

## Economic Opportunity Committee Meeting Transcript –5/9/2016

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 5/9/2016 6:00:00 AM

Original Air Date: 5/9/2016

Transcript Generated by SnapStream

=====

[2:10:24 PM]

>> Troxclair: I am Ellen troxclaire and we're here for the meeting of the economic opportunity community. We're convening at 2:10. There's approval of the minutes. Is there a motion. Is there a second. All in favor. All right, minutes are unanimously approved. Councilmember Houston isn't going to be able to be with us today. But we will catch her up on all of the discussion. So no, okay. We don't have citizens communication for people to speak -- I'm sorry, for people to speak on things that are not on the agenda. Oh, okay. Come on down. Come on down.

>> Troxclair: You'll have three minutes.

>> Thank you, commissioners, I'm Jim witliff. I'm here on behalf of the proposed 27-story hotel at 1201 red river. Could you put the first photo up for me? This project is going to -- it's going to be \$140 million project. It's going to generate, I'm pleased to say, \$8.5 million in income for the city of Austin each year. That's \$4.04 million in sales and occupancy tax for annualized rooms revenue. \$1.71 million in sales and beverage tax. \$315,000 in sales tax on food

[2:12:25 PM]

revenue. \$1,862,000 on property revenue tax. Over a half a million dollars in Austin energy tax. And it's going to create 200 fulltime jobs for the city. This is why I'm talking to you. This project is stuck. It's in a catch-22. It's going nowhere. I've been working on it since 2014 with the director of the planning department and with everybody in between. Could you throw the next picture up there. So what happened is when we originally filed this thing, we filed a site plan, and then after we filed it, the city wanted right of way to realign red river street. So we took the project back. We completely redesigned it. We had to add another floor to the hotel to recoup the rooms that we lost, the 14 rooms. And it's going to cost about \$1 million in additional costs, construction costs to add that extra floor and the redesign. So we did that. The city also told us that the electric duct bank, the conduit, the 16 conduits that serve the whole area with electricity need to be relocated. We're picking up the tab. So when we did this thing, could you get the next picture up there for me. When we did this project, the city told us that we were not entitled to any driveway cuts. Zero for this project. And that was beat -- that's by section 256-381 of the code that said we didn't have 200 feet of frontage on 12th street or red river so we get no cuts. But they negotiated with us. They said give us the 901 square feet of right of way we want, we'll give you two driveway cuts. Could you put the next picture up? Go through the next

one too, if you would. And one more. So, we -- we negotiated with the city. We said we'll do all of this stuff.

[2:14:25 PM]

And where we're at right now, as I said, December, 2014, I filed this site plan. I had to withdraw and resubmit it so it wouldn't expire. Could you run through that powerpoint for me? [ Buzzer ] Can I get an extra minute or --

>> Troxclair: If you'll go ahead and finish your thought.

>> I'll be real fast. This is the catch-22. The city wants 101 square feet of right of way. The city has no legal means to require us to dedicate the right of way for our site plan. The city is entitled -- we're not entitled to any driveway cuts, as I said, next one. City will allow two driveway cuts in exchange for a right of way. Next. Once the right of way is dedicated, however the site loses the right for future driveway cuts if the current site plan expires. That means in the future, if this site plan isn't built, this is going to be a one-store brick oven restaurant, not a 27-story hotel. So we want to do a license agreement with the city, which is required, but we can't start the license agreement until after the right of way is dedicated. Of course, the owner doesn't want to dedicate the right of way right now because he doesn't know that the site plan is going to go through. The funding is not complete. So he wants to continue. He is prepared to dedicate the right of way now in exchange for city commitment to allow his driveway cuts for 20 years. So, in other words, if his site plan expires, he can come back and file a new site plan and get the two driveway cuts necessary to make a hotel project viable. What we're asking for you, I put it in the packet that I sent you, I would like for you guys to contact the director of the Austin transportation department and ask him to work with Rodney Gonzales, to negotiate the 20-year driveway commitment in exchange for the right of way dedication. Thank you, I'm sorry I went

[2:16:27 PM]

over.

>> Troxclair: Thank you for being here, bringing it to our attention. If you want to follow up with my office, I'd be happy to work with you.

>> Thank you, I will.

>> Troxclair: Great. Anyone else here to speak on an item that's not on the agenda. Okay.

>> Troxclair: Next item is item three which is a development and regarding the music and creative ecosystem. Which seeks to grow and enhance the city's music and creative sectors. Is there a power point?

>> Good afternoon, I'm Alex Lopez, the economic director of the economic department. We're here today to share with you the preliminary report of the staff response to the recommendations associated with supporting our music and creative ecosystem. Earlier this year on March 3, the city council passed the resolution acknowledging the music and creative industries along with the significant challenges they're experiencing. This resolution included two exhibits with the number of priority, goals, and objectives to support those industries. The resolution directed staff to explore the implementation of the objectives, specifically highlighting the preservation of existing creative venues. It further directed staff to return to city council within 90 days with a plan of action. This is a tight time frame, in order to meet it, we're here today to share with you -- to share with the committee our preliminary

response. As I just mentioned, the resolution included two

[2:18:28 PM]

exhibits, exhibit A listed 24 objectives associated with music and the music community. Exhibit B listed 37 objectives associated with creatives and the creative community. In reviewing these items, we identified significant overlap. And designed our approach in a collective and more comprehensive manner. You'll see that a response does not match each exhibit individually. Instead we looked at each objective to determine whether to apply only to music or to the entire creative sector. The resolution highlighted the vast bodies of work associated with the music and creative ecosystems, which we also thoroughly reviewed in developing our recommendations. We also relied on our arts and music commissions to convene public meetings and facilitate dialogue on objectives. Various stakeholder organizations held their own events and have also provided feedback directly to staff as have creatives, musicians, venue owners, and local people who want to help these groups. As far as the actual process we went through in developing the recommendations, we started with the two exhibits, and identified four key areas with themes. Within each theme, we found two or three different strategies that would address the various objectives originally articulated in the exhibits. We developed the graphic in the center of this slide and used it in the music and art commission public hearings to further bring the conversation. Finally, we developed individual recommendations to achieve the desired outcomes. A new copy of the recommendation list was provided to you today. The only difference is that this new version is color coded to match the info graphic that we also provided. We presented the list of recommendations to the first ever joint meeting of the music and arts commission on April 25.

[2:20:30 PM]

Which we also received feedback from those present at that meeting. That meeting was the first time that anybody saw these recommendations and so we covered every single one of the 73 items individually. While we're prepared to answer any questions about specific recommendations, our plan is to focus on the items that have been highlighted as priority among the list of recommendations. And just one further preference, keep in mind that some of the recommendations will require city council action in the manner of policy development or revision. Some of it will require additional funding. Some of these will hire stakeholder support and sometimes implementation by the stakeholders instead of the city. Lastly, the time frames associated with the implementation of these recommendations can vary greatly, which is why prioritization is very important. With that, we'll begin with key focus area one, which is the need for affordable space. The two strategies associated with this focus area are creative space and housing. We developed 12 recommendations associated with the strategies. And so far, the priorities based on stakeholder, commission, and public feedback are the development of industry hubs, leveraging city space along with that of our partners, and researching options available for affordable housing for creatives. The next focus area involves city regulations, operations, and incentives, including three strategies that have risen as priorities. We need to address land use regulations that preserve existing and foster the development of new creative spaces and music venues. This priority was articulated in every public hearing that was held.

[2:22:33 PM]

Specifically, the agent of change principle would promote compatibility between existing venues and future development. It's about ensuring the developers understand their locations in which they're moving into and protecting existing venues that are operating within city regulations. As far as permitting, we've heard the public's concern with consistency and enforcement of city code and regulations. Specifically, the desire for the music office to no longer be involved in the permitting process that's been brought up. Lastly from an organizational alignment perspective, we need economic development tools to potentially preserve existing spaces, promote the creation of additional spaces, and attract sub sectors to these industries. Many of the 24 recommendations have been identified as priorities. The need for business training programs and specifically revenue enhancement are critical. Our industries are also currently have gaps within sub sectors which strategic improvement could help remedy. We need a plan to capitalize on our tourism along with a campaign to help austinites better understand how they can help keep the vibrant creative culture alive. We need a strategy for exporting our creative talent both domestically and abroad. Similarly, we need strategic interventions to support diverse genres within our community. Lastly, we need a better way to connect musicians and creatives available to resources. The last theme including 14 recommendations associated with health and recommendation. Workforce training to help to supplement their income, identifying and addressing gaps for health care for Austin creatives and ensuring our youth remain exposed to music and

[2:24:34 PM]

creative programming. As far as moving forward, our immediate next step is to consider some of the factors associated with implementing the recommendations. We modelled our approach after the create Austin cultural master plan, which identified the factors listed here for each of the recommendations. Our intent is to continue to get feedback on prioritizations and create a summary for these recommendations in a report that we plan to share with city council the first week of June. With that, I would like to take a brief minute to acknowledge the talented staff that's been working on this because we really took a cross-departmental approach on this. I'm relatively new to the department, but our assistant director has been working on this issue for a very long time. As far as our divisions, most of y'all are familiar with don Pitts and Meghan wells from our music division and cultural arts division. But our strategies and recommendations really cut across the whole department. So we have Vicki Valdez from small business. Christine Maguire from redevelopment and David cull gan from our global business recruitment and expansion divisions. We went ahead and coordinated with the other departments because we knew we needed to get involved with convention center, with pard, with planning, with development services. Given the short time line we had with this, we appreciate the help in working with us already. With that, we're open for any questions you may have.

>> Thank you so much for that presentation. I will recommend staff put some time and energy on this. All three of us have attended the music town halls in our individual districts and I know the music stuff was all there. Really helpful in our discussions. So, thank you. Do you want to hear from the speakers or do you have questions about the presentation? We'll go ahead and hear from the

[2:26:34 PM]

speakers and then I have a cupel of questions for the staff. Let me see. The first speaker is Jennifer Houlihan.

>> Good afternoon. Thank you so much for taking the time to hear these presentations and consider the hard work of the staff. It means a great deal to us that the creative economy is on your radar. So thank you for spending enoughtime. I just want to pull up as representative of Austin music people, the association and advocacy group of music in Austin. Representative troxclaire said it was originally proposed. If I understood her correctly, there was a question about resources that were already being assigned to these projects which may or may not be in the departments that put together this project. For example, music at the airport an asset that is being invested and we'd like that to be considered in a larger conversation, the pecan streetfestival. I believe that Latin programming at the Mac gets \$75,000 a year in south by southwest. All of this should be part of the story that we're considering when we're looking at the resources that are spent on Austin's creative sector. I know the staff is hard at work on a resource report and the next one you see will have price tags assigned to these things. But we wanted to go on the record and had asked, actually, probably a year ago for this information. And ended up having to file a public information request to try to get it. When we got the response, it was a paragraph with a link to the city budget website. So if you have anymore luck than we do in teasing those pieces of information out, that shows how diverse that support is for the cultural sector right now, that would be a great privilege for

[2:28:35 PM]

us to review as we help to do our planning and advocacy for our members. Thank you.

>> Thank you. And that was one of the questions that I had on my list for our staff. So I'll be sure to follow up with them about that.

>> Troxclair: Next speaker is Jennifer chenowith? And after Jennifer, we'll have graham Reynolds.

>> Thank you, councilmembers. Appreciate your time and attention to this matter. I appreciate all of the hours that staff and the mayor's office has put into this discussion. I'm a visual artist in Austin. I'm speaking on behalf of myself as a visual artist and that it is incredibly difficult to look forward and figure out how to make a living in this town. I chose being an artist because intellectually it was the most challenging thing I knew how do. There are no rules, you have to always continue to reinvent yourself, do your best work, engage with your audience, and try harder. You don't ever get to rest on your laurels. In the visual art world, everyone wants new work all the time. So you're always trying new things and experimenting and inventing yourself and I wouldn't be the artist I am without Austin. We have an incredible audience. We may not have an arts program but I'm inspired by the people who are here, that's why people move here, that's why businesses can recruit new employees because of our reputation as aninspiring and creative city. I would like to have the opportunity to stay here.

>> Troxclair: Thanks, thank you so much for being here. Graham Reynolds and lulu flores.

>> How's it going. First I wanted to thank y'all for coming to all of the town halls we did with the office of the music commission. It was great to reach out to

the community. It's great to have all of you

[2:30:36 PM]

there. Made a huge difference. Second, I want to say how great it's been to work with the staff on all of this. They've been really responsive in telling us on the commission what's going on. And then also attending all of the town halls to tell the community what's going on. Third, I wanted to thank arts commission for working with us. We have a music and arts commission work together is so the closely has been an exciting thing. We feel like we're making progress together. I feel like with this omnibus, we have this momentum building and we've gotten the community engaged. And be we're starting to build some trust with that in these various communities we've been reaching out to. And the hope and the optimism is for something concrete to come out of this so that engagement is both rewarded and encouraged and as the city continues to work with music and the arts and the creative ecosystem that we can maintain this level of engagement. And bring more and more people to the process and hear more and more voices. The more concrete the change, some of the changes will take a long time. If we get some that are short term concrete, that will be what we need, I think, to move forward in such a positive way. We're -- on the commission we're looking forward to seeing -- we've got the 72 specific recommendations, all which look great. But we're also looking forward to seeing dollar signs and time lines associated with those. And I know the staff is working on that. But that will help us in our prioritization and in our ability to say what -- what will make the biggest difference the soonest. What will make the biggest difference for the ecosystem for the long haul. But with the time remaining, I'm just going to reenforce some of the priorities that we established on the music commission, a lot of which are really echoing what is put forward. But agent of change is a huge one for us if we build a city that doesn't accommodate music, then it's just a slow death for

[2:32:37 PM]

the music community. If we put venues that don't put some protection into neighborhoods and we create resentment in the community, that doesn't help either. We want quiet neighborhoods to be quiet neighborhoods. If we want raucous music districts to be raucous music districts. We are at a crisis point with performing arts spaces, theaters, things like that, as well as music venues. Figuring out how to preserve the ones we have and how to encourage new ones is also critical. We don't have a place for the art and the music to happen, then, again, it's just this long, slow death. Where we'll have some of the date, marquee venues. But the incubator venues won't exist anymore. Thank you. I've got a long list but --

>> Troxclair: If you have a few other things to mention, I'm curious. I'm glad to hear that overall it sounds like the priorities that the commission identified are similar to the priorities that is --

>> I think we are --

>> Troxclair: That you are honing in on. But I'm happy to hear more.

>> There's quite a bit of overlap. We've been communicating about that. That's been great. The -- we started to engage in the music community, each of that. Cultural arts is focusing in on it for a long time. A lot of potential to increase revenue of artists, especially musicians and the venues themselves. Right now, clubs are making the most of their money between 10:00 and 2:00, something like preservation hall or blue

note, these iconic venues in other cities can run much longer hours because the tourists are showing up. We can fill up happy hours, early shows, if we start this engagement and really help to guide tourists to our iconic things that we have here. Industry development. A lot of people moved here

[2:34:39 PM]

because it was not an industry town, it wasn't like L.A. Or New York. But with that, there's a lot of rungs on the career ladder that are missing so industry development is critical to address the increased cost of living here. And now this is the way to address that through the revenue side. And so industry is -- developing industry, recruitment of industry, industry hubs, always are, we feel, are critical. That plan is important is to pay itself back as advertising the brand, Austin, advertising the art and music of Austin. What else? Diversity is something we've talked a lot about on our commission and something that we see suffering and see if gentrification happening, venues of color, very few venues owned by people of color and see what we can do about encouraging those genres and those communities and that art and music continues to thrive here in Austin. So that's what I wanted to say. Thanks so much.

>> Troxclair: Thank you.

>> So you alluded you talked about small concrete wins to build the momentum. The folks who come out to the town halls and never interacted with councilmembers or the city before could feel good about the work they've done so they can take on the bigger stuff that's longer term. Have you all identified what potentially some of the small early wins might be?

>> The agent of change one is big. All of us played in venues that then make the neighborhood full and then a hotel gets built next door to take advantage of the coolness of the neighborhood and then the people at the hotel complain about the music and the music gets shut down. So that's something that came up repeatedly at town hall. So we can't bring back venues

[2:36:40 PM]

that have been shut down that way, but we can oh tell musicians that's not going to happen again. So it's -- and then for most of the concrete things, I think we're waiting to see what those dollar signs are -- what they look like. Which ones are more reallocation of staff time towards things that -- but I think once we get to the next stage where we see the one pagers on these, we'll be able to identify concretely a shorter list of the things that will make the most impact in the next year so --

>> Thank you.

>> Troxclair: Councilmember?

>> I have a question for you.

>> Pool: You said something about tourists and attractions for tourists. You mentioned New Orleans and Preservation Hall. That made me wonder, we've been rolling around ideas of how we map different things in our city and one thing I'm looking at is we have new rules throughout the city? That's public art. And maybe people don't know where they're located but it would be a tourist destination and literally have a map with different murals and history about them and also preserve them. So, I was just wondering, do we have a way to map iconic places that have a music background and you know places where people have played before they get bulldozed and put plaques up in places that have been bulldozed, I got here in 1980. So I missed a

number of very wonderful dancehalls and venues. I'm really sorry about that. I would have gone to them. But maybe is there a way to maybe try to put a pin on a map for places for tourist purposes and go to New Orleans, you go to the cemetery, right? You go to preservation hall and you go to specific places where you get your beignets.

>> Something that's happening that I think would be low cost

[2:38:40 PM]

and just -- and if we can get people around the table and make a list, there you go. Drop it on a Google map. But then you can take that further and New Orleans as you were talking about, they have these walking tours. And they took a bunch of cast members from Tremé to do the voice over for them.

>> Like Friday night lights or something.

>> Exactly. Friday night lights, we could get Willy. We could get all the sort of people that -- people coming from out of town would be excited to hear the voice in their head and walk around town being guided by Willie to his favorite places and telling stories about the things he did. We could also bring in younger musicians to help with this tour. What's the cool thing now? There are a lot of ways to engage the people coming from out of town to see the live music capital of the world that they're coming to see and identifying the places and the clubs that sort of represent what we want Austin to be experienced like, I think it's a great way to start

>> Pool: Especially since we tend to be losing them.

>> Exactly. If we can help those venues. Yeah, I went to Al Green's, the rubble where the studio used to be where he recorded. People will go to these places even if -- they'll go where Liberty Lunch was. They'll go to where the Armadillo was just to sort of be in that physical place, even if it doesn't exist anymore. So I agree it's something we could capitalize on.

>> Pool: Thank you.

>> Thank you.

>> Troxclair: I'm encouraged by the creative ideas that are coming in -- and some of them are somewhat simple that I think could be followed through relatively quickly. The general in my district is I'd never been a national before. I was able to go to national next year for a city conference and was really struck by, yeah, the listening rooms and, yeah, there are a lot of differences between the two cities but really kind of highlighted a lot

[2:40:42 PM]

of room for improvement that I think Austin has gone into. Thank you for involving -- I have to tell you I was a little star struck by meeting him. I'm a huge fan of his work. So when he introduced us, I said, hi, I'm Graham. I said, are you Graham Reynolds? So thank you for being here and participating. Next we'll have Lu Lu Flores. After her, Alexander Bassett.

>> My name is Lu Lu Flores, I'm Austin Arts Commission. Just here to say thank you on behalf of the arts commission. We have had a great opportunity to work together with the music commission, as I said, this is -- we're coming together, we're working together. We're looking forward to continuing to work together. To meet the challenges that we face, that our communities face. First of all, I want to say thank you to the committee for being here and to the council for addressing these issues and recognizing that the creative and the music communities' industries are an economic driver for the



city of Austin. They are what makes Austin unique and what makes Austin Austin. We're facing some serious challenges that could, you know, make Austin no longer be the kind of place that is welcoming and is full of creative music talent. So we want to make sure that we preserve that. I also want to thank the staff for being -- for working really hard and very -- and a lot of time and pressure in coming up with a really great plan. The music -- I mean the arts commission has not -- had an opportunity to meet yet to prioritize the initial staff

[2:42:42 PM]

responses. We will meet this coming Monday. We're looking forward to addressing the issues and discussing it amongst ourselves. We did meet jointly. We had at our public hearing that we held on April 20 and at the joint meeting with the music commission, we had the public identify issues that are important and that's something that the staff uses as well. We continue to hear from folks. We want to thank our outgoing vice chair, Jennifer Chenoweth and our incoming vice chair for being around and attending. I know Michelle attended every single music summit. It's gratifying to hear from the community, hear if needs and we get input from the public. We're excited and committed to helping any way that we can and we're looking forward to participating and doing our part to help us meet the challenges that we're facing. So thank you very much.

>> Thanks.

>> Troxclair: Council member pool?

>> Pool: Thanks for being here. I had a thought. It was great seeing my music commissioner and my arts commissioner at the music summit. It was an optical, it was an optics, it was really good. I like MD knowing they were working together. Do you think it would be an opportunity for the two commissions to meet jointly, have joint meetings to go over the different -- if you work your priorities and see where the intersections are?

>> Thank you for reminding me of that. We do have a working group right now. We created a joint working group. Two members of the arts commission and two members of the music commission. They're an ongoing working group to address these issues but we're looking forward to possibly even creating other working groups that might deal with some of the individual

[2:44:44 PM]

issues that come before us and of course we're looking forward to the opportunity to have other joint meetings with the full commissions meeting together. But, yes, we -- we definitely have talked about that, thought about that, and are planning to do so.

>> Pool: What you might do also is look at the full list of all of the commissions, the boards and the commissions that the city has and see if there are any other communities of interest among the other boards and commissions that you might find useful to have like the downtown commission, for example. That might be a good -- I know Bruce sits on the downtown commission from the arts commission. And I don't --

>> He's on the working group with the music commission as well.

>> Pool: Excellent. So those kinds of synergies and such and it may be an even broader slice of the work that other citizens in the community are doing.

>> That's a great suggestion, thank you.

>> Pool: That would be great. Thank you.

>> Thanks.

>> Troxclair: Thanks. Okay. I think Alexandra Bassett is next? And then Gavin Garcia.

>> Hi, thank you so much for all of the work that you're all doing and for the staff for all of the work you're doing. It's a really exciting time as an artist here in Austin. Feeling this momentum, I want to echo what commissioner graham Reynolds said. I'm here representing rude max. We're a theater collective that runs east Austin. It's a warehouse theater that houses rehearsal space and convertible black box space for use of artists of all disciplines. And that's, you know, visual artists, theater artists, designers, composers, choreographers, all kinds. I just want to echo also the idea of fast and concrete solutions that can be made in the near, near future. We've been running it for almost 17 years old.

[2:46:45 PM]

And are being priced out and will be closing our doors may, 2017. And this is already something you might know about the salvage band guard closing this June. These are institutions that offer opportunities for emerging artists from all disciplines. I can speak to you as an emerging artist and the manager at rude max that we offer the most affordable rates in town to rent and show case your smas. So a company that has the opportunity through maybe our co-producing program infusion is able to have a platform and then perhaps get picked up by a larger theater institution in this area and to have a healthy ecosystem that opportunity needs to continue. These two spaces are closing. I don't think Austin can handle the net loss of those two theaters. We focus and prioritize on the area, making sure we can preserve the institutions and the buildings they're in. And also have more creative hubs in Austin for artists to access, to have access to it. I want to echo saying we're excited about thin east. That's a 3 or 5-year-old timeline and the expectations they're offering opportunities that are listed in key areas three and four and even in one that exists already that I would really like to be a resource in this work to work with you, to find solutions and alliances. And I think I covered it all. Thank you very much. Thank you. Any questions?

>> Troxclair: Okay. Gavin Garcia. Then John reedy.

>> I'm Gavin Garcia. I'm the chairman of the Austin music commission. Like everyone else, I want to

[2:48:47 PM]

echo our appreciation for a city in all of this in the last six months, we've gone downhill I think in pursuing something that will not only affect the artists here today but generations to come. The commercial music industry in Austin has been here for 50 years, never an industry until now. Creative arts, possibly the same. More or less like the symphony. Go back a century, possibly. Economic development department we have in Austin, I want to compliment them. Let us know the work they're doing is extraordinary. And that's how creative the arts commission and music commission can be for the first time in the history of this city. Again, for the encouragement of economic development. Whatever the history is and creative Austin right now going forward, it's all about opportunity. So that's another thing that we want to lay out. As you see in the ten town halls that have been around that were put together across these ten districts, the councilmembers saw that we had 9 out of 10 appear, one had a city council meeting. But we can see the breadth of the music and the arts industry goes beyond downtown Austin. We want to address that as you will see in some of

the initiatives for citywide momentum for both arts and music. Also, the export is important in a we keep the dynamic name across the board at south-by-southwest. Created largely tourism. We've had facilities like acl. Not acl -- the Austin city limits. The theater itself and also the studios are Austin's grand ole opry to speak to Nashville. They go on and on. Diversity is another key component here to make sure we address this time. It's been divisions, as you know, and segregation in Austin's history.

[2:50:48 PM]

Economic segregation is something that music and arts can't tackle directly. The bridge for developing a future in that regard. Thank you.

>> Thank you.

>> Troxclair: The last speaker that signed up is John reedy.

>> I'm John reedy. The CEO of the Austin creative alliance. I have a 20 plus year career in the music business as an artistmanager including several years of graham Reynolds in a close collaboration. I want you to bring your attention to a process we began in January of 2015 called createdive sector summits where we gathered hundreds, literally, of organizational leaders and individual artists, including many, many people in this room to discuss at the macrolevel the challenges facing us. I think it's plain to see that the biggest challenges we call are creative infrastructure. And the bottom line is these types of businesses, both nonprofit and for profit cannot increase revenue fast enough, quickly enough to keep up with the rate of property value increase. We studied other cities to find out how they work with the crises of growth. We found opportunity. To take advantage of the opportunity, the cities that were successful made investments in facilities. Facilities equals jobs. If we want to keep artists in Austin, we have to have a job that they're engaged to do. Several cities including Minneapolis and Denver is

[2:52:49 PM]

leading among them. The cities that in mid growth strengthening the identity by the way you invest in tourism, by the way you invest in tech. So what we do is long term and midterm planning and there's a packet in front of you for that, to approach four things that have been proven successful in other cities. First and foremost, I think, in the short term is empowering ownership among established arts groups. We're seeing a lot of displacement there. We heard from rude max. Tap guard lost their space. Cities that empowered ownerships among their arts groups increased the jobs for artives. Also, developing new audiences is important. Denver created a theater district out of whole Kot and saw jobs increased and tourism revenue increase. Expanding arts education is super important because teaching is a huge part of an artist's income. We need more education, not less. A larger population needs more arts education. We want to expand education not only to meet the needs of our children but to expand opportunities for employment in art among artists. Finally, Austin is behind the peer cities in the kind of creative infrastructure that we have. We have fewer stages than we used to when we need more, fewer music venues than we used to and we need more. Look at what they did. This packet is some examples of how we do kcan do similar things, of course, tailored to Austin. Nothing we're proposing in the short meeting in a long term is without precedent elsewhere. We hope you can review the packet and we get a chance to speak with you closely about it. [ Buzzer ]

>> Any questions.

>> Pool: Thank you for being here today. If you would give us the top two or three reasons why the musicians and creators are having such a difficulty, what

[2:54:51 PM]

would you tick off?

>> The number one thing is Austin's property market is in a boom. The rate of increase like this, revenues can't do that. These facilities have maximum capacities. Unless they have money to invest in that capacity or money to invest in owning their home facility, they can't increase revenue to meet the rising rates. We're looking at some organizations when their current leases are up, looking at 200% or more in increase in rents. And we surveyed 430 music venues, thanks to Don Pitts for sharing his list, plus our membership, over 600. 237 responses from organizations, 52% of them do not expect to be able to afford their lease when it comes up for renewal. So that's half of our art spaces. We see this all over. San Francisco is a great example of a city that's getting hollowed out. And London, England, their mayor announced in the fall they expect at least 2500 art spaces in the next decade if something is not done. So boom towns faces a problem. Those who have succeeded invest it wisely

>> Pool: Thank you.

>> Thank you very much.

>> Pool: Thank you.

>> Troxclair: Thank you. That's all the speakers that I had on this signup list. Was there anybody I miss? That wants to speak? Okay. Do you -- do we -- staff, do we have you guys come back up. I don't know if there's questions from the committee for staff members? You want me to go?

>> You go.

>> Troxclair: All right. Well, the first question I had was if we were going to -- I think when we passed this resolution, I had requested a list not only of all of the

[2:56:54 PM]

basically existing programs that support music and creative industry. It's not necessarily within the economic development department but just across the city. I want to have a better understanding of what we're already doing especially if we're going to invest in other places, we want to be as effective as possible, not in duplicating or investing in something that hasn't gotten us the return on investment that we would have hoped for?

>> Right, I think it's on slide 12 where we're talking about the additional research. The implementation factors that we're going to take into consideration. One of them is resources. The resources that may already be allocated to either the exact same thing, something similar, perhaps something that needs to be tweaked, modified, implemented differently. We want to make sure we look at that collectively before we go out and recommend additional resources or additional programming. That is one of the things that we'll be developing. This slide -- these factors right here. One of the speakers made a reference to it. Our next step is to develop hopefully to keep it to one page, there's over 70 of these. Develop one pagers on each of these. Identifying each factors for each of the 73 recommendations to really be able to see where we already have maybe a competitive advantage. Where from a tiny perspective maybe we

should be able to capitalize it a little bit faster than others. But that's kind of a deeper dive that we're needing to do in the next couple of weeks.

>> Troxclair: So when you come back, you're planning to come back to the full council in June?

>> A full report. All of that information. What rep sources are committed. And if there isn't any, what the projected budget would be for implementation of that item?

>> Troxclair: The resources. I want to confirm that the resources already committed or the programs, the industries

[2:58:55 PM]

would include citywide.

>> For our department, citywide.

>> Student: And the budget.

>> We need to research, I think, some of these things are being implemented by partners outside of the city.

>> Troxclair: Mm-hmm.

>> So with want to be able to maybe look at it comprehensively to see if anyone else is doing these things.

>> Troxclair: Oh the Kay, thanks. This is probably more of a -- a comment than a question. And I'll know more as well when you have a little bit more information put together. But there was a lot of discussion at my town hall about things that weren't necessary lip -- that could be supported by the city, but weren't necessarily solely the city's -- the city of Austin's responsibility.

>> Right.

>> Troxclair: And of course there is -- some things more than others, of course things like permitting, you know, or land use. Those things are pretty much solely within the realm of the city. But if we're going to create a sustainable ecosystem, I don't -- I hope that the -- I think that it's important, but of course it will take some resources and it's going to take smart execution of those resources. But what I hope we don't come back with is just, well, the city needs to put more money here, here, and here. Because I don't think that will be sustainable over the long run. I think if we're going to create a mentality in our city that truly supports music and arts and caters to tourists who come here for music and arts, there's going to have to be industry buy-in, business buy-in, there's going to have to be, yeah. I think just a change in the mind set that I don't necessarily always so I just hope -- I know that that is going to be an important part for some -- some of the programs, but I hope the one-pagers that come back to us and the responses from the city side that come back to us aren't just, well, everything on this list is going to require a budget item,

[3:00:55 PM]

because I don't -- I don't think that that's all we can do. So --

>> No.

>> Troxclair: I just want to make sure that I was articulating that.

>> Agreed.

>> Troxclair: Okay. Great. Thanks.

>> Council member Casar?

>> Casar: And this question may be for you. It also may be Mr. -- maybe Mr. Reedy can help out in this as well. I think that obviously we've talked a lot about keeping our

existing venues and spaces open and going and thriving, and I can't emphasize that enough and I think it's obviously been emphasized a good bit here, but something that I will be thinking about as we make our recommendations too, though, is how we don't, when we do make city investment -- how we don't perpetuate the inequities already existing in our city of who already has the ability to own and run venues and how we make sure that we're both protecting what we have but making sure that we don't -- but making sure that new folks who may not have had the resources before to buy in to running a venue or a creative space, have the opportunity to do that. So how much conversation have we -- I imagine there's been a good bit of conversation about genre diversity and geographic diversity not just in downtown. But how are you guys sort of wrestling with that question of making sure we preserve what we have while at the same time not perpetuating the inequalities already present in our system?

>> And I will welcome if anybody else wants to share anything but I can share with you personally my experience with it from what I've been hearing over the past couple months has been that there's a varied response to that. Some of the venue -- some of the -- I can say venue owners, even though they're renting, find themselves in these situations. Some of them would love the opportunity to be able to purchase their space, but just from a typical business perspective, sometimes that's just not very feasible, for a number of years. It would not be feasible for them to own their physical location. I think there's so much change happening in the real estate market right now. It's just so intense that

[3:02:56 PM]

it's going to be even more challenging in particular areas to preserve spaces, but I think we want to make sure that we have the tools from the city -- there's a lot that needs to happen on the private sector as well, but from the city's perspective there are particular tools that we hope to have to be able to capitalize when opportunities arise to help preserve some of those venues, in particular in areas and within genres that we know need that extra help right now.

>> Casar: Thank you. It looks like some other folks want to chime in on that too.

>> You probably described those tools -- describe those tools in a little bit more detail.

>> But I don't want to be a spoiler alert, right? Christine McGuire, I'm the redevelopment division manager for the economic development department. My expertise is in real estate finance and public/private partnership deal structuring. I've done that for over 25 years, and find -- find this conversation in the sweet spot of why council member, trok Claire -- why it is -- troxclair -- why it is so important to engage -- the private sector development community, capital markets and the creative ecosystem into creative financing structures that do that. And been three and a half months in this position and it's remarkable that cities throughout the state of Texas commonly avail themselves of statute which enables cities to partner with the private sector, to leverage capital markets. But we're -- we're not doing that here in Austin. So what you will be seeing is a package of policy recommendations that actually will do that that are quite common in the state of Texas but not here,

[3:04:59 PM]

including things as simple as the expansion of our tax abatement policy or creating a tax abatement policy, actually, that enables there to be a quid pro quo where an

investment and the job creation are at least -- or at least the capital investment that a developer brings can actually leverage an abatement of city property taxes or business -- personal property taxes for the benefit of creative space. That's just one example. It's looking at our targeted industry business recruitment of all things that actually includes targeted industries of music and creatives in a strategic way of including that in our ecosystem and maybe spanning our 380 local government corporation chapter 380 grants to do these public things. I'm just giving two opportunities. Third opportunity obviously is looking at city owned surplus land of which council members regularly point to the city and say, please look at this piece of property that has been deemed surplus by the owner city department as well as real estate, and maybe it could be positioned in a way for innovative P 3 structure that actually is an innovative purchasing structure to do that. I'm rattling off three low-hanging pieces of fruit that will take policy changes and working with interdepartment - an entire array of interdepartments to bring that, but it's not like we're reinventing a whole new change agent process that requires, you know, changes in city statute. I say all that and the whole

[3:07:02 PM]

issue of equity. The real estate market, as you well know, does not look at places in the city of Austin the same. So when we look at public/private partnership formation, what we're really looking at is financing the gap between a rate of return, a risk/rewarded rate of return from a developer, the cost of construction. Those are given by the capital markets and given by a broader context, exogenous in the market, and what rents are. And the difference between what the command of rents are, the cost of construction and a rate of return on investment is a gap, and there needs to be a wide array of tools to cover the gap. I think honestly it's a little bit new way of Austin to look at things, but doing so enables you as the city council members to be portfolio policy makers in seeing how different parts of our community are not treated the same, fairly or unfairly, by the real estate capital market as well as the space market, and that enables us the need to really bring a whole array of tools and layer them to cover the costs of the gap, to bring forward socially responsible investment and goods in partnership with the private sector. And so I think I'm preaching to the choir, but I think there is a lot of heavy lifting from a policy standpoint that Austin can be doing that other cities, quite honestly, are ahead of the curb. -- Ahead of the curve.

>> Troxclair: I appreciate that information and background. [Applause]

>> Super-tough act to follow there. [Laughter]

[3:09:02 PM]

I want to reiterate what she said. She said it in a much more policy oriented even wonky way than I have the skills to do so.

>> (Indiscernible).

>> It's amazing. And we need that, because that is the gap. The gap is it. In that packet I handed you there's a couple pages that address that gap, and one of the things I really want to bring your attention to is what some other cities have done, the urban land conservancy in Denver and the Anchorage land trust in Anchorage. They have both carved out pieces of their cities and said, this is the kind of activity we're going to reserve this land for, and we propose something called the Austin creative

trust that would do the same with creative space or creative infrastructure. The key is that as the city participates in some entity like that or gives land away or leases land to do that the city can then define how that land is used, and you have the opportunity to talk about the inequities that you cite. We want to make sure there's enough stages in town. We don't necessarily need to pick the winners. You know, you could put them out for rfps. Say we built a theater district and there were six stages to be had. We want to be sure one, two or three are available to culturally specific groups. And as the city engages, if you give the land for these infrastructure development you have a lot of say on how that gets done and who gets to use the spaces. But the key is we carve out that space so it's there now and there for the future. So the two pages I would like you to look at on this issue are the Austin creative trust and then the single most important thing this city can do and that other cities have done successfully is leverage the city's land, and we have a whole one sheet on that at the very back of the packet. So as you -- as -- if the city leverages its own land then you get to define who gets to use it and we can address some of the stuff you mentioned. I hope that helps.

>> Casar: And I think that just our -- to everybody here and to our city staff I

[3:11:02 PM]

do appreciate the way we've been talking about the diversity issues not being sort of in a separate pot on the side but rather integrated into the very core of every piece we work on, I think will be important so that sort of nobody gets left behind in the process. So I do appreciate not sort of having a slide at the end of the powerpoint about there's how we're going to deal with hip-hop and Latin and metal is one slide and all the other 20 slides are not supposed to be about that. I think that being sort of core of what we're doing will really help across this dais. So thank you all for that.

>> Do you have more questions for staff?

>> Pool: If I could, I want to check in with the staff. And I don't know is it -- is it Andrea? I'm sorry, Angela.

>> Alex.

>> Alex, okay. And you're new, so now I know your name for sure. Or if it's -- in the work that was done, the resolution that we've put forward, one of the items that I thought was important but I don't see it in the list of key focus areas, went to the combining of and using the most efficient use of staff, and I think when we had the music summit with our art commissioner and our music commissioner standing together, it made me think, how are we and what are we doing within the economic development department to merge those conversations staff-wise and then also to include the other staff like under David collagen with the folks coming in from outside to look at what we have here. How -- what sort of organizational structure do you have that facilitates all of the different departments and divisions within EdD talking to one another?

>> Well, as Alex mentioned, the entire department has been a part of this resolution, and we recognize the strength of each

[3:13:02 PM]

division. So when it comes to talking about space development we know we can't move forward without our experts in redevelopment. In terms of professional development and training, we know that small business has been doing this for the past 15 years and creatives and musicians -- they're creative but they are businesses too, so we need to



develop those skills as well as the art and music sectors working together. So in terms of our divisional structures, yes, they will remain, but we always, since I've been there, have come together in times like these to strategically plan how we move forward. So this fall is a perfect example in terms of getting connected. It's not only a small business resource, but it's going to be a creative and small business resource fair. So we feel our structure as it currently stands is sufficient as long as we are continuing to cross-work together on major projects, and this is a major project and it's going to take all of us.

>> Pool: Yes, and I'm glad you mentioned the small local business because I was thinking that section of your department, it would be useful to have them also working with the individual artists, because they are enterprises themselves, and it's more than just knowing how to keep books but it's also kind of this larger strategic planning.

>> Right.

>> Pool: So thank you for that, and I think that being able to break down silos from department to department is hard, but the least we can do is break them down within our departments.

>> And we've met with parks and recreation. I've been in conversation with aviation, and on last Friday as graham alluded to, so the -- to the first of my knowledge we had the mega chambers Austin independent business alliance, the convention center, Austin convention & visitors bureau, the arts commission, the music commission, in a room talking about cultural tourism and how we move that forward. So we know we have work to do in that area to strengthen it, so they all committed one thing that they could do, and so I'm

[3:15:02 PM]

looking forward to more conversations in that area to move that forward because that is critical.

>> Pool: Do you have mapping of either murals or iconic places where music has occurred on your list?

>> As you probably know, we are going through our asset mapping project, and we've already been talking about what kind of wayfinding projects we could have. The African American cultural heritage district has already developed some technology around that during -- during my first year with the department astempo, we built in kiosks where you could dial in and listen to what the piece was about. So we know we have done some things in the past, and we just need to sit down and come together to decide as a community, not just as economic development, but how we move that forward, so --

>> Pool: And then have you considered collaborating with or perhaps funding some web sites for creatives that already exist? I know there's one called createaustin.net and another called Austin space finder.org.

>> And we funded Austin space finder.net. And again, it may not be the city funding, because if there's a platform that's already existing or developers that are there, I don't think that's a place where we can -- we could use those resources in another area that needs help, but if there's a platform there ready that we can use or upgrade, again, as council member troxclair said, the city's resources are precious, I'm just going to ad lib, and so we need to engage critical partners, and we look forward to that.

>> Pool: Right, and I think that was some of the key points on these two different web sites that are already out there, that you could be able to build on what's there.

>> I know I've heard from about three developers on some items, so again, we want to go through the procurement process fairly and equitably.

>> Pool: And then my last question, if I can find

[3:17:03 PM]

where I wrote it, goes to -- I had a couple of questions, I guess, for the law department. I don't know if anybody -- is anybody here from law?

>> No, I don't think so.

>> Pool: I'll just toss them out there and I can submit them -- them for q&a. I wanted to get some input from staff either from law or Mr. Johns or somebody -- somebody in staff. Can we craft a route for funding from the hotel occupancy tax to our creatives? Is there a way to look at the tourism-based work that our creatives do in our community and possibly find a way to fund them? We have our cultural arts contracts already, and I'm thinking of a different model than what we do for -- that the arts commission works with our cultural arts folks on. Can -- another question, can we do a small business loan program for creatives? I think you all were talking about funding for P3s, which is -- which is a good idea too. We should look at that, but we have a neighborhood partnering program in public works where communities come together and do work. They put sweat equity and they put finances together and they can do gardens or they can do playgrounds, and is there an opportunity that we might have something along those lines with -- through EdD to do some kind of a business partnering program for creatives? And then I would ask staff -- I know we have a list of where the city of Austin owns land, and recently, I think it was about two months ago, we had a conversation about whether to sell a parcel of land, and the mayor pro tem championed keeping it on our tax rolls so that we could work with -- I think it was --

>> The winnebago tract.

>> The winnebago tract, and it was our -- was it art space?

>> Art space, yes. We partner with them before and we submitted the

[3:19:04 PM]

information to council.

>> Pool: Right.

>> But the loan component, there is an item within the huge plan that we're going to address the loan, possible loan fund for various uses, and then we will take your question and get back with you on the hot --

>> I'm thinking of it in terms of the gap funding that Christine was talking about. Not 100% funding but the gap funding and it would be a puzzle piece to fit in.

>> Right. Yes, that's in the plan that we're going to come back.

>> Pool: All right.

>> And then if you could submit your question in terms of the hotel occupancy tax we'll be glad to respond.

>> Pool: And I know there are lots of restrictions on how the hot money is used, so just to think about things a little bit differently but obviously still within the constraints of our state laws.

>> Yes. If you submit it we'll respond. Thank you.

>> Pool: Yes, Mr. Johns.

>> Kevin Johns, director of economic development. We're also looking at new market tax credits, which we hope would be a new tool. We're looking at the use of 501(c)3 bonds, which are like industrial revenue bonds, which are larger for bigger initiatives. And then of course the synovia as Christine said public and private partnerships. We know on the horizon there are big tracts of land that could become available. For example, the -- the biggest tract is the 95 acres that the state owns on Mopac and 35. There are other pieces like that that we know that could come or are going to become available. And so our thought process is much like you heard with the community trust. So we're exploring all sorts of options in addition to the ones you suggested.

>> Pool: Well, even at Palm Square, for example, if we were to partner with Travis County we might be able to have some rehearsal space and performance space at Palm Square if we're able to retain and preserve that

[3:21:05 PM]

structure.

>> Exactly. That's a great example. And in all the discussions about the innovation district that the state owns those 26 acres, I think that would be a great policy discussion for the council to have to explore what they're going to use those properties for. I think that they could be accessed in some way, shape or form to be included in the innovation district.

>> Pool: Well, I look forward to working with you all further. Being in Austin for as long as I have, I've seen so many not just music venues but theaters come and go. I don't know how many in the audience room are gas light theater and member center stage, and any number of other stages where I was -- I was in Zorba on center stage back in like '81 or something. [Laughter] And it was really great and I met a lot of folks who are still in town and some of them are sitting in the audience here today, and knowing the creative community the way I do from being an arts commissioner back in the '90s for a long time and just having friends who spend their -- who do this for a living, I -- it touches something really deep in me and I really want to do everything I can to support the work that they do. So -- so let us know what we can do to help.

>> I want to say that we totally support that, and for an economic reason I'll just leave you with, you know, we -- a reason, I think, to do it economically, you'll recall during the recession we did an analysis of the creative industries between 2005 and 2010 during the recession, and where the rest of the economy flattened out or crashed, the creative industries grew 25%. And so that's now \$4 billion worth of development, \$71 million of taxes, 49,000 jobs.

[3:23:05 PM]

In the unlikely event of a next recession, I think we need to have that cushion. We need to build up the creative economies, both the musicians and the artists, so that if that unlikely event happens again, that we're still strong.

>> Pool: And we have resilience.

>> Yes.

>> Pool: I would also like to help build the fill and philanthropic muscles of the developers and the various different firms who come to our town and have come in the last ten years, because it's such a great place to live, and help them see

that they can make a good living by living here and working here, but what really makes Austin special is the support of the arts, the whole wide spectrum of the arts and the creative arts, so that we build their understanding of how they give back to the community, because the community gives them a lot. And I'd really like to see something tangible to come back and help with that resilience and sustainability for the folks that are out doing the work that they do in the creative sector.

>> I think we can do something really -- really special.

>> Pool: Thank you.

>> Thank you.

>> All right. Thank you all for participating in this robust community discussion. I appreciate it and look forward to the report back to council in June. Thanks. Did I miss any speakers for the previous item? I saw on the citizens sign-up two new names pop up. Niela -- is that -- were you all wanting to speak?

>> Yeah, we (indiscernible).

>> Troxclair: Okay. No, now would be a good time. I'm sorry about that.

>> (Indiscernible).

>> Troxclair: Yep. You're both welcome to come up or you can go --

>> I respectfully (indiscernible) My time (indiscernible).

>> Troxclair: Okay.

>> (Indiscernible).

>> Troxclair: Okay. So you'll have six minutes

[3:25:05 PM]

then,.

>> Thank you. -- Oh, sorry. Thank you so much. I was here in February and spoke about the fashion industry items that were on the agenda then, but then in February I kind of wasn't sure what we were doing. I was just told to come here and speak, so had I known what we were really supposed to be talking about I would have said this. My name is Niela, I'm founder and executive creative director of underground, and Tu MC, a upon, and production skills boot camp workshops and we also have a fashion incubator and workroom space, and basically the flyer I just handed you, which I think he had to project -- thank you, is just an example of what we do -- of what we did do during our last boot camp, and the reason we call it a boot camp is because it's an 18 day intensive program on not just fashion design. We actually do very little of the fashion design part so the stuff you see on project runway is not what we do. We do the real stuff that project runway doesn't often show. And I mentioned that project runway because that's what most people think of, and being a multidisciplinary artist, and I am right on board with what Jennifer -- oh, Jana Siebert -- was saying, and we -- we take in 18 days, we throw in all of these and then some, and we have experts in the industry that are local as well as we brought in the phenomenal, and my began sister, professor Dr. Brait wait bay is back here from Boston and she returns, and we have the

[3:27:07 PM]

blessing of having her as our lead guest instructor for the boot camp. So what we do in the boot camp, as you can see from this insane list is in 18 days what most college programs, four-year college programs in fashion and design either provide or some of these they don't, and then. So the issue with the boot camp that we have is

the fact that we don't have space, we don't have space, just like we were talking about space for -- losing space for theaters, not having enough space for, you know, visual arts. There's dance as well as in there, but also for fashion, and fashion is an art form, but it's also a very lucrative business as well. And so we have to jump around from space to space this boot camp. Previous boot camps we were we were supported by the Austin revitalization authority with the space on 11th street. We didn't have that option for this boot camp. We actually even had to skip last year. And so when we did the boot camp this year we were so, again, I'm going to overuse this word, we were so blessed to be able to have the support again of the arf. If it were not for the Ara coming through, especially in the 11th hour, not necessarily for space, but for funding, for Dr. Bay's fees, all of our apparel techs, they do the pattern drafting, the draping, the cutting, the spec, everything goes into production, those experts that are within N Tuma paand underground runway as well as folks out in the community, stitch Texas, and you can see the list at the bottom is really huge, blue moon productions, all of that, and then having all

[3:29:07 PM]

those apparel techs, all of our guest instructors come in and not get paid is very eloquent of them and gracious, but that shouldn't be the case. We shouldn't have people working, you know, like myself, you know, to put this together with no funding whatsoever and be able to provide this high level of instruction and experience for especially our participants. And even our instructors took workshops as well, in addition to teaching. We shouldn't have to have that in addition to not having space. So what we did for space is we bounced around from the African American youth harvest foundation. They were great. The UT's community engagement center over on 11th street with the music museum. Yeah, Ara actually did let us use their conference room for a presentation by Canson, and we had the UT black studies and the Warfield center has been very supportive. Obviously we were running back and forth at the carver museum, and a lot of our students, and we have a couple of them in the back and participants who are future designers in apparel techs, there's -- could you raise your hand, martin? And I think lucera, there she is. She came in the last few days of the boot camp and she killed it, and she's down here on the -- and she has very little experience, and -- in the production side of fashion. She's a great artist and graphic designer, and she did our sewing retreat that we have. So people have to come into the boot camp. They don't know -- if you don't know how to sew, you will slightly bleed from the eyes. [Laughter] But -- but you can get through it. So the boot camp is a rather good means to hone your skills if you're an older

[3:31:09 PM]

person or you are just already in a career and you don't have time or the money to, you know, enlist -- enlist -- to enroll in a four-year college program. It's a good litmus test for high schoolers who may not want to actually, you know, finish in college -- or go to college, and then this is a way for them to see if they can actually make it. And I just wanted to point out some of our apparel techs that are in the back, between them that are here, and we have a couple who are not, it's about 275 years, including myself, of experience in apparel production. And our program, because that was -- council member Houston asked one of the folks who spoke at the last session in February, how much does the program cost? Our program is very, very affordable in the

majority of -- and the majority of our participants go on -- what we call full -- full reduced scholarships or half reduced. And if you want to know that exact amount I'll be happy to answer it for you. So I'll let our next person speak. Thank you so much.

>> The okay. Thank you.

>> Hi, my name is Tessa, I'm here on behalf of niaela to show my sport. I've been a student and lead apparel tech for two years now. I sca to Austin in 2012 and was -- came to Austin in 2012 and was surprised at the lack of professionals here in my field, which is fashion design, pattern making, all the technical aspects. There's a lot of designers here and there's a lot of flashy stuff with Austin fashion week, but as far as what's behind it, the training and that gap that you see between the art and success, there's not a whole lot. So I came here to show my support and want to say thank you guys for paying attention to this matter. We would really like to see some of the things that

[3:33:09 PM]

you've heard, like land dedicated to these topics. I would love to see other people around me, like the musicians and artists successful because of what the city could do for them. So I just -- for them. So I just want to say thank you for all your time.

>> Troxclair: Thank you for being here. Appreciate it. Okay. I think we will move on to -- let's see, agenda item no. 4, which is discussion regarding authorized uses of hotel occupancy taxes as reflected in the Texas tax code. And the first person we have invited here to speak is Scott joslow. Is he -- he just stepped out. Okay. I think he would probably be -- and Kathleen, I see you as well. I think it may be better to have Scott go first, though, if we can -- if we can find him quickly. And just as a preface -- sorry to call you as soon as you had stepped out. Just as a preface to this discussion, I know we had gotten a few calls and inquiries about this, especially that we're having this briefing following the discussion we had about -- the create arts and music industries. And really I want -- seems like every year there is a lot of questions about the hotel occupancy taxes and the uses, just like council member pool just had, and I

[3:35:09 PM]

wanted to get -- and we've heard a little bit from our legal staff about it in the past, and I'm sure we can follow up with them after today if we want to ask questions going forward, but I just kind of wanted to give the committee the opportunity to hear from some experts kind of outside city hall to better understand what your interpretation is of the hotel occupancy taxes, what your experience has been, how other cities are utilizing hot taxes and to see if there's anything that we can just -- just basically build a base for our own information that we're not considering any specific policy changes today, we're not taking any votes today, we're just learning, and hopefully giving ourselves a good place from which to work if and when we do get to a place where we want to make any changes.

>> Wonderful. My name is jot jos. I'm -- jos request -- I'm president of the Texas hotel and lodging association. Back in 199 I wrote an article called what cities need to know to administer the hotel tax. That article became the definitive guide for city efficiency on what are all the laws and resources you can use when you expand the hotel tax. To write that article -- we reviewed all the tapes and all the legislative summaries for every legislative change since the hotel tax was adopted. And

so the Texas municipal league, the attorney general's office in cities throughout Texas still use that what cities need to know to administer the hotel tax as their guide, and we have an excerpt of that article for the committee that we'll provide to all of you. Basically we've updated that article every two years when the legislative changes have happened, and I would note that for the last 16 years we reviewed every piece of legislation, generally rewrote or drafted the original legislation for the last 16 years, for any changes to the hotel tax

[3:37:12 PM]

laws. In a nutshell you'll find all the hotel tax laws in chapter 351 of the tax code, and it basically provides a two-part test. Every expenditure has to first directly promote tourism and the hotel and convention industry. It's not enough that it just promotes people coming from another city, another town. It also needs to have some sort of ability to have a direct impact on hotel activity in the convention industry. That's the first criteria, every expenditure must directly promote tourism and the hotel and convention industry. The next criteria is that every expenditure must fit into an authorized statutory category, and this is for your 7% municipal hotel tax. Austin also has a 2% venue tax for its convention center, and that's simply dedicated by the bond proposition for the convention center expansion, the other purposes authorized under that ballot proposition. So that makes up your 9%. You add the 6% state and that's your 15% hotel occupancy tax. When you -

>> Can you go back over that one more time?

>> Yes, you have a 6% state tax, then you have 9% local, 7% is your general city hotel occupancy tax, and 2% is for your convention center expansion. That is your venue project.

>> Pool: And that includes paying off existing bonds?

>> Yes, for that venue project, yes, for the -- once those bonds are paid off that 2% goes away. The state law also provides that if there is no direct impact on tourism and the hotel and convention industry, it's -- the local hotel tax is not an eligible funding source. Now, that doesn't mean you can't fund a program that maybe is only for the locals or primarily benefits the locals but doesn't have any impact on hotel activity or convention activity. It means you would have to

[3:39:12 PM]

use your property tax or your sales tax or your other city revenues. So hotel tax is it a dedicated tax, kind of similar to if you had a hospital district sales tax, you could only use it for things directly promoting a hospital. Hotel tax, it has to directly promote hotel activity and convention activity in the city of Austin. There's also in the statute a general prohibition that says a city cannot use hotel tax for any general governmental operations or general revenue expenses of the city. So your police, your fire, your sidewalks, your streets, your parks, anything that is a general governmental operation expense is not eligible. Your economic development expenses, your trying to promote the community for new residents. Those are all general governmental operation expenses. Those aren't eligible with the hotel occupancy tax. Any questions on that first part of the test as far as directly promoting tourism in the hotel and convention industry? Okay.

>> Troxclair: Yeah, I wanted to -- okay. So it must directly promote hotel and convention activity, all --

>> All -- every expenditure.

>> All 15%?

>> The 7%.

>> Troxclair: The 7%.

>> The 6% goes to the state.

>> Troxclair: Oh, right. Okay.

>> So that 15%, the two-part test applies to the 7%.

>> Troxclair: Okay.

>> Because 2% is the venue project, 6% is the state.

>> Pool: Can I jump in on this and just ask a question on that? So the state -- what restrictions does the state have on the of% hotel -- the 6% hotel occupancy tax that they get?

>> Okay. The state, 1/8 of the state hotel tax goes to the tourism program. 11, 12 goes to general revenue.

>> That's nice for them.

>> It's advantageous for the state.

>> Maybe we should look at something like that to use the revenues for more general revenue at the municipalities level.

[3:41:12 PM]

That's just a rhetorical. You don't have to answer.

>> I understand. [Laughter] I think you know my answer. The -- I would tell council member that folks have looked at expanding the uses of the hotel tax for the last 16 years.

>> Pool: Oh, sure.

>> And every one of them has failed for the last 16 years unless there was an agreement between both the municipal league and with the lodging industry. We, in fact, go and talk to tmo every session and say, what do you want to accomplish, what can we workon together? And if we can come to an agreement we're able to pass it. If we can't, they don't offer it and we don't offer it and it has not passed when it's been offered byindividual cities. The nine categories, I might tell but the nine categories for expenditure so you know whether it's eligible. Basically the first category for expenditures areconvention centers or visitor information centers. And there's a primary use test for that category. That category requires that it can only be a facility that is primarily used for conventions and meetings of out of towners. In other words, if it were just your general -- an event facility for local community or local nutrition center it wouldn't qualify. But if it's primarily use for out of town meetings it would qualify for a convention center, over 50% of its usage. A visitors center falls into that as well. Austin is already using it. The second category is registration of convention delegates. That's just if you have a big citywide convention you can go ahead and pay for the cost to register everybody. The third category is advertising and promotion. That's your cvb and what you're doing to market Austin as a destination. That's generally where a good portion of the money goes to other than the convention center. That could be internet, it could be promotion, solicitations, incentives to

[3:43:15 PM]



bring citywides and group meetings to Austin. That's the third category. The fourth category is promotion of the arts. That's one of two categories that has a cap on how much you can spend. You can't spend in Austin more than 15% of your total proceeds, and Austin does spend up to 15% of its total proceeds for the arts. There's also a category for historical promotion and restoration projects. That's up to 15%. There's a cap on that of up to 15% for Austin and for other large communities. That's the fifth category. In both promotions of the arts and historical restoration and preservation, the attorney general has ruled it's not enough that it's just an arts event, it has to be an arts event or a historical event or an historical facility that also has tourists and hotel guests that frequent or utilize it. So if it's purely local -- and let me give you an example. -- Me give you an example. We had community that wanted to use hotel tax for opera lessons for grade school students. It's clearly a promotion of the arts but no tourists were allowed in the grade schools, and no hotel guests were allowed in the grade schools, so it was ruled not to be an eligible expense, even though it was a promotion of the arts and a great idea. It just wasn't eligible for hotel tax.

>> Pool: What year was that?

>> It was an opinion that was -- that was issued privately to a community.

>> Pool: Okay, and I understand that all opinions are advisory only, right?

>> They have weight before the courts generally, so if it's challenged it would be given weight before the courts. There's not a lot of debate now about the arts thing. The hotel industry and the arts industry have come together, and we both have agreed, our leads on both sides have agreed that every expenditure has to have some sort of impact on hotel activity. Texans for the arts. And we have a written statement I'll be glad to send to you that outlines the agreements between the arts leaders and the hotel industry.

>> Pool: But you don't remember the date of that

[3:45:16 PM]

particular private advisory that was issued?

>> I can get you the follow-up on that, yes.

>> Pool: Yeah, I was just wondering what time frame that came out. And --

>> Yeah, it was a number of years ago, we looked at it, and it actually I believe involved the city of Austin. When we did an audit of how the city -- audit of how the city of Austin is spending money and we sent a memo to the city and the city attorney indicating for this type of expenditure we didn't think it would be eligible, because of course you don't want to have unrelated adults at a school facility, and so there was no way that that could directly promote tourism in the hotel and convention industry. In our communications and meetings with the city manager at that time and the city legal at that time, they said they would work with us to make sure they retrofitted that program.

>> Pool: Thank you.

>> Okay.

>> Pool: Yeah, let me know if you can get a date on that.

>> Yeah, I'll send you a copy of our communications on that. And I'll send you a copy as well, if you'd like, of the agreement between the arts and the lodging industry as to how the money can be expended and guidelines on that. The fifth category, like I said, is historical restoration and preservation. That again has a cap, although most cities don't even reach up to that cap. The 7th -- the 6th category is tourism-related signage. If you have signage that will go to your various attractions, you can pay

for that, maybe to your convention center, your historic area, your arts district or things like that. There's also a category for sporting-related facilities. Austin is not eligible, it's not an eligible bracket, but there is a category for other cities. There's also for sporting-related events, and again, Austin is not eligible under that category --

>> Troxclair: What is -- why is Austin not eligible?

>> It was a bill that we offered that certain cities wanted, and we bracketed for the cities that wanted it. Any other city we'd be glad to expand it to, but it was

[3:47:18 PM]

just we -- in order to pass the bill we included the cities that were asking for it.

>> Troxclair: And what were those?

>> There's a whole list in the excerpt that I'll provide to the committee, lists all the city. For sporting-related events it's city in a county of under a million, so if you're in a city within a county of under a million you can spend money on sporting-related events, in other words a promotion, the cost of holding the event. And then the next session, Round Rock, McKinney and a couple other communities asked that we also do it for facilities, and so we did it for sporting-related facilities in bracketed cities, and there's an error requirement that you could spend -- if you spend half a million on the facility, you just have to show that you generate at least that amount in five years in hotel night revenue. So there's kind of a clawback provision.

>> Pool: When you said it was bracketed, was Austin one of the cities?

>> No, no, no, Austin is not one of the cities. So it's not eligible but it could be if you guys asked the legislature to be under that bracket.

>> Troxclair: And I guess that's separate and apart from the -- like the major events trust fund.

>> Yes. The major events trust fund is basically a fund set up at the state level, and that allows a rebate of state hotel tax, alcohol tax and other types of taxes that are attributable to certain major events, as you probably remember from our time at the legislature. And that's available both as a rebate from the state as well as for the city to use their revenues that they have to try to make that event, to try to cover some of the costs the community has to host that event. There's also a category for funding transportation systems. That's the last category, and that's if you are doing shuttles between area hotels and you're transporting tourists. That's primarily for cities that are smaller that don't have hotels located next to each other, and so if you want to get everybody together at the convention center or at a big venue you could shuttle them and pay for those shuttle costs. Those are the nine

[3:49:18 PM]

categories, conventions centers, registration and delegates, advertising and promotion, promotion of the arts, historical restoration and preservation, sporting-related events, but you're not bracketed sporting-related facilities, you're not. Not. [Bracketed -- you are eligible for tourism-related signage and finally you're eligible for shuttles between hotels that transport tourists. So every expenditure when you look at the hotel tax you're going to say does it fit into one of those categories, for Austin one of those seven categories, and also does it have that direct impact where you can show some type of impact on tourism and hotel and convention activity. That's a general test for the hotel tax. Austin also has a venue project tax that is in place for the convention center. As long as you have that venue project test you're going to have to visit

with bond council as to whether or not you're eligible to do any other venue projects and that's something city legal can advise you on. Also if you're looking at projects, like I know that you're anticipating -- or you've received testimony on the expo center, you should be aware that there's a provision in the venue tax law that does not allow a hotel tax to be one of the revenue streams if the facility is on parkland, which the expo center is on city parkland, and so there's a statute of prohibition for using hotel tax for any economic development venue project or hotel tax for any project that's on a park facility -- or on parkland, rather.

>> You said that the city of Austin was at the 15% cap for the arts. What about -- do you know about the historical provision?

>> No, well -- I think we spend about 200,000 a year in Austin, I believe, on historical promotion-related expenditures, and so you're not at your cap on that.

[3:51:18 PM]

Most cities are not.

>> Troxclair: Okay. Thanks.

>> Any other questions about venue tax, hotel tax or any other uses of the hotel occupancy tax?

>> Troxclair: Are you going through -- are you going to talk about other cities?

>> I can --

>> Troxclair: Was that the end of your presentation?

>> Well, it's -- I have information about a number of cities about how they're using the tax, if you'd like, and I'd be glad to go over that.

>> Troxclair: Yeah, I think that that kind of has been a recurrent question, at least for me, so I think that that would be helpful.

>> Okay. Let me talk about in particular with arts funding. Austin spends about -- allocates 15%, which yields about 9 million for the arts. Dallas basically didn't have a set percentage of its hotel tax that went to the arts. They basically put two-thirds of their money to their convention center, one-third of their money goes to their CBB. As of this coming year they're going to be allocating one and a half million to the arts to the first time out of the hotel tax. Now, that's not to say they don't fund a lot for the arts in Dallas. It comes out of their general property tax and their own general city revenues. In fact, they arguably spend more than Austin and most other cities, but it's just not from the hotel tax. Now they're going to be allocating about one and a half million and that's basically a new -- a new phenomenon. San Antonio, similar to Austin, spends 15% of their total hotel tax for the arts. It generates about 9 to 10 million. Austin generates about 9 million. So about the same range. Houston has the largest percentage that they spend out of the hotel tax. They have a special statute that allows them to allocate up to 19.3% for the arts. That amounts to about 19 million in Houston that they spend on the arts.

>> Troxclair: How does -- how does -- I thought if the cap is 15% --

>> The cap is 15% except

[3:53:20 PM]

for -- of all the five major cities and then other cities as well. Houston got a statutory exception many, many years ago that allowed them to go up to 19.3%.

>> Troxclair: And are they the only city that has that --

>> They are the only city -- well, no, Irving -- the city of Irving has a performing arts center that allowed them to go for a limited time certain to pay off their arts center. They got a higher threshold. That was an agreed-to deal with their hotel industry there. , As was Houston. Arlington suspends about 175,000. Corpus Christi suspends about 385,000. So they're much smaller amounts. Fort Worth only spends about 85 from the hotel tax on the arts -- hotel tax on the arts. Similar to Dallas, they spend more but it's all from property tax and other city revenues. So the general pattern on the arts is about 15% for your major cities with the exception of Houston that has a higher statutory threshold. On historical what we find is for the most part Austin is spending 200,000, in many cities there is no allocation, Arlington has no allocation, Corpus Christi has no allocation. Dallas has no allocation specifically from the hotel tax for historical. San Antonio has, I think, up to 15% that they do for historical because they count a lot of their river walk as historical. And so generally it's a very limited or negligible amounts that most cities are spending on historical. Arts is more of an emphasis. On cvb funding, I would note that most cities are anywhere from a third and up with the exception of Austin. Dallas spends 30% of the hotel tax on their hotel visitors bureau. San Antonio spends 34%. Houston spends 31% of what they take in on their cvb.

[3:55:20 PM]

Arlington spends 59%, corpus Christi spends 41%. Austin only spends 9% on their convention & visitors bureau, which is part of the challenge we've had in promoting Austin as a destination.

>> Troxclair: And that's the visitors bureau, not -- you're not --

>> That's the convention and convention & visitors bureau.

>> But not the convention center.

>> The convention center is a separate category, and I can go over expenditures of the convention center if you'd like as well.

>> Troxclair: Sure. I don't know. I think this is helpful.

>> Okay. Houston spends about 26 million on their convention center, but it's a little bit of a hard thing to -- because they have multiple convention centers, and I'm not sure where exactly -- you know, we pulled their data. And they created what's called Houston first and they allocate the money to various convention center facilities. So that number I wouldn't vouch, but it's a minimum of 26 plus plus. San Antonio spends 20 million. Dallas spends 31 million. Austin spends about 40 million on their convention center operation. And Corpus Christi -- I don't have a number on that. Fort Worth spends about 50% of their hotel tax on their convention center. So -- which would be around 30 million. So it varies anywhere from Dallas that spends two-thirds on their convention centers to about a third, depending on what kind of debt notes they have.

>> Troxclair: Do you have that information in a format that you can email to us as well?

>> I am finalizing it. Let me finalize that and I'd be glad to provide that. I did a chart for myself and I thought it would be helpful for the committee and I want to get the cities to confirm all our calculations. So I'll provide a chart that outlines that for the committee.

>> Okay. I think that would be helpful just for reference.

>> Okay. In terms of -- would it be

[3:57:21 PM]

helpful to go over the rates of the various cities?

>> Troxclair: The rates?

>> The total hotel tax rates?

>> Sure. Yeah.

>> Okay. Austin has a 15% hotel tax plus you have authority to do up to a 2% public tourism improvement, which got past last session. Dallas has a 13% hotel occupancy tax plus a 2% tourism pid, so effectively a 15% rate, and they're also looking at doing potentially a convention center expansion in the next few years. San Antonio has a 16 and three-quarter percent rate. Houston is 17%. Arlington is 15% rate but they're also authorized to do a 2% tourism pid and they're about to execute that. Corpus Christi has a 15% rate. Fort Worth is a 15% rate, but they're about to do a tourism public improvement district as well. They got that authorization. San Antonio, Austin, Arlington and Fort Worth all got authorization for a tourism public improvement district last legislative session. What other information --

>> Troxclair: So Austin has the authority to do a tourism --

>> Public improvement district. Yeah. It would have to be initiated by a petition, and presented to the city council. The city council would have to approve the budget and the service plan, and then the tourism pid could be established. There's only one tourism pid currently in Texas, it's in Dallas, and it's been incredibly successful. They get about \$16 in room night for a every dollar that they expend in incentives, so it's been a huge roi in sales tax and alcohol tax and convention center bond payments and everything for that community.

>> Troxclair: What kind of -- what is that -- what does the pid look like? What specifically, outside of the things that -- the 15% tax can already go to are they spending the money

[3:59:22 PM]

on?

>> What Dallas does is they have the 7% municipal tax plus they have the 2% convention center bonds they're paying off right now. -- Or that they -- they paid that off but they have the 6% state, so that's 13. The 2% pid basically goes to a combination of marketing. I don't know if you saw on that big campaign for Dallas, big things happen in Dallas, that was all paid for by the tourism pid. Also they have been using it for conventions, to provide incentives to bring citywides and large meetings to Dallas. They large meetings to Dallas. They have a 25% conversion rate. If you try to book a meeting or bring a group to a community, you get about 1/4 of the proposals you put out usually yield a convention. One out of every four you convert to an actual piece of business. Dallas, they had a 22% conversion rate for getting conventions for the proposals they put out. When they use the tourism pit money, it dabbled to 44%. So 44% of the proposals they put out they're getting now because they have the additional funding to be more competitive. That's why they were such a strong interest by Austin, ft. Worth, San Antonio, and Arlington to all consider a tourism public improvement district.

>> Troxclair: You said that would have to be initiated by a petition?

>> Yell, you have to have 60% of the hoteliers within the city petition to do it because it becomes an assessment against the hotel. If the hotels do \$1 million in business in Dallas, 2% of that \$1 million is assessed against the hotels. They're permitted to pass

that through to the guests as a 2% pit fee. That's the way it works in Dallas. A 2% pit fee on every room night.

>> That's 60% of the hotel operators within the district or

[4:01:23 PM]

within the city.

>> 2% of the hotels subject to the district. In the case of Dallas or Austin, all hotels within 100 rooms would be potentially within the district. We have to show we have over 60% of the signatories. 60% of the account of hotels or the surface areas of the hotel or 60% of the property value of the hotel. Property value you would have to get plus one other criteria. Surface area or the count. So if you had 100 miles of -- 100 square miles of hotels, you have to get over 60 square miles of the signatories of those properties. Plus if you have \$100 million in value, \$60 million in value in the hotels.

>> If will uh you wanted to do admissions, a citywide deal. But if off want to do just the hotels near the red river district, for example, could you siphon off the hotels.

>> In all of the cities aye emaware of doing it citywide and do it in those areas. You have what's called compression in the market. Rate goes up, business increases throughout the city. There's a benefit to all of the hotels.

>> Understood, thanks.

>> Troxclair: If you only had a portion, it would depend on what you're using the money for. If only the hotels in red river were paying into it but a campaign.

>> 60% of them to agree to want to do it. I expect -- the idea being up in my district, you've got the hotels around -- around the ground station in ACC highland, right. Those folks may want to agree to something that benefits that particular district even though it's different from the downtown district of the hotels or the red river hotels you may want to surround everything in particular or citywide marketing campaigns around the convention business.

>> Able to in Dallas and in Arlington are the two areas that

[4:03:23 PM]

we've been soliciting petitions for and we've been successful in getting it citywide because of the marketing campaign that benefits all of them plus they realize the compression. And the vast majority of this is generally paid for by the downtown hotels that do a lot more business so they get a lot of benefit without having to pay a lot of the burden.

>> Troxclair: It increases. Not a cost to them. It just increases the tax on the --

>> It's a passthrough arrangement with the -- with the fees for the district.

>> Troxclair: I don't know why they would not want to do that. They get a benefit from it and they don't have to pay for it.

>> Right, right. In essence, for hoteliers when we increase the taxes and increase fees, it inhibits our ability to raise -- because there's only so much a customer will pay in a fee. So we have to adjust our rates and reflect the fact that we have other user fees or other taxes. So it does affect them from the standpoint of what they can charge as rates but it is a passthrough in terms of the fee.

>> Troxclair: I think your next speaker will expand on that perspective as well.

>> Uh-huh. Any other questions on tourism and public districts or venue projects or use of the hotel tax that I can answer?

>> Troxclair: Are there cities -- I guess there were. What cities do not have that additional 2% venue tax? Are there 2% district public district authority tax or venue tax?

>> Troxclair: No, venue tax. Austin has a venue for the convention center. Dallas had a venue tax for the American airlines center. They paid that off. They're looking at doing a convention center expansion, they'll probably have one in the near future. San Antonio has 16.75% and that's made up by a number of taxes for the Alamodome and other facilities that are quasi venue tax facilities for

[4:05:25 PM]

sporting-related arenas and that type of purpose. Houston has a 17% rate and that's for the Houston -- for Harris county as well as a sports facility there. So it's quasi venue tax. Arlington has a venue tax for AT&T stadium.

>> Troxclair: More cities have it --

>> They have it for a sports facility or a convention center expansion is a general pattern, sometimes for both.

>> Troxclair: 2% venue tax could be used for a sports facility.

>> It could be.

>> Troxclair: It was the 7% that couldn't be used in Austin right now for the sporting related.

>> Exactly.

>> Troxclair: That was one of the questions that came up in our discussions about the convention center expansion is what we understand that we're getting. I think if I'm remembering correctly we're getting to the point where we're paying off most of that -- most of the previous bond we had and we could have an election to continue the 2% or reup, I guess, the 2% venue tax and use it for something and of course the convention center has -- there's a proposal to expand the convention center but I know one of the questions that was asked is what else could that money be used for just so we have an understanding of what our options are. And it does sound like a sporting venue -- I mean, what -- what else besides a sporting venue or the convention center could that money be used for?

>> Okay. A theoretical concept is -- the reality is with your bond council about this. They might have issued an opinion. What are the eligible expenditures. One there's the issue of you have existing bonds so you have to pay those off before you really look at or refinance them before you can't just do another venue project necessarily unless your bond council says you have eligibility to do an additional venue project. So assuming that either you

[4:07:26 PM]

refinance it or you pay it off and at the point that you pay it off, you have the eligibility to use it for a sporting related facility. For a convention center expansion. And for certain types of venues and I can go through the different types of venue projects or I have an article that we wrote on -- that I wrote a number of years ago on all of the eligible uses of different types of venue projects in the process. I'll be glad to provide a copy of that article if you'd like me to in that committee. But the two major categories, sporting related facilities you charge an admission fee. Professional amateurs, sporting related events that go there. And for convention center expansions are the two major categories.

>> But it's your interpretation that I think I heard you say earlier that the expo center there's prohibition against using the -- any portion of the hotel taxes on city parkland and the expo of the Travis county expo center is on parkland. So it's your interpretation that that money couldn't be used because there have been proposals for some -- some structure improvements that could be used adds sporting facilities as kind of a secondary, I don't want to say secondary convention center but another event space in east Austin. You don't want to --

>> You could do an expo center. You couldn't finance it in my opinion based on the prohibition from hotel tax because it's on the -- if it's a venue tax. If with you wanted to use the general city hotel tax, you could. Because it would fit under the definition of the general uses of the hotel tax.

>> Troxclair: The 7%.

>> Right, under the 7%. But in terms of a special venue tax or even if you refinance the existing venue tax, I don't think it would be eligible for an expo center because it's on parkland. And so it wouldn't qualify under

[4:09:26 PM]

that prohibition.

>> Troxclair: Okay. Okay, thanks, I appreciate the information. Do you have any questions? Oh kaf, all right.

>> I hope it's been helpful.

>> Troxclair: We'll look forward to seeing the information in writing. I know this is a complicated issue and there are differing opinions on I think what the best -- not only from the legal perspective but maybe the best perspective. So I just want to make sure we're not making any judgments here today. We're inviting industry stakeholders to give us their perspective. I don't -- our legal staff, I told them I didn't need to be here but we can of course follow up with them later and let us know if the proposal comes forward they disagree with.

>> Absolutely. The advice that we've given you is I used to be chief of municipal affairs for the attorney general. The same advice, the same legal standards that we used with the opinion's committee and the A.G. Office. It's consistent with the Texas municipal league and their opinion as to the legal parameters. I don't believe -- I generally -- we work with Austin city legal and I don't believe that anything we've indicated is counter to any legal opinions that I've been aware of. But you should look at the individual facts and questions that you have and visit with city legal to make sure they're comfortable with whatever avenue.

>> Troxclair: I have one more question. I know of another question that has come up a lot is there was discussion about some of the bigger events that we have here and the fact that we don't use hotel occupancy taxes for things like south-by-southwest or a lot that draw a New Jersey bunch of people to Austin. -- A huge number of people to Austin. There was discussion or proposals about using some of

[4:11:27 PM]

that tax for police costs which I know are prohibited because, well, you're -- your interpretation is that is prohibited because it's a general government cost. I haven't heard anything for marketing south-by-southwest, cutting down the expenses that the south-by-southwest entity itself would have to spend on their marketing



budget and then making sure that they cover the full expenses of the police cost for the event.

>> It could come under a number of categories. It could come out of the arts by 15%. South-by-southwest qualifies for the arts category. Within the 15%, you could use the money there. Within the marketing, you could market for south-by-southwest. When you're looking at the general prohibition against using hotel occupancy tax, against the -- the for general infrastructure expenses, that's one of the things that the tourism district has done. They brought down the costs of certain events. That's what Dallas is doing with some of the major events. They're covering some of the costs that would be prohibited for them to bring an event to Dallas. If that was the goal of the city and the hoteliers and they shared that goal, you could look at that as part of the tourism public improvement district.

>> Even without the tourism public improvement district, it's not that the city can't -- is somehow prohibited on spending money on those kinds of events, it's just that we can't subsidize -- right now we're subsidizing things like we're giving them fee waivers to cover things like costs. And if we were going to apply hotel occupancy taxes instead of doing that, it would have to be in a different way not directly towards something like a police expense.

>> Correct. The general prohibition against utilizing it for general governmental operations.

>> Troxclair: What is the -- I

[4:13:27 PM]

know at the beginning of your presentation, obviously, one of the requirements is increasing tourism. How -- how is that measured? With all of the different activities or the different expenses that Austin does use -- currently use its taxes for, how are those -- how do those entities I guess prove an increase in tourism?

>> Generally when ever you provide funding to an event, you ask them to project what kind of impact they're going to have. And then there's some sort of post-event form like you projected 50 hotel nights. How many did you generate? You projected 500 people from out of town, how many people came in from out of town. You said you would spend \$10,000 on marketing, how much did you actually spend. We looked at those Numbers -- you said a room pickup of 100 yooms, how many were actually picked up. You look at what is -- what kind of negotiated rate, what kind of room block did they have? What kind of pickup did they have in the room block. What kind of marketing expenditure are they making? How much did they expend? And they document that. For a first-year event, they project what they're going to do. For historic events, you measure what they're doing. Sometimes they'll measure it by the blocks if they have. Sometimes they'll do surveys. Sometimes they'll do sorry sort of audience questionnaires. I've been to events where they'll say are you staying in an area hotel? If so, how many nights? They can extrapolate from that information based on their events. In some cities like Dallas, if you have so many people come, they have a percentage calculator of these folks that are likely at hotels or staying at area hotels. There's a lot of ways to get there, surveys, actual bookings, estimates, audience questionnaires. And through the historic event information.

>> Troxclair: But mostly self-reported, it sounds like?

[4:15:27 PM]

>> It's usually south reported, absolutely. Sometimes they ask for documentation. And that's sometimes I always ask for some kind of documentation for how you got to that number.

>> Troxclair: Is there any difference in the way that the city of Austin is doing -- doing that versus other cities? Or they're all using a MIX of all of the things that you just mentioned?

>> I would say Austin is similar to other cities in that we not only have an application for the funds but we require that they document exactly what the impact was. Houston does a good job as well. San Antonio, similar to Austin, how they document. Just a lot of similarities.

>> Troxclair: And I guess for our staff here, is that something economic development handles? Or who handles that part of it? Like if I was interested in seeing those records, what the different events were and how many people they brought --

>> Yes, we maintain those in our cultural arts division. An application and a postclosure report is required. And it's all subject to open records.

>> Troxclair: Thanks so much. I think I'm finally done with the questions.

>> We'd be honored to be a resource. It's a complicated subject. That's why we wrote that article a number of years ago. Anything we can do to provide as far as information would be helpful we'd be glad to.

>> Troxclair: Thank you so much. Okay, our next invited speaker is Kathleen Hunker. She's senior policy in with the Texas public policy foundation. We did also have -- we did also reach out to the center for public policy priorities. They didn't have a particular opinion or anyone who was interested in speaking on the

[4:17:29 PM]

topic. So they're not here today. We also planned on hearing from, what is it? Texas taxpayers research association. They were supposed to be here but couldn't make it at the last minute. Thank you for being here and giving us your thoughts on that.

>> Good afternoon. My name is Kathleen Hunker. Attorney and senior policy foundation specifically in the sector for economic freedom. Where I look at property rights, tort reforms, and also anti-competitive regulations or economic regulations more generally on business activities. For the last couple of years, my office has studied tourism industry in Texas taking special care to assess the hotel occupancy tax, the rationale behind its creation and its collection of the implementation of the tax and also the impact it has on the tourism industry. Our efforts will be published sometime later this year, most likely in the fall. For the moment, I have compiled most important facts and figures for your review and consideration today. Before I continue, though, let me clarify that my testimony concerns how hotel occupancy taxes operate generally speaking. I will not, for the most part, cast judgment on any specific event or grant that's funded through the Austin hotel occupancy tax. My goal is to provide a framework for which you and the council more generally can judge the merits of each individual grant proposal. My testimony consists of three main parts. The first, that the hotel occupancy tax has an impact on visitors, travel plan, and spending habits but not always in the way that you wish. Two, and second. The number of visitors solicited by the events funded by the tax do not always offset the decline in spending that we see from visitors. Three, cities should have a mechanism that evaluates and more importantly eliminates any grant or project that does not offset that drain in

spending.

[4:19:31 PM]

First point -- visitors take price into account when they are setting up travel plans. House hold budgets only have so so much flexibility. If the traveller perceives an increase in one part of their trip, they're going take steps to look for accounting for costs elsewhere. This means looking for a good deal or can mean taking defensive actions in ways of trying to reduce spending. I, myself, had to do that this year. Not going to Scotland as my plan was for three years run fg because flights got too expensive. That and increased prices in hotels, I moved my destination. We all operate the house hold budgets every da I. A whopper 95% of respondents said price was a key factor in booking an accommodation. The other interesting STA tics is 45% of the hotel operators thought that price was as important as customers did. There was a disparity between the two. The U.S. Travel association concurred with their findings. In 2011, it found that 49% of travelers altered their plans specifically because of high travel tacks. The association noted there was a great variety in how travelers respond to the taxes. Some cited high taxes as a reason for staying in cheaper hotels, some cut their vacationsshort. Others refrained from going out the the stores, shopping, restaurants, excursions, and yet even others in more extreme scenarios decided to go to an alternative destination again in their entirety. This is backed up by economic studies as well. An economic study in 1992 attempted to measure hotel occupancy tax with respect to

[4:21:31 PM]

occupancy rates and hotel lodgening. The city found an elasticity rate of negative 4.44%. For every 1% percentage point in the tax, you had a decline in fewer rooms of .44%. That doesn't sound like much on its own, but when it's projected over the course of let's say a 15% tax, it becomes quite significant. Also -- sorry.

>> Troxclair: How does that jive with the statistics that we heard from the previous speaker who talked about the tourism pid and how the money that each dollar they spent there they got\$15 back.

>> I'm not familiar with how the pids operate themselves. My -- what I expect is also sometimes it's not necessarily that money has been taken away, it's been shifted around. You might look to see what looks like an increase in spending but it's an increase in spending in one part of the economy versus the other. So you're spending money going to the hotel in an area because you think you're getting a discount or a certain event but you're not going out to dinner. So it's the money getting shifted around, not so much added to the economy so much as moving the money around. We see that also with a bunch of cities elsewhere. In New York, in the '90s, reduced their occupancy fees by about six points. They were the top in terms of the country and they have their occupancy rate jump from 74% to -- sorry, 76% to 84%. So that was wb a span of three years. So there is definitely a correlation and causation between the two. How it filters through the economy is much harder to grasp, just because, again, that's independent decisions made based on people's preferences. This brings us to point number two, does the hotel occupancy tax increase the number of

[4:23:32 PM]

visitors per city, more so, if that is the case, is the increase enough to offset the decline in visitor spending. I hate to hedge, but as I hinted before, the jury is deliberating on that case. Others suggest projects funded through the tax are not as profitable to cities as they may expect but how much revenue the expenditures pull in are indicated on a variety of districts including city, sites, infrastructure, history, and the competition it faces from the closest neighbors. It is also a problem when it comes to transparency. There are reporting requirements to a degree in terms of occupation. But standards, how do you measure that projection of how many guests we're going to bring in? How do you measure whether or not the individual actually attended the event just because he happened to be in the city that day for a conference or visit family or, in fact, did they come specifically for that attraction or that type of attraction? That's very difficult to figure out in terms of why did the person come to Austin? Or come to that city. And that reporting requirement isn't necessarily there. So it's much more difficult to find out whether or not the revenue and expenditures are as good as individual project as the cities might think they are. The stakes need to fall in to two main camps. The city overinvests in big projects for which it lacks sufficient infrastructure to make it successful, or it doles out a number of small grants that could never generate sufficient interest to offset the interest, whether it's on the sufficient basis or the aggregate. The former tends to be guarded by pride. We all love our cities and we expect that everyone else will agree and then sometimes are surprised when, in fact, they have other destinations in mind. The latter is I think the little more dangerous. It's because it's often the result of a mindset that views travelers as a free source of public revenue and a way of

[4:25:34 PM]

funding side projects. Constituents realized they would be exempt had it the tax burden been on them directly. Many of the negative effects seen by an imprudent structure of the hotel occupancy tax because it drives the rates up higher than necessity and good common sense would allow. They attribute the this loss to the fact that travelers have their own agents and are willing to act on those interests. It's great to put a model together to expect that the travelers will behave in a certain way in response to certain incentives and going to be operating again in respect of their own Depp sires. The travel association sees travelers not just as out of towners but key supporters of local jobs, businesses, and development. In other words, to view them as partners, not as a means to an end. If hotel occupancy taxes are to exist, they're to attract the travelers when they come and to spending habits. The bulk of it. The question is like a most policy a question of cost and benefits. Can a decline in spending the fact that the observation and experience be limited by the uptick of Numbers in Austin. The city can only answer it by assessing not merely a tax overall but each individual expenditure and routinely whether or not it's going to be a gain or loss to the business community. I know the hotel occupancy tax. The purpose is narrow. It's aimed at increasing lodging or the surrounding community in the tourism.

[4:27:36 PM]

Just by increasing the rates of attendance doesn't necessarily mean they're going to be spending out in the community. Are they getting barbecue, going for tex-mex, are they enjoying some of the much smaller venues that don't qualify for a tax. I, myself, bring every guest who comes to visit me to the broken spoke because it's my

favorite place in Austin. It's a main stay, but not necessarily qualify for part of the culture but not part of the hotel occupancy tax. That seems to excite my visitors and guests as much as some of the other major events. Austin is in a better position than most cities. I do have to stress that. Size and history with large quirky events that some projects will go further in drawing the larger crowd than some of the smaller surrounding satellite cities of Austin around Texas. We have a pre-existing fan base. We have the infrastructure to host those events. The fact that those things are already in existence means that, again, we can draw a larger crowd and we can sustain that through not just the hotel industry but through local businesses. However there's the danger of misappropriating money to the events that would have occurred anyway and they're too small to make a dent in tourism rates. Is the money going to south by. If you're going to smaller venues, it helps Austin but are they drawing from the hotel tax specifically which is to increase tourism. If it doesn't qualify for those two, at least in the broader sense, yes, it might fit under the law but it's a could versus should argument.

[4:29:44 PM]

The problem we see is transparency and linking the transparency to the report. When they say they've met that goal, what are the standards they've used to judge that going a little deeper than just accepting the Numbers for what they are. The fear and concern is anybody who puts on an event, there's a desire to see yourself succeed to think you put on something that held value. That may be the case but is it value under the narrow purpose of the hotel occupancy tax. If you have an event that occurs annually with a minor increase in tourism and likely that event would have come to Austin without funding from the hotel occupancy tax, is the hotel occupancy tax the best place for it? Are you better off letting the private market take care of it? Whether the hotel occupancy tax AIDS in the tourism endeavor is not guaranteed. It has to be specifically tailored to those events that are likely to draw in and low enough that you're not going to discourage any kind of spending in this community. I'd gladly take any questions. I want to point out two of the materials that I brought before you, which I believe you would pass that earlier. The first one is simply my written testimony. It summarizes my main points, puts together the facts stand tics. The other one behind I want to talk about further, that's an op-ed that I wrote back in August Hoff 2015. The reason I want to focus on it is because the target of this audience is of course the readership. That is how does the hotel

[4:31:44 PM]

occupancy tax impact austinites, not just the visitors coming in. An interesting point is that 56% of the resident nonleisure visits to Texas accredit seeing friends and family as the reason why they came to Texas. There's a reason why. We're a young state. We're a growing dynamic. You have a lot of people coming from other areas and moving to Texas, they're settling down, including myself. So what happens afterwards? If you have over half of the visitors coming to see the residents, not just to see the area neighborhoods, are you making it more difficult for residents to have the family and friends stay over, a personal and economic cost if you will? To me that has a personal touch because I am from out of town. I lived in Austin three years. I like my family having stay. Right now it's been a lot of time. But if I had my entire family to visit, my single apartment would not be enough for that. I want them to be in a

hotel, stay as long as possible. They will make decisions with their pocketbookings. The hotel occupancy tax makes it harder for them to stay and enjoy the benefits of Austin. It makes it harder for me to get them to move here. Any questions?

>> Troxclair: Thanks. How does our rate, 15% match the potential extra 2%, how does that compare to other states?

>> A bit. There seems to be certain I'll

[4:33:47 PM]

say gravity points cities of certain siteses will stay around. You have DC and New York on the high end and Austin in Texas is a cap of 17% with a few exceptions. That's a statewide cap. I put us while we're high, we're not in the top echelon, but we are definitely in the upper quadrant as it were. The reason why you have the cap is because the state legislature thought about the same fear I just discussed today which is you were having a deterrence of people coming to live in the cities in Texas because at somepoint your pocketbook will demand you take action and a danger of exactly what projects wither being fund and how much of the city government was going to be thrown under the hotel occupancy tax which has a very specific narrow purpose. Not a question of should it exist? It's using it strategically and making sure it's fulfilling the purpose it was given.

>> Troxclair: It sounds like every city utilizes that -- that does the full 15% if not more. 17%. Houston is at 19%. It does seem -- I understand thementality of thinking well, it's not my property taxes, it's somebody is coming to Austin. So why not charge them more. But if it means they're not -- I guess the two perspectives. Two perspectives have been presented. Probably someone from the hotel lodging world is saying that having that money and using it for tourist really purposes is drawing more people in. That benefits everybody. And then your perspective is really the tax although it might

[4:35:48 PM]

be drawing people in -- let me start again. Drawing people in and using the tax to support things like arts and other things we talked about earlier in this committee hearing. The argument is although there are people coming here, they spend less on some of the local events because they're spending so much on --

>> I think it's the smallerevents that get hurt the most because those are the ones more likely to decline putting that money towards -- when I say you, I mean the traveller and the visitor. You're going to have the bigger events. A smaller concert, cute, kwanlt, a great attribute and characteristic to building Austin. But not necessarily what they're going to do. So I think those events are losing out when it comes to getting travelers and visitors to come by. That's true for the people who might be here for purposes that are unrelated. I also do want to quickly respond to a point you brought up uh which I think is very good which is this idea of -- there's a free lunch. Cities throughout the state and country view hotel occupancy taxes as a way to get revenue without the accountability that you have in public funding because it's based on nontaxpayers. That works if you look at an individual city-by-city basis. The problem is no one wants to simply stay in Austin 24/7, we travel ourselves. We go to Dallas and San Antonio and Houston. We go to all of the cities in Texas and explore and we get hit by the hotel occupancy tax event. We may not get hit by the one in Austin unless there's a problem

[4:37:48 PM]

with the housing but we're going to get hit eventually. How do you want to view it? Self-interest with the city or look at it collectively as we'll all pay a hotel occupancy tax so keeping as low of rates as possible. People who visit Texas themselves seem to be other texans out of sheer proximity.

>> Troxclair: It's a conundrum. You have to spend time studying the data and figuring out where is the appropriate place to fall?

>> There's other policy areas that Austin can cut cost as why things have become more expensive for the arts. That might be a better location for reform than trying to fund these events specifically through the hotel occupancy tax. One is self-promote because the paper is coming out this week. I am having a paper published on housing afford about looking at how land use regulations can artificially inflate the costs of housing and commercial properties. I think when you were listening to the last item, a lot of people were talking about property rates going up and making it more expensive to afford the events and the venues that currently exist. Looking at how land use regulations are unnecessarily high or efficient is a good way of helping the artistry without subsidizing it.

>> Troxclair: 15% of total living costs that were attributable --

>> There were two. One was looking at it housing markets in California and new York City. They were assessments of how much more expensive was land and housing in those cities compared

[4:39:50 PM]

to less regulated markets. And the difference was about 50%. Those are in California which I think is a better study simply because you're looking at the whole state where New York City is taking New York City specifically and comparing it to the other areas.

>> Troxclair: 50% attributable to land use regulations and the city codes?

>> City codes. In terms of nationwide, the national association of home builders, they did a survey trying to find how much of the cost can you attribute to regulations. It's 25%. One of the big complaints when I was doing research for the paper was actually inefficiencies of the permitting process. We had this open up with the efficiency of building the hotel. How do you run the system and make it streamlined and taking out ambiguity.

>> Troxclair: Thank you. I hope you send us a copy of the paper when it comes out. Appreciate your time today. I see our convention center staff here and I ask if you want to chime in but you normally don't want to. Y'all good? Understandably excited -- you weren't asked to prepare anything for the committee but always can talk to the committee if there's anything you can add. That concludes our discussion of that item. We will move on to our next item, update status of the minority women and veteran-owned business enterprise disparity study. I think that's by our staff. Thank you to my committee members for being patient.

[4:41:51 PM]

I think we were scheduled to five. Hopefully we'll have 20 minutes. Hopefully we'll be done by five.

>> We should be brief. The director of the small majority resources department. I did want to take a moment and inform you that item number 6 on your agenda today, we'll move up to the June committee the committee chair, the advisory committee chair was not able to attend today. So she asked respectfully if she could move that meeting to June.

>> Troxclair: Sure.

>> Last time I presented on the disparity study, we talked about a revised ordinance and policy matrix to the may meeting. Not quite ready so we're revising the timeline and I want to talk to you about that today. We have outside council working on the policy matrix. We're hoping to have a draft to the city by the end of may or the end of June. With that in mind, I'd like to bring forward the matrix and revised ordinance to the WBE advisory committee in August and then to this committee in September and then to the full council in October. So it changes the timeline a little bit. We're in hopes as we've gone through the disparity study now and received feedback, it's pretty extensive in the recommendations. We want to take each one of the recommendations and have something thoughtful brought back to you in terms of what we implement and how we implement it. We have been working closely in addition to the mbe-wbe advisory committee. We've been briefing them on the progress. Attending the veteran's commission this month to update them on the timeline as well. We plan to continue to work with them as this progresses. I know they're looking at a potential budget request as part of a potential veterans program. So we'll be working with them on that timeline in that regard so they don't miss that opportunity. And at the last meeting that you had, I was asked to be able to acknowledge the quality of life commissions. We sent a memo to all three quality of life commissions in March. We highlighted the steps that had been taken as well as the timeline and we did refer them

[4:43:51 PM]

to the meeting that we were planning on having at the time and did have our big outreach event that was televised on axtn. So they were able to see it from that point. Also looking back to what had been documented in previous meetings as well. So I'm here to answer any questions for you. I'm very brief today. But I can answer any questions that you might have.

>> Troxclair: The timeline changes that you were making, is this going to take longer than you had hoped ?

>> I couple of months longer than we anticipated. Whooped to bring back an advisory ordinance in June. We won't be ready at that point. I want to make sure we don't have an opportunity to bring any revisions to the advisory committee and to this committee before we go to full council. That being said, when we extended the sunset date for the ordinance, we took into mind why this might happen and that's why the extension is to the end of the year given that flexibility, the time that we proposed the extension, we haven't seen the disparity study so we need to make sure we had that leverage.

>> Troxclair: Not going to be needing another extension. That's not as quick as you had hoped, it will still be finished in the time frame that was outlined.

>> Correct. Absolutely correct.

>> Troxclair: Great, thank you.

>> Thank you.

>> Troxclair: All right. I think that's it. Do y'all have any other -- I think the discussion of taxes was helpful. Let me know if there are other experts out there that you



think would be good to come. We tried to cast a wide net, but we reached out the the comptrollers' office and to the governor's office as well and they referred us to the resources that we had here today so -- if there's anyone we missed, let me know. Any other topicings we see on the agendas?

>> It was helpful and thorough on the hotel taxes so thank you.

[4:45:53 PM]

>> Troxclair: All right. We will adjourn the economic opportunity committee at 4:45. Thank you.