

# Overview of Austin Visitor Industry, Use of Hotel Occupancy Tax in Texas Cities & Austin Convention Center Operations

Presentation to Visitor Impact Task Force

January 3, 2017

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# Austin Visitor Industry

## Impact to Local Businesses

- Hotels, Restaurants, Taxi, Valet, Entertainment
  - 2015 - \$6.3 Billion economic impact on local spending\*
  - 2015 - 52,500 industry jobs\*
- Taxes from Hotel Occupancy, Rental Car, Sales, Alcohol Bev, etc.
  - 2015 Local Tax impact of \$192.5 million\* - including:
    - \$79.4 million in Hotel Occupancy Tax
    - \$8.9 million in Rental Car Tax
    - \$33-38 million in City's General Fund Taxes - Sales, Alcohol Bev, etc.

\* Data from the State of Texas Office of Governor Economic Development and Tourism Estimates.

# Use of Hotel Occupancy Tax in Other Texas Cities

- ▶ Each Texas city employs a different business model, making simple comparisons difficult
- ▶ HOT allocations in certain Texas cities shows some of those differences

	Austin	Fort Worth <sup>1,7,8</sup>	Dallas <sup>2</sup>	Houston <sup>2,3,4</sup>	San Antonio <sup>5</sup>	Average
Rate Assessed	15.00%	15.00%	15.00%	17.00%	16.75%	15.75%
State	6%	6%	6%	6%	6%	6.00%
County	0%	0%	0%	2%	1.75%	0.75%
Sports Authority	0%	0%	0%	2%	0%	0.40%
Tourism Public Improvement District (TPID) <sup>6</sup> City (combined Chapter 351 and 334)	0%	0%	2%	0%	0%	0.40%
	9%	9%	7%	7%	9%	8.20%
Convention Center Expansion Venue Debt Service (Ch. 334)	2.00%	2.00%	0.00%	0.00%	2.00%	1.20%
Convention Center (Ch. 351)	4.50%	3.71%	4.72%	4.00%	2.42%	3.87%
CVB (Ch. 351)	1.45%	3.29%	2.10%	1.65%	2.32%	2.16%
Arts (Ch. 351)	1.05%	0.00%	0.18%	1.35%	1.02%	0.72%
Other (Ch. 351)	0.00%	0.00%	0.00%	0.00%	1.24%	0.25%

<sup>1</sup> Funds arts with General Fund transfer

<sup>2</sup> Sports Authority assessment for venue bonds - allowed for Houston only

<sup>3</sup> County assessment for Dome debt

<sup>4</sup> State law allows 19.3% max for Houston cultural arts allocation, but only 15% for others

<sup>5</sup> TPID - managed by CVB; 50% for incentives; 45% for marketing; 5% for administration

<sup>6</sup> County assessment - combined with 5% County Rental Car Tax for Riverwalk improvements, youth athletic facilities, rodeo, arenas enhancements, performing arts centers

<sup>7</sup> Fort Worth assessed the additional 2% to fund its Convention Center expansion through Chapter 351, not Chapter 334

<sup>8</sup> Fort Worth's allocation to CVB is 47% up to a certain base with an incremental portion allocated to other uses

<sup>9</sup> TPIDs are now available to Austin, Fort Worth and San Antonio per 2015 State Legislation

Source: Respective City's website, published budgets, financial reports.

# Austin Convention Center

- ▶ Current Facility
  - ▶ 881,400 gross square feet
  - ▶ 369,132 square feet of total meeting and exhibit space
    - ▶ 5 contiguous Exhibit Halls (247,052 sq. ft.)
    - ▶ 7 Ballrooms (63,928 sq. ft.- combined)
    - ▶ 54 Meeting Rooms (58,000 sq. ft.)
  - ▶ Service Yard with 17 loading docks
  - ▶ 24-hour security
  - ▶ Includes 2 parking garages
- ▶ LEED® Gold Certification for Existing Buildings
  - ▶ Achieved carbon-neutral status in 2016
- ▶ Austin Convention Center has smallest exhibit space in competitive set

# Austin Convention Center Operations

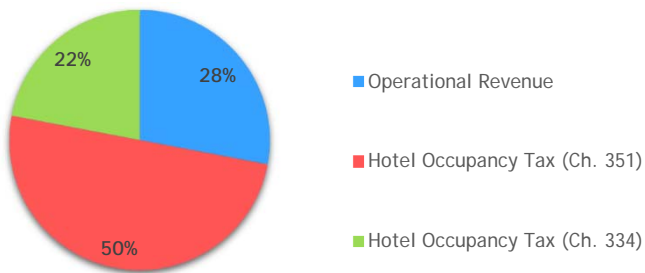


# Austin Convention Center Operations

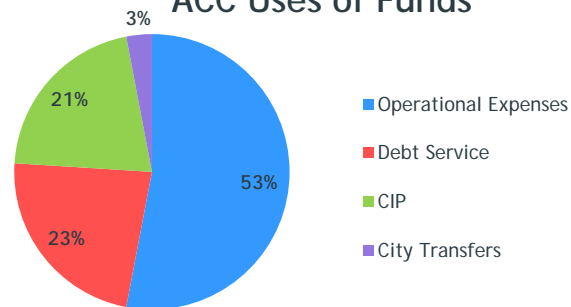
(Does not include Department's funding related to Palmer Events Center)

► From Fiscal Year 2016 Budget

### ACC Sources of Funds



### ACC Uses of Funds



# Austin Convention Center Operations

## Legal Framework

- ▶ 4.5% Hotel Occupancy Tax
  - ▶ Used according to Section 351.101(a)(1) of State Tax Code
  - ▶ Pledged to Convention Center outstanding debt
  - ▶ Allocated to Convention Center debt and operations per City Code Section 11-2-7(b)(1)
- ▶ 2% Hotel Occupancy Tax (Venue)
  - ▶ Used according to Section 334.042(d) of State Local Government Code
  - ▶ Pledged to Convention Center Venue outstanding debt
  - ▶ Allocated to Convention Center Expansion/Waller Creek Venue per City Code Section 11-2-15
- ▶ Operational Revenue - Facility Rental/Usage Fees, Parking Fees, Contractor Revenue
  - ▶ Fees authorized by case law that allows cities to charge fees, but requires that the fee return no more than the cost to provide a service
  - ▶ Approved by Council in annually adopted fee schedule or contract

# Austin Convention Center Operations

## Business Model

### ▶ Revenue Approach

#### ▶ Seek to Maximize Hotel Occupancy Tax

- ▶ Seek events that generate significant hotel rooms nights
- ▶ Benefits all recipients of the tax - Convention Center, Austin Convention and Visitors Bureau (ACVB), Arts
- ▶ Benefits the greater Visitor Industry - hotels, restaurants, bars, visitor destinations
- ▶ Discount facility fees, as approved in fee schedule, when significant hotel room nights are generated
- ▶ Work with and around other large events requiring significant hotel rooms

### ▶ Business Operations Approach

#### ▶ Offer full-service operations, most in-house with key partnerships

- ▶ Security, cleaning, maintenance functions staffed with City employees receiving living wages and benefits
- ▶ Utilize partners for sales/marketing, catering, AV/rigging services

#### ▶ Utilize temporary workforce for event-related activities

- ▶ Provides a pathway from temporary to full-time work
- ▶ Provides flexibility for those looking for part-time, supplemental work



# Austin Convention Center

## Impact to visitor industry bigger than room night generation

- ▶ Provides business to hotels, restaurants, other hospitality businesses during the week, when leisure travel doesn't, allowing business to employ more/full-time
  - ▶ 70% of 2016 ACC events occurred during the week
- ▶ Business/convention travel spurs leisure travel that otherwise would not exist. A report indicated:
  - ▶ 60% of travelers have taken business trips that include leisure travel as well, and
  - ▶ 55% of those travelers bring family members with them
- ▶ Business/convention travelers spend more than leisure travelers on average. A study indicated:
  - ▶ Business travelers spent approximately 6% more than leisure travelers
- ▶ ACC room night estimates are conservative and do not include those room nights booked around or outside room blocks (i.e. regularly underestimated)
  - ▶ One study indicated an average of 34.1% of rooms booked outside the block
  - ▶ Another study indicated up to 15% of rooms booked around the block

Questions?

The logo for the Austin Convention Center is located in the bottom right corner. It features the word "AUSTIN" in a bold, black, sans-serif font. Below "AUSTIN" is a horizontal line with a small globe icon in the center. Underneath the line is the text "CONVENTION CENTER" in a smaller, black, sans-serif font. The logo is set against a white background that is part of a larger green geometric design on the right side of the slide.

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