

**To the Mayor and Members of the City Council****April 24, 2020**

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**SUBJECT: DEFERRAL OF HOTEL OCCUPANCY TAXES AND TOURISM PUBLIC IMPROVEMENT DISTRICT PAYMENTS WITHOUT PENALTY**

The purpose of this Informal Report is to provide the City Council information on a request from the Hotel Association of Tarrant County (HATC). The HATC has requested that the City of Fort Worth follow the State of Texas in providing a deferral period to hotels that delays the requirement for them to make payment of Hotel Occupancy Taxes (HOT) and Tourism Public Improvement Payments (TPID) without accumulating interest, penalties, or other fees.

As you are aware and as was reported by the City Manager at the April 7 City Council meeting, one of the industries hardest hit by the COVID-19 situation has been the tourism business and specifically the hotel industry. In Fort Worth we have seen the hotel occupancy rate drop from approximately 80% to single digits. In some cases, hotels have closed because they were losing too much money to stay open without the guests. At this time the biggest issue for businesses is the need for cash so that they may have an opportunity to stay in business.

City staff held a conference with Julie Faver-Dylia, Executive Director of the Hotel Association of Tarrant County and Scott Joslove with the Texas Hotel and Lodging Association on April 3<sup>rd</sup> to discuss the request to defer payments. After our discussions, City staff agreed to make a recommendation to the City Council to take action approving a deferral period on the payment of HOT and TPID assessments and not apply any fees or penalties as outlined below:

- The City will defer HOT payments beginning with payments due in May (April HOT) and TPID payments beginning with payments due in March (February TPID);
- The deferral period will take effect upon adoption of appropriate ordinances and resolutions by the City Council and end 90 days after a stay at home or shelter in place order applicable to the City of Fort Worth is lifted or September 1, 2020, whichever occurs first;
- Any interest and penalties that have already accrued for delinquent HOT payments will be frozen, and any interest and penalties for delinquent TPID assessments from the months of February and March will be waived;
- At the end of the deferral period, all HOT and TPID assessments will be considered due and typical fees and penalties will apply beginning on that date;

The revenues from the local HOT were pledged to bonds the City issued for the construction of Dickies Arena. Staff analyzed the financial situation and determined that granting a deferral as proposed would not interfere with the City's ability to make the debt service payments that will become due the brief period while the deferral is in effect. In addition, by allowing the hotels to defer payments in the short term, the City will be aiding in their liquidity and assisting them in their efforts to survive the current situation, thereby enhancing HOT as a revenue source in the longer term. Based on these factors and the fact that the full amount of HOT would be due and payable after the deferral ends, the City's Bond Counsel determined that a deferral would be allowable under the terms of the Arena bonds.

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As a condition of the deferral, the hoteliers will be required to report their gross and net room revenue (gross room revenue subject to HOT less allowable exemptions) during the deferral period so the City can record a receivable to track the amount due and payable. This information will also provide valuable insight into the pace of recovery of the travel and tourism industries.

Staff will be placing an agenda item on the May 5, 2020 City Council agenda to provide for a HOT and TPID payment deferral period as outlined above.

If you have any questions or concerns related to this effort, please contact Jay Chapa, Assistant City Manager at 817-392-5804.

**David Cooke**  
**City Manager**