



AGENDA MEMORANDUM

Action Item for the City Council Meeting June 28, 2022

DATE: June 16, 2022

TO: Peter Zaroni, City Manager

FROM: Heather Hurlbert, CPA, CGFO, Director of Finance and Business Analysis
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**Public hearing to authorize the creation of the
Corpus Christi Tourism Public Improvement District**

CAPTION:

Public Hearing regarding the proposed assessment for the Corpus Christi Tourism Public Improvement District ("District") with consideration and approval of a one-reading ordinance authorizing the levy of an assessment at the rate of 2% of taxable room-nights sold at qualifying hotels located within the District; setting the method of payment for the assessment; approving the Service Plan for the District; authorizing an agreement between the City, the Corpus Christi Area Convention and Visitors' Bureau, and the Corpus Christi Tourism Public Improvement District Corporation regarding the management of the District; appropriating \$750,000.00 in revenue from the District for FY 2022; and amending the operating budget.

SUMMARY:

This item is to hold the second of two public hearings regarding the Corpus Christi Tourism Public Improvement District (CCTPID) by the City of Corpus Christi. This item is to hold a public hearing regarding the levy of the assessment at a rate of 2% of the taxable room nights sold by hotels included in the CCTPID, to approve the Service Plan for the TPID, to authorize a three-party agreement between the City, the Corpus Christi Area Convention and Visitors' Bureau (VCC), and the CCTPIDC regarding the management of the District, and to amend the FY 2022 City of Corpus Christi operating budget to appropriate \$750,000 of anticipated revenue and expenditure for the first two months of collections.

The CCTPIDC has been created with board of directors composed solely of a proportionately representative group of hoteliers from within the CCTPID. Thirteen directors are included. The CCTPID would levy an assessment on hotels with 40 or more rooms located within the City of Corpus Christi at a rate of 2% of the taxable room rate sold at qualifying hotels located within the TPID. It is estimated that approximately \$3 million would be collected the first year. This revenue would be remitted to the City by the

hoteliers using the same process used to remit monthly hotel occupancy tax revenue to the City. The City would in turn remit this revenue to VCC via procedures outlined in a three-way agreement between the City, VCC, and the CCTPIDC. The revenue collected from the CCTPID would be used to supplement the existing sales and marketing budget of VCC in order to produce increased leisure, business, and large group business to Corpus Christi hotels.

BACKGROUND AND FINDINGS:

After witnessing the success of Tourism Public Improvement Districts (TPIDs) for tourism marketing and promotion in the Texas cities of San Antonio, Dallas, Fort Worth, Arlington, Waco and others, area hoteliers and Visit Corpus Christi (VCC) began working with the Texas Hotel Lodging Association (THLA) on the creation of a TPID in Corpus Christi. The creation of a Corpus Christi TPID requires signatures from the owners of over 60% of the hotels with 40 or more rooms within the city limits of Corpus Christi.

On September 21, 2020 prior to beginning the petition process, a draft Service Plan was presented to the City Council for the council's approval of the draft service plan, petition document, and the proposed assessment rate. At this time the City Council was advised that the Tourism PID organizers were seeking the Council's approval of the petition, service plan, and assessment rate at the initial stage because once petition signatures are obtained, the details of the petition, service plan, and assessment rate cannot be changed without having to conduct an entirely new petition drive.

After City Council approved the format and terms within the petition and service plan for the proposed District, area hoteliers and Visit Corpus Christi staff worked to collect signatures on petitions from owners of over 60 percent of the hotels within the proposed District. Notably, State law requires that over sixty percent (60%) of the hotel ownership subject to the district must be signatories to the petition seeking creation of the district. This sixty percent (60%) threshold must be met in two ways:

- 1) By petition signatories from owners of over 60 percent of the total appraised value of hotels within the proposed district; and
- 2) By petition signatures from owners of over 60 percent of the total number of owners of hotels within the district; or
by petition signatures from owners of over 60 percent of the surface area of the hotels within the district.

The petition has reached the threshold of 60% of required signatures, and the petition packet is being presented to the City Council. The packet includes all signed petitions as well as the proposed district's service plan and list of district hotels. City Secretary's office has verified the sufficiency of signed petition packets and ensured that there are no technical defects in the submitted petitions, there is a clear nexus between the signatory and relationship with the hotel and that a sufficient number of petitions were collected to meet the statutory thresholds of hotel owners requesting creation of the District. The petition was accepted at the June 14, 2022 City Council meeting.

Two public hearings are required to create the district. This first public hearing is for the consideration of the creation of the district and proposed service plan and was held immediately preceding this agenda item. The second public hearing (this agenda item) will consider approval of the assessment rate and the property roll. At the end of the

second public hearing, the City Council will vote to levy the assessment on a certified roll of hotels within the district. The City published notice of the public hearing on creation of the TPID and proposed service plan in the Corpus Christi Caller Times on June 12, 2022. In addition, notices were physically mailed to all of the property owners within the district.

In addition to the levy, the service plan will be considered for adoption, the three-party agreement between the City, VCC, and CCTPIDC for the management of the TPID will be considered for approval, and budget amendment to appropriate \$750,000 in revenue and expenses will be considered in a one-reading ordinance.

Once both public hearings are completed and district approved, a letter will go out to TPID hotels noting TPID Creation, Rate, and wording for implementing a TPID fee on future folios, contracts and within websites and reservation information. The effective date of the TPID collections will be August 1, 2022.

Finally, a copy of the District Creation Resolution and the Service Plan must be filed with each county in which the District is located within seven (7) days of the Council approval of the TPID creation resolution.

ALTERNATIVES:

City Council could not approve this item.

FISCAL IMPACT:

The fiscal impact for this item the addition of \$750,000 in revenue and expenses for the first two months of collections.

FUNDING DETAIL:

Fund: CCTPID (Fund number to be determined)
Organization/Activity:
Mission Element:
Project # (CIP Only):
Account:

RECOMMENDATION:

Staff recommends approval of the one-reading ordinance

LIST OF SUPPORTING DOCUMENTS:

Ordinance