

Hotel and Convention Center Projects, FY 2024

BACKGROUND

Chapter 351, Tax Code (Municipal Hotel Occupancy Taxes) includes several types of hotel and convention center projects. These projects generally allow certain cities to receive rebates of state hotel occupancy tax (HOT) and state sales and use tax collected by certain businesses or facilities within a given development. Local jurisdictions also may agree to rebate local HOT, local sales and use tax, local mixed beverage tax or property tax to a project. The rebate period typically is 10 years from the day both the hotel and convention center open to the public. For certain projects and project financing zones, the rebate period is 30 years.

Six types of projects currently fall under Tax Code Chapter 351.

- Hotel Projects – Tax Code Sections 351.102(b), (c) and (e).
- Qualified Hotel Projects – Tax Code Sections 151.429(h) and 351.102(a); and Government Code Section 2303.5055 – City of Houston.
- Multipurpose Convention Center Facility Project – Tax Code Section 351.1021 – City of Kemah.
- City of Arlington Hotel Project – Tax Code Section 351.1022.
- Qualified Projects – Tax Code Sections 351.156 and 351.157.
- Project Financing Zones – Tax Code Section 351.1015.

The following sections and tables describe the types of projects that may be developed under Tax Code Chapter 351 and the total state taxes rebated or held in trust for those projects through the end of fiscal 2024.

Hotel Projects – Tax Code Sections 351.102(b), (c) and (e)

Projects Prior to Sept. 1, 2019

A hotel project under Tax Code Sections 351.102(b), (c) and (e) is a hotel that is owned by or located on land owned by a city within 1,000 feet of a city-owned convention center facility. A project includes facilities ancillary to the hotel such as meeting spaces, restaurants, shops, convention center entertainment-related facilities, parking facilities and water and sewer systems within 1,000 feet of the convention center or the hotel.

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A city developing this type of project can receive rebates of state HOT and state sales and use tax collected at the hotel, facilities ancillary to the hotel, restaurants, shops, convention center entertainment-related facilities, parking facilities, and water and sewer systems. A city is eligible to receive rebates for 10 years after a project is open for initial occupancy.

House Bill (HB) 2445, 85th Legislature, 2017, clarified the requirements for developing a hotel project under Tax Code Sections 351.102(b), (c) and (e). During the 86th Legislature, 2019, HB 4347 added new requirements for projects developed under Tax Code Sections 351.102(b), (c), and (e). The bill preserved the ability for eligible cities to develop a project under the conditions prior to the passage of HB 4347 if the city pledged bonds or entered contracts to construct a project before Sept. 1, 2019.

The cities eligible to develop a hotel project under Section 351.102(b), (c) and (e) as those sections existed prior to HB 4347 are Abilene, Amarillo, Arlington, Austin, Carrollton, Cedar Hill, Corpus Christi, Dallas, Denton, El Paso, Frisco, Fort Worth, Garland, Grand Prairie, Houston, Irving, Katy, Kemah, League City, Lewisville, Lubbock, Midland, Nacogdoches, Odessa, Pasadena, Plano, Port Aransas, Prosper, Roanoke, Round Rock, Rowlett, San Antonio, Sugar Land and Tyler.

Eligible cities may develop multiple hotel projects.

Three projects under this section have been completed and are no longer receiving rebates. Nine projects are ongoing and currently receive rebates.

Table 1. Hotel Projects Under Section 351.102(b), (c) and (e) as those Tax Code Sections Existed Prior to Sept. 1, 2019

Project Description	Rebate Begin Date	Rebate End Date	State Tax Revenue Received by City Through FY 2024
Projects No Longer Receiving Rebates			
Dallas Convention Center Hotel Project - Omni Dallas Hotel <i>555 S Lamar St, Dallas, TX 75202-1961</i>	11/1/2011	10/31/2021	\$45,607,517
Fort Worth Convention Center Hotel Project - Omni Fort Worth Hotel <i>1300 Houston St, Fort Worth, TX 76102-6556</i>	1/1/2009	12/31/2018	\$26,775,541
San Antonio Convention Center Hotel Project - Grand Hyatt San Antonio <i>600 E Market St, San Antonio, TX 78205-2642</i>	3/1/2008	2/28/2018	\$34,656,125
Projects Currently Receiving Rebates			
Amarillo Convention Center Hotel project - Embassy Suites <i>500 S Buchanan St, Amarillo, TX 79101-2501</i>	9/1/2017	8/30/2027	\$3,717,460
Arlington Convention Center Hotel Project - Live! By Lowes <i>1600 E Randol Mill Rd, Arlington, TX 76011-6210</i>	8/22/2019	8/21/2029	\$12,860,887

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Project Description	Rebate Begin Date	Rebate End Date	State Tax Revenue Received by City Through FY 2024
El Paso Convention Center Hotel Project - Hotel Sancho Panza <i>600 N Santa Fe St, El Paso, TX 79901-1147</i>	11/1/2018	10/31/2028	\$1,538,060
El Paso Convention Center Hotel Project - Plaza Hotel <i>106 W Mills St, El Paso, TX 79901-1338</i>	6/1/2020	5/31/2030	\$1,759,352
El Paso Convention Center Hotel Project - Paso Del Norte Hotel <i>10 Henry Trost Ct, El Paso, TX 79901-1154</i>	10/1/2020	9/30/2030	\$4,010,876
Irving Convention Center Hotel Project - Texican Court <i>501 Las Colinas Blvd W, Irving, TX 75039-7271</i>	11/1/2018	10/30/2028	\$2,043,498
Irving Convention Center Hotel Project - The Westin Irving Convention Center <i>40 Las Colinas Blvd W, Irving, TX 75030-5400</i>	3/30/2019	3/29/2029	\$12,136,460
Nacogdoches Convention Center Hotel Project - Hotel Fredonia <i>200 N Fredonia St, Nacogdoches, TX 75961-5206</i>	6/1/2017	5/31/2027	\$2,496,059
Odessa Convention Center Hotel Project - Marriott <i>305 E 5th St, Odessa, TX 79761-5133</i>	10/17/2019	10/16/2029	\$1,931,837
Total through FY 2024			\$149,533,670

Projects On or after Sept. 1, 2019

Similarly, hotel projects under Tax Code Sections 351.102(b), (c) and (e) after the passage of HB 4347 are hotels owned by or located on land owned by a city within 1,000 feet of a city-owned qualified convention center facility. These projects include facilities ancillary to the hotel such as convention center entertainment-related facilities, restaurants, retail establishments and parking facilities within 1,000 feet of the hotel or convention center facility.

After the passage of HB 4347, the city-owned convention center has a minimum square footage requirement and cannot be in a hotel, stadium or other structure. Additionally, these projects include specified retail establishments, such as furniture and clothing stores, instead of shops.

A city developing this type of project can receive rebates of state HOT and state sales and use tax rebates collected from the hotel, convention center and facilities ancillary to the hotel including restaurants, retail establishments, convention center entertainment-related facilities, parking facilities, and water and sewer systems. A city may receive rebates for 10 years after a project is open for initial occupancy.

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Cities eligible to develop projects under Tax Code Section 351.102(b), (c) and (e) as amended by HB 4347 are Arlington, Austin, Dallas, Fort Worth, Houston and Kemah.

These cities are eligible to build multiple projects. No projects are currently receiving rebates.

Qualified Hotel Projects – Tax Code Sections 151.429(h) and 351.102(a); Government Code, Section 2303.5055 – City of Houston

A qualified hotel project is a hotel constructed by the City of Houston, including a privately owned or existing hotel selected by the city, located within 1,000 feet of a convention center owned by the city. The project includes shops, parking facilities and any other facilities ancillary to the hotel.

The city can receive rebates of state HOT and state sales and use tax rebates from the hotel and facilities ancillary to the hotel including shops, restaurants and parking facilities. The rebate period is for 10 years after the project is open for occupancy.

The City of Houston may have multiple qualified hotel projects.

Table 2. Qualified Hotel Projects – City of Houston

Project Description	Rebate Begin Date	Rebate End Date	State Tax Revenue Received by City Through FY 2024
Houston Convention Center Hotel Project - Hilton Hotel <i>1600 Lamar St, Houston, TX 77010-5012</i>	12/1/2003	11/30/2013	\$40,204,919
Houston Convention Center Hotel Project - Marriott Marquis <i>1777 Walker St, Houston, TX 77010-5023</i>	12/1/2016	11/30/2026	\$38,586,431
Total through FY 2024			\$78,791,350

Multipurpose Convention Center Facility Project – Tax Code Section 351.1021

This project is unique to the City of Kemah. The multipurpose convention center facility project is a hotel and a multipurpose convention center facility within 2,500 feet of the hotel. The project includes each business in the city within 2,500 feet of the hotel or multipurpose convention center facility, a parking or shuttle transportation system, and any parking in the city within two miles of the multipurpose convention center facility.

The city can receive rebates from the hotel, any business within 2,500 feet of the hotel or convention center, parking shuttle or transportation system, and any parking structure or facility within two miles of the multipurpose convention center facility. The rebate period for this type of project is 10 years.

The City of Kemah has not requested rebates for this project.

City of Arlington Hotel Project – Tax Code Section 351.1022

The City of Arlington also is eligible for a unique type of hotel project pursuant to Tax Code Section 351.1022. It has the same requirements for Tax Code Section 351.102(b), (c) and (e) as amended by HB 4347. In addition to the state hotel occupancy and sales and use tax, Arlington also is entitled to receive state mixed beverages taxes from the project. The rebate period for the City of Arlington project is 30 years.

The City of Arlington has requested rebates for this type of project that would commence on the date of initial occupancy of a hotel.

Qualified Projects Under Tax Code Sections 351.156 and 351.157

Tax Code Section 351.156

A qualified project under Section 351.156 is a hotel designated by a city on city-owned land and a qualified city-owned convention center facility that are connected to or within 1,000 feet of one another. A project includes restaurants, bars and specified retail establishments within or connected to the qualified hotel or qualified convention center facility.

A city can receive rebates of state HOT and state sales and use tax from the hotel, restaurants, bars and specified retail establishments located in or connected to the hotel or convention center. A city can receive rebates for 10 years after a project is open for initial occupancy.

The cities eligible to develop a project under Section 351.156 are Abilene, Allen, Alvin, Amarillo, Arlington, Austin, Bastrop, Baytown, Beaumont, Brownsville, Carthage, Cedar Hill, Cedar Park, Celina, Commerce, Conroe, Corpus Christi, Denton, Eagle Pass, El Paso, Fredericksburg, Frisco, Grand Prairie, Grapevine, Hutto, Irving, Katy, Kaufman, Kemah, Kerrville, Kyle, League City, Leander, Lewisville, Little Elm, Lubbock, Mansfield, McKinney, Mesquite, Midland, Missouri City, Nacogdoches, Odessa, Pearland, Port Aransas, Presidio, Prosper, Richmond, Rio Grande City, Roanoke, Round Rock, Rosenberg, Rowlett, San Antonio, San Benito, Seabrook, Seguin, Sugar Land, Temple, Terrell, The Colony, Tyler, Victoria, Waco, Weatherford, and Webster.

Generally, the eligible cities only may receive rebates from one project. The cities of Amarillo, Arlington, Corpus Christi, El Paso, Frisco, Grand Prairie, Irving, Lubbock, McKinney and San Antonio may have multiple projects.

Table 3. Qualified Projects Under Section 351.156

Project Description	Rebate Begin Date	Rebate End Date	State Tax Revenue Received by City Through FY 2024
Abilene Convention Center Hotel Project - Doubletree by Hilton Abilene 500 Cypress St, Abilene, TX 79601-5176	7/1/2023	6/30/2033	\$509,183

Tax Code Section 351.157

Section 351.157 provides an additional entitlement to certain cities that develop a qualified project under Section 351.156.

A city can receive rebates of state HOT and state sales and use tax from the hotel, restaurants, bars, retail establishments, swimming pools and swimming facilities within 1,000 feet of the qualified hotel or qualified

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convention center facility. The restaurants, bars, retail establishments, swimming pools and swimming facilities must be on land owned by the municipality and built on or after the date the municipality commences the qualified project. The City of San Antonio also is eligible to receive rebates from spas. The rebate period is 10 years.

However, the City of El Paso is excepted from both the land ownership requirement and the requirement that the eligible businesses must be constructed as part of the qualified project. Qualified establishments may be located on federal land in the City of Grand Prairie. Also, qualified establishments may be located on land owned by a nonprofit corporation acting on behalf of or controlled by the City of San Antonio.

The cities eligible for the additional entitlement under Section 351.157 are Allen, Brownsville, Cedar Hill, Celina, Denton, El Paso, Grand Prairie, Irving, Katy, Little Elm, Lubbock, Mansfield, McKinney, Mesquite, Richmond, Round Rock, San Antonio, San Benito, Seabrook, The Colony, Victoria and Weatherford.

Table 4. Qualified Projects Receiving Rebates Under Tax Code Sections 351.156 and 351.157

Project Description	Rebate Begin Date	Rebate End Date	State Tax Revenue Received by City Through FY 2024
Round Rock Convention Center Hotel Project - Kalahari Resort <i>3001 Kalahari Blvd, Round Rock, TX 78665</i>	11/1/2020	10/31/2030	\$31,165,827

Recapture of Rebates for Projects Under Tax Code Sections 351.156 and 351.157

Tax Code Section 351.162 generally allows for the recapture of rebates from cities that develop projects under Tax Code Sections 351.156 and 351.157. On the 20th anniversary of a project's initial opening, the difference between the amount of state tax rebates received by a city and the amount of state tax collected by a project in the 10-year period following the rebates must be calculated. If the city received rebates that exceed the taxes generated during the 10 years after the rebate period, the city must remit that difference to the comptroller.

No projects have reached the end of their rebate period under Tax Code Sections 351.156 or 351.157; therefore, no cities are subject to recapture at this time.

Project Financing Zones - Tax Code Sections 351.1015 and 351.106

A project financing zone (PFZ) is a city-designated area around a qualified project. A qualified project can be a convention center facility, multipurpose arena or venue. The zone is the area within a three-mile radius of the center of the convention center facility, multipurpose arena or venue.

A city must designate a zone through a city ordinance or through a Local Government Code Chapter 380 agreement. The designation will establish the base year for the zone.

The city is entitled to receive the incremental hotel-associated revenue from all hotels in the zone. Incremental revenue is the state sales and use tax, state HOT and state mixed beverage tax collected during a calendar year that is above the amount collected by the hotel during the base year.

After city designates a zone, incremental hotel-associated revenue is held in trust until the city commences a qualified project and executes a contract to acquire, lease, construct, improve, enlarge or equip a qualified project. A city begins receiving the incremental hotel-associated revenue after the project is commenced.

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If a qualified project is not commenced within five years, the incremental hotel-associated revenue held in trust will be transferred back to the general revenue fund.

Cities eligible to designate PFZs are Fort Worth, Dallas, Houston, Austin, San Antonio and Corpus Christi. Cities receive the incremental hotel-associated revenues from hotels located in the zone for a 30-year period. Eligible cities may designate multiple PFZs.

Fort Worth is currently receiving incremental hotel-associated revenue for a PFZ. Dallas, San Antonio and Houston have not yet commenced a project, but those cities have designated PFZs, and incremental hotel-associated revenue is being put in trust for zones in those cities.

Table 5. Project Financing Zones

	Project Base Year	Rebate End Date	State Tax Received through FY 2024
<i>Project Financing Zones - Commenced Projects</i>			
Fort Worth - Dickie's Arena and Fort Worth Convention Center	2013	2043	\$53,628,687
<i>Project Financing Zones - Projects Not Commenced</i>			
Dallas - Kay Bailey Hutchinson Convention Center	2021	2051	\$109,532,999
San Antonio - Alamodome & Henry B. Gonzalez Convention Center	2023	2053	\$408,351
Houston - George R. Brown Convention Center	2023	2053	\$1,743,915*
Total Rebated or Held in Trust through FY 2024			\$165,313,952

* This is the initial deposit to a trust for the Houston PFZ made in Sept. 2024 (FY 2025)



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