



AGENDA MEMORANDUM

One Reading Ordinance for the City Council Meeting on December 10, 2024

DATE: December 10, 2024

TO: City Manager Peter Zanoni
Mayor and Council

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Designating a Project Financing Zone for deposit of incremental state hotel-associated tax revenues with a thirty (30) year term for Convention Center Complex Qualified Project activities.

CAPTION:

One reading Ordinance designating a certain geographic area in the City of Corpus Christi as "Project Financing Zone [Number One], City of Corpus Christi, Texas" and providing an expiration date for the Zone; making certain findings related thereto; directing that the Texas Comptroller of Public Accounts be notified of the Zone's creation within thirty (30) days of its designation; requesting that the Comptroller deposit incremental hotel-associated tax revenues from the Zone into a suspense account held in trust for the city's qualified project activities; providing for notification to the Comptroller in the event that qualified project activities are abandoned or not commenced within five years of the initial deposit to the suspense account; and containing other related matters.

SUMMARY:

This ordinance will designate an area of the city that is within a three-mile radius of the Convention Center Complex as a project financing zone to receive the incremental state hotel occupancy tax revenues, state sales tax revenues, and mixed beverage tax revenues that surpass the current amount collected from 20 hotels within the zone. The funds collected can be used for financing of qualified project activities. The incremental state funding collected in the zone will expire at the thirtieth (30) anniversary of the effective date of the Ordinance.

BACKGROUND AND FINDINGS:

On February 28, 2023, City Council members discussed and approved Resolution for the 88th Texas Legislature to support and prioritize state financing incentives to expand or improve the

American Bank Center. The Texas Legislature approved HB 5012.

Under Section 351.1015(a)(5) and Section 351.1015(a)(6), as amended, of the Texas Tax Code, the American Bank Center Convention Center Complex, that includes the Convention Center, the Selena Auditorium, and the Arena, is a “qualified project” that is in a municipality described by Section 151.1015(b)(2).

Section 351.1015(a)(4), as amended, of the Texas Tax Code, authorized to designate an area of the City that is within a three-mile radius of the Qualified Project as a project financing zone.

The zone’s incremental state tax revenues can be used to finance Qualified Project Activities which include:

- Costs to acquire or lease
- Costs to construct, improve, expand, enlarge, renovate, modernize
- Costs to equip, maintain, and operate
- Costs associated with the payment of bonds or other obligations

Section 351.001(7)(B), of the Texas Tax Code defines an “eligible central municipality” as:

- The City has a population of 250,000 or more;
- The City is located wholly or partly on a barrier island that borders the Gulf of Mexico;
- The County has a population of 300,000 or more; and
- The City has adopted a capital improvement plan to expand the Qualified Project.

Upon approval of this Ordinance designating Project Financing Zone Number One, the city will notify the Texas Comptroller of Public Accounts to request the deposit of incremental hotel-associated revenues (state hotel occupancy tax revenues, state sales tax revenues, and mixed beverage tax revenues) above the 2024 baseline year collected by the Comptroller into a suspense account to finance the construction of a qualified project. The 2024 baseline includes 20 hotels with approximately 2,094 hotel rooms within the zone. The funds will be held by the state until the start of the qualified project. If the Qualified Project Activities are abandoned or not commenced within five (5) years of the date of the Comptroller’s first deposit to the Suspense Account, the city must notify the Comptroller, and the funds held in the suspense account will revert to the state.

After the creation of the zone, City staff will prioritize needs at the American Bank Center Complex, model the financial resources including estimated collections from the PFZ, the reauthorized Type B sales tax, and estimated Hotel Occupancy Tax (HOT), and then present a proposed project for improvements to the America Bank Center Complex to City Council for consideration.

ALTERNATIVES:

The Council could choose not to approve Ordinance as proposed and wait to set the state revenue baseline at a future year.

FISCAL IMPACT:

Not applicable.

RECOMMENDATION:

Approval of the ordinance to create the Project Finance Zone.

SUPPORTING DOCUMENTS:

Ordinance
Map
Presentation