nights in both tentative & definite status with a \$9/1 ROI. The TPID short term incentive funded an additional 182,687 rooms nights with an ROI of \$48/1. This totals almost 300,000 room nights with an ROI of \$18/1;
- Through the "Individual Hotel Incentive Program", TPID provided funding support to secure more than 43,000 group room nights in FY 2022 and more than 116,000 over the first four years of the District. This represents approximately \$18.5 million in hotel room revenue and \$21/\$1 ROI.

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. Those initiatives have been incorporated into the multiple sales and marketing strategies within the 2023 VSA Marketing Plan.

In 2023, there are 161 hotels on the TPID Assessment Roll, that will pay a 1.25% rate on taxable occupied rooms. The estimated result of the 1.25% on taxable occupied rooms is approximately \$10.25 million. Below is the proposed FY 2023 Service Plan and recommended program services developed by SATPIDC.

SERVICE PLAN CATEGORY	%	\$
Marketing	49.5%	\$5,073,750
Sales	40.5%	\$4,151,250
Industry Partnerships	5%	\$512,500
Research and Administration	3%	\$307,500
Contingency Marketing/Sales Funds	2%	\$205,000
TOTAL	100%	\$10,250,000

- Marketing Strategies & Investments targeted towards the leisure visitor market to drive greater overnight visitation include but not limited to:
 - Increased digital and internet marketing efforts to grow awareness and optimize internet presence;
 - Allowed for expanded reach in TV, video, and digital marketing efforts outside of Texas markets to influence travel to San Antonio (e.g. Kansas, St. Louis, Chicago, Denver, amongst many others).
- Sales Strategies & Investments targeted towards groups and conventions include but not limited to:
 - Providing additional financial incentives to maintain and attract new meetings, conventions and events including American Society of Association Executive's CEO-Five-Star Weekend 2023, that will have a significant impact on demand for hotel activity for 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;
 - 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 and supports new and dynamic San Antonio Destination Tradeshow booth to assist with generation of new business and attendance building.
- Other Expenditures - (10%: \$1,025,000) 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, and accounting fees;
- Contingency sales and marketing funds may be used to supplement the marketing, sales, or the other budget categories outlined within the service plan.

The Service and Assessment Plan was approved by the SATPIDC Board on July 25, 2022. The Public Improvement District Assessment Act (the “Act”) requires the Plan to be approved by City Council.

ALTERNATIVES:

The City Council is required by the Act to 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 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 now in place for payment of the hotel occupancy tax.

For 2023, the TPID assessments are estimated to total \$10,250,000. 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. In particular, the City of San Antonio should anticipate an estimated \$922,500 of Hotel Occupancy Tax (HOT) revenue as HOT revenue is calculated on the combined amount of room rate and the Tourism PID assessment.

There are no additional costs to the City of San Antonio. Any 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 2023 TPID Service and Assessment Plan and the levying of a special assessment to fund services and improvements for the San Antonio Tourism Public Improvement District.