

Legal Framework for Funding Venues Under the Texas Local Government Code Chapter 334



Venue Statute

- Texas law authorizes cities to pay for a variety of civic buildings and sites with certain types of funding.
- These venue projects and the funding options are set out in Chapter 334 of the Local Government Code.



Process

- The legislature requires cities to follow a specific and detailed process to approve venue projects.
 - Council must act to formally start the process.
 - The Texas Comptroller must review the project for fiscal impact.
 - If the Comptroller okays the project, then council must order an election.
 - Voters must approve both the project and the type of financing for that project. (See 334.021 and .022)



Austin's venue funded with 2% Hotel Occupancy Tax (HOT)

- In 1998, the voters approved using the Chapter 334 2% HOT to fund expansion of the Austin Convention Center and a portion of the Waller Creek Tunnel.
- When the bonds backed by these taxes are paid off in 2029, Austin could ask the voters to approve a new venue payable from the same type of taxes.



Austin's Venue Funded With Car Rental Tax

- In 1998, Austin voters approved Palmer Auditorium, adjacent parkland that is part of the venue, and the parking garage.
- Voters approved this venue to be funded with Car Rental Tax that repays the bonds and pays for the operations and maintenance of the facilities.
- These bonds are due to be paid by back 2029. Voters could then approve another venue funded with this tax.



Legal Framework To Issue Debt

- The City must carefully follow the law on debt issuance for all of its bonds and other debts.
- Cities and other local government entities must have specific state law authority to issue debt.
- The City must submit all bonds and similar obligations to the Attorney General for review before the bonds can be issued. (1202 Gov't Code)



Venues Defined in Chapter 334

- 4) "Venue" means:
- **(A) an arena, coliseum, stadium, or other type of area or facility:**
 - (i) that is used or is planned for use for one or more **professional or amateur sports events, community events, or other sports events, including rodeos, livestock shows, agricultural expositions, promotional events, and other civic or charitable events; and**
 - (ii) for which a **fee for admission** to the events is charged or is planned to be charged;
 - **(B) a convention center, convention center facility** as defined by Section [351.001](#)(2) or [352.001](#)(2), Tax Code, or **related improvement such as a civic center hotel, theater, opera house, music hall, rehearsal hall, park, zoological park, museum, aquarium, or plaza located in the vicinity of a convention center or facility owned by a municipality or a county;**
 - **(C) a tourist development area along an inland waterway;**
 - **(D) a municipal parks and recreation system, or improvements or additions to a parks and recreation system, or an area or facility that is part of a municipal parks and recreation system;**
 - **(E) a project authorized by Section 4A or 4B, Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), as that Act existed on September 1, 1997; and**
 - **(F) a watershed protection and preservation project; a recharge, recharge area, or recharge feature protection project; a conservation easement; or an open-space preservation program intended to protect water.**



Types of Venue Funding in Chapter 334

- The chapter is divided into subchapters for each type of funding:
- C: general powers; includes a limit on using property tax backed debt for most venues.
- D: Sales and Use Tax
- E: Short-Term Car Rental Tax
- F: Admissions Tax
- G: Event Parking Tax
- H: Hotel Occupancy Tax
- I: Facility Use Tax (for major league teams)
- K: Livestock Facility Use Tax



Matching venues with funding

- **Property taxes or property tax backed debt** cannot be used for any venue project except (D) and (F) (parks and watershed projects) (see 334.041).
- **Sales and use taxes** can be used for watershed projects under (F) and the projects do not have to be within the city (see 334.081).
- **Short-term motor vehicle taxes** (car rental taxes) cannot be used for city parks and recreation projects (See 334.1015).
- **Admissions taxes** can only be used for facilities the city builds (see 334.151).
- **Event parking taxes** can only be charged in a parking facility for an approved venue project. (see 334.201) (approved venue projects are ones the voters approve – see 334.001(1)).
- **Hotel Occupancy Taxes** cannot be used for: parks; for many projects developed through Economic Development Corporations. (See 334.2515), nor for watershed projects (334.2517).
- **Facility Use Tax** can be charged to each member of a major league team that plays professional sport games in an approved venue project only if the city issued bonds for the facility. (See 334.302).
- **Livestock Facility Use Taxes** eligible cities or counties can charge if they are using the tax to pay for bonds for the rodeo or similar facilities. The voters must approve the tax. (See 334.402 and 403)



Summary

- Austin can pay for venues using the process set out in Chapter 334 of the Local Government Code.
- Austin has paid for two venues using this process.
- The definition of venue is broad, but City must match funding with appropriate type of venue.
- Critical to follow the statute to allow City to issue bonds to construct the venues.

