

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 31, 2019

TO: Honorable Rafael Anchia, Chair, House Committee on International Relations & Economic Development

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB2665** by Flynn (Relating to the authority of certain municipalities to undertake a qualified hotel project.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2665, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$0
2021	\$0
2022	\$0
2023	(\$520,000)
2024	(\$530,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2020	\$0
2021	\$0
2022	\$0
2023	(\$520,000)
2024	(\$530,000)

Fiscal Analysis

The bill would amend Chapter 2303 of the Government Code, regarding Enterprise Zones, to add Section 2303.003(8)(C) relating to the authority of certain municipalities to undertake a qualified hotel project.

The bill would add Section 2303.003(8)(C) to provide that the definition of "qualified hotel

project" includes a hotel, including a privately owned hotel adjoining a convention center owned by a political subdivision of this state, proposed to be constructed by or in conjunction with a municipality having a population of more than 8,000 that is home to a four-year university, not a county seat, and located within 50 miles of this state's border with Oklahoma, or by a nonprofit municipally sponsored local government corporation created under the Texas Transportation Act, Chapter 431, Transportation Code, by that municipality, including shops, parking facilities, and any other facilities ancillary to the hotel.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

Methodology

The bill would authorize the City of Commerce to establish a qualified hotel project, which under Section 151.429(h), Tax Code would be entitled to receive a rebate of 100 percent of state sales tax and state hotel tax paid or collected by the hotel or businesses located in the hotel project. The entitlement to state tax revenue would be for a period of ten years after the qualified hotel is open for initial occupancy. Such funds must be deposited in a suspense account outside the state treasury to be paid to the owner of a qualified hotel project.

The bill would allow but not require that the project hotel adjoin a convention center. The bill would not require the hotel and shops, parking facilities and other ancillary facilities to be within 1,000 feet of a convention center, as is the case for the qualified hotel projects currently defined in Section 2303.003, Government Code. Consequently, the hotel could be located anywhere in the city, and the current comptroller rule regarding the location of shops, parking facilities, and other ancillary facilities that may be included in a qualified project would not apply.

This estimate is based on an assumed room size, average nightly room rate, and annual average occupancy rate for a prospective hotel, with respect to prospective rebates of hotel tax revenue. As there would be no limit on the extent of retail development that may be included in a qualified hotel project under the bill, prospective sales tax rebates are estimated to substantially exceed the ratio of state sales tax to hotel tax revenues paid to the owners of the extant qualified hotel projects.

Currently, the City of Commerce has not yet developed specific plans for the construction of a hotel as a qualified hotel project. However, this estimate assumes that the city would act on the authorization provided by the bill, and that given time required for planning and construction, a project eligible for rebates of state tax revenue would be undertaken but not be operational before fiscal 2023.

In fiscal 2018, a total of \$17,676,000 in state tax revenue was allocated for qualified hotel projects in the cities of Amarillo, Dallas, Fort Worth, Houston, Nacogdoches, and San Antonio.

Local Government Impact

The bill would authorize the City of Commerce to establish a qualified hotel project, which under Section 151.429(h), Tax Code would be entitled to receive a rebate of 100 percent of state sales tax and state hotel tax paid or collected by the hotel or businesses located in the hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, CLo, KK