

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 4, 2023

**TO:** Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: SB627** by Menéndez (Relating to the entitlement of certain municipalities to certain tax revenue related to a hotel and convention center project.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB627, As Introduced : an impact of \$0 through the biennium ending August 31, 2025.

However, there would be a negative impact to General Revenue Related Funds beginning in fiscal year 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	(\$78,410,000)
2028	(\$118,750,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2024	\$0
2025	\$0
2026	\$0
2027	(\$78,410,000)
2028	(\$118,750,000)

Fiscal Analysis

The bill would amend Section 351.153(a) of the Tax Code, relating to Municipal Hotel Occupancy Taxes; Exception to the Ownership Requirement, to exempt a municipality described by Section 351.152(5) (a municipality that contains more than 75 percent of the population of a county with a population of 1.5 million or more) from the requirement that qualified hotel project must be owned by and located on land owned by the municipality.

The bill would amend Section 351.156, relating to Entitlement to Certain Tax Revenue, to add that a restaurant, bar or retail establishment is connected to a qualified hotel or a related qualified convention center facility if it shares an adjoining wall or roofline; is joined by an intervening structure with walls or a ceiling that allows for

passage between buildings; or is located on a plot of land that shares a property boundary line with the plot of land and is developed as part of the qualified project.

The bill would amend Section 351.157(b) to add (1-a), a municipality described by Section 351.152(5) (a municipality that contains more than 75 percent of the population of a county with a population of 1.5 million or more); and Section 351.157(c) to add (1-a), (for a municipality described by (b)(13)), restaurants, bars, spas, retail establishments, and swimming pools and swimming facilities owned or operated by the related qualified hotel.

## **Methodology**

The amendment of Section 351.156 providing that a restaurant, bar, or retail establishment is connected to a qualified hotel or related qualified convention center facility if it is located on a plot of land that is developed as part of a qualified project and shares a property boundary line with the plot of land on which the qualified hotel or convention center facility is located would significantly increase the potential scale of commercial development for which state sales tax revenue would be allocable to a qualified project. “Plot of land” is not a defined term, and could be land of any extent as a city council might be persuaded to so designate for purposes of development as part of a qualified project. A new shopping mall development on the scale of the Galleria could be deemed on a plot of land sharing a property boundary with a qualified hotel or convention center facility. In view of time necessary for planning and construction of retail shopping facilities, there would likely not be significant fiscal effect before 2027, but over time the annual commitment of state sales tax revenue to qualified projects would grow to hundreds of millions of dollars.

The amendment of Section 351.157 would affect the city of San Antonio.

San Antonio would be eligible to receive funds under 351.157, relating to Additional Entitlement for Certain Municipalities, which provides, in relevant part, that a municipality to which the section applies is entitled to receive the revenue derived from the state sales and use taxes, and local mixed beverage taxes generated, paid, and collected from a qualified establishment. Section 351.158 (Period of Entitlement) would entitle San Antonio to receive the revenue until the tenth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

San Antonio could avail itself of the tax rebates should eligibility be acquired through this legislation. The estimate is based on a projected opening date of the additional entitlement of September 1, 2026, or state fiscal year 2027, a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotel.

## **Local Government Impact**

The amendment of Section 351.157 would affect the city of San Antonio.

San Antonio would be eligible to receive funds under 351.157 which provides, in relevant part, that a municipality to which the section applies is entitled to receive the revenue derived from the state sales and use taxes, and local mixed beverage taxes generated, paid, and collected from a qualified establishment.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, MOc, BRI, KK, SD