



VISITOR IMPACT TASK FORCE

Final Report Briefing

chair: James Russell vice-chair: MariBen Ramsey

Presentation to Austin City Council
August 15, 2017



<http://www.austintexas.gov/content/visitor-impact-task-force>

Overview

- ❑ Austin City Council resolution No. 20160818-075, adopted August 2016

- ❑ 13 meetings held in 4 locations
 - *Meetings held from December 12, 2016 – May 23, 2017*
 - *41 hours of public meeting time*
 - *192+ staff hours at meetings; many more hours of attendee time*

- ❑ The Visitor Impact Task Force (VITF) was subject to the provisions of the Texas Open Meetings Act
 - *All meetings were open to the public and included opportunities for public comment.*

Scope of Work per Council Resolution

- ❑ Study the impact of tourism on City infrastructure, services, and facilities, and investigate opportunities to offset those impacts by using Hotel Occupancy Tax revenues;
- ❑ Review of current uses of Hotel Occupancy Taxes and the impact of those activities and expenditures on tourism in the City;
- ❑ Review of current tourist activity in the City of Austin and what events, venues, or facilities those tourists attend while visiting;
- ❑ Review of State and National best practices for tourism programs;
- ❑ Review of Texas Tax Code Chapter 351 and allowable uses of Hotel Occupancy Taxes under the Tax Code including parks, historic preservation, cultural heritage, music, arts, special events, fee waivers, convention, visitors bureau, transportation, downtown districts, venues and other facilities and debt defeasance for city-owned hotels and convention facilities;
- ❑ Review the Austin Convention Center expansion, all possible design options and potential funding mechanisms; and
- ❑ Make recommendations to the City Council about how to best utilize all hotel occupancy revenue to impact tourism.

VITF – Meetings and Input

- Collected public input via:
 - *In-Person at scheduled VITF meetings – 13 meetings*
 - *Online speakupAustin! discussion forum – 78 responses from 28 participants*
 - *Email*

- VITF resource website
 - www.austintexas.gov/content/visitor-impact-task-force

Hotel Occupancy Tax Legal Framework

- Chapter 351 of Texas Tax Code
 - *7% Assessment*
 - *Used only to promote tourism and the convention and hotel industry*
 - *Further limited to the following allowable uses applicable to Austin*
 - Convention Center
 - Advertising and promotional programs to attract tourists and convention delegates
 - Cultural Arts – up to 15%
 - Historic Preservation – up to 15%
 - Signage directing public to sights frequented by hotel guests
 - Transportation system for tourists
 - *Additional 2% Assessment for Eligible Central Municipalities applicable to Austin*
 - Expansion of an existing convention center
 - *Revenue derived from this Chapter may not be used for general revenue purposes or general governmental operations of a municipality.*
- Chapter 334 of Texas Local Government Code
 - *2% Voter-approved venue*
 - Current venue used for previous convention center expansion and a portion of Waller Creek Tunnel

Final Recommendation Categories

- ❑ Overarching Recommendations
 - *Equitable consideration for HOT uses/recipients*
 - *Consideration of sustainable practices*
- ❑ Expansion of the Convention Center with several conditions/directives
- ❑ Arts / Commercial Music
- ❑ Historic Preservation
- ❑ Visit Austin (Tourism Promotion)
- ❑ Short-term Rentals
- ❑ Welcome Centers

Overarching Recommendations

- ❑ Equitable consideration for HOT uses/recipients
 - *With regard to all uses of the Hotel Occupancy Tax, equity should be considered and funding should be inclusive and reflect the diversity of this community, with inclusive consideration for under-served areas and under-represented communities*

- ❑ Consideration of sustainable practices
 - *Sustainability practices should be considered in the expansion of the Convention Center so that community values and input are included in the process and into practice*

Convention Center Expansion, IF:

- Expand the Austin Convention Center (ACC), in accordance with all of these parameters:
 - *Utilize financing concept 2b “+”*
 - increasing the Ch. 351 Hotel Occupancy Tax (HOT) by 2%, and
 - retiring the current debt as soon as possible (estimated in the year 2021)
 - *Seek land acquisition through a long-term ground lease, or some other development agreement*
 - providing for the land and any additional development (including restaurant/retail, housing, office, space) to remain on the tax roll
 - *Involve the Design Commission and the community in ongoing conversations about the design of the expansion*
 - *Include additional allowable area improvements that are important to the community, such as:*
 - Palm School,
 - Waller Creek (in conjunction with the Waller Creek Conservancy),
 - Mexican-American Cultural Center,
 - Red River Cultural District,
 - nearby historic landmarks, etc.
 - *Include in the Bond Covenant Flow of Funds direction that excess funds remaining after debt service, convention center operations and capital funding be utilized for:*
 - commercial music,
 - historic preservation,
 - other allowable uses as funds are available

Arts / Commercial Music

- Consider the following for the Economic Development Department's Cultural Arts Division grant program:
 - *Marketing/Access/Outreach*
 - Website - Grants Funding page(s) more user friendly
 - Enhanced Community Outreach - Dedicated outreach events to under-served communities
 - Marketing - Increased visibility in under-served community via targeted outreach campaign
- Consider the following for use of a portion of the additional funding allocated to commercial music from the convention center expansion funding:
 - *Establish administration of the Commercial Music funding program by an independent and transparent organization (e.g. Austin Community Foundation) with an advisory board that make the decisions on the grants.*
 - Advisory Board should be composed of a broad and inclusive set of stakeholders representing a variety of commercial music and tourism interests.
 - *Grant Funding*
 - Artist-as-Entrepreneur (Core Funding) - Funding preference to ideas and plans that stimulate growth, and develop tourism opportunities in under-served communities.
 - Specific funding to expand and develop individual artists that are building successful arts ventures with a history of growth.
 - Artists' receiving funding in Growth and Expansion phases must become mentors.
 - Each funding level can only be received once per artist.

Historic Preservation

- Historic Preservation Activities should be amended as follows:
 - *Transfer administration of the Historic Preservation program from the ACVB to a non-profit (e.g. Austin Community Foundation) or City department with an advisory board that make the decisions on the grants.*
 - Advisory Board should be composed of a broad and inclusive set of stakeholders representing a variety of historic preservation, cultural heritage, and tourism interests.
 - Look to other grant programs as a model, including
 - *Texas Historical Commission’s Texas Preservation Trust Fund (TPTF), and*
 - *History Colorado’s State Historical Fund (SHF)*
 - *With expansion, maintain percentage funding levels from HOT revenues (based on 7 percent assessment) for the Cultural Arts grant program and Austin Convention and Visitors Bureau (ACVB/Visit Austin) Tourism Promotion Fund.*
 - *Revise eligibility and grant administration guidelines while retaining consistency with State law and City Code.*
 - *Establish percentage of revenue from HOT associated with the expansion of the Austin Convention Center (ACC) (plan 2b) or from a Tourism Public Improvement District (TPID) to be dedicated to Historic Preservation.*
 - Prior to any expansion of the HOT tax due to ACC or TPID, continue to allocate \$1.5 million to a Historic Preservation from Tourism Promotion Fund.
 - *Once expansion and/or TPID approved, funds would come from sources related to either one of those.*

Visit Austin (Tourism Promotion)

- Visit Austin (formerly Austin Convention and Visitors Bureau (ACVB))
 - *Establish a Marketing Advisory Committee that would meet quarterly and include local small business groups (i.e. Red River Cultural District and Austin Independent Business Alliance (AIBA)), arts and cultural organizations, under-represented community stakeholders, and other impacted stakeholders to advise and collaborate with Visit Austin on tourism marketing plans and diversity tourism.*
 - *Visit Austin should continue to support the areas of cultural, heritage, live music and local business and develop marketing efforts to support robust tourism plans in each of those areas.*

Short-term Rentals

- Short-term Rental Tax Collection

- *The City Council should direct City staff to establish a mechanism to collect HOT directly from online marketplaces where transactions occur.*

Welcome Centers

□ Welcome Centers

- *Within the expansion bonding capacity, determine if there is a possibility to provide funding (estimated at \$5 million) for a Welcome Center located in Zilker Park near Barton Springs Pool other qualifying tourist destination areas that promote tourism and the convention and hotel industry.*
- *In future years, as additional annual funding available to commercial music and historic preservation through the convention center expansion financing flow of funds increases and the amount available for commercial music reaches the 15% maximum, consideration should be given to allocating a portion of the excess funding available for historic preservation to costs associated with welcome centers located on City-owned property.*

Impact to City's economy, taxpayer, and general fund

- Based on the information provided to the Task Force, the recommendations will result in:
 - *A positive impact to the local economy, as well as all recipients of the local tax contributions, including the City's general fund (estimated up to \$6.4 in the first year*).*
 - Through additional annual funding for historic preservation projects for Parks and Recreation Department (PARC) assets, the transfer of general fund dollars to those project funds is reduced, providing for other general fund services to utilize those funds (depending on allocation to PARC assets, estimated up to \$3.2 million in the first year*).
 - Through the identification of additional funding for promotion of commercial music and musicians, a key initiative of City Council, efforts to address certain challenges facing local musicians will be funded through hotel occupancy tax, as opposed to general fund dollars (estimated at \$3.2 million in the first year*).
 - *Through the creation of a TPID with agreed-upon funds provided to the City, certain costs typically covered by the general fund will also be alternately funded.*
 - *The combined effect of the Task Force recommendations provides for the continued success of the ACC and Visit Austin, maintains the funding for the City's well-established Cultural Arts grant program, and allows for the additional funding for commercial music and historic preservation.*
- For these reasons, the Task Force encourages the City Council to move forward with all of the recommendations as outlined.

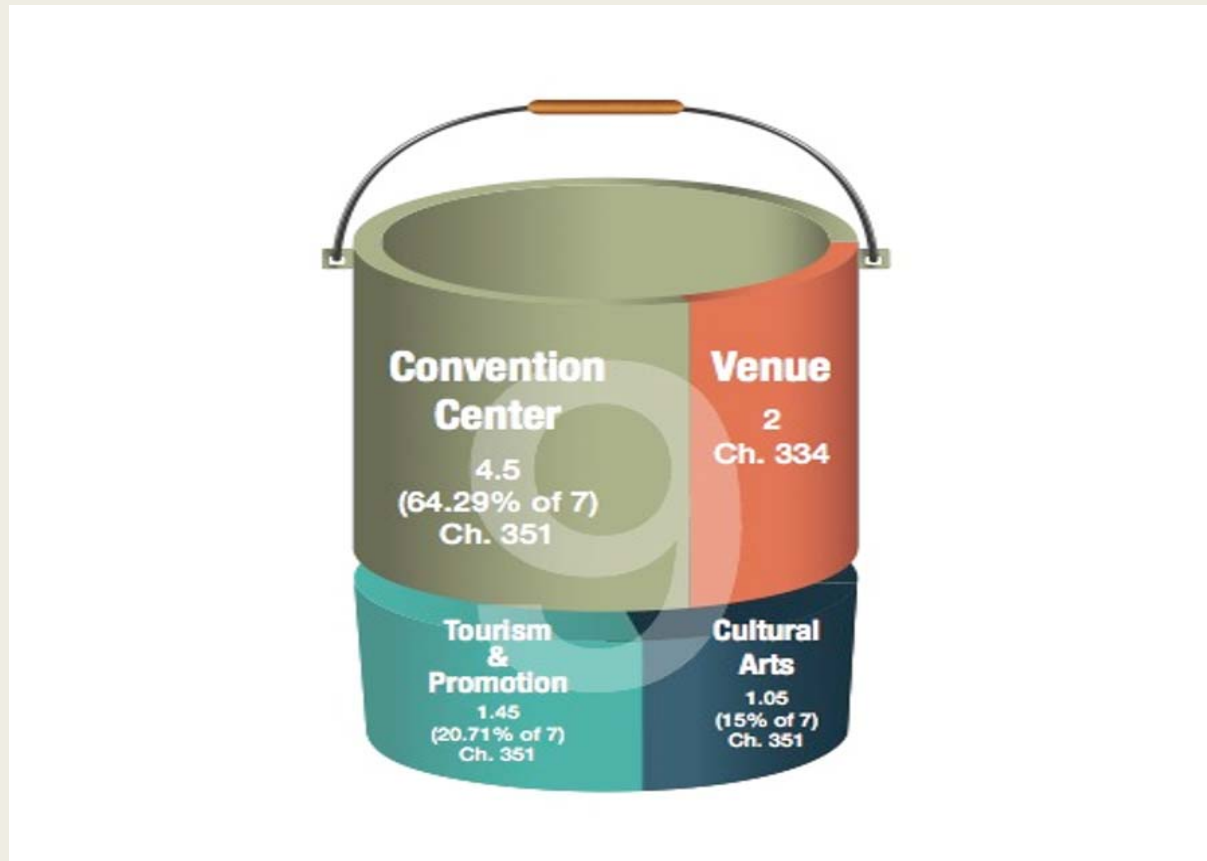
* Based on current projections representing the first year after current debt pay-off/new debt issuance, as depicted in the illustration of financing concept 2b.

Funding Illustrations

Current HOT Assessment and Allocation

Assessment = 7% Chapter 351 + 2% Chapter 334 = 9% Combined City HOT Assessment

Allocation = 4.5 Convention Center + 2 Venue + 1.45 Tourism and Promotion + 1.05 Cultural Arts = 9

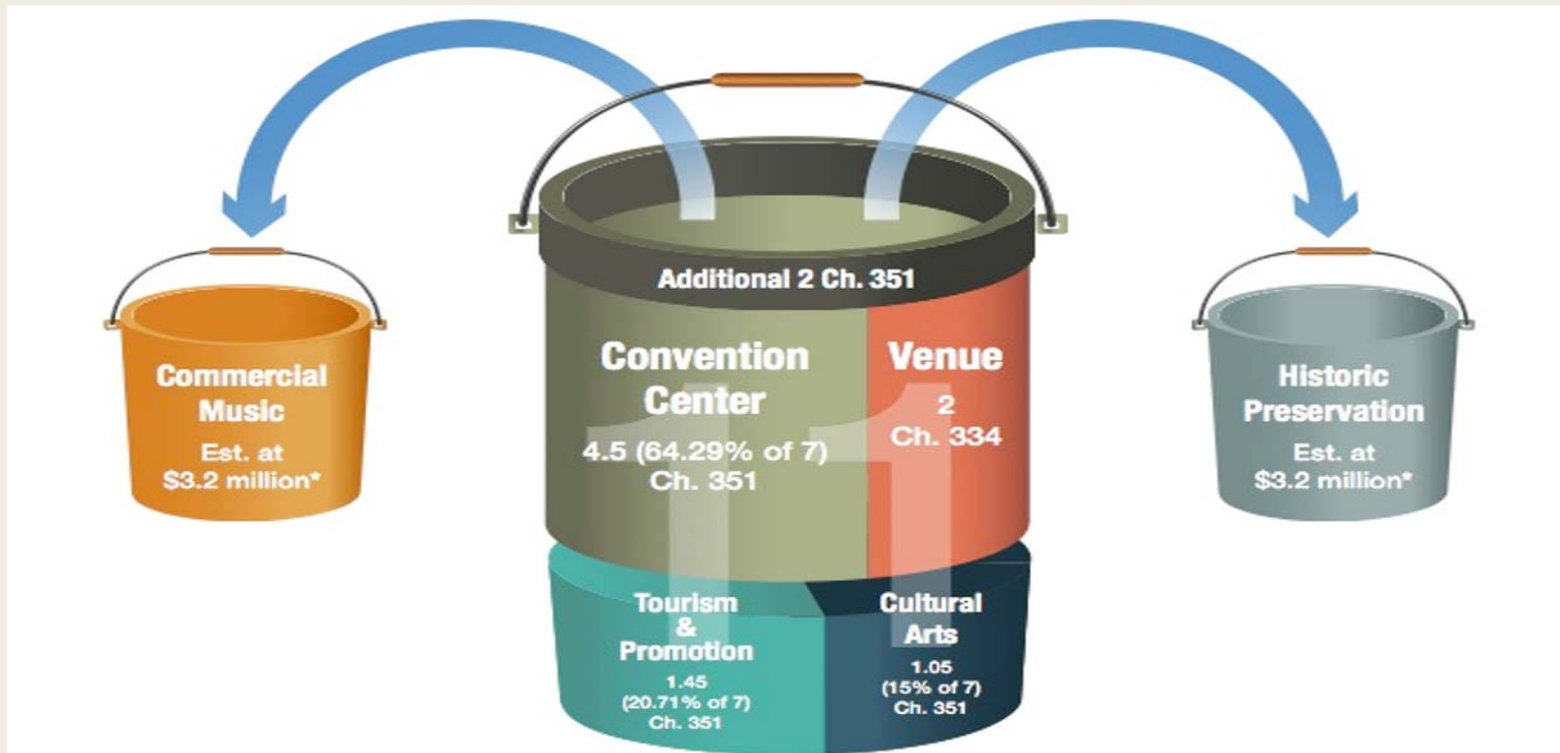


Funding Illustrations

Initial HOT Assessment and Allocation with Expansion

Assessment = 7% Chapter 351 + 2% Chapter 334 + 2% Additional Chapter 351 = 11% Combined City HOT Assessment

Allocation = 4.5 Convention Center + 2 Venue + 1.45 Tourism and Promotion + 1.05 Cultural Arts + 2 Additional Chapter 351 = 11



* Estimate is based on a single year's projections and will increase as HOT revenue in total grows over time.

** Maximum percentage for Commercial Music is limited to 15% of 2, since 15% of 7 is allocated to Cultural Arts

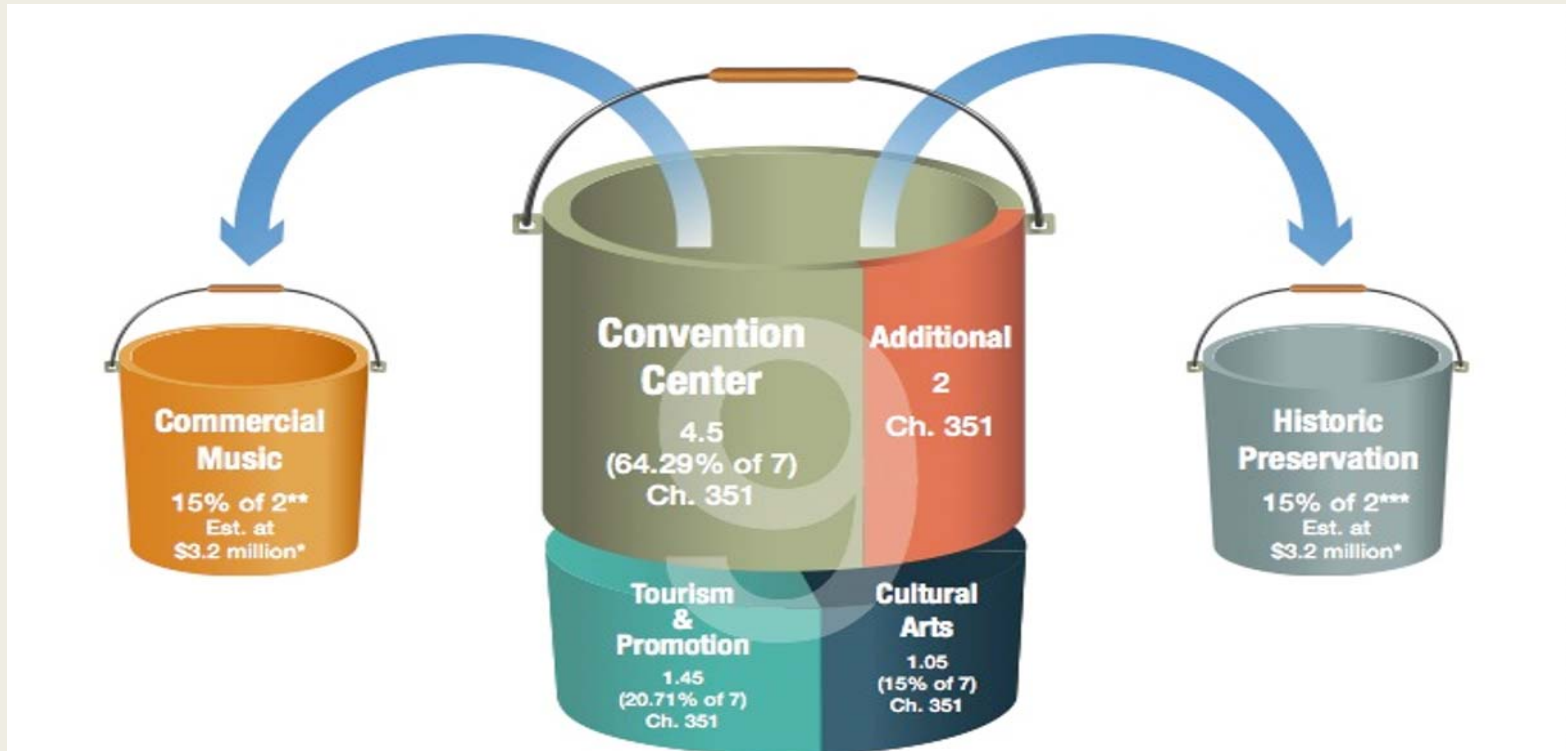
*** Maximum percentage for Historic Preservation can be 15% of the total Ch. 351 Assessment, and the dollar amount is expected to increase as HOT revenue in total grows over time.

Funding Illustrations

Subsequent HOT Assessment and Allocation with Expansion (after venue retirement)

Assessment = 7% Chapter 351 + 2% Additional Ch. 351 = 9% Combined City HOT Assessment

Allocation = 4.5 Convention Center + 2 Expansion + 1.45 Tourism and Promotion + 1.05 Cultural Arts = 9



* Estimate is based on a single year's projections and will increase as HOT revenue in total grows over time.

** Maximum percentage for Commercial Music is limited to 15% of 2, since 15% of 7 is allocated to Cultural Arts

*** Maximum percentage for Historic Preservation can be 15% of the total Ch. 351 Assessment, and the dollar amount is expected to increase as HOT revenue in total grows over time.

The Task Force members appreciate the opportunity to serve our community and produce this report for the Council.

Questions, Comments, and Feedback