



MEMORANDUM

TO: Mayor and City Council
FROM: Mark Washington, ^{MW} Assistant City Manager
DATE: June 30, 2017
SUBJECT: Council Resolution No. 20160818-075: Visitor Impact Task Force Final Report

The purpose of this memorandum is to provide Council with the final report of the Visitor Impact Task Force (Task Force).

On August 18, 2016, the Austin City Council adopted *Resolution No. 20160818-075* which created the 18-member Task Force, and its scope of work. As stipulated in the resolution, the purpose of the Task Force was to *"make recommendations to the City Council about how best to utilize all hotel occupancy revenue to impact tourism."*

The Task Force conducted thirteen (13) meetings between December 2016 and May 2017, with nearly 41 hours of open meetings at four (4) various locations. The Task Force members contributed approximately 700 hours of time at these meetings developing the final recommendations.

Final recommendations are included in the final report, which is attached for review and consideration, and the report will also be published on the Task Force website: <http://www.austintexas.gov/content/visitor-impact-task-force>. Task Force Chair James Russell and Vice-chair MariBen Ramsey plan to present the report at an upcoming Council meeting.

We appreciate the Task Force members' work, grateful for the leadership of the Chair and Vice-chair, and thankful to all the City departments who contributed to this effort.

Should you have any questions or need additional information, please feel free to reach out to me or Carla Steffen, Austin Convention Center Department Deputy Director, at 512-404-4014 or via email: Carla.steffen@austintexas.gov.

Attachment: Visitor Impact Task Force Final Report

CC: Elaine Hart, Interim City Manager

Visitor Impact Task Force

Final Report to Austin City Council

June 30, 2017

This document provides the analyses and deliberations of the Visitor Impact Task Force, to develop and report recommendations relevant to Austin City Council Resolution No. 20160818-075.

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Executive Summary

The Visitor Impact Task Force (VITF or Task Force) was created by resolution 20160818-075 approved by the Austin City Council (Council) on August 18, 2016. The Task Force held its first meeting on December 12, 2016, when 17 of 18 members were seated. The 18-member Task Force represented a variety of visitor industry interests, including representatives from the following communities and groups: hotel, restaurant, workforce, arts, music, events, parks, historic preservation, environment, public safety, convention center, and convention and visitors bureau.

As intended by Council, there were many different viewpoints expressed by Task Force members. The recommendations were unanimously adopted by the 14 Task Force members present, plus one abstention. The success of the Task Force has been predicated on a philosophy of inclusion and not from the standpoint of any one person or group.

The Task Force was subject to the provisions of the Texas Open Meetings Act, and all meetings were open to the public and included opportunities for public comment.

The Council resolution directed the Task Force to “make recommendations to the City Council about how best to utilize all hotel occupancy revenue to impact tourism.”

This overarching directive guided the Task Force through its deliberations and informed the following key Task Force recommendations:

- **Overarching Recommendations:**
 - 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.
 - Sustainability practices should be considered in the expansion of the Convention Center so that community values and input are included in the process and put into practice.
 - Visit Austin should conduct a dialogue with community stakeholders, the Environmental Commission, and the Joint Sustainability Committee on the “greening” and sustainability practices of the tourism industry
- The Visitor Impact Task Force recommends expansion of the Austin Convention Center (ACC) following the consultant’s recommended option to the West, non-contiguous (leaving Trinity Street open), **IF:**
 - 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) is utilized, and
 - The City seeks land acquisition through a long-term ground lease, or some other development agreement, that provides for the land and any additional development to remain on the tax roll. More specifically:
 - Expanding the Convention Center should be integrated with other uses, such as street-level restaurant/retail space in order to activate the area, and residential (including affordable housing) and/or office, with the possibility of reducing project costs.

Executive Summary (continued)

- The City should issue a Request for Information for integrating the expansion of the Convention Center with other uses that would contribute to street activity and a healthy urban fabric in downtown's southeast quadrant while maintaining the City's intact street grid and valuable land and development on the property tax rolls for the benefit of the entire City.
- The Convention Center expansion should be used to repair the urban framework in the immediate vicinity of the convention center. Improvements should include those described in the Waller Creek Conservancy vision for the Convention Center area as well as the Red River Cultural District and pedestrian connections between the Convention Center and the Rainey Street neighborhood.
- Through the geographic expansion of the Waller Creek Tax Increment Financing District and/or a similar mechanism, additional property tax revenues from the expansion should be considered to address urgent social problems in this area of downtown.
- Involve the Design Commission and the community in ongoing conversations about the design of the expansion, and
- The expansion project includes additional allowable area improvements that are important to the community (to be finally determined as project moves forward, but should consider capital improvements involving acquisition and development of Palm School, improvements to: Waller Creek (in conjunction with the Waller Creek Conservancy), Mexican-American Cultural Center, Red River Cultural District, nearby historic landmarks, etc.), and
- The bond covenants include in the Flow of Funds direction that excess funds remaining after debt service and convention center operations and capital funding, as outlined in the funding illustrations, be utilized for:
 - A fund for allowable uses related to commercial music, up the maximum allowed by law, while leaving the current 15% allocation of the 7% Ch. 351 HOT for the current Cultural Arts Funding, and
 - A fund for historic preservation, up the maximum allowed by law, and
 - Excess funding should be split 50/50 between the music fund and historic preservation fund until the allocation to music reaches the maximum allowed by law (15% of the additional 2% Ch. 351 assessment), at which point funding in excess of that music threshold will be allocated to historic preservation. Should funding ever exceed the maximum allowed for historic preservation, Council should evaluate the need for allocations to additional allowable uses.
- Music/Arts
 - 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/Marketing** - Dedicated interactive monthly outreach events to under-served communities that includes previous recipients as presenters: arts organizations, musicians, artists.
 - **Marketing** - Increased visibility in under-served community via targeted outreach campaign. ***Make materials more relevant visually and culturally***

Executive Summary (continued)

- Consider the following for use of a portion of the additional funding allocated to music from the convention center expansion funding:
 - **Grant Funding**
 - **Artist-as-Entrepreneur** (Core Funding) - Austin musicians and artists add tremendous value to culture, and even further, to economic growth in the 'Live Music Capital.' ***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
 - **Incubator** (\$2,000-\$10,000) - business with 1-2-year history. Funding delivery includes mentorship.
 - **Growth** (\$10,000-\$25,000) - business with 3-5-year history, proven growth, and strategic plan. Funding delivery includes mentorship.
 - **Expansion** (\$25,000-\$100,000)- 5-7-year history, previous funding from CAD, clear community partnership/investment. Funding delivery includes mentorship.
 - Artists' receiving funding in **Growth** and **Expansion** phases must become mentors as a stipulation of their participation in the program.
 - Each funding level can only be received once per artist.
- Historic Preservation Activities should be amended as follows:
 - Transfer administration of the Historic Preservation and Heritage Grant program from the Austin Convention and Visitors Bureau (ACVB or Visit Austin) to a non-profit (e.g. Austin Community Foundation) or City department with an advisory board that make the decisions on the grants. The 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 the Texas Historical Commission's Texas Preservation Trust Fund (TPTF), and History Colorado's State Historical Fund (SHF).
 - Maintain percentage funding levels from HOT revenues for the Cultural Arts grant program and ACVB Tourism Promotion Fund.
 - Revise eligibility and grant administration guidelines while retaining consistency with State law and City Code:
 - Remove the requirement that three bids be received for all work.
 - Eliminate the cap on the maximum amount for individual grants.
 - Allow for funding of privately-owned properties that are regularly open to the public (e.g. commercial properties).
 - Establish grant scoring criteria to favor properties owned by public and non-profit entities, projects that impact culturally-significant historic sites that have been under-represented, and entertainment and cultural districts that have the capacity to attract a more diverse tourist audience.
 - Establish grant scoring criteria to encourage funding to assist sites to be more "visitor-ready", or that attract tourists to areas that have not traditionally served tourists.
 - Expand the type of projects eligible for funding to include interior work, building systems, interpretive signage, etc.
 - Look to other grant programs as a model for eligible scopes of work, selection

Executive Summary (continued)

- processes, and restrictions based upon the type of grant recipient including the TPTF and SHF.
 - Remove any caps on the amount of grant funds that can be provided toward a specific site or total project cost at a site.
 - Establish percentage of revenue from HOT associated with the expansion of the Austin Convention Center (plan 2b) or from a Tourism Public Improvement District (TPID) to be dedicated to a Historic Preservation and Heritage Grant Program.
 - Prior to any expansion of the HOT tax due to ACC or TPID, continue to allocate \$1.5 million to a Historic Preservation and Heritage Grant Program. Until ACC expansion is creating additional 2 percent, would come out of Tourism Promotion, but if/when expansion and/or TPID approved, funds would come from waterfall dollars.
- Visit Austin
 - 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, music and local business and develop marketing efforts to support robust tourism plans in each of those areas.
- Tourism Public Improvement District (TPID)
 - The City Council should begin the process of formation of a TPID with the hotel industry at the maximum allowable rate amenable to the industry, mindful of the potential hotel occupancy tax rate changes as the convention center debt/venue tax is retired and the HOT rate returns to an overall 15 percent rate.
 - The City Council should direct staff to identify specific ways the City can use TPID dollars to offset public safety and business district infrastructure costs associated with tourism.
- 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 Center –
 - 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, or other qualifying tourist destination areas that promote tourism and the convention and hotel industry.
 - In future years, as the additional annual funding available to music and historic preservation through the convention center expansion financing flow of funds increases, and the amount available for 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.
 - As funding is assigned to a specific welcome center, the percentage of funding allocated to covers costs should be aligned with the percentage of welcome center visitors who are from out-of-town.

Executive Summary (continued)

Impact of Recommendations to the City's economy, taxpayer, and general fund

As discussed later in this report, hotel occupancy tax is not the only local tax contribution from the visitor industry. Visitor spending results in sales, alcohol beverage, vehicle rental taxes, as well as passenger facility charges to the airport. The overall economic impact of the visitor industry also extends beyond the local tax contributions bringing significant revenue to hotels, restaurants, bars, and local businesses, thus creating jobs for local residents.

The Task Force 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. Through additional annual funding for historic preservation projects for Parks and Recreation Department assets, the transfer of general fund dollars to those project funds is reduced, providing for other general fund services to utilize those funds. Through the identification of additional funding for promotion of 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.

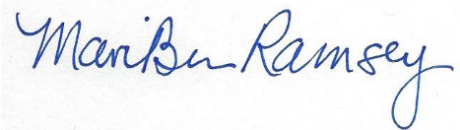
Through the creation of a Tourism Public Improvement District with agreed-upon funds provided to the City, certain costs typically covered by the general fund will also be alternately funded.

The combined effect of the Task Force recommendations provides for the continued success of the Austin Convention Center and Visit Austin, maintains the funding for the City's well-established Cultural Arts grant program, and allows for the additional funding for music and historic preservation. For these reasons, the Task Force encourages the City Council to move forward with all of the recommendations as outlined.

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



James Russell, Chair
Visitor Impact Task Force



MariBen Ramsey, Vice-chair
Visitor Impact Task Force

Introduction

Beginning with its first meeting in December 2016, the Task Force held public meetings in 4 main locations: Pan American Recreation Center, Palmer Events Center, Austin Convention Center, and the Hyatt Regency Austin.

A related [speakupaustin! discussion forum](#) was also available for public comment submissions. The forum generated 78 responses from 28 participants. The complete [discussion content](#) has been posted to the VITF website.

The Task Force received regular support from the following City of Austin departments:

- Austin Convention Center Department (ACCD)
- Corporate Public Information Office (CPIO)
- Economic Development Department (EDD)
- Law Department
- Parks and Recreation Department (PARC)

Task Force Scope

The scope of work for the VITF included:

1. Study the impact of tourism on City infrastructure, services, and facilities, and investigate opportunities to offset those impacts by using Hotel Occupancy Tax revenues;
2. Review of current uses of Hotel Occupancy Taxes and the impact of those activities and expenditures on tourism in the City;
3. Review of current tourist activity in the City of Austin and what events, venues, or facilities those tourists attend while visiting;
4. Review of State and National best practices for tourism programs;
5. 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;
6. Review the Austin Convention Center expansion, all possible design options and potential funding mechanisms; and
7. Make recommendations to the City Council about how to best utilize all hotel occupancy revenue to impact tourism.

Introduction (continued)

Membership

Membership of the VITF consisted of:

- 2 members of the music industry nominated by the Music Commission;
- 2 members of the arts community nominated by the Arts Commission;
- 2 members of the special events industry; one nominated by the Parkland Events Task Force and one nominated by the Economic Opportunity Committee;
- 1 member nominated by the Austin Convention and Visitors Bureau;
- 1 member of the hotel industry nominated by the Economic Opportunity Committee;
- 1 member of the public safety community nominated by the Public Safety Commission;
- 1 member of the preservation community nominated by the Historic Landmark Commission;
- 1 member of the parks community nominated by the Parks & Recreation Board;
- 1 member from the Convention Center;
- 1 member nominated by the Downtown Commission;
- 2 community members who represent the tourism workforce nominated by the Economic Opportunity Committee;
- 1 community member appointed by the Planning and Neighborhood Committee;
- 1 member of the environmental community nominated by the Environmental Commission;
- 1 member representing the restaurant industry nominated by the Economic Opportunity Committee;
- 1 ex officio member from the Public Works Department; and
- 1 ex officio member from the Austin Transportation Department

Task Force Member	Area Represented
Gavin Garcia	Music Industry Representative
Catlin Whittington	Music Industry Representative
Lulu Flores	Arts Community Representative
MariBen Ramsey	Arts Community Representative
James Russell	Special Events Industry Representative
Julie Niehoff	Special Events Industry Representative
Tom Noonan	Austin Convention & Visitors Bureau Representative
Shelly Schadegg	Hotel Industry Representative
Bill Worsham	Public Safety Community Representative
Alyson McGee	Preservation Community Representative
Dan Keshet	Parks Community Representative
Mark Tester	Convention Center Representative
Dewitt Peart	Downtown Commission Representative
Ashwin Ghatalia	Tourism Workforce Representative
Stephen Sternschein	Tourism Workforce Representative
Jonathan Mahone	Community Member Representative
Pam Thompson	Environmental Community Representative
Skeeter Miller	Restaurant Industry Representative
Richard Mendoza	Public Works Department Representative (ex-officio)
Gordon Derr	Transportation Department Representative (ex-officio)

Introduction (continued)

Meeting Details

- | | |
|---------------------------|--|
| • Range of Meeting Dates: | December 12, 2016 – May 23, 2017 |
| • Public Meetings: | 13 meetings held |
| • Public Meeting Hours: | Nearly 41 hours of public meeting time |
| • Staff Time at Meetings: | 192+ hours |
| • Meeting Locations | 4 locations |

VITF was subject to the provisions of the Texas Open Meetings Act, and all meetings were open to the public and included opportunities for public comment.

Council Resolution

[RESOLUTION NO. 20160818-075](#)

See full resolution at the above link, or in Appendix A.

The resolution established the 18-member Visitor Impact Task Force and directed the group to study various aspects of the visitor industry in Austin, the use of Hotel Occupancy Tax, and provide related recommendations to Council.

Extension of Due Date

The VITF voted to seek an extension to the April 1, 2017 deadline established in Council's resolution. A [memo](#) from Assistant City Manager Mark Washington was sent to Council on April 7, 2017.

Data Provided to the Visitor Impact Task Force

The Austin Convention Center Department staff, the Austin Convention and Visitors Bureau staff, and the City's Economic Development Department staff provided information to the Visitor Impact Task Force. Hard copies of presentations, historical reports, and other reference information was provided to each Task Force member at each meeting.

Visitor Impact Task Force members submitted questions for City staff to the Task Force's staff liaison, Felicia Ojeda, Marketing and Public Relations Coordinator, Austin Convention Center Department. City staff responded to questions in writing, and all responses were posted to the [Visitor Impact Task Force Resource Website](#).

Over the course of the meetings, staff from various City departments presented information, participated in panel discussions, and provided additional resource information. City departments included Austin Convention Center Department, Economic Development Department, Law Department, Parks and Recreation Department, Public Works Department, Austin Resource Recovery, Austin Transportation Department, Austin Police Department, Austin Center for Events, Aviation and Financial Services Department.

The Task Force also heard from representatives from the Cities of San Antonio, Texas, and El Paso, Texas, regarding how those cities utilize Hotel Occupancy Tax.

Data Provided to Visitor Impact Task Force (continued)

Information presented/provided by staff from City of Austin, ACVB, Task Force members, City of El Paso, and City of San Antonio during VITF meetings included:

1. [Ethics and Conflicts of Interest](#)
2. Hotel Occupancy Tax (HOT) legal uses authorized by Chapter 351 of Texas Tax Code and [Chapter 334 of Texas Local Government Code](#)
3. [Current uses of HOT](#) in the City of Austin
4. [City's historic grant program](#)
5. [Austin Convention Center Department operations](#)
6. [Austin Convention and Visitors Bureau use of HOT](#)
7. [Cultural Arts Division use of HOT](#)
8. Austin Convention Center [Long-Range Plan and proposed plans for expansion](#)
9. City of Austin [HOT collections](#)
10. Review of [Council Resolution 20170209-033](#)
11. Impacts of tourism on City of Austin Departments via panel discussions
12. [Visitor contributions to the City's general fund](#)
13. [PARD relationship with tourism and heritage/historic tourism](#)
14. Best practices in other cities – via conference call session with other cities
15. City's [financial reporting](#)
16. Austin Convention Center Department presentation of [cash, financial position, capital project financing, and debt](#)
17. Economic Impact of Historic Preservation in Texas [executive summary](#)

Additional Information Provided by City Staff – Posted on VITF website included:

1. Hotel Occupancy Tax references
 - a. Texas Tax Code [Chapter 351](#)
 - b. Texas Local Government Code [Chapter 334](#)
 - c. Texas Hotel Lodging Association's [What Cities Need to Know to Administer Municipal Hotel Occupancy Taxes](#)
 - d. Texas Municipal League's [The Hotel Tax "Two-Step"](#)
 - e. City of Austin Code of Ordinances [Chapter 11-2](#)
 - f. Texas Tourism [Economic Impact Report](#)
2. Responses to VITF questions
 - a. Answers covering [ACCD budget, financial reporting, venue and debt information](#)
 - b. Answers covering [ACCD Financial Presentation](#)
 - c. ACCD [Property Tax Analysis](#)
 - d. ACCD [expansion financial projections](#)
 - e. ACCD [attendance, occupancy, vacant days, events, hotel stays, Austin meeting space](#)
 - f. VITF [FAQ Fact Sheet](#)
3. Additional Information from City Departments
 - a. ACCD
 - i. Supplemental Information – [Expansion Financing Concepts Illustrations](#)
 - ii. [Local Tax Contribution by Visitors](#)
 - iii. Chapter 351 HOT Assessment [7% Allocation](#)
 - iv. [Response to Council Resolution 20151112-033](#)

Data Provided to Visitor Impact Task Force (continued)

- v. Town Hall Meeting [Flyer](#), [Illustration](#), [Presentation](#), and [Responses to Related Comments](#)
 - vi. Florida TaxWatch Report - [Impact on Tourism\(Draft\)](#), and [Impact on Tourism\(Final\)](#)
 - vii. State of Tennessee Draft Report – [Lodging Taxes](#)
 - viii. PricewaterhouseCoopers LLP - [Economic Significant of Meetings Study](#)
 - ix. Piper Jaffray – [Convention Center Expansion and Hotel Projects](#)
- b. EDD
 - i. Cultural Arts Division [2017 Funding Matrix](#)
 - ii. Department [website](#)
- c. PARD
 - i. [Annual Report 2016](#)
 - ii. [HOT Spending Plan](#) and [Memo](#)
- d. Austin Center for Events
 - i. [Special Events Alternative Funding Report](#)
 - ii. Center's [website](#)
- 4. Additional Information from ACVB
 - a. [Estimated Economic Impact Calculator – 2016 Event](#)
 - b. [Economic Impact – Research Reports](#)
 - c. JD Power [Report](#), [Study Exec Summary](#), [Study](#)
 - d. [Texas Tourism and MSA](#)
 - e. Destination Marketing Organization (DMO) [Study](#)
 - f. Official [response](#) to Citizen Communication letter

Several citizens representing themselves, various interests, and stakeholder groups also attended the VITF meetings. Each VITF meeting included time allotted for Citizen's Communication. Speakers also provided information to the VITF that was posted on the website, including:

- 1. [Downtown Grids](#) Image
- 2. [Think Big](#) Presentation
- 3. [Barton Springs Conservancy](#) Presentation
- 4. [Parks & Historic Preservation Tourism](#) Presentation
- 5. [Palm School Preservation](#)
- 6. [The Austin Music Plan](#)
- 7. [The 12 Immutable Laws of the Universe](#)
- 8. [Letter](#) to Council and City Manager and City Management [Response](#)
- 9. [Project Consideration](#)
- 10. April 24, 2017 Citizen Communication Handouts
 - a. [African American Resource Advisory Commission](#)
 - b. [Convention Center Expansion/Industry](#)
 - c. [Preservation Austin](#)
 - d. [Austin Independent Business Alliance](#)
 - e. [Austin History Center Association](#)
 - f. [Friends of the Parks of Austin](#)
- 11. May 2, 2017 Citizen Communication [Handout](#)
- 12. Design Commission [recommendation](#)
- 13. May 23, 2017 Citizen Communication [letter](#)

Key Findings

Review of Texas Tax Code Chapter 351 and allowable uses of Hotel Occupancy Taxes

The State of Texas authorizes hotel occupancy tax (HOT) assessments under Chapter 351 of the Texas Tax Code and under Chapter 334 of the Texas Local Government Code.

Chapter 351 requires HOT assessed under this chapter must first meet the criteria of promoting tourism and convention and hotel industry, and also fall into one of the authorized categories, not all of which are applicable to Austin. Those categories allowable in Austin include:

- the acquisition of sites for and the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention center facilities or visitor information centers, or both;
- the furnishing of facilities, personnel, and materials for the registration of convention delegates or registrants;
- advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity;
- the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms;
- historical restoration and preservation projects or activities or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums:
 - at or in the immediate vicinity of convention center facilities or visitor information centers; or
 - located elsewhere in the municipality or its vicinity that would be frequented by tourists and convention delegates;
- signage directing the public to sights and attractions that are visited frequently by hotel guests in the municipality;

Chapter 351 **prohibits** HOT use for general government activities.

Chapter 334 requires HOT assessed under this chapter be spent only on venues that are approved by voters. Authorized venues applicable to Austin include convention center, arena, coliseum, stadium, and potentially a tourism development along an inland waterway.

Key Findings (continued)

The maximum combined HOT allowed for most Texas cities, including Austin, is 17%. Included in that percentage is the State's portion of the assessment of 6%.

There were several bills introduced at the Texas State Legislature affecting HOT during the 2017 Legislative Session. A number of those bills sought to change how HOT can be used, including increasing the maximum Chapter 351 HOT assessment that can be spent on promotion of arts from 15% to 19.30%, allowing Chapter 334 HOT to be used on parkland, and creating an allowable use of HOT for costs associated with homeless issues. No bills ultimately passed that expanded how Austin can use HOT.

Review of current uses of Hotel Occupancy Taxes and the impact of those activities and expenditures on tourism in the City

Austin Tourism

The Office of the Governor's latest Economic Impact of Travel on Texas report (2015) includes the following:

The multi-billion dollar travel industry in Texas is a vital part of the state and local economies. The industry is represented primarily by retail and service firms, including lodging establishments, restaurants, retail stores, gasoline service stations, and other types of businesses that sell their products and services to travelers. The money that visitors spend on various goods and services while in Texas produces business receipts at these firms, which in turn, employ Texas residents and pay their wages and salaries. State and local government units benefit from travel as well, primarily in the form of excise taxes on the goods and services purchased by visitors.

Source: https://travel.texas.gov/tti/media/PDFs/TXImp15pRev2_1.pdf, 2016, pg. 6

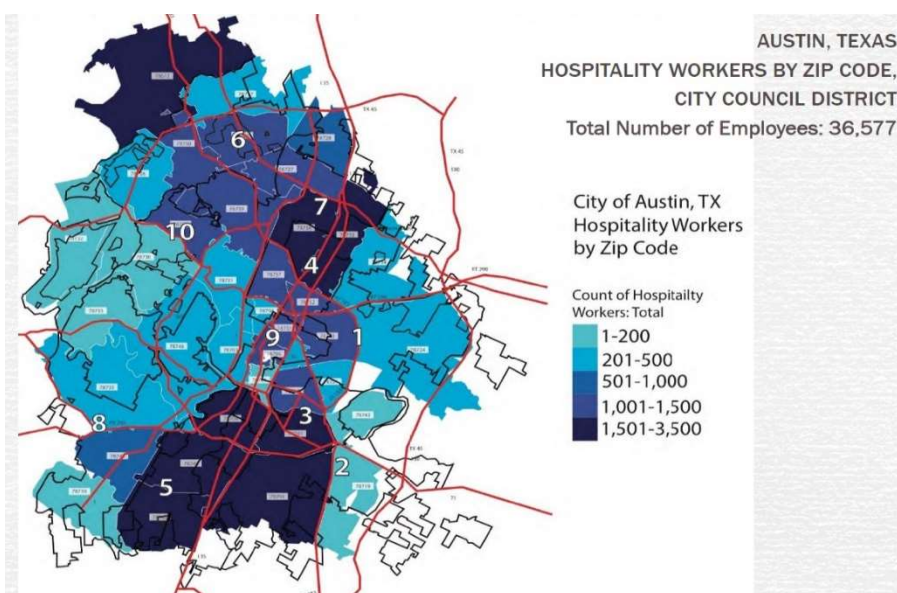
The report also includes the following for Austin:

	City and Place Direct Travel Impacts, 2006-2015p							
	2006	2008	2010	2011	2012	2013	2014	2015p
Austin								
Total Spending (\$M)	4,034	4,470	4,319	4,774	5,141	5,552	5,881	6,303
Visitor Spending (\$M)	3,410	3,757	3,618	3,975	4,281	4,643	4,904	5,254
No Transportation (\$M)	2,408	2,602	2,574	2,791	3,035	3,333	3,535	3,928
Transportation (\$M)	1,002	1,155	1,044	1,184	1,246	1,310	1,369	1,326
Earnings (\$M)	872	962	940	1,056	1,144	1,242	1,379	1,552
Total Employment	37,700	39,610	38,500	40,970	42,700	45,930	48,480	52,500
State & Local Tax Rev. (\$M)	283.6	306.2	302.7	324.6	353.7	388.3	419.6	467.4
Local Tax Rev.	109.3	117.6	117.5	127.2	139.5	154.4	169.6	192.5
Visitor	70.2	78.6	74.5	81.9	91.6	102.9	111.4	127.0
Business/Employee	39.1	39.0	43.1	45.3	47.9	51.6	58.2	65.5
State Tax Rev.	174.3	188.6	185.2	197.3	214.2	233.9	250.0	274.8
Visitor	148.5	159.6	157.4	166.5	179.7	196.2	207.3	227.7
Business/Employee	25.8	29.0	27.8	30.8	34.4	37.7	42.7	47.2

Source: https://travel.texas.gov/tti/media/PDFs/TXImp15pRev2_1.pdf, 2016, pg. 118

Key Findings (continued)

The Tourism/Visitor Industry is part of the Leisure and Hospitality Industry, which is the 3rd largest employment sector in Austin, employing over 127,000. This industry employs Austin residents from all parts of the City. Analyzing a subset of hospitality workers (food service workers across the City) depicts how industry employees are dispersed across the city in terms of worker's place of residence, and is shown in the image to the right. Similar distributions exist when looking at downtown hotel workers and relevant City employees as well.



Source: Visit Austin (aka Austin Convention and Visitors Bureau)

Austin's Hotel Occupancy Tax

The City of Austin currently assesses 15% HOT, made up of 6% for the State, 9% for the City. Of the City's 9%, 7% is assessed under Chapter 351, and 2% is assessed under Chapter 334. The additional 2% HOT capacity, which would take the combined rate to the maximum 17% allowed by law, is available to either the City for expansion of the convention center under Chapter 351, or the County for a voter-approved venue under Chapter 334.

Chapter 351 limits the spending on promotion of arts to 15% of the Chapter 351 portion of the assessment. The City of Austin currently allocated the maximum 15% of its Chapter 351 assessment to the promotion of the arts. (Any additional arts-related uses would require use of the current arts allocation, unless expansion of convention center is pursued using Ch 351 additional tax financing.) Chapter 351 also limits spending on historic preservation to 15% of the Chapter 351 portion of the assessment. The City of Austin currently does not allocate a full 15% to historic preservation activities. In Fiscal Year 2016, heritage grant awards totaled \$212,075, which is 0.31% of the Chapter 351 HOT tax collected for the year.

The portion of the Chapter 351 HOT allocation for the Convention Center is pledged to related debt and further governed by bond covenants. The Chapter 334 HOT assessed for the voter-approved venue Convention Center Expansion/Waller Creek Tunnel Project is also pledged to related debt and further governed by bond covenants. The Chapter 334 venue HOT is set to expire in 2029 when the debt is scheduled to be paid off.

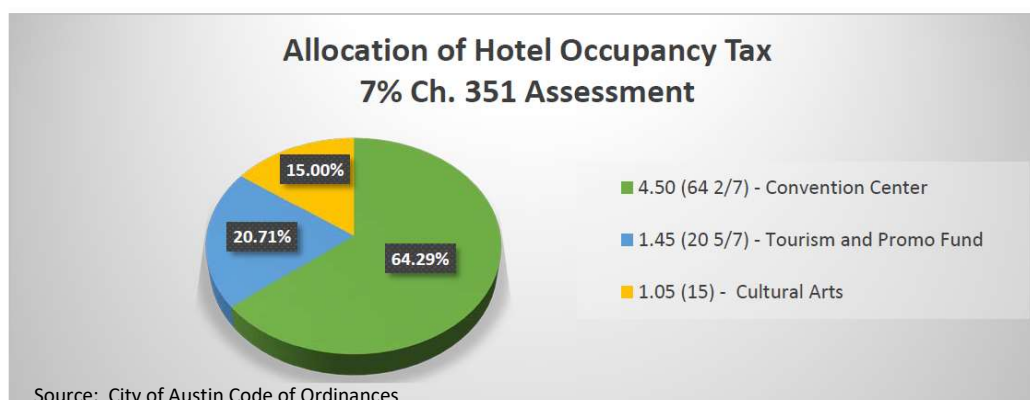
The current allocation is outlined in City Code Chapter 11-2. The allocations in percentages, as described in City Code, and cents (% times 7 cent assessment) are depicted in the charts on the following page. The 2 % venue assessment is a stand-alone assessment in City Code.

Key Findings (continued)

City of Austin Chapter 351 Hotel Occupancy Tax - 7 Percent Assessment

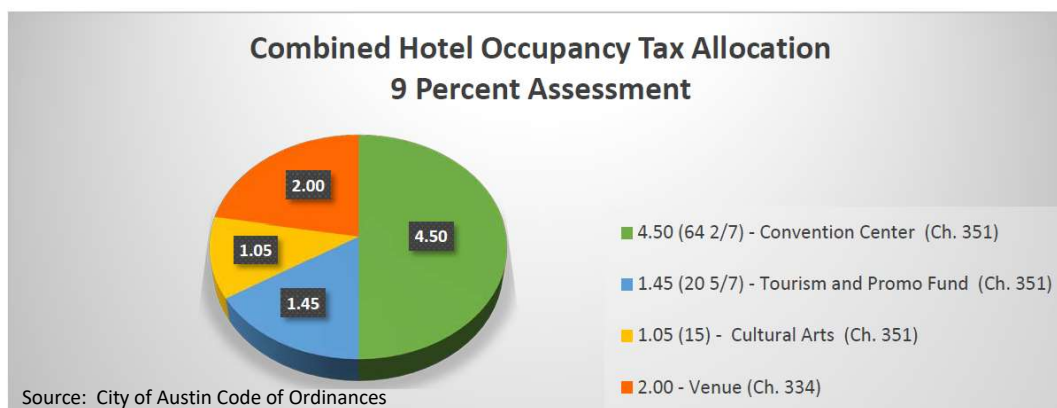
Allocation of Ch. 351 7% HOT

Description	per 11-2-7 of City Code	As a %	(Cents) % x 7	Comments
Convention Center	64 2/7	64.29%	4.5	Pledged to Bonds; Convention Center Uses - Debt Service, Capital Improvement Projects, Operations
Tourism and Promo Fund	20 5/7	20.71%	1.45	Fund Uses - ACVB funding and Historic Preservation
Cultural Arts	15	15.00%	1.05	Maximum allowed by State Law



City of Austin Hotel Occupancy Tax Combined 9 Percent Allocation

Description	(Cents) Allocation	Comments
Convention Center	4.5	Pledged to Bonds; Convention Center Uses - Debt Service, Capital Improvement Projects, Operations
Tourism and Promo Fund	1.45	Fund Uses - ACVB funding and Historic Preservation
Cultural Arts	1.05	Maximum allowed by State Law
Venue	2.00	Pledged to Bonds; Uses - Venue Debt Service, Convention Center Expansion Capital Improvement Projects and Operations



Key Findings (continued)

Convention Center

The Convention Center HOT allocation is used for debt service payments, convention center operations, and capital improvement projects (CIP). Annual debt services payments are between \$15-\$20 million. None of the Convention Center requirements (i.e. costs) are covered by the City's general fund.

As of January 2017, Convention Center total principal outstanding was \$133,991,000, made up of the following debt issuances:

- Series 2013 - \$14,115,000
- Series 2012 - \$16,995,000
- Series 2008 - \$87,820,000 (variable rate)
- GO Debt - \$15,061,000

The Convention Center operating budget covers costs associated with events, facilities, and administration. The distribution across those areas is as follows:

Convention Center Operations Detail 5-Year Average (2012-2016)

	Average
Event Sales and Contracting	3.31%
Event Set-Up Operations	8.61%
Facility Operations & Maintenance	30.62%
Event Planning	1.83%
Parking Management	3.21%
Event Security	6.45%
Exhibit Services	4.65%
Departmental Support Services	9.45%
Other Requirements	0.98%
Legal	2.67%
Transfers to Other City Funds:	
IT Support	1.82%
Administrative Support	2.14%
Workers' Compensation	0.52%
Liability Reserve	0.01%
Regional Radio System	0.20%
Downtown PID Fund	0.17%
GO Debt Service ¹	5.10%
Convention Center CIP Fund	18.27%
Total	<u>100.00%</u>

¹HOT Debt Service is accounted for in a separate fund, not part of the operations fund. The GO Debt Service is only a portion of the total debt service for the Convention Center.

The Austin Convention Center Department Approved Budget requirements for Fiscal Year 2017 total \$102.2 million. The Austin Convention Center Operating portion of that total is \$63 million.

Key Findings (continued)

The Austin Convention Center Department cash funds over 95% of its normal/on-going capital improvement projects (i.e. non-expansion projects typical of a facility of its type, such as elevator/escalator refurbishment, roof replacement/repair, technology upgrades, parking facility repairs, modernization of meeting space). This is vastly different than nearly all other City departments, who rely heavily on debt financing for their capital improvement projects. The City utilizes a 5-year CIP plan and Council approves annual CIP appropriation for multi-year projects at the same time the operating budget is approved. The Fiscal Year 2016 CIP plan included \$37 million in identified capital improvement projects. The continued success of convention center operations requires that the facilities remain in a sellable/desirable condition. Therefore, deferred maintenance of the facilities is not an option. Adequate funding for capital improvement projects is a significant component of the Austin Convention Center Department operations.

The estimated return on investment (ROI) of the Austin Convention Center's HOT allocation is best determined when considered along with the HOT allocation for convention sales from the Austin Convention and Visitors Bureau, as the two entities partner to bring events to Austin. The estimated combined ROI of over 275% is highlighted on page 19.

Cultural Arts

The Cultural Arts Division of the Economic Development Department manages the cultural arts funding allocation of HOT. Annually, a panel reviews the applications submitted by arts organizations and awards cultural grants using certain set parameters and matrix scoring. The funding plan seeks to support equitable distribution, and categorizes applicants according to size of budgets so that, while larger organizations receive larger dollar amounts, they receive a smaller percentage of their budget than do smaller organizations. The total cultural arts allocation for FY 2017 was \$11.6 million. The maximum award for FY 2017 was \$210,000 and the minimum award amount was \$1,000. Grants were awarded to nearly 500 organizations in FY 2017. The funding plan summary for FY 2016 and FY 2017 is shown in the table on the right.

Fund Plan Summary

Program	FY 16 Approved Funding Matrix	FY 17 Proposed Funding Matrix
Organizational Support	\$3,286,912	\$3,476,125
Project Support I	\$3,151,938	\$3,833,444
Project Support II	\$1,820,255	\$1,371,038
Project Support III	N/A	\$1,326,445
Cultural Expansion Program	\$172,750	\$164,300
Cultural Heritage Festivals	\$250,000	\$216,862
Community Initiatives	\$175,000	\$300,000
Zach Scott Maintenance	\$60,000	\$60,000
Adjustments and New Programs	\$16,566	\$46,408
TEMPO	\$200,000	\$110,000
Innovation and Collaboration	\$200,000	\$100,000
Omnibus	N/A	\$50,000
Cultural Arts Contracts Subtotal	\$9,333,421	\$11,054,622
NowPlayingAustin.com	\$40,000	\$40,000
Program Administration	\$260,000	\$300,000
Tourism and Promotion	\$250,000	\$250,000
Cultural Arts Fund Grand Total	\$9,883,421	\$11,644,622
TCA Subgranting	\$0	\$0
Bed Tax Allocation	\$9,883,421	\$11,644,622

Source: City of Austin Economic Development Department

Key Findings (continued)

The investment of HOT for the promotion of cultural arts shows a positive return on that investment. Utilizing a 2012 study of the Austin Creative Sector Economic Impact, the estimated direct impact ROI of the not-for-profit creative sector (which closely mirrors the City's Cultural Arts HOT program) is 156%. The ROI is calculated from the output and value-added inputs included in the following table.

Table 3: Total Creative Sector Economic Impacts in 2010

2010	Output	Value-Added	Earnings	Jobs	City Tax Rev.
Music	\$856.10	\$325.63	\$156.52	7,957	\$9.66
Film	\$282.70	\$187.96	\$73.66	2,748	\$1.08
Gaming	\$990.74	\$256.27	\$122.58	7,274	\$1.21
Not-for-Profit	\$497.67	\$303.45	\$157.34	8,781	\$5.66
Visual Arts	\$283.80	\$143.92	\$64.48	3,851	\$3.23
Tourism/Music	\$806.25	\$485.19	\$244.65	10,191	\$28.40
Tourism/Other	\$634.61	\$381.90	\$192.57	8,021	\$22.35
Total Annual	\$4,351.88	\$2,084.31	\$1,011.80	48,822	\$71.60

The economic impact of the not-for-profit creative sector provides an **estimated direct ROI of 156%** (based on output and value-added), which is even higher than the estimated direct ROI of 92% for the total sector. Both estimates are positive results for the Austin economy, and the non-for-profit estimate most closely aligns with the City's Cultural Arts HOT program.

Source: City of Austin Economic Development Department

Austin Creative Sector Economic Impact UPDATE | February 2012

6

Austin Convention and Visitors Bureau

The Austin Convention and Visitors Bureau (ACVB), now known as Visit Austin, is the official sales and marketing partner of the Austin Convention Center, and markets Austin as a destination. Visit Austin/ACVB's main areas of focus include: Convention Sales and Services, Marketing, Film Commission, and Public Relations and Communications. Visit Austin/ACVB's marketing efforts focus on Austin as an overall destination, segment niche areas of heritage/diversity, art/culture, adventure, and international markets. ACVB utilizes music in much of its marketing efforts, booking musicians for both conventions and marketing tours, as well as facilitating booking musicians for events. Visit Austin/ACVB also administers a heritage grant program. Key metrics and information representing ACVBs performance are below and on the following pages.

The reported estimated economic impact of \$673M related to ACVB bookings (shown below), relates to \$285M in estimated economic impact of the events ACVB booked for the Convention Center.

Austin

BOOKINGS FY 2015/2016

ESTIMATED ECONOMIC IMPACT:

\$673,233,320

For every \$1 in taxes the Austin CVB received, it returned \$42 in economic impact just in convention and sports bookings alone.

(This does not include tourism marketing impact)

Based on the estimated direct economic impact of **\$285 million** for FY 2016, when adding ACVB's HOT allocation to the Convention Center's, the combined HOT investment of convention center bookings results in a conservative estimated **return on that investment (ROI) of over 275%** for the Austin economy. This is a *minimum* estimate, as it does not include ACVB's tourism marketing impact, or the economic impact of events booked directly by the Convention Center. This estimate also does not include the impact from indirect or induced spending tied to direct spending.

Source: Visit Austin (aka Austin Convention and Visitors Bureau)

Key Findings (continued)

Austin

TAP REPORT: PEER SET (COMPETITIVE CITIES)

THE TAP REPORT

Austin

Period Ending November 30, 2016
Report Date: December 22, 2016

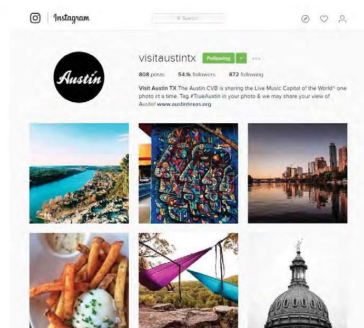
<i>Austin Room Nights</i>	2016	2017	2018	2019	2020	2021	2022	2023	Total
Definite Room Nights	627,645	460,690	376,549	270,839	164,970	39,440	16,416	9,419	1,965,968
Pace Targets	563,403	452,640	355,317	270,203	150,925	85,468	46,602	22,002	1,946,560
Consumption Benchmark	564,683	564,683	575,726	599,725	611,124	611,124	611,124	611,124	4,749,313
Pace Percentage	111%	102%	106%	100%	109%	46%	35%	43%	101%
Total Demand Room Nights	2,808,129	2,839,042	2,187,883	1,594,743	974,131	453,432	326,363	123,609	11,307,332
Lost Room Nights	2,180,484	2,378,352	1,811,334	1,323,904	809,161	413,992	309,947	114,190	9,341,364
Conversion Percentage	22%	16%	17%	17%	17%	9%	5%	8%	17%
Tentative Room Nights	3,621	243,139	303,936	291,050	282,636	265,820	216,517	94,869	1,701,588
<i>Peer Set R/Ns: Austin, Denver, Nashville, New Orleans, San Antonio</i>									
Definite Room Nights	4,041,765	3,791,625	2,929,873	2,165,819	1,635,157	1,154,730	1,202,750	736,287	17,658,006
Pace Targets	4,200,616	3,775,858	3,075,298	2,543,029	1,979,262	1,494,786	1,144,863	859,351	19,073,063
Consumption Benchmark	4,204,357	4,225,626	4,265,030	4,317,390	4,328,789	4,328,789	4,328,789	4,328,789	34,327,559
Pace Percentage	96%	100%	95%	85%	83%	77%	105%	86%	93%
Total Demand Room Nights	20,032,603	19,090,833	15,823,390	11,624,626	8,465,633	5,454,035	4,220,421	2,658,730	87,370,271
Lost Room Nights	15,990,838	15,299,208	12,893,517	9,458,807	6,830,476	4,299,305	3,017,671	1,922,443	69,712,265
Conversion Percentage	20%	20%	19%	19%	19%	21%	28%	28%	20%
Tentative Room Nights	9,260	1,166,813	1,791,719	1,587,617	1,489,263	1,452,450	1,114,487	1,009,688	9,621,297

LIVE MUSIC CAPITAL OF THE WORLD

Austin

DIGITAL MARKETING

- AustinTexas.org: 2.1 million unique visitors annually
- Austin Insider Blog: 30,000 avg pageviews/month
- Leisure Enews: 143,000 opt-ins
- Facebook: 310,600 fans
- Twitter: 179,000 followers
- Instagram: 54,100 followers

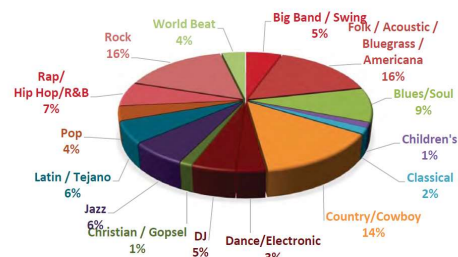


LIVE MUSIC CAPITAL OF THE WORLD

Austin

HIRE AN AUSTIN MUSICIAN DATABASE

- Hire an ATX Musician feature available on the website
- Refers local acts to conventions, meetings & other event requests
- More than 1,300 artist referrals & 130 hired through Hire an ATX Musician program in FY 15/16
- Since Oct 2015, ACVB has hired 112 musicians for various promotions
- More than 700 artists in database
- 26 diverse genres represented



LIVE MUSIC CAPITAL OF THE WORLD

Key Findings (continued)

Austin

PURPOSE OF THE HERITAGE GRANTS:

To promote tourism through the preservation, restoration, rehabilitation of historic buildings, structures, objects, monuments, sites or historic districts (historic property or properties).

Austin

GENERAL CRITERIA

- Properties owned or leased by a government or non-profit entity- designated historic landmarks by the City of Austin, National Register of Historic Places, Recorded Texas Historic Landmarks, State Archeological Landmarks; and properties listed as contributing to a National Register or Local Historic District.
- Tourism Ready- with regular open hours, accessible to hotels for out-of-town guests, documented promotional advertising to tourists.

Austin

GRANTS AWARDED

2016

- Neill-Cochran House- \$14,740
- Paramount Theatre- \$47,000
- Stateside- \$47,000
- North-Evans Chateau- \$30,000
- Pease Park Conservancy- \$43,334
- St Edwards University- \$30,000

Austin

GRANTS AWARDED

2015

- Elisabet Ney Museum- \$23,500
- Paramount Theatre- \$23,500
- Stateside Theatre- \$47,000
- North Evans Chateau- \$23,500

Austin

GRANTS AWARDED

2014

- The Contemporary - \$13,381
- Paramount Theatre- \$47,000
- Stateside Theatre- \$34,500
- St. Edwards University- \$15,000
- French Legation- \$27,995

Source: Visit Austin (aka Austin Convention and Visitors Bureau)

Additional Heritage Tourism Information

In a 2015 report on the Economic Impact of Historic Preservation in Texas by the University of Texas at Austin and Rutgers, the significance of heritage-related travel is discussed. The report notes that “more than 10.5 percent of all travel in Texas is heritage-related” and “heritage tourists contribute about 12.5% of total visitor spending in Texas”. The report also connects heritage preservation to nearly 80,000 jobs in Texas. As discussed in a subsequent section, in the Austin-Round Rock MSA, approximately 28% of visitors enjoyed cultural activities while visiting the area, irrespective of the purpose of their trip. Of those 28%, just over 10% enjoyed concerts/theater/dance, just over 8% enjoyed touring/sightseeing, and just under 8% visited historic sites.

Key Findings (continued)

Additional Historic Preservation Activities

During adoption of the FY 2017 budget, Council directed additional funding be used for historic preservation activities from the allocation historically provided to ACVB. Council increased the allocation to the heritage grant program administered by ACVB from \$200,000 to \$500,000. In addition, Council allocated nearly \$1 million for historic preservation projects within the City's Parks and Recreation Department (PAR). PAR has identified several projects, as shown to the right.



FY 17 Hotel Occupancy Tax PARD Spending Plan and Horizon Issues

Spending Plan: Historical Restoration and Preservation Programs

Total Amount: \$993,841

Proposed Expenditures:

\$319,140	Oakwood Chapel Historic Restoration
\$364,701	Elisabet Ney Museum: Window, Door and Masonry Restoration
\$ 25,000	Elisabet Ney Historic Wall and Gate Restoration
\$ 15,000	O. Henry Museum Porch Restoration
\$ 10,000	O. Henry Museum HVAC
\$180,000	O. Henry Museum Restoration—Phase I
\$ 35,000	Mayfield Historic Garden Shed Restoration
\$ 45,000	Mayfield Historic Wall and Stone Masonry Repair/Reconstruction
\$993,841	TOTAL AMOUNT PROPOSED*

*These are estimated costs and the final expenditure may vary.

Source: City of Austin Parks and Recreation Department

Short-term Rental Activity

Short-term rentals (STRs) or Vacation rental by owner (VRBOs) are also required to collect and remit hotel occupancy tax on qualified rentals. The City also requires STRs and VRBOs to register with the City's Austin Code Department annually. Austin Code and the City's Controller's Office share information about hotel occupancy taxpayers to ensure that registered taxpayers have an STR license and the all registered STR taxes are paid.

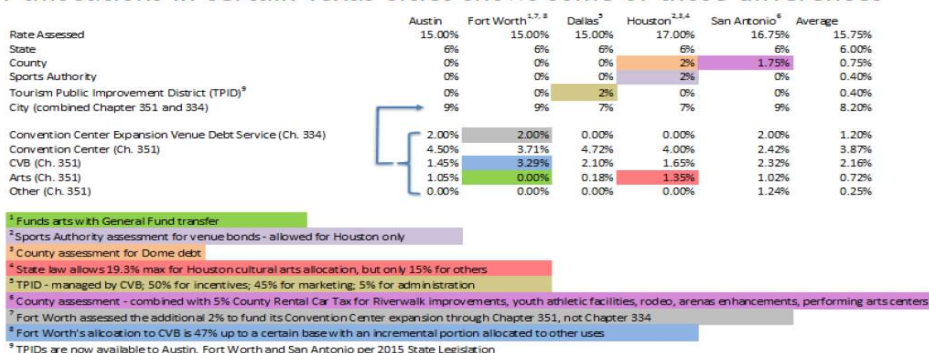
Over the last three fiscal years, STRs hotel tax collections have represented approximately 3% of the City's total hotel occupancy tax collections.

Review of State and National best practices for tourism programs

Texas' major cities utilize HOT in similar ways, but each city does employ slightly different business models for its convention center operations and variations in their respective HOT allocations (shown to the right).

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



Source: City of Austin Convention Center Department

Key Findings (continued)

Every city researched funds its Convention Center and a Convention and Visitors Bureau with a portion of its HOT, as does Austin.

El Paso assesses the highest HOT rate in the state at 17.5%, and is the only city in the state that is allowed to go above the 17% max rate. El Paso allocates 13.5% to arts, and combines the funds with general funds to support art-related activities.

San Antonio assesses a HOT rate of 16.75%, and includes a County venue assessment. All of the City of San Antonio's HOT is pledged to debt, with the allocation to the remaining uses calculated on the net available after debt service (i.e. the 15% allocation of the net HOT to arts and historic preservation results in an allocation a less than 15%).

State Laws governing hotel occupancy tax vary from state to state, making comparisons across state lines difficult and less meaningful. A draft report from the State of Tennessee examined how lodging taxes differ across states. With regards to how states differ in terms of authorizing lodging taxes for cities and counties, the draft report notes:

- Forty-three states authorize lodging taxes for at least some cities or counties.
- Most (37 of the 43) do so by general law for either all cities or all counties—21 authorize both—and usually up to a certain rate—though many make exceptions to the standard rate limit for specific, individual jurisdictions.
- Iowa and **Texas** generally cap rates at 7%; cities in Wisconsin are allowed to go to 8% with a referendum.
- A small number of states have no caps and allow rates to be set at the local level, either by the legislative body adopting the tax or by referendum, including seven that authorize local lodging taxes for cities generally (Alabama, Alaska, Arizona, California, Colorado, Nebraska, and Oregon), three of which (Alaska, California, and Oregon) grant similar authority to counties.
- In Tennessee and four others (Louisiana, Mississippi, New York, and North Carolina), most local governments must have specific, individual authorization from their state legislature to adopt a new lodging tax or increase the authorized rate for an existing lodging tax.
- Twenty-eight states including Tennessee allow city and county taxes to overlap.

Source: <https://www.tn.gov/assets/entities/tacir/attachments/2015OctoberTab6HotelMotelTax.pdf>, 2015, pg. 20

The draft report also describes differences among states in terms of earmarking lodging taxes, stating:

- With few exceptions, general earmarks of lodging tax revenue in other states are tied to general authorizations to impose local lodging taxes.
- Of the 33 states with general local-lodging-tax authorizations for cities, counties or both, only 13 earmark all of the revenue, 14 earmark a portion of it, and 6 do not earmark any of it.
- Missouri grants local authority only to certain categories of cities and counties with certain exceptions and earmarks all of the revenue.
- Michigan, Nevada, and **Texas** similarly limit authority to certain categories and earmark a portion of the revenue. The amount earmarked varies from 25% to 100% or applies only to revenue collected from rates above a certain level.

Source: <https://www.tn.gov/assets/entities/tacir/attachments/2015OctoberTab6HotelMotelTax.pdf>, 2015, pg. 4

Key Findings (continued)

Study the impact of tourism on City infrastructure, services, and facilities

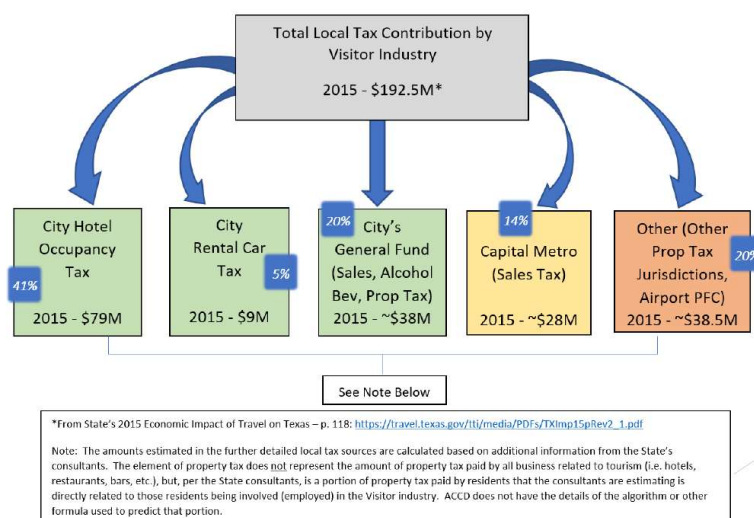
A review of the State's Tourism Impact Report shows that HOT makes up 41% of the visitor-related local tax contribution. Besides HOT, the visitor-related local tax contribution includes sales tax, alcohol beverage tax, passenger facility charges, as shown in the illustration on the right.

Further analysis of the current visitor-related local tax contribution estimates that over \$40 million goes to the City's general fund in the form of sales tax, alcohol beverage tax, etc. General fund costs directly tied to tourism cannot be readily identified/quantified, as further discussed next. A preliminary review of Austin's general fund costs most related to tourism identified approximately \$20 million in costs. This preliminary analysis did not include an allocation of the costs between residents and non-residents. Thus, the \$20 million in identified costs represents the total costs for those budget line items, not just a portion attributable to visitors.

This information is illustrated below.

Local Tax Contribution by Visitor Industry 2015 Estimates of All Sources

Local Tax Contribution by Visitor Industry, with State 2015 Estimates



Source: City of Austin Convention Center Department

Local Tax Contribution by Visitor Industry General Fund Contributions and Certain General Fund Costs

One Way to
Conceptualize
it...

Description	FY2015 Amount (Actuals)	FY2017 Amount* (Budgeted)
Direct Visitor-Related Contributions to the General Fund	\$38,000,000	\$41,000,000
Visitor-Related General Fund Costs**:		
Police Special Events - Nonreimbursed	\$1,772,994	\$3,683,205
Parks:		
Central Parks Management	\$384,750	\$859,154
Zilker Park Maintenance	\$483,029	\$1,221,422
Trail Maintenance	\$1,743,949	\$1,354,444
Barton Springs Pool	\$944,774	\$1,050,210
Museums and Cultural Programs	\$5,314,738	\$5,884,483
AFD - Inspection, Review and Support	\$2,899,637	\$2,823,160
EMS Special Events	\$2,191,125	\$1,464,933
Subtotal	\$15,734,996	\$18,341,011
Music and Entertainment Office (EDD)***	\$542,053	\$816,792
Total	\$16,277,049	\$19,157,803
Amount Remaining for Other General Fund Costs	\$21,722,951	\$21,842,197

* Per review of past State reports, average annual increase since 2002 has been ~\$1.5M per year

** Amounts represent 100% of the activity's budget, even though the visitor element is only a portion

*** Funded in part by General Fund transfer

Source: City of Austin Convention Center Department, City of Austin Financial System

Key Findings (continued)

Quantifying a cost to a city from visitors is very difficult – no study or estimate was identified and a calculation was not attempted by the VITF. A search for similar studies did find a discussion regarding the challenges in determining the cost on a city from tourism. The topic is discussed in a Florida Report written by a PhD with Florida TaxWatch Research Institute, Inc. The report found that current data suitable for a comprehensive cost-benefit analysis was not available, and included the following in Appendix B of the report:

Florida TaxWatch’s search for timely, Florida-specific cost-benefit tourism data reveals that tourism studies and related data collection efforts by-and-large have been directed more toward the benefit rather than the cost side of the equation.

Florida TaxWatch’s search for tourism cost-benefit data also reveals that, although benefits are visible in the form of jobs, earnings, business output, and tax revenues, explicit data with which to measure costs are relatively invisible or indistinguishable from other cost-related impacts. This is because they tend to meld with, and are difficult to separate from, more general social and quality-of-life factors. Traffic congestion, health care needs and costs, public safety, and similar issues are all part of Floridians’ daily lives. To what extent these are increased by tourists to the state is difficult to isolate.

A Florida household government benefits and tax burden study conducted for Florida TaxWatch by Drs. Keith G. Baker and Craig E. Reese shows that Florida tourists consume/use far less government services than do Florida residents in a variety of government services arenas.

Source: <http://www.floridataxwatch.org/resources/pdf/tourismreportmarch2006.pdf> , 2006, pgs. 34-35

Review of current tourist activity in the City of Austin and what events, venues, or facilities those tourists attend while visiting

As the “Live Music Capital of the World”, Austin’s music scene is a draw for tourists. The City’s current cultural arts program funded by HOT provides funding for certain music organizations, but the requirement that the recipient be a non-profit organization currently keeps many musicians and music venues from being eligible for any funding.

Austin also has many attractions and amenities that are popular among tourists. Many of these attractions are PARD assets. Barton Springs pool is one of those assets, with an estimated 16% of the visitors to the pool being non-residents. PARD has

Austin-Round Rock, TX MSA Executive Summary

Highlights of Visitors to the Austin-Round Rock MSA

- Texans generated 65.9% of Person-Days to the Austin-Round Rock MSA; Non-Texans 34.1%
- Top 3 Texan origin DMAs (Houston, Dallas-Fort Worth, San Antonio); Non-Texan DMAs (New York, San Francisco-Oakland-San Jose, Los Angeles)
- Leisure travel represented 69.8% of Person-Days to the Austin-Round Rock MSA; Vacation 21.8% and Non-Vacation 48%
- Business travel represented 30.2% of Person-Days to the Austin-Round Rock MSA; Meetings 15.6% and Transient 14.6%
- Activity categories participated: Attractions 18.7%, Culture 28.1%, Family/Life Events 33.6%, Libation/Culinary 26.5%, Nature 14.1%, Outdoor Sports 9.6%, General 39.5%
- Average Party Size (Adults and Children) 1.72 persons
- Average Length of Stay was 1.95 days (overnight and days); 2.45 nights (overnight only).
- 79.4% traveled by Auto; 19% by Air
- Average distance traveled 470 miles
- Accommodation Type: Paid 61.7%; Non-Paid 38.1%; Other Overnight 0.2%
- Average Per Person Per Day Spending \$132.00
- Average Age 44.8 years
- Average Household Income \$98,082
- Employment: Employed 70.4%, Retired 13.2%, Not Employed 16.5%
- Marital Status: Married 60.0%, Never Married 31.1%, Divorced/Widowed 8.9%
- Children in Household: Yes 34.9%, No 65.1%

Texas Destinations 2015 prepared for The Office of the Governor, Economic Development & Tourism Division.
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Key Findings (continued)

identified several of its historical assets that are visited by tourists, many of which have needs that could be eligible for HOT funding under the historic preservation category of Ch 351.

An overview of Austin-Round Rock MSA visitors for 2015 is shown on the previous page.

Visitors come to Austin for many reasons. A summary of the purpose for visits to the Austin-Round Rock MSA in 2015 is below.

Austin-Round Rock MSA

MSA		MSA	
Purpose of Stay (Person-Days)		Purpose of Stay (Person-Days)	
Total Leisure	69.8%	Total Business	30.2%
Vacation	21.8%	Meetings	15.6%
Getaway Weekend-Overnight	13.2%	Convention	6.4%
General Vacation-Overnight	6.5%	Seminar/Training	6.0%
Day Trip Vacation/Getaway	2.2%	Other Group Meetings	3.2%
Non-Vacation	48.0%	Transient	14.6%
Visit Friend/Relative	28.1%	Sales/Purchasing	3.2%
Special Event (celebration, reunion)	8.3%	Consulting/Client Service	2.9%
Medical/Health Care	2.0%	Construction/Repair	1.0%
Convention/Show/Conference	1.8%	Government/Military	0.4%
Seminar/Class/Training (personal)	1.2%	Inspection/Audit	0.3%
Other Leisure/Personal	6.5%	Other Business	6.8%

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Reported visitors coming to the area for meetings, seem to be in line with a national study that analyzed the economic impact of the meetings industry. In that study completed in 2014 by PricewaterhouseCoopers, LLP (PwC), found that the meetings sector generates approximately 15% of the direct tourism output of the Travel and Tourism industry. Additional information about the PwC study is included below.

Section I – Introduction & Executive Summary

The Economic Significance of Meetings to the U.S. Economy

The meetings sector can be described as being comprised of two portions: one portion overlapping (or an extension of) the travel and tourism sector and the remaining portion belonging to other sectors. Approximately 15 percent or \$130 billion of the estimated \$865 billion of direct tourism output in the U.S. was the result of the meetings industry in 2012.

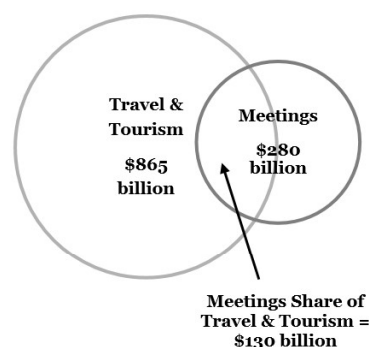
Total Economic Significance

Direct spending, which served as input for the input-output economic modeling process, reflects the spending in those industries that comprise the meetings industry. Indirect spending is attributable to the suppliers to the meetings industry, and the induced spending arises from spending by the employees of the meetings industry and its suppliers. Together, direct, indirect, and induced spending contributions comprise the total contribution of meetings activity to the U.S. Economy.

Economic contributions are presented in terms of the following:

- **Output:** Economic concept akin to sales or revenue.
- **Contribution to GDP:** Also known as the "value added." Refers to the additional value created at a particular stage of production. It is a measure of the overall importance of an industry. Value added consists of: employee compensation, proprietors' income, income to capital owners from property, and indirect business taxes.
- **Employment:** Consisting of full-time and part-time jobs.
- **Labor income:** Including wages and salaries, benefits, and proprietors' income.
- **Taxes:** Including federal taxes (personal income, excise, custom duty, social insurance contribution, and other taxes) and state and local taxes (corporate income, personal income, property, sales, social insurance contribution, and other taxes).

The indirect and induced contributions of meeting activity spending were calculated using the IMPLAN model based on economic relationships from 2011.



Source: <http://www.eventscouncil.org/Files/2012%20ESS/CIC%20Meetings%20ESS%20Uupdate%20EXECUTIVE%20SUMMARY-FINAL.pdf>, 2014, p6

Key Findings (continued)

Meetings Direct Contribution to GDP Compared to Other Industries

The meetings industry continues to rank higher than several high-profile industries, both in terms of its contribution to U.S. GDP, and the number of full- and part-time workers employed

Table 6
Direct Contribution to GDP and Employment of Select Industries

Industry	Estimated Value Added to GDP (in millions)	Full & Part-time Employment (in thousands)
Health care and social assistance	\$1,157,000	17,075
Broadcasting and telecommunications	392,000	1,142
Food service and drinking places	315,000	10,030
Oil and gas extraction	269,000	188
Computer systems design and related services	230,000	1,634
Legal services	225,000	1,138
Manufacturing petroleum and coal products	179,000	111
Truck transportation	126,000	1,380
Accommodation	125,000	1,823
Manufacturing motor vehicles, bodies and trailers, and parts	122,000	785
Meetings	115,615	1,787
Motion picture and sound recording industries	113,000	384
Performing arts, spectator sports, museums	87,000	560
Information and data processing services	80,000	335
Air transportation	78,000	465
Amusements, gambling, and recreation industries	71,000	1,454
Rail transportation	40,000	202

Source: <http://www.eventscouncil.org/Files/2012%20ESS/CIC%20Meetings%20ESS%20Update%20EXECUTIVE%20SUMMARY-FINAL.pdf> , 2014, p8

Visitors to Austin-Round Rock MSA in 2015 took part in a variety of activities while they were in the area in 2015, irrespective of the purpose of their visit.

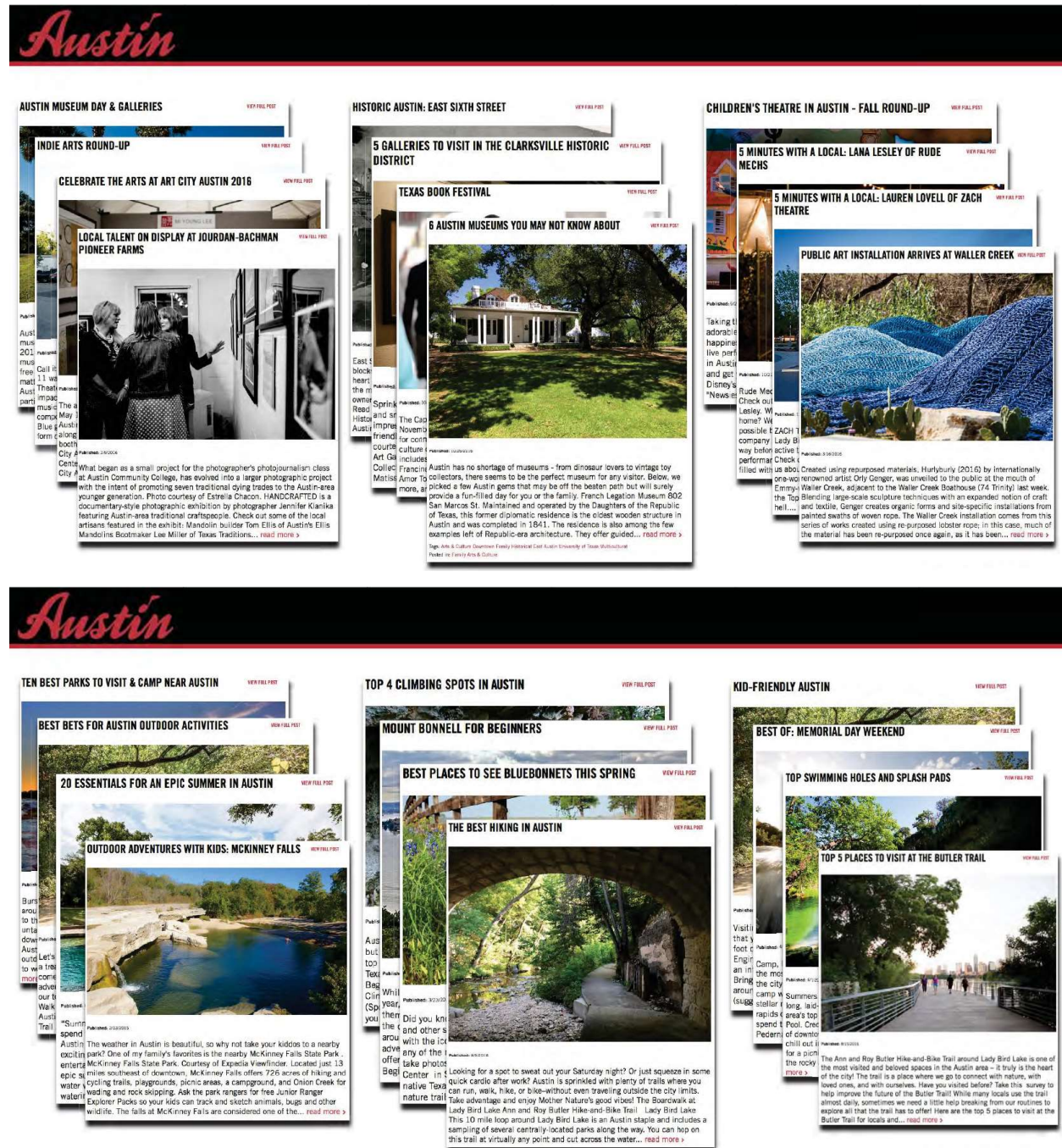
Austin-Round Rock MSA

				MSA				MSA	
Activities Summary (Stays)									
Attractions (Net)		18.7%		Nature (Net)				14.1%	
Nightlife (bar, nightclub etc.)		12.3%		Parks (national/state, etc.)				10.7%	
Amateur Sports (attend/participate)		4.2%		Beach/Waterfront				2.3%	
Show: Boat, Car, Home		2.1%		Wildlife Viewing (birds, whales etc.)				1.6%	
Culture (Net)		28.1%		Outdoor Sports (Net)				9.6%	
Concerts/Theatre/Dance etc.		10.3%		Hiking				2.5%	
Touring/Sightseeing		8.2%		Fishing				2.4%	
Historic Sites		7.7%		Golfing				2.2%	
Family/Life Events (Net)		33.6%		General (Net)				39.5%	
Visit Friends/Relatives (general visit)		25.7%		Shopping				22.4%	
Personal Special Event (Anniversary, Birthday)		4.7%		Business				14.5%	
Holiday Celebration (Thanksgiving, July 4th etc.)		2.3%		Medical/Health/Doctor Visit				3.1%	
Libation/Culinary (Net)		26.5%		Trip Party Composition (Trip-Days)					
Culinary/Dining Experience		25.9%		Avg. Party Size (Adults and Children)				1.72	
Winery/Distillery/Brewery Tours		1.5%		One Male Only				28.5%	
				One Female Only				22.6%	
				One Male and One Female				29.5%	
				Two Male or Two Females				5.8%	
				Three or More Adults				4.9%	
				Adults with Children				8.7%	

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Key Findings (continued)

Visit Austin/ACVB includes information about Austin's amenities on its website, including information about Austin's cultural, heritage, and outdoor offerings. Images of areas highlighted on Visit Austin/ACVB's site are below.

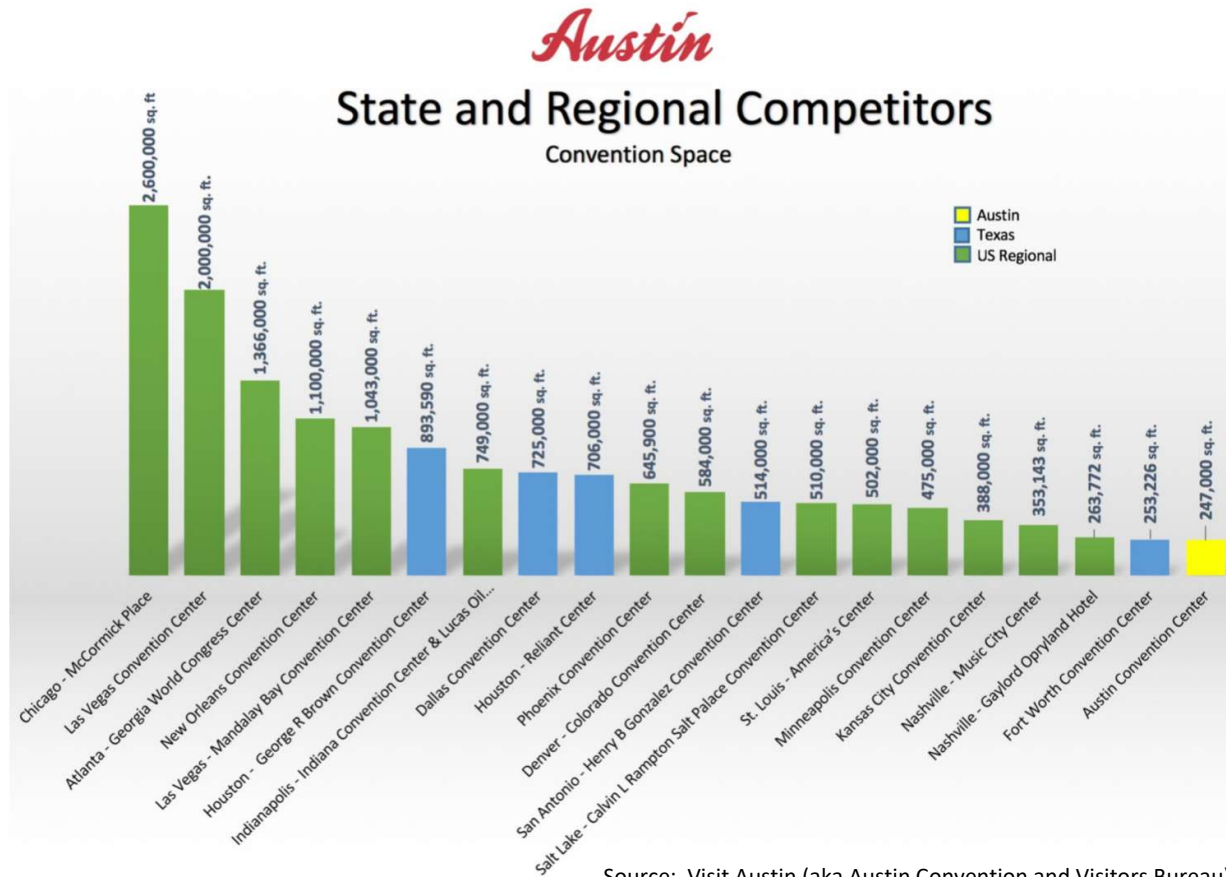


Source: Visit Austin (aka Austin Convention and Visitors Bureau)

Key Findings (continued)

Review the Austin Convention Center expansion, all possible design options and potential funding mechanisms

Austin Convention Center is the smallest in size among its competitors, as shown in the chart below.



Source: Visit Austin (aka Austin Convention and Visitors Bureau)

Additional key information regarding the Austin Convention Center includes:

- The Austin Convention Center opened in 1992 and was last expanded in 2002.
- Many competitors have recently completed expansion or are currently considering expansion.
- Half of Austin Convention Center's lost business is due to lack of availability or inadequate space.
- Austin Convention Center is at practical maximum capacity at 65% occupancy.
- An independent consulting team studied ACC expansion and considered 5 options, including no expansion, complete relocation, and expansion to the east, south, and west of the current facility. The consulting team recommended expansion to the west.
- Urban Land Institute, an organization providing leadership in responsible land use related to complex land use planning and development projects, programs, and policies, also reviewed the consultant's report and agreed with their expansion recommendation.

Two main HOT funding concepts have been proposed by Austin Convention Center staff for expansion – one under Ch. 334 and another under Ch. 351. The Ch. 351 concept has variations of both % of addition Ch. 351 HOT and duration of current Ch 334 Venue.

Key Findings (continued)

Multiple financing concepts are available for expansion of the Austin Convention Center – expansion/extension of Ch 334 venue, if voter approved, or increasing Ch 351 up to 2% more. The option selected determines possibilities for expansion components and the potential for other annual funding available for other allowable uses.

A review of financing of several other convention centers shows that many convention centers are financed with hotel tax as well as portions of other taxes, surcharges, fees, such as sales tax, alcohol beverage tax, and rental car tax. Austin currently has a separate Vehicle Rental Car Tax venue in place until 2029. Any use of a portion of sales tax or alcohol beverage tax would divert those revenues away from the City's general fund.

The various financing sources for some of the nation's large convention centers are highlighted below.

Funding Sources – Large Convention Centers

Hotel Taxes

- ✓ Broadly applied tax percentage – *Anaheim, Chicago, Boston, Colorado and others*
- ✓ Tax on new hotel construction – *Boston*
- ✓ Flat fee-based tax on rooms sold – *New Orleans, Nashville*
- ✓ Subordinate marketing and other uses of tax – *Orlando*

Food and Beverage Tax

- ✓ Broadly applied tax – *Phoenix, Denver*
- ✓ Tax within a specific district – *Chicago, Minneapolis, Boston*
- ✓ Tax on establishments serving mixed drinks – *Minneapolis*

Funding Sources – Large Convention Centers

PiperJaffray.

Taxi Fees

- ✓ Airport departure fees – *Chicago*
- ✓ Taxi medallion license fees – *Boston*

Car Rental Tax

- ✓ Fixed fee surcharge – *Boston, Denver, Chicago*

Ticket Tax

- ✓ Percentage tax on sight-seeing, tourist venues, etc. – *Boston*

Other Sources

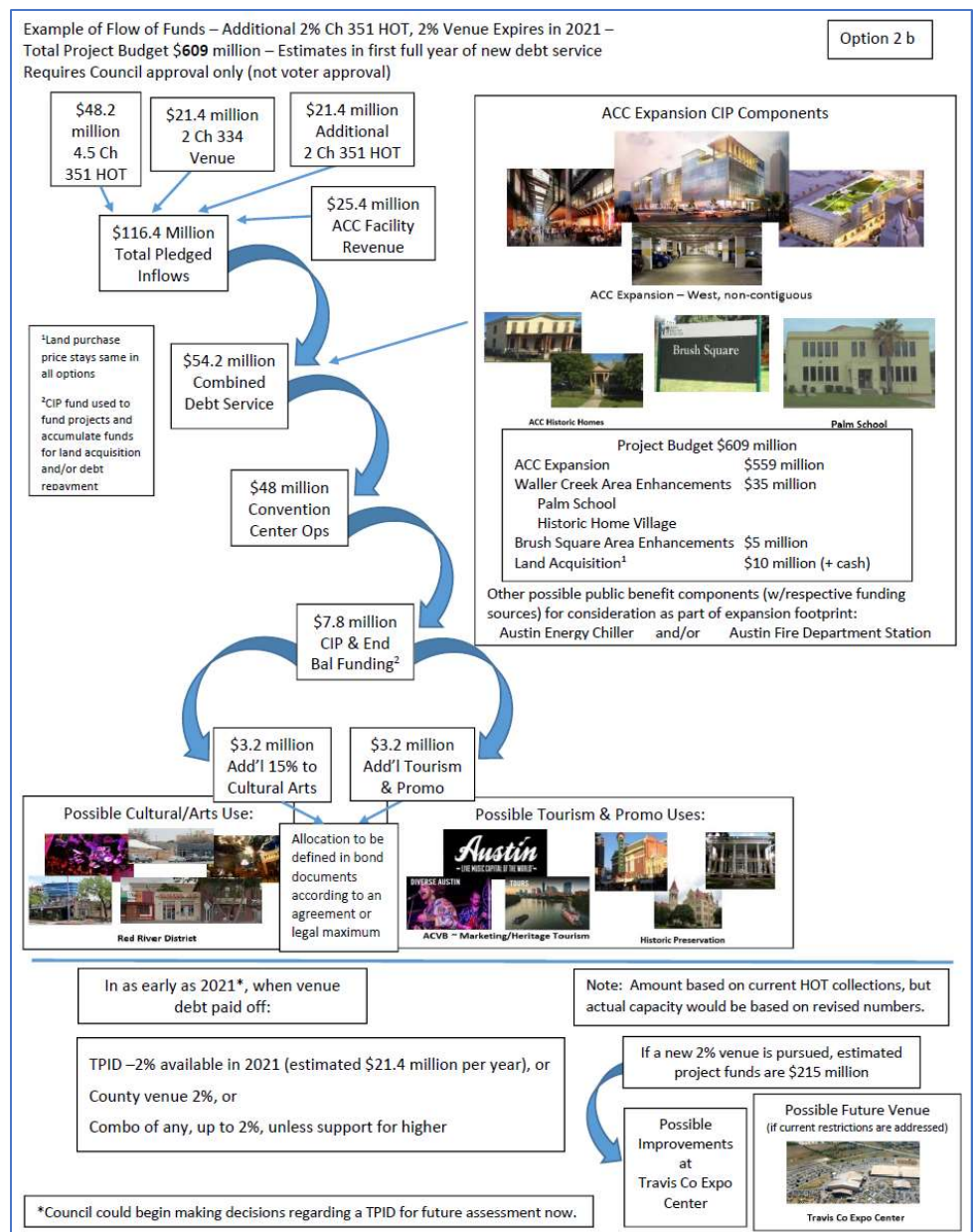
- ✓ Tax on city-wide construction projects – *Phoenix*
- ✓ Broad based sales tax – *Cleveland*
- ✓ Tax on city-wide advertising purchases – *Phoenix*

Key Findings (continued)

The Austin Convention Center Department has continued to seek and receive stakeholder input on its proposed expansion. The desire for a walkable, street-activated facility that includes community space, restaurant/retail space, and development of area/convention center district improvements have been communicated by numerous Austin residents and groups. The conceptual design of a proposed expansion continues to evolve. Actual design of an expanded facility and area improvements would occur following Council approval to move forward with the plan, should Council decide to do so. The financing concept selected would ultimately determine what components could be part of the project.

Any details regarding land acquisition – either through acquisition, ground lease, or another alternate method – are also still to be determined. ACCD does not believe that it should be a foregone conclusion that the property will be fully removed from the tax rolls, and believes one acquisition option that should be explored is through a long-term lease versus a purchase. There is also potential for additional development components within the expansion design, depending on the land acquisition method and/or a development agreement that could have significant impacts on the analysis, but are unknowns at this point. There is also potential for a new downtown fire station and another Austin Energy chiller to be incorporated into the expansion design, meeting important needs of the City that have not identified other solution options.

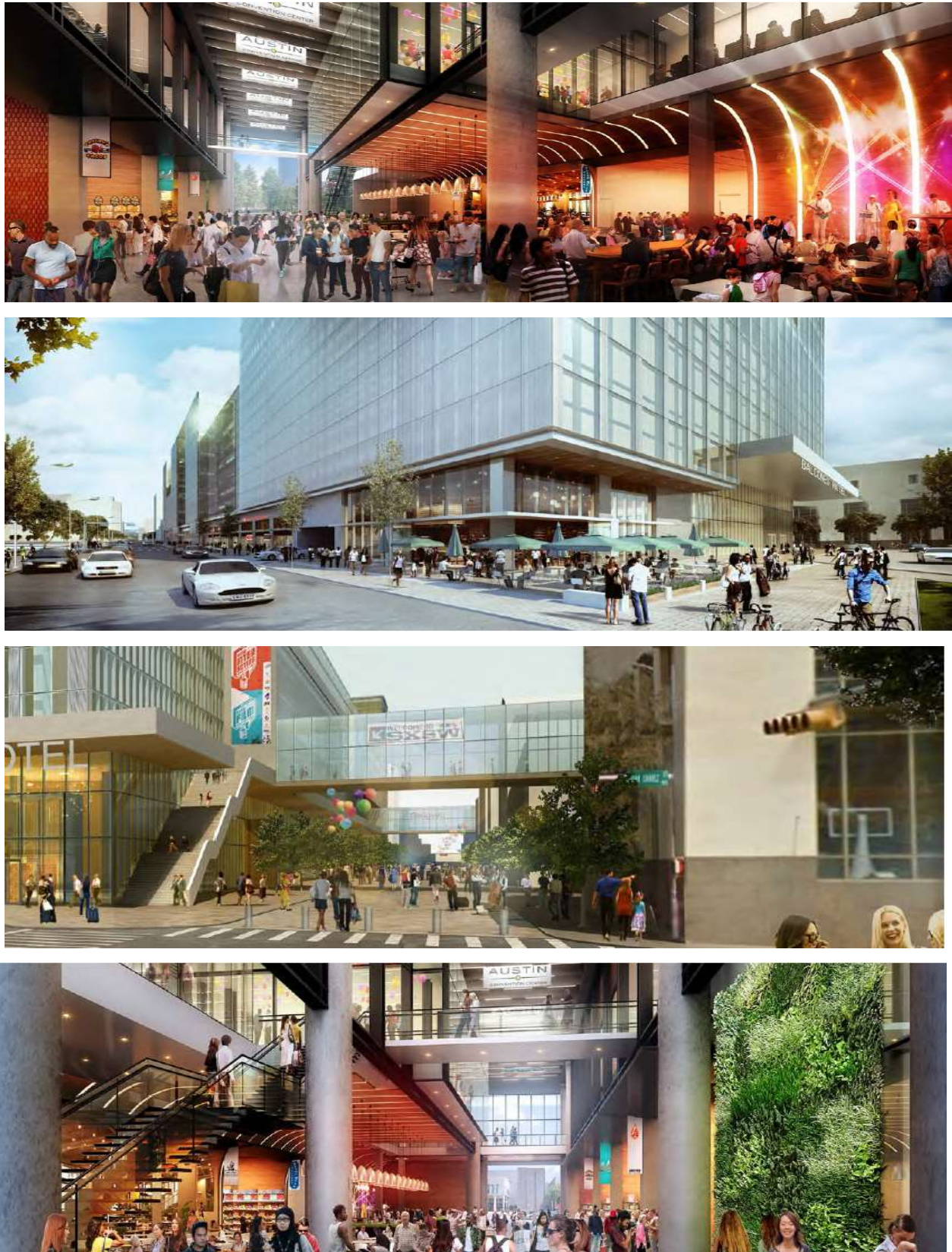
In addition, financing with additional tax assessed under Ch. 351 has the potential for additional funding being available each year for other authorized uses. An example of one of the Ch. 351 financing illustrations is shown to the right. The elements described are for illustration purposes only. The ultimate project components and flow of fund components will continue to be defined through stakeholder input, Council direction, and architectural design.



Source: City of Austin Convention Center Department

Key Findings (continued)

Conceptual images representing expansion elements of interest by stakeholders are below.



Source: City of Austin Convention Center Department

Note: Key Findings section represents data provided to the Visitor Impact Task Force

Key Findings (continued)

Consideration of the creation of a Tourism Public Improvement District

The Council Resolution directed the City Manager to begin conversations with the downtown hotels related to the creation of a Tourism Public Improvement District (TPID), which could be a potential mechanism used for the expansion of the Austin Convention Center or any other uses allowed under state law regarding a TPID.

The Task Force also studied the Tourism Public Improvement District, and as it relates to Austin, noted the following:

- Operation of City public safety departments (Police, Fire, EMS) consumes a majority (almost 70%) of general fund revenue.
- To support tourism, especially during peak times such as South by Southwest and F1, there is a need to provide additional public safety services, which result in increased costs to the City's general fund, some of which are not reimbursed by the event holders.
- Upon formation of a TPID, the annual TPID spending plan could include an annual concession provided to the City.
 - The City could use this funding for an agreed to purpose between the City and the hoteliers.
 - This funding commitment would need to be reflected in the 10-year TPID service plan that is part of the petition that is approved by the hoteliers within the District, and then presented to the City Council for approval.
 - For example, if the City wanted to use the annual concession from the District for public safety costs related to city wide tourism events (e.g.; SXSW), it would be permissible to include this expenditure under the statutory category for related public safety costs under the Public Improvement District statutes.

Additional Topic Covered by Task Force – Welcome Centers

As noted previously, an allowable use of HOT is for a visitor information center. Visit Austin currently operates the Austin Visitor Center located at 602 E. Fourth Street. The Austin Visitor Center offers visitor information, shopping, and tours.

There may be other opportunities for welcome centers in Austin for tourists to obtain information about Austin's attractions. One such possible location is at Zilker Park near Barton Springs Pool, where many out-of-town visitors frequent. This center could educate visitors about the heritage, natural history, and eco-system of Barton Springs, as well as serve as a point of orientation for other City parks.

Detailed Recommendations

- Overarching Recommendations:
 - 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.
 - Sustainability practices should be considered in the expansion of the Convention Center so that community values and input are included in the process and put into practice.
 - Visit Austin should conduct a dialogue with community stakeholders, the Environmental Commission, and the Joint Sustainability Committee on the “greening” and sustainability practices of the tourism industry.
- The Visitor Impact Task Force recommends expansion of the Austin Convention Center (ACC) following the consultant’s recommended option to the West, non-contiguous (leaving Trinity Street open), **IF**:
 - 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) is utilized, and
 - The City seeks land acquisition through a long-term ground lease, or some other development agreement, that provides for the land and any additional development to remain on the tax roll. More specifically:
 - Expanding the Convention Center should be integrated with other uses, such as street-level restaurant/retail space in order to activate the area, and residential (including affordable housing) and/or office, with the possibility of reducing project costs.
 - The City should issue a Request for Information for integrating the expansion of the Convention Center with other uses that would contribute to street activity and a healthy urban fabric in downtown’s southeast quadrant while maintaining the city’s intact street grid and valuable land and development on the property tax rolls for the benefit of the entire City.
 - The Convention Center expansion should be used to repair the urban framework in the immediate vicinity of the convention center. Improvements should include those described in the Waller Creek Conservancy vision for the Convention Center as well as the Red River Cultural District and pedestrian connections between the Convention Center and the Rainey Street neighborhood.
 - Through the Waller Creek Tax Increment Financing District and/or a similar mechanism, additional property tax revenues from the expansion should be considered to address urgent social problems in this area of downtown.
 - Involve the Design Commission and the community in ongoing conversations about the design of the expansion, and
 - The expansion project includes additional allowable area improvements that are important to the community (to be finally determined as project moves forward, but should consider capital improvements involving acquisition and development of Palm School, improvements to: Waller Creek (in conjunction with the WallerCreek Conservancy), Mexican-American Cultural Center, Red River Cultural District, nearby historic landmarks, etc.), and

Detailed Recommendations (continued)

- The bond covenants include in the Flow of Funds direction that excess funds remaining after debt service and convention center operations and capital funding, as outlined in the funding illustrations, be utilized for:
 - Funds for allowable uses related to commercial music, up the maximum allowed by law, while leaving the current 15% allocation of the 7% Ch. 351 HOT for the current Cultural Arts Funding, and
 - Funds for historic preservation, up the maximum allowed by law, and
 - Excess funding should be split 50/50 between the music and historic preservation uses until the allocation to music reaches the maximum allowed by law (15% of the additional 2% Ch. 351 assessment), at which point funding in excess of that music threshold will be allocated to historic preservation. Should funding ever exceed the maximum allowed for historic preservation, Council should evaluate the need for allocations to additional allowable uses.
- Music/Arts
 - 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. There should be a video (2-3 minutes) on the landing page that explains each grant. Each grant program also needs a video (2-3 minutes), and graphics explaining regulations, deadlines, details.
 - **Enhanced Community Outreach/Marketing** - Dedicated interactive monthly outreach events to under-served communities that includes previous recipients as presenters: arts organizations, musicians, artists. Grant videos should be screened at these meetings.
 - **Marketing** - Increased visibility in under-served community via targeted outreach campaign. ***Make materials more relevant visually and culturally***
 - Consider the following for use of a portion of the additional funding allocated to music from the convention center expansion funding:
 - **Grant Funding**
 - **Artist-as-Entrepreneur** (Core Funding) - Austin musicians and artists add tremendous value to culture, and even further, to economic growth in the 'Live Music Capital.' There are artists in Austin building careers outside of performance on stage that can ultimately develop their creative ventures into larger economic engines, fueling tourism in new markets - *beyond traditional, historic locales*. These business-oriented artists need greater opportunity to develop their ideas, and access to increased resources. ***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
 - **Incubator** (\$2,000-\$10,000) - business with 1-2-year history. Funding delivery includes mentorship.

Detailed Recommendations (continued)

- **Growth** (\$10,000-\$25,000) - business with 3-5-year history, proven growth, and strategic plan. Funding delivery includes mentorship.
 - **Expansion** (\$25,000-\$100,000) - 5-7-year history, previous funding from CAD, clear community partnerships/investment. Funding delivery includes mentorship.
 - Artists' receiving funding in **Growth** and **Expansion** phases must become mentors as a stipulation of their participation in the program.
 - Each funding level can only be received once per artist.
- Historic Preservation Activities should be amended as follows:
 - Transfer administration of the Historic Preservation and Heritage Grant program from the ACVB to a non-profit (i.e. Austin Community Foundation) or City department with an advisory board 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 the Texas Historical Commission's Texas Preservation Trust Fund (TPTF), and History Colorado's State Historical Fund (SHF).
 - Maintain percentage funding levels from HOT revenues for the Cultural Arts grant program and ACVB Tourism Promotion Fund.
 - Revise eligibility and grant administration guidelines while retaining consistency with State law and City Code:
 - Remove the requirement that three bids be received for all work. For much historic preservation-related restoration and rehabilitation work there may not be three contractors or tradespeople available locally with the skills and experience to carry out specialized work, and for multi-phase work it can be more efficient to contract with the same architects and tradespeople as in earlier phases.
 - Eliminate the cap on the maximum amount for individual grants. This serves multiple purposes: 1) increases efficiency for grant recipients by reducing the time spent on grant-writing; 2) allows funds to be used on higher impact projects with larger budget needs; 3) reduces the number of times an individual property owner has to return to the grant program for funding, 4) allows for large restoration/rehabilitation projects to be completed in a more timely and cost-efficient manner.
 - Allow for funding of privately-owned properties that are regularly open to the public (e.g. commercial properties). Other publicly-funded grant programs provide funding to privately-owned properties including the TPTF and SHF programs. Establish grant scoring criteria and guidelines that put a higher burden on private, commercial grant recipients than on non-profit and public recipients. The funding can serve as an incentive for property owners in areas such as East Sixth Street, or the Red River District to make improvements to their historic buildings that make them more attractive to tourists, alleviates development pressures on those historic resources, and also benefits the community. (If market factors in the future make low-interest loans more attractive to privately-owned, commercial properties, strongly encourage that City Council consider establishing a loan program in lieu of grants for these types of projects.)
 - Establish grant scoring criteria to favor properties owned by public and non-profit entities, projects that impact culturally-significant historic sites that have been

Detailed Recommendations (continued)

- under-represented, and entertainment and cultural districts that have the capacity to attract a more diverse tourist audience.
 - Establish grant scoring criteria to encourage funding to assist sites to be more “visitor-ready”, or that attract tourists to areas that have not traditionally served tourists. This can diversify Austin’s tourism options and better tell all the stories of our community’s heritage.
 - Expand the type of projects eligible for funding to include interior work, building systems, interpretive signage, etc.
 - Look to other grant programs as a model for eligible scopes of work, selection processes, and restrictions based upon the type of grant recipient including the TPTF and SHF.
 - Remove any caps on the amount of grant funds that can be provided toward a specific site or total project cost at a site.
 - Establish % of revenue from HOT associated with the expansion of the Austin Convention Center (plan 2b) or from a Tourism Public Improvement District to be dedicated to a Historic Preservation and Heritage Grant Program.
 - Prior to any expansion of the HOT tax due to ACC or TPID, continue to allocate \$1.5 million to a Historic Preservation and Heritage Grant Program. Until ACC expansion is creating additional 2 percent, would come out of Tourism Promotion, but if/when expansion and/or TPID approved, funds would come from waterfall dollars.
- Visit Austin
 - 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, music and local business and develop marketing efforts to support robust tourism plans in each of those areas.
- Tourism Public Improvement District (TPID)
 - The City Council should begin the process of formation of a TPID with the hotel industry at the maximum allowable rate amenable to the industry, mindful of the potential hotel occupancy tax rate changes as the convention center debt/venue tax is retired and the HOT rate returns to an overall 15 percent rate.
 - The City Council should direct staff to identify specific ways the City can use TPID dollars to offset public safety and business district infrastructure costs associated with tourism.
- 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.

Detailed Recommendations (continued)

- Welcome Center –
 - 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, or other qualifying tourist destination areas that promote tourism and the convention and hotel industry.
 - In future years, as the additional annual funding available to music and historic preservation through the convention center expansion financing flow of funds increases, and the amount available for 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.
 - As funding is assigned to a specific welcome center, the percentage of funding allocated to covers costs should be aligned with the percentage of welcome center visitors who are from out-of-town.

Appendices

Appendix A

Council Resolution 20160818-075

WHEREAS, the City of Austin has become an internationally recognized destination for live music, special events, parks, culture, food, and history; and

WHEREAS, the City of Austin has been termed the "Live Music Capital of the World"; and

WHEREAS, according to Austin Convention & Visitors Bureau, in 2013 more than 21.5 million people from around the globe visited Austin; and

WHEREAS, according to the Austin Convention Center Long Range Master Plan, the total Convention attendance for 2014 was 449,464, approximately 2% of all visitors to Austin; and

WHEREAS, in Fiscal Year 2016/17, it is estimated that visitors will generate more than \$90 million in Hotel Occupancy Taxes which has become the third largest source of tax revenue for the City of Austin; and

WHEREAS, currently the City of Austin uses Hotel Occupancy Taxes for the Austin Convention Center, Austin Convention & Visitors Bureau, and the Cultural Arts Program; and

WHEREAS, in addition to those departments and programs, other events, activities, districts, and facilities bring visitors to town and support the tourist industry; and

WHEREAS, the Spring Festivals attract tourists, artists, musicians, professionals and companies from all over the world; and

WHEREAS, Texas Tax Code, Chapter 351.101 (e) states that "hotel occupancy tax revenue spent for a purpose authorized by this section may be spent for day-to-day operations, supplies, salaries, office rental, travel expenses, and other administrative costs" only if those costs are incurred by activities that promote tourism and the convention and hotel industry and that fit within the authorized uses set out in Texas Tax Code 351.101(a); and

WHEREAS, Zilker Park, which includes Barton Springs, and which is the site for Austin City Limits as well as other large events, is nationally-recognized as one of the best Urban Park's to visit; and

WHEREAS, the Parks Department markets and supports a number of other facilities and events, including cultural centers, theaters, and museums, that are attended by tourists and visitors; and

WHEREAS, in 2014, the Zilker Botanical Gardens, the Hillside Theater, Dougherty Arts Center, the Carver Museum, and O. Henry Museum had total attendance of 423,069; and

WHEREAS, the City of El Paso uses local Hotel Occupancy Taxes to fund the Department of Museums and Cultural Affairs; and

WHEREAS, with the aggressive expansion of hotel rooms being built, tourists are visiting the City in growing numbers and therefore total Hotel Occupancy Tax revenues are expected to increase more than \$11 million in Fiscal Year 2016/17; and

Appendix A (continued)

WHEREAS, to ensure the effective investment of taxpayer money, reporting data and information on the effect of each expenditure on tourist activity and economic development is critical; and

WHEREAS, providing public oversight and input regarding both the use of and the effect of the City use of hotel occupancy tax revenue would ensure public confidence in the City use of tax dollars; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

City Council establishes a Visitor Impact Task Force.

1. The scope of the Task Force shall include:
 - 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 by April 1, 2017.
2. The Task Force shall be comprised of 18 voting members and two ex officio members appointed by the City Council:
 - 2 members of the music industry nominated by the Music Commission;
 - 2 members of the arts community nominated by the Arts Commission;
 - 2 members of the special events industry; one nominated by the Parkland Events Task Force and one nominated by the Economic Opportunity Committee;
 - 1 member nominated by the Austin Convention and Visitors Bureau;
 - 1 member of the hotel industry nominated by the Economic Opportunity Committee;
 - 1 member of the public safety community nominated by the Public Safety Commission;
 - 1 member of the preservation community nominated by the Historic Landmark Commission;
 - 1 member of the parks community nominated by the Parks & Recreation Board;
 - 1 member from the Convention Center;
 - 1 member nominated by the Downtown Commission;
 - 2 community members who represent the tourism workforce nominated by the Economic Opportunity Committee;
 - 1 community member appointed by the Planning and Neighborhood Committee;
 - 1 member of the environmental community nominated by the Environmental Commission;
 - 1 member representing the restaurant industry nominated by the Economic Opportunity Committee;
 - 1 ex officio member from the Public Works Department; and
 - 1 ex officio member from the Austin Transportation Department.
3. A quorum for the conduct of business is a majority of Task Force members who have been appointed by Council. The Task Force shall elect a chair and vice-chair at its first meeting.
4. The Task Force will be subject to the Open Meetings Act, all meetings will be open to Public, and public will be given a reasonable amount of time to provide input.

Appendix A (continued)

5. The City Manager shall provide reasonably necessary resources and technical assistance to the Task Force.
6. Any City Council Member may recommend nominees for consideration to the Economic Opportunity Committee no later than October 9th 2016.
7. The City Council shall determine whether to dissolve the Task Force or make it a permanent Commission no later than adoption of the Task Force Report or December 31, 2017, whichever occurs first.

BE IT FURTHER RESOLVED

The City Manager is directed to consider creation of a Parks & Cultural Center Tourism Fund, Special Events Tourism Fund, and a Historic Preservation Tourism Fund, funded by Hotel Occupancy Taxes.

BE IT FURTHER RESOLVED

Should City Council amend City Code to add any new types of expenditure category for Hotel Occupancy Taxes, the City Manager is directed to provide reporting similar to the reporting for Cultural Arts grants, for the new types of expenditures.

BE IT FURTHER RESOLVED

The City Manager is directed to report back to Council in conjunction with the Visitor Impact Task Force Report no later than April 1, 2017.

BE IT FURTHER RESOLVED

The City Manager is directed to begin conversations with the downtown hotels related to the creation of a Tourism Public Improvement District (PID), which could be a potential mechanism used for the expansion of the Austin Convention Center or any other uses allowed under state law regarding a Tourism PID.

Recommendation Discussion Notes

Summary of notes and VITF member submittals utilized during the May 23, 2017 meeting to develop the recommendations included in the report.

NOTE: The recommendations included in the report represent the VITF's final approved recommendations. The information on the following pages was used as a starting point for discussion, and therefore may differ from the final approved recommendations.

- TPID
 - Whereas, The first item in the Task force scope per council Resolution No. 20160818-075 reads: "Study the impact of tourism on City infrastructures, services, and facilities, and investigate opportunities to offset those impacts by using Hotel Occupancy Tax revenues" and
 - Operation of city public safety departments (Police, Fire, EMS) consumes a majority (almost 70%) of general fund revenue; and
 - To support tourism, especially during peak times such as South by Southwest and F1, there is a need to provide additional public safety services; and
 - Other Texas cities have found legal ways to utilize a TPID to offset public safety costs of tourism;
 - Therefore, be it resolved:
 - That the City Council begin the process of the formation of a TPID with the hotel industry at the maximum allowable rate amenable to the industry, mindful of potential rate changes as the debt/venue tax is retired and 2 cents of the tax returns to 15 cents; and
 - The VITF recommends that City Council direct staff to identify specific ways the City can use TPID dollars to offset public safety and business district infrastructure costs associated with tourism.
- Short term rental tax collection: "Establish a mechanism to collect Hotel Occupancy Tax directly from online marketplaces where transactions occur." *Consensus*
- Convention Center Expansion 2B++
 - Other projects to be considered for inclusion as part of expansion (e.g., Palm School, Waller Creek District (in concert with the Conservancy), Mexican American Cultural Center, Red River Cultural District, nearby historic landmarks, etc.)
- Cultural, Heritage, Music Tourism planning => perhaps funneled to new tourism marketing committee at Visit Austin. Support of robust cultural/heritage/music/local business tourism plans.

- Visit Austin will establish a Marketing Advisory Committee that would include local small business groups (i.e. Red River Cultural District and 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.
- Overlay language for equity and sustainability: “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 special consideration for under-served areas and under-represented communities.”
- “Sustainability practices should be considered in the expansion of the CC so that community values and input are included in the process and into practice.” “Visit Austin should conduct a dialogue with community stakeholders, the Environmental Commission, and the Joint Sustainability Committee on the ‘greening’ and sustainability practices of the tourism industry.”

Welcome Center Funds

Austin has many premiere tourism attractions - including our City parks. While tourists may need to visit the city to conduct business, attend a convention, or visit family, our attractions are why visitors jump to make the trip and why they come back and bring their friends. They are also part of the “wow factor” that makes Austin such a coveted location for conventions, music festivals, and group travel. The Welcome Center fund would invest in centers to improve visitor experience at specific areas frequented by a large number of tourists by providing information and direction to visitors.

An example of such a center is the Visitor Education Center envisioned by the Barton Springs Conservancy to be located in Zilker Park near Barton Springs Pool. This center would educate visitors about the heritage, natural history, and eco-system of Barton Springs, as well as serve as an point of orientation for other City parks.

While Welcome Centers are authorized under the same portion of Chapter 351 as Austin’s existing Visitor Information Centers, they are conceptually distinct. While Visitor Information Centers provide information to visitors about the whole city, Welcome Centers guide visitors around specific tourist areas.

Recommendations

1. Create a new fund called the Welcome Center Fund to *help with the construction, improvement, expansion, equipping, repair, operations, and maintenance of Welcome Centers on City-owned land* at tourist destination parks, such as Zilker Park, or other qualifying tourist destination areas that promote tourism and the convention and hotel industry.
2. Solely fund the Welcome Center Fund out of the “waterfall” or “ending balance bucket” funds identified as part of Scenario 2B of the Convention Center Expansion. Assess costs needed to build Welcome Centers as opposed to establishing defined % of HOT funds.
3. Set a maximum limit amount of the “ending balance bucket” (1/3 of remainder of waterfall after maximum allocation made to music) to be allocated to the Welcome Center Fund in any given year, *aligning funding with the percentage of visitors who are tourists. In the event no allocation is made to the Welcome Center, those funds would remit to heritage grant, or if heritage grant funds aren’t being spent, could reassess.*
4. Assign administration and operation of the Welcome Center Fund to an appropriate body which would create a special committee composed of a broad set of stakeholders representing tourist destination parks and other tourist destination areas.
5. Establish eligibility and grant administration guidelines while retaining consistency with state law and city code.
6. Prior to construction funding for a Welcome Center, require funds be identified for operation and maintenance of the Welcome Center that will not be drawn from Tourism Promotion Fund or other Visit Austin funds.

Convention Center Design Amendments

The convention experience of today is more than a building; it is the authentic experience of a city. More visitors than ever are forgoing cars in favor of a completely walkable convention experience. Austin needs a new model for a convention center — one that adds to instead of subtracting from the vibrancy and connectivity of its surroundings. An expansion of the convention center should minimize negative impacts and maximize positive impacts on the city which supports it.

Therefore, we recommend:

1. The costs of expanding the Convention Center should be met in part by integrating the expansion with other uses, such as street-level restaurant/retail space in order to activate the area, and residential or office. This would benefit the convention center and the city by ensuring that the surrounding area is active at times when no conventions are taking place.
2. The city should issue a Request for Information for integrating the expansion of the Convention Center with other uses that would contribute to street activity and a healthy urban fabric in downtown's southeast quadrant while maintaining the city's intact street grid and valuable land and development on the property tax rolls for the benefit of the entire City.
3. The Convention Center expansion should be used to repair the urban framework in the immediate vicinity of the convention center. Improvements should include those described in the Waller Creek Conservancy vision for the Convention Center area as well as the Red River Cultural District and pedestrian connections between the Convention Center and the Rainey Street neighborhood.
4. Through the Waller Creek Tax Increment Financing District and/or a similar mechanism, additional property tax revenues from the expansion should be considered to address urgent social problems in this area of downtown.

Involve the Design Commission and the community in ongoing conversations about the design of the expansion.

General Recommendations for CAD with increased funding:

Make a determination as to which pots of money should be drawn from (i.e., music-waterfall funds, cultural arts division funds, etc.).

Consider programs such as the ones listed below under the grantee program.

1. **Marketing/Access/Outreach**

- a. **Website** - Grants Funding page(s) more user friendly. There should be a video (2-3 minutes) on the landing page that explains each grant. Each grant program also needs a video (2-3 minutes), and graphics explaining regulations, deadlines, details.
 - b. **Enhanced Community Outreach/Marketing** - Dedicated interactive monthly outreach events to under-served communities that includes previous recipients as presenters: arts organizations, musicians, artists. Grant videos should be screened at these meetings.
 - c. **Marketing** - Increased visibility in under-served community via targeted outreach campaign. ***Make materials more relevant visually and culturally***.
2. **Grant Funding**
- a. **Artist-as-Entrepreneur** (Core Funding) - Austin musicians and artists add tremendous value to culture, and even further, to economic growth in the 'Live Music Capital.' There are artists in Austin building careers outside of performance on stage that can ultimately develop their creative ventures into larger economic engines, fueling tourism in new markets - *beyond traditional, historic locales*. These business-oriented artists need greater opportunity to develop their ideas, and access to increased resources. ***Funding preference to ideas and plans that stimulate growth, and develop tourism opportunities in under-served communities.***
 - i. Specific funding to expand and develop individual artists that are building successful arts ventures with a history of growth
 - 1. **Incubator** (\$2,000-\$10,000) - business with 1-2 year history.
Funding delivery includes mentorship.
 - 2. **Growth** (\$10,000-\$25,000) - business with 3-5 year history, proven growth, and strategic plan. Funding delivery includes mentorship.
 - 3. **Expansion** (\$25,000-\$100,000) - 5-7 year history, previous funding from CAD, clear community partnerships/investment. Funding delivery includes mentorship.
 - ii. Artists' receiving funding in **Growth** and **Expansion** phases must become mentors as a stipulation of their participation in the program.
 - iii. Each funding level can only be received once per artist.

Appendix B (continued)

Sustainable Tourism Program

Recommendation: To consider that City Council request Visit Austin, formerly Austin Convention and Visitors Bureau, review the Global Sustainable Tourism criteria for implementing in Austin. Seems that this would simplify & define common goals initially in regards to expectations of business models.

One example: vendors agreeing to recycle in the convention center.

Other possibilities include:

- A) Special consideration for the allocation of HOT funds to recipients who are requesting funds for the first time.
- B) Inject into the tourism conversation the idea of a carrying capacity for hard and soft infrastructure.
- C) Use the plan to focus more resources on transportation safety and developing new, low-emission mobility options.
- D) To protect green space in the urban core from encroachment and to enhance the tree canopy.

Funding could come from the cultural/arts program. It could be tourism promotion, it could be historic preservation, it could even be fashioned as a "venue" if it was linking places in a common plan that were not geographically linked. For example, part of a sustainable tourism plan could be agri-tourism, linking our local farms and remaining operating ranches with local breweries and farm to table restaurants with other sustainable sites, including, for example, Austin Energy's East Austin solar farm.

The VITF encourages the City Council to ask the Joint Sustainable Committee and the Environmental Board to be involved in the review, at a minimum.

<http://www.gstcouncil.org/en/gstc-criteria-hotels-tour-operatorsdestinations/criteria-for-hotels-tour-operators-industry.html?id=1296:global-sustainable-tourism-criteria-hotels>

Other recommendations are:

- A) Recommend to the City Council to use the HOT for a COA Sustainable Tourism Plan.
- B) Evaluate the Austin Convention Center to determine how the existing space could be redesigned for better utilization of the hallways, vertical space and the roof.
- C) Designate Trinity St. from Cesar Chavez to [4th St.](#) as a low emission zone for vehicles and have the Austin Convention Center post no engine idling signs to existing posts.
- D) Include in calculations for the actual or projected economic benefit of conventions the cost of lost hours in reduced mobility due to traffic congestion in the impacted area surrounding the Convention Center and the supporting hotels.
- E) Consider increasing convention center space by constructing a new building in the Domain or other part of Austin in the Desired Development Zone that has existing hotel infrastructure.

Funding for Heritage Grant Program

Current Use of HOT Revenues for Heritage Grant Program:

Since 1996 the City of Austin has contracted with the Austin Convention and Visitors Bureau (ACVB) to, among other tourism-related services, administer a grant program funding projects involving historic sites. Known as the Heritage Grants Program, the funds are provided from the collection of Hotel Occupancy Taxes (HOT) as allowed by Chapter 351 of the Texas Tax Code. The amount of funding allocated to the Heritage Grant Program has not been based upon a set percentage of HOT revenues as it is with other HOT-fund programs, but as a specific amount determined by the ACVB, and agreed upon by City Council each year.

Currently Austin's assessed HOT rate is 15%, which is divided between the State and City, which receive 6% and 9% respectfully. Of the 9% the City receives, approximately 20 5/7% is allocated to ACVB for tourism promotion and the Heritage Grants Program. Recipients of Heritage grants have included the Paramount and Stateside Theaters, the French Legation, the Contemporary, the Elisabet Ney Museum, Pease Park, and the Austin Symphony.

Since 2009 the ACVB has distributed approximately, on average, \$200,000 annually through the Heritage Grants Program. As the table below shows that amount has equated to an average of less than 0.50% of the total HOT tax revenues collected annually by the City. Until 2017, the amount awarded to historic preservation projects had not increased (and some years has decreased), while the City's HOT revenues have increased by nearly 70%.

In 2017, City Council directed the ACVB to set aside \$500,000 toward the Heritage Grants Program. Additionally, Council allocated \$1,000,000 to the Parks and Recreation Department for use on Chapter 351-eligible historic restoration projects located within parks. Through a diligent planning process, PARD decided to allocate the funds for projects at the Elisabet Ney Museum, the O Henry Museum, the Oakwood Cemetery Chapel, and Mayfield Park.

Appendix B (continued)

Fiscal Year	HOT Revenues (9% assessment)	Convention Center Ch. 334 (2% of total)	Convention Center Ch. 351 (64 2/7% of 7%)	ACVB Tourism & Promo Fund Ch. 351 (20 5/7% of 7%)	Cultural Arts Grants Ch. 351 (15% of 7%)	Heritage Grants Program grants awarded
2011	\$46,727,283	\$10,383,841	\$23,363,641	\$7,528,284	\$5,451,516	Data not avail. to committee
2012	\$50,959,067	\$11,324,237	\$25,479,534	\$8,210,072	\$5,945,225	\$195,988 (.49% of 7%)
2013	\$59,549,080	\$13,233,129	\$29,774,540	\$9,594,018	\$6,947,393	\$115,260 (.25% of 7%)
2014	\$67,999,894	\$15,111,088	\$33,999,947	\$10,955,538	\$7,933,321	\$137,876 (.26% of 7%)
2015	\$79,184,384	\$17,596,530	\$39,592,192	\$12,757,484	\$9,238,178	\$117,500 (.19% of 7%)
2016	\$87,529,652	\$19,451,034	\$43,764,826	\$14,101,999	\$10,211,793	\$212,075 (.31% of 7%)

From data.austintexas.gov and data distributed to VITF.

Allowable Use of HOT Taxes Per Chapter 351 of Texas Tax Code:

Per Section 351.101 of the Texas Tax Code revenue from Hotel Occupancy Taxes may be used to promote tourism and the convention and hotel industry, for purposes that include:

“5) historical restoration and preservation projects or activities or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums:

(A) at or in the immediate vicinity of convention center facilities or visitor information centers; or

- (B) located elsewhere in the municipality or its vicinity that would be frequented by tourists and convention delegates;”

Cities may delegate management of funds (e.g. for a grant program) to another governmental entity or private organization and may use tax revenues to pay for administrative expenses related to activities funded by HOT.

ACVB Heritage Grant Program:

The City of Austin contracts with the ACVB to market Austin as a premier travel destination, and administer the Heritage Grant Program. According to the ACVB the purpose of the grant program is to promote tourism through the preservation, restoration, and rehabilitation of historic sites and properties. In 2006 the City and ACVB established the following set of general eligibility requirements for the grant program:

1. Eligible properties:
 - a. Properties owned or leased by a governmental or non-profit entity.
 - b. Properties designated as City of Austin Landmark, Recorded Texas Historic Landmark, State Antiquities Landmark, or on the National Register of Historic Places, as well as those listed as contributing to a National Register or Local Historic District.
 - c. Properties that are “tourism” ready with regular open hours and accessible to hotels for out-of-town travelers, and that can document promotional advertising to tourists.
2. Eligible projects include exterior work for facade or exterior restoration and rehabilitation of sites including buildings, accessory structures and grounds.
3. Applicants must provide at least a 50% match in the form of cash or donated services or goods.
4. Maximum grant amount is \$58,000 as of 2017 (maximum amount was previously \$47,000).
5. Payment of grant funds is made after the work is complete. Scheduled payments may be approved on a case-by-case basis.
6. Award recipients must obtain 3 bids for work.

7. Repayment of all grant funds is required if the following occurs within 3 years after completion of work:
 - a. Property is conveyed to a private, for-profit owner.
 - b. Applicant fails to maintain the property as required by City code.
 - c. Historic zoning or designation is removed.
 - d. Work is not completed in accordance with preservation agreement.
 - e. Applicant fails to provide proof of insurance annually.

The amount of funding ACVB makes available each year has averaged \$200,000, yet most years less than this amount has been awarded to applicants. Additionally, the same few applicants have submitted for funding each year.

Citizens and organizations that have attended VITF meetings have expressed a desire for changes to the grant program and its guidelines to expand the type and number of projects receiving this funding.

Issues That May Be Limiting Use of the Heritage Grant Program:

1. Eligible entities being unaware of the program.
2. Rules and guidelines that are too restrictive to encourage use including:
 - a. Restricted only to non-profit and public entities.
 - b. Requiring applicants to provide detailed documentation on visitor information prior to funding and for two years after funding received.
 - c. Funding limited to work on façade or exterior of buildings.
 - d. Requiring three bids for funded work.
 - e. Funding provided on a reimbursement method after 100% of work complete.
 - f. Grants amounts being too modest to encourage entities to submit applications.

Need for Funding for Historic Resources on Parks & Recreation Department Land:

The Parks and Recreation Department (PARC) has identified horizon projects for use of future HOT funds on PARC properties. These projects include the restoration of the Barton Springs Bathhouse, Phase II of the O Henry Museum, Elisabet Ney Museum, and Mayfield Parks projects, as well as projects in the downtown historic squares and the Tejano Trail. Additionally, there are many other historic sites and objects on PARC land that could benefit from funding. Having

dedicated future funding would allow larger multi-phased projects without fear of leaving later phases uncompleted, and will result in economic efficiency in carrying out projects.

Potential Economic Impacts of Funding Heritage Tourism and Historic Preservation Projects

Numerous studies conducted across the United States have shown that heritage tourism and historic preservation activities provide communities with significant economic benefits. The report “Economic Impact of Historic Preservation in Texas”, commissioned by the Texas Historical Commission in 2015, and carried out by University of Texas and Rutgers University, found that Texas heritage attracts tourists, creates jobs, attracts reinvestment, and brings economic vitality to our communities. In fact, more than 10.5% of all travel in Texas is heritage-related and results in \$2.25 billion in spending each year. Heritage day and overnight travelers spend on average over \$175 per day, while non-heritage travelers spend less than \$145 per day. Heritage travelers also stay longer resulting in more “heads in beds”, and greater HOT revenues. Heritage tourism alone created more than 54,000 jobs in Texas in 2013. It also creates jobs in retail and service sectors, and the physical work on historic properties creates jobs in architecture, engineering and construction – and these tend to be more skilled, and higher paid jobs than found in new construction. In 2013, Texas realized \$772 million in private and public historic rehabilitation investment – having a significant impact on our economy.

Comments From VITF Members re. Funding for Historic Preservation:

The following comments were generated by the VITF members. In many cases a single comment below reflects comments provided by multiple members.

- Revise criteria and guidelines for Heritage Grants.
- Provide transparent process for Heritage Grants program.
- Move administration of the Heritage Grants program to an entity whose mission is historic preservation.
- Allow private venues within historic entertainment and cultural districts to be eligible for funding through the Heritage Grant program.
- Increase annual amount allocated to Heritage Grant program to be closer to State cap.
- Fund improvements to downtown sites through new heritage tourism and/or parks tourism funding.

Recommendations from VITF for Funding a Grant Program for Historic Preservation and Heritage-Related Projects:

1. Transfer administration of the Historic Preservation and Heritage Grant program from the ACVB to a non-profit or City department with an advisory board 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 the Texas Historical Commission's Texas Preservation Trust Fund (TPTF), and History Colorado's State Historical Fund (SHF).
2. Maintain percentage funding levels from HOT revenues for the Cultural Arts grant program and ACVB Tourism Promotion Fund.
3. Revise eligibility and grant administration guidelines while retaining consistency with State law and City Code:
 - a. Remove the requirement that three bids be received for all work. For much historic preservation-related restoration and rehabilitation work there may not be three contractors or tradespeople available locally with the skills and experience to carry out specialized work, and for multi-phase work it can be more efficient to contract with the same architects and tradespeople as in earlier phases.
 - b. Eliminate the cap on the maximum amount for individual grants. This serves multiple purposes: 1) increases efficiency for grant recipients by reducing the time spent on grant-writing; 2) allows funds to be used on higher impact projects with larger budget needs; 3) reduces the number of times an individual property owner has to return to the grant program for funding, 4) allows for large restoration/rehabilitation projects to be completed in a more timely and cost-efficient manner.
 - c. Allow for funding of privately-owned properties that are regularly open to the public (e.g. commercial properties). Other publicly-funded grant programs provide funding to privately-owned properties including the TPTF and SHF programs. Establish grant scoring criteria and guidelines that put a higher burden on private, commercial grant recipients than on non-profit and public recipients. The funding can serve as an incentive for property owners in areas such as East Sixth Street, or the Red River District to make improvements to their historic buildings that make them more attractive to tourists, alleviates development pressures on those historic resources, and also benefits the community.

If market factors in the future make low-interest loans more attractive to privately-owned, commercial properties, strongly encourage that City Council consider establishing a loan program in lieu of grants for these types of projects.

- d. Establish grant scoring criteria to favor properties owned by public and non-profit entities, projects that impact culturally-significant historic sites that have been under-represented, and entertainment and cultural districts that have the

capacity to attract a more diverse tourist audience.

- e. Establish grant scoring criteria to encourage funding to assist sites to be more “visitor-ready”, or that attract tourists to areas that haven’t traditionally served tourists. This can diversify Austin’s tourism options and better tell all the stories of our community’s heritage.
- f. Expand the type of projects eligible for funding to include interior work, building systems, interpretive signage, etc.
- g. Look to other grant programs as a model for eligible scopes of work, selection processes, and restrictions based upon the type of grant recipient including the TPTF and SHF.
- h. Remove any caps on the amount of grant funds that can be provided toward a specific site or total project cost at a site.

Recommendations from VITF Regarding Funding:

1. Establish % of revenue from HOT associated with the expansion of the Austin Convention Center (plan 2b) or from a Tourism Public Improvement District to be dedicated to a Historic Preservation and Heritage Grant Program.
2. Prior to any expansion of the HOT tax due to ACC or TPID, continue to allocate \$1.5 million to a Historic Preservation and Heritage Grant Program. Until ACC expansion is creating additional 2 percent, would come out of Tourism Promotion, but if/when expansion and/or TPID approved, funds would come from waterfall dollars.

Additional Funding for Music

The Austin Convention Center is to expand, based on proposed scenario 2B. Under this proposed expansion, Austin City Council would implement a 2% increase in HOT based on State Chapter 351. The total HOT tax collected from applicable revenues for Austin properties would be 17% (\$0.17) of which the following allocations are identified:

- \$0.06 State of Texas
- \$0.02 Existing Chpt.334 Venue Tax – Convention Center Expansion Debt Service
- \$0.0105 Cultural Arts
- \$0.0145 ACVB
- \$.045 Austin Convention Center
- **\$0.02 New CHPT 351 funding to Austin Convention Center debt service**

ACCD's financial model has identified available funds through excesses built into their forecasted budget needs stated to be \$6.4MM in available funds.

Austin's music economy and entertainment districts have numerous shortfalls as outlined in the music census and the resultant omnibus resolution. The value of the music industry in Austin, specifically live music, to tourism cannot be overstated. If the Convention Center is to expand, and Hotel Occupancy Taxes are to increase there must be consideration for the Music Industry made within applicable uses.

From this follows:

- A recommendation to allocate sustainable funding from annual excesses, as identified in the ACCD Financing model, towards the identified needs of Music Infrastructure and Historical Preservation. Funds would be split between Music Infrastructure and Historic Preservation not to fall below 80% of the ending CIP & Annual end balance as identified in funding model 2B.
- A recommendation that a body of governmental and non-governmental representatives, to be identified, be formed in order to establish criteria and vet proposals relating to the dispersal of these funds for allowable uses.
- A recommendation to form or identify a non-profit body or bodies to manage these funds, separate from the ACVB, Cultural Arts or the Austin Convention Center.
- A recommendation to transfer the management of the existing Heritage Grant program and funding to the new management body.

These recommendations aim to create a sustainable funding model to support the needs of Austin's cultural and community assets as well as to create an accessible, needs-based approach to allocating funds for these assets moving forward. Music Infrastructure funding in these recommendations is separate from Music Marketing (which should still be part of the ACVB directive) or Cultural Arts funding for music programming.