

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 27, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4103 by Burrows (Relating to the use of certain tax revenue by certain municipalities and to the entitlement of certain municipalities to certain tax revenue related to a hotel and convention center project.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4103, As Passed 2nd House : an impact of \$0 through the biennium ending August 31, 2023. The fiscal impact becomes negative beginning in fiscal year 2025.

General Revenue-Related Funds, Fourteen- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	(\$6,570,000)
2026	(\$9,160,000)
2027	(\$9,500,000)
2028	(\$9,900,000)
2029	(\$10,300,000)
2030	(\$10,700,000)
2031	(\$11,100,000)
2032	(\$11,500,000)
2033	(\$12,000,000)
2034	(\$12,500,000)
2035	(\$3,300,000)

All Funds, Fourteen-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund</i>
	1
2022	\$0
2023	\$0
2024	\$0
2025	(\$6,570,000)
2026	(\$9,160,000)
2027	(\$9,500,000)
2028	(\$9,900,000)
2029	(\$10,300,000)
2030	(\$10,700,000)
2031	(\$11,100,000)
2032	(\$11,500,000)
2033	(\$12,000,000)
2034	(\$12,500,000)
2035	(\$3,300,000)

Fiscal Analysis

The bill would amend Chapter 351, Tax Code with respect to municipal hotel and convention center projects and permitted uses of municipal hotel occupancy tax revenue.

The bill would amend Section 351.10712(a) to authorize a municipality located in a county that has a population of not more than 300,000 and in which a component university of the University of Houston System is located to use city hotel occupancy taxes to construct sports facilities and a multipurpose convocation center capable of hosting intercollegiate athletic events on land owned by a state university if the municipality leases the land from the university for at least 25 years.

The bill would amend Section 351.152 to add Subsections (43- 45) to provide authority for a municipality located in a county that has a population of not more than 300,000 and in which a component university of the University of Houston System is located, a municipality with a population of less than 500,000 that is located in two counties and adjacent to a municipality described by Subdivision (31), and a municipality that has a population of more than 67,000 and is located in two counties with 90% of the municipality's territory located in a county with a population of at least 580,000 and the remaining territory located in a county with a population of at least four million to use rebates of state sales and use tax and hotel tax revenue for hotel and convention center projects.

The bill would amend Section 351.157(a) to define a qualified establishment to include an establishment located on land owned by the federal government if the establishment is located in a municipality described by Section 351.152(6), and would amend Section 351.157(c)(2) to include swimming pools and swimming facilities as qualified establishments for purposes of the revenue entitlement for a project in that city. The bill would amend Sections 351.157(b) and (c) to entitle a municipality described by Sections 351.152(14) and 351.152(43) to receive rebates of state sales and use tax revenue derived from qualified establishments – certain restaurants, bars, and retail establishments, and if owned or operated by a qualified hotel, swimming pools and swimming facilities, within 1,000 feet of a qualified hotel or convention center facility. The bill would amend Section 351.157(e) to state that a project entitled to receive taxes derived from qualified establishments must be commenced before September 1, 2027.

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, 2021.

Methodology

The bill would provide that the City of Leander and the City of Missouri City would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel. Entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy. Leander has proposed plans for a 275 room hotel with 30,000 square feet of convention center space in the Northline mixed-use project in Leander's transit-oriented development area between Austin Community College's San Gabriel campus and St. David's hospital which includes shopping, dining, entertainment, apartments, townhomes, offices and a hotel. Missouri City has proposed plans for a 1,000 room hotel and mixed-use project near Highway 6 and the Fort Bend Toll Road which includes shopping, dining, entertainment and a hotel. Planned opening date would be September 2024 or state fiscal year 2025.

The bill would provide that the City of Grand Prairie would be entitled to receive state sales and use tax revenues from a qualified establishment located on land owned by the federal government, and from swimming pools and swimming facilities within 1,000 feet of a qualified hotel or convention center facility.

The bill would provide that the City of Lubbock and the City of Victoria would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment not more than 1,000 feet from the hotel or qualified convention center and from swimming pools and swimming facilities owned or operated by the related qualified hotel. Entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy. Lubbock has proposed plans for a 250 room hotel with 7,700 sq. ft. of convention center space and 38,160 sq. ft. of common space in zip code 79401. The planned opening date would be September 2025. Victoria has no definite plans for a qualified hotel project as yet.

Estimates of rebates of state tax revenues for qualified projects for the cities granted authorization are based on the planned or assumed room size of the prospective hotels, assumed average nightly room rates and annual average occupancy rate, and the ratio of state sales tax to hotel tax revenues paid to the owners of the extant qualified hotel projects and when applicable authorized for the additional entitlement to state sales tax revenue from establishments within 1,000 feet of the project hotel.

Local Government Impact

The bill would provide that the City of Leander and the City of Missouri City would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel.

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Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, CMA, SD, AJL, BRI