

**HOTEL OCCUPANCY TAX USE GUIDELINES  
UNDER TEXAS STATE LAW  
SOUTH PADRE ISLAND HOTEL TAX FUNDING APPLICATION FORM**

**State Law:** By law of the State of Texas, the City of South Padre collects a Hotel Occupancy Tax (HOT) from hotels, condominiums, bed & breakfasts, and other lodging facilities. Under state law, the revenue from the HOT may be used only to directly promote tourism and the hotel and convention industry.

**Chapter 351 of the Tax Code states that the use of HOT funds is limited to:**

- a) **Convention Centers and Visitor Information Centers:** the acquisition of sites for and the construction, improvement, enlarging, equipping, repairing operation and maintenance of convention center facilities or visitor information centers, or both;
- b) **Registration of Convention Delegates:** the furnishing of facilities, personnel, and materials for the registration of convention delegates or registrants;
- c) **Advertising, Solicitations and Promotions that Directly Promote Tourism and the Hotel and Convention Industry:** advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity;
- d) **Promotions of the Arts that Directly Promote Tourism and the Hotel and Convention Industry:** the encouragement, promotion, improvement, and application of the arts if the activity or facility can be shown to have some direct impact on tourism and the hotel/convention industry. The impact may include showing that the art event or facility generated hotel nights or that guests who were already at hotels attended the arts event or facility.
- e) **Historical Restoration and Preservation Activities that Directly Promote Tourism and the Hotel and Convention Industry:** historical restoration and preservation activities or promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums.
- f) **Sporting Event Expenses that Substantially Increase Economic Activity at Hotels:** Expenses including promotional expenses, directly related to a sporting event in which the majority of participants are tourists. The event must substantially increase economic activity at hotels within the city or its vicinity.
- g) **Funding transportation systems for transporting tourists from hotels to and near the city to any of the following destinations:**
  - 1. the commercial center of the city;
  - 2. a convention center in the city;
  - 3. other hotels in or near the city; or
  - 4. tourist attractions in or near the city.

The law specifically prohibits the use of the local hotel tax to cover the costs for general city transit costs to transport the general public.

- h) **Signage directing tourists to sights and attractions that are visited frequently by hotel guests in the municipality.**
- i) **Coastal Erosion Projects.**

**City Policy:** The City of South Padre accepts applications from groups and businesses whose program or events at their facility fits into one or more of the above categories. All requests for funds should be submitted in writing and be accompanied by the official application by the below noted deadlines.

The Convention and Visitors Advisory Board will review the application during one of two annual funding review periods. All applications must be presented at least two months prior to the date of the proposed event or expenditure.

**Funding Application Deadline for Spring/Summer Activities: Wednesday, January 7<sup>th</sup>.**

**Funding Application Deadline for Fall/Winter Activities: Wednesday, July 8<sup>th</sup>.**

Applications for funding will be submitted through the city application forms and reasonable attachments provided by the applicants. Review of the applications will be done by city staff and the Tourism Advisory Board solely through the written applications unless an in person presentation is requested by two or more of the committee members. In such a case, the applicant may be asked to be present at the meeting to answer any questions regarding the application for hotel tax funding. Applicants will be notified at least one week prior to the meeting of the time and place for the review.

An applicant may apply to the Convention and Visitors Advisory Board for a variance from the above deadlines if they can show that their event will have a substantial impact on tourism and hotel activity and there was reasonable cause for them to have missed the deadline. The Convention and Visitors Advisory Board may approve such a variance by a two-thirds vote of its members.

**Eligibility and Priority for Hotel Tax Funds:**

**Impact:** Funding priority will be given to those events and entities based on their ability to generate and sustain overnight visitors to South Padre Island. **The amount that you are requesting should not exceed more than the total amount of hotel night revenue that you are predicting will be created or sustained by your event or facility. Applicants must place a link to the South Padre Island CVB listing of hotels on the applicants website. Applicants for funding are strongly encouraged to attend one of the annual informational seminars on hotel occupancy tax funding.**

If an event or facility will not generate any meaningful hotel night activity or gain participation of existing hotel guests, it is not eligible for receipt of hotel occupancy tax funds.

**Events can prove their potential to generate overnight visitors by:**

- a) **Prior Impact: historic information on the # of room nights used during previous years of the same events;**

- b) **Current Room Block:** current information on the size of a room block that has been reserved at area hotels to accommodate anticipated overnight guests attending the funded event and the actual “pick up/utilization” of the room block;
- c) **Historic Event Attendance by Hotel Guests:** historical information on the number of guests at hotel or other lodging facilities that attended the funded event (through surveys, facility or event visitor logs, or other sources);

The City’s Convention and Visitor’s Bureau Department shall review the information provided by the applicant to ensure candidates meet the funding criteria and guidelines and the staff shall make a recommended determination as to eligibility and on any recommended funding to the Convention and Visitors Advisory Board for both anchor events and non-anchor events. The Convention & Visitors Advisory Board may accept or amend the CVB staff’s recommendations by a majority vote of the Committee.

**Four Year Cap on Reimbursements for Operational Costs Unless Anchor Event**

There shall be a four year cap on the number of years that an event may continue to receive hotel tax funding for operational costs other than marketing expenses, unless the event is determined to be an “anchor event.”

**Application to be an Anchor Event:** There are certain events that have an established impact that warrants continued regular annual or seasonal funding of the event with hotel tax. **An Anchor Event shall be an event that generates or sustains over 500 hotel nights for the event and over 1,500 overnight visitors to South Padre Island for the event.** Preference for Anchor Event designation will be given to multi-day events. Each year, entities may apply to have their event funded as an anchor event and provide documentation to support this designation.

Anchor events shall be funded on a reimbursement basis once the event expenses have been incurred and the post event report is completed. It is within the discretion of the Convention and Visitors Advisory Board to proportionately reduce the amount of awarded hotel tax funding to reflect the actual impact of the event if the event does not meet its estimated impact on the funding application. The Convention and Visitors Advisory Board may take into consideration factors such as weather disturbances or other items that are beyond the control of the meeting planner in adjusting the funding.

**Non-Anchor Events**

**Application to be a Standard Hotel Tax Funded Event:** There are certain events that may not meet the requirements of an Anchor Event but still have a meaningful impact on tourism and hotel activity for South Padre Island.

**Seed Money Limitation:** Non-Anchor Event Funding from the hotel tax is to be treated as “seed money” with the intent that the event/facility program will eventually be able to fund it’s operational costs (other than marketing) from program revenues and non hotel tax sponsorships. Accordingly, hotel tax funding for operational costs other than marketing for non-anchor events is limited to no more than four consecutive years of Hotel Tax Funding. The Convention and Visitors Advisory Board will have the discretion to amend that limitation if deemed appropriate.

Non-Anchor Event hotel tax funding may be provided at the time of the award determination in order to facilitate the holding of the event. For the first year of a non-anchor event, the funding will not be reduced based on the actual impact of the event unless there is a substantial breach of the terms of the funding agreement by the applicant. For subsequent funding years, the funding will be provided on a reimbursement basis. For subsequent funding years, it is also within the discretion of the Convention & Visitors Advisory Board to proportionately reduce the awarded hotel tax funding amount to reflect the actual impact of the event if the event does not meet its estimated impact on the funding application. In all cases, the Convention & Visitors Advisory Board shall retain 25 % of the hotel tax-funding award that will only be paid upon submission of the post event report and satisfactory performance on the terms of the funding agreement. The CVB staff shall be tasked to recommend whether full payment should be made for each funded event. The Convention and Visitors Advisory Board may take into consideration factors such as weather disturbances or other items that are beyond the control of the meeting planner in adjusting the funding.

**Black Out Periods for Hotel Tax Funding**

Due to high hotel occupancy during certain time periods, grants will not be given for operational costs for events/projects on the following dates:

The month of July

The Spring Break Period (**Insert blocked spring break period dates**)

The CVB may still expend local hotel tax for marketing events that occur during these time periods. The Tourism Advisory Board Event may with a recommendation from the CVB staff and a two-third vote grant an event a variance from these black out periods.

**Use of Revenues from Event:** A portion of the revenues from any event and/or project receiving any type of funding assistance from the HOT funds should be channeled back into the future costs of operating that same event or the continued operation of the project. No other outside event(s), project, charity, etc., sponsored by the host organization may profit from the South Padre Island’s funding of a particular event. This restriction can be waived by the Convention & Visitors Advisory Board for an event that has a substantial impact on tourism and hotel activity.

**Supplemental Information Required With Application:** Along with the application, please submit the following:

\_\_\_\_\_ Proposed Marketing Plan for Funded Event

\_\_\_\_\_ Schedule of Activities or Events Relating to the Funded Project

**Post Event Report:** Within 30 days of the event’s completion, the funded entity must complete the city provided post event form and be prepared to note the actual impact figures for the event, and receipts for expenditures or payments that were covered by hotel occupancy tax.

Submit to: Convention and Visitors Advisory Board  
C/O City of South Padre Island Convention and Visitor’s Bureau  
7355 Padre Blvd., South Padre Island, Texas 78597  
(956) 761-3000 Phone (956) 761-3024 Fax