HOUSE
RESEARCH
ORGANIZATION bill analysis | 5/16/2013 | SB 1719 Rodríguez (Moody)

SUBJECT: Construction or rehabilitation of certain hotel projects

COMMITTEE: Economic and Small Business Development — favorable, without amendment

VOTE: 8 ayes — J. Davis, Vo, Bell, Isaac, Murphy, Perez, E. Rodriguez, Workman

0 nays

1 absent — Y. Davis

SENATE VOTE: On final passage, April 29 — 31-0

WITNESSES: No public hearing

BACKGROUND: Under Government Code, sec. 2303.5055, a municipality with a population of 1.5 million or more may agree to use hotel occupancy taxes to guarantee the bonds of a local city corporation that were issued to pay for the construction, remodeling, or rehabilitation of a qualified hotel project. The eligible time period for using hotel occupancy taxes for this purpose is no more than 10 years. A qualified hotel project is defined as a hotel proposed by a city to be constructed within 1,000 feet of a convention center owned by a city with a population of more than 1.5 million.

Tax Code, ch. 351 authorizes a city to impose a hotel occupancy tax. A city of 1.5 million or more may pledge the revenue derived from hotel occupancy taxes for the payment of bonds issued to pay the cost of construction, remodeling, or rehabilitation of a hotel within 1,000 feet of a convention center or historic hotel within one mile of the convention center. This pledge may only be the portion of the tax collected at the hotel serving as the basis for the project.

In addition, the Tax Code authorizes the comptroller to make a refund to a qualified hotel project of the sales-and-use taxes collected by the qualified hotel project during its first 10 years of operation.

DIGEST:

SB 1719 would amend Government Code, sec. 2303.5055 to also apply to a city with a population more than 500,000 that borders Mexico (El Paso). A city meeting this description could guarantee a bond issued to pay for the construction, remodeling, or rehabilitation of a qualified hotel project. The definition of a qualified hotel project would be expanded to apply to a city of this size and include hotel projects within 3,000 feet of such a city's convention center.

Tax Code, ch. 351 would be amended to also apply to pledges of hotel occupancy tax revenue by a city bordering Mexico with a population over 500,000. For a city of this size, an authorized use of the bond money would be for a hotel project within 3,000 feet of the city's convention center.

Under the bill, cities with population of more than 500,000 and bordering Mexico would not be eligible for a sales-and-use tax refund from the comptroller for qualified hotel projects.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

SUPPORTERS SAY:

The bill would allow El Paso to incentivize the construction or rehabilitation of hotel projects near its convention center. Currently, larger cities have access to this economic development tool. The Houston City Council, for example, approved in December 2012 a $138 million development package to spur the construction of a 1,000-room Marriott Marquis near its downtown convention center. Currently in El Paso, only a handful of hotels are located in the downtown area, where the convention center is located.

More hotel rooms in El Paso will be needed in the future. El Pasoans recently approved $470 million in quality-of-life improvements. This along with activities already being undertaken at the convention center and the construction of a new baseball park are expected to bring an influx of visitors to the area. The bill would enable the City of El Paso to incentivize more economic development within 3,000 feet of its convention center by allowing new hotel projects or hotel renovations to use the revenue they generate once they become operational to help pay for capital costs involved in their construction and or renovation.

OPPONENTS SAY: No apparent opposition.