

# Hotel Occupancy Tax

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## Staff Proposed Reallocation



September 11, 2017

*City of Austin, TX*





# Legal Framework

## Texas Tax Code Section 351

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- HOT expenditures must promote tourism and the convention industry, and
- Be for an authorized use as listed in the Tax Code
- Allowable uses key to this presentation:
  - Construction, operation, and maintenance of convention center facilities
  - Costs related to the registration of convention delegates
  - Advertising and promotional programs to attract tourists and convention delegates
  - Encouragement, promotion, improvement, and application of the arts (Maximum of 15%)
  - Historical restoration and preservation in proper locations (Maximum of 15%)



# Legal Framework

## Texas Tax Code Section 351

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- HOT funds may be spent for day-to-day operations, supplies, salaries, office rental, travel expenses, and other administrative costs only if incurred directly in the promotion and servicing of authorized expenditures (i.e. both promoting tourism and conventions and for a use on the list)
- HOT funds may not be used for general revenue purposes or general government operations



# Legal Framework

## Texas Tax Code Section 351

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- **Specific to Historical Restoration and Preservation**
  - Funding must be used for historical restoration and preservation projects, advertising, or conducting solicitations and promotional activities that encourage tourists and convention delegates to visit preserved historic sites or museums
  - Historic sites or museums must be at or in the immediate vicinity of the convention center or located elsewhere in the city or its vicinity that would be frequented by tourists and convention delegates



## Sampling of Potentially Eligible Historic Properties\*

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- ✓ Oakwood Cemetery
- ✓ Barton Springs Bath House
- ✓ Seaholm Intake Building
- ✓ Downs Field
- ✓ Fiesta Gardens
- ✓ Umlauf Sculpture Gardens
- ✓ Elisabet Ney Museum
- ✓ Zilker Botanical Gardens
- ✓ Barton Springs Pool
- ✓ Tejano Walking Trail
- ✓ O. Henry Museum
- ✓ Norwood Historic Estate

*\* This list is only a sampling. It is not intended to be an all-inclusive list of eligible historic properties.*



# Examples of Eligible Uses of HOT Funds

Allowable Uses	Non-Allowable Uses
✓ Security costs specific to a convention center event	X Police patrol at community events or festivals
✓ Preservation and restoration of Barton Springs Bath House	X Lifeguards at Barton Springs Pool
✓ Docents to conduct historical tours at Oakwood Springs Cemetery	X Interment services for indigent citizens at Oakwood Springs Cemetery
✓ Marketing of historic sites to tourists and convention delegates	X Marketing of Parks and Recreation offerings to local residents



## Other Considerations

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- Bond covenants pledge 4.5 cents in support of outstanding Austin Convention Center debt
  - Any reduction in this pledged amount would represent a material change reportable to Electronic Municipal Market Access (EMMA)
  - Maintaining the Convention Center's current AA bond rating is critical to minimizing interest costs for future bond issuances and refundings of current bonds
- A cut of more than \$2 million to Visit Austin's budget would require a staffing reduction



# Allocation of Chapter 351 HOT

FY 2017-18 Proposed Budget Allocation

**7¢** →

<b>4.5¢</b>	Austin Convention Center	\$47.6 million
<b>1.45¢</b>	Tourism and Promotion (funds Visit Austin)	\$15.3 million*
<b>1.05¢</b>	Cultural Arts	\$11.1 million
<b>0¢</b>	Historic Preservation	\$0

\* Includes \$500,000 forfor Heritage Grants



# Allocation of Chapter 351 HOT

## Staff Recommendation

**7¢** →

<b>4.5¢</b>	Austin Convention Center	\$47.6 million	<ul style="list-style-type: none"><li>• Reduce transfer to CIP by \$6.6 million</li><li>• Payment to VA of \$6.6 million for convention marketing and sales</li></ul>
<b>0.64¢</b>	Tourism and Promotion (funds Visit Austin)	\$6.7 million	<ul style="list-style-type: none"><li>• Budget reduction of \$2.0 million, net of payment from ACC</li></ul>
<b>1.05¢</b>	Cultural Arts	\$11.1 million	<ul style="list-style-type: none"><li>• No change</li></ul>
<b>0.81¢*</b>	Historical Preservation	\$8.6 million	<ul style="list-style-type: none"><li>• \$8.6 million for eligible historical preservation uses</li></ul>

\* Funding for historical preservation could be increased to the maximum 1.05¢ following repayment of outstanding convention center debt



# Historical Preservation Fund

## Staff Recommended Uses

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Expenditure	Amount
Offset of <u>existing</u> General Fund expenditures for eligible historic preservation uses	<b>\$280,000</b>
Offset for <u>new</u> General Fund Expenditures on eligible historic preservation uses	<b>\$220,000</b>
Funding for historic preservation projects or other eligible uses	<b>\$8.1 million</b>



# Discussion





Austin Convention Center Capital Projects Underway and Planned	Project Estimate
Roof Repair	\$1.7 M
Marshalling Yard (Land/Phase I)	\$19.5 M
Garage Elevators/Repairs	\$7.1 M
InVision Studios	\$2.6 M
Waller Pavilion	\$3.2 M
Other Projects (Parking systems, electric, IT upgrades, office reconfiguration)	\$1.7 M
<b><i>Current Projects</i></b>	<b><i>\$35.8 M</i></b>
Upgrades/Replacements – Lighting, Sound, IT	\$3.0 M
Marshalling Yard (Phase 2)	\$20.0 M
A/C and water pipes	\$1.0 M
Other Projects (RFID, garage signage, portable seating, parking projects)	\$2.3 M
<b><i>Planned Projects</i></b>	<b><i>\$26.3 M</i></b>