

BILL ANALYSIS

Senate Research Center
84R28431 TJB-F

C.S.H.B. 1964
By: Clardy (Elife)
Business & Commerce
5/7/2015
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Fredonia Hotel in Nacogdoches has played an enormous part in the economic development of what certain parties assert is the oldest town in Texas. However, the hotel recently closed and the city has been searching for an interested investor to purchase and operate the Fredonia. An investor has expressed interest in purchasing and renovating the hotel but is seeking additional funds beyond the investment that the interested buyer is prepared to make before agreeing to undertake the project. To address the prospective investor's concerns and promote the project, the city has agreed to use the hotel occupancy taxes it would collect on the Fredonia to help renovate and operate the hotel. C.S.H.B. 1964 seeks to address this issue.

C.S.H.B. 1964 amends current law relating to certain convention center hotel projects.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 351.001(2) and (7), Tax Code, as follows:

- (2) Redefines "convention center facilities" or "convention center complex."
- (7) Redefines "eligible central municipality."

SECTION 2. Amends Section 351.102, Tax Code, by amending Subsections (a) and (b) and adding Subsection (d), as follows:

- (a) Deletes a reference to a municipality having a population of more than 500,000 and that borders the United Mexican States. Makes no further change to this subsection.
- (b) Authorizes an eligible central municipality, a municipality with a population of 173,000 or more that is located within two or more counties, a municipality with a population of 96,000 or more that is located in a county that borders Lake Palestine or contains the headwaters of the San Gabriel River, or a municipality with a population of 99,900 but not more than 111,000 that is located in a county with a population of at least 135,000 to pledge the revenue derived from the tax imposed under this chapter from a hotel project that is owned by or located on land owned by the municipality or, in an eligible central municipality, by a nonprofit corporation acting on behalf of an eligible central municipality, and that is located within 1,000 feet of a convention center facility owned by the municipality for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, and equip the hotel and any facilities ancillary to the hotel, including convention center entertainment-related facilities, meeting spaces, restaurants, shops, street and water and sewer infrastructure necessary for the operation of the hotel or ancillary facilities, and parking facilities within 1,000 feet of the hotel or convention center facility. Authorizes an eligible central municipality described by this subsection, rather than an eligible central municipality or a municipality with a population of 173,000 or more that is located within two counties, for bonds or other

obligations issued under this subsection, to only pledge revenue or other assets of the hotel project benefiting from those bonds or other obligations.

(d) Prohibits an eligible central municipality or another municipality described by Subsection (b) that uses revenue derived from the tax imposed under this chapter or funds received under Subsection (c) for a hotel project described by Subsection (b), except as provided by this subsection, from reducing the percentage of revenue from the tax imposed under this chapter and allocated for a purpose described by Section 351.101(a)(3) (relating to limits on the use of revenue for advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity) to a percentage that is less than the average percentage of that revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue or funds for the hotel project. Provides that this subsection does not apply to an eligible central municipality described by Section 351.001(7)(D)(relating to certain convention center facilities).

SECTION 3. Amends Section 151.429(h), Tax Code, to delete existing text providing that this subsection does not apply to a qualified hotel project described by Section 2303.003(8)(B), Government Code, and makes no further change to this subsection.

SECTION 4. Amends Section 2303.003(8)(B), Government Code, to redefine "qualified hotel project."

SECTION 5. Amends Section 2303.5055(b), Government Code, to delete a reference to a municipality having a population of more than 500,000 and that borders the United Mexican States, and makes no further change to this subsection.

SECTION 6. Effective date: upon passage or September 1, 2015.