AUSTIN MUSIC COMMISSION RECOMMENDATION 20140407-003

Date: April 7, 2014
Subject: Alternative Event Funding Model
Motioned By: Rich Garza   Seconded By: Brad Spies, Chair

Recommendation
The Austin Music Commission recommends directing the City Manager to explore an alternative event funding model, which could apply to all sizes and types of events such as HOPE Farmers Market, the Kite Festival, and SXSW.

Description of Recommendation to Council
On April 7, 2014 the Austin Music Commission discussed the following proposal for an alternative event funding model. The model aims to help fund costs for certain special events through Occupancy Taxes, while also ensuring that the Austin Convention Center, the Austin Convention and Visitor's Bureau and Cultural Arts receive increased funding based on the growth in the number of hotels rooms due to special event tourism.

> Proposal: Effective January 1, 2015, a fund (Fund) would be established to help finance the costs for special events with significant cultural and/or economic impact in order to preserve these events and ensure sustainability. The Fund would be available for qualifying City co-sponsored special events as well as other special events who apply and can show significant cultural or economic impact to the City. The Fund would be capitalized with the incremental Occupancy Tax revenues in years following 2014 generated from new hotel rooms.
>
> The Occupancy Taxes collected in 2014 would become the baseline. In 2015, 20% of the collected Occupancy Taxes above the baseline from new hotel rooms would be contributed to the Fund. The remaining 80% of the collected Hotel Occupancy Taxes above the baseline would go to the current recipients.
>
> For example, if collections in 2014 were $54.8 million, this is the baseline. In 2015, if there are 2800 new hotel rooms at a $225 average daily rate, booked 260 days per year, that is $163.8 million in new revenue. At 9% tax and an assumed collection rate, the incremental hotel occupancy tax revenue would be approximately $13.4 million. 20% of this would mean $2.68 million is paid into the Fund. The remaining new $10.7 million in revenue would be allocated among the Austin Convention Center, the Austin Convention and Visitor's Bureau and Cultural Arts.

Rationale:
As the review of events during SXSW is now underway, discussions with the City, stakeholders, and the public are bringing up myriad benefits and concerns about Special Events. One of them is the discussion about the economic and cultural benefits of events versus their cost to the City and taxpayers, in terms of foregone revenue and hard costs for the City to facilitate events. Currently, the City of Austin co-sponsors approximately 12 special events annually.

The City of Austin collected approximately $54.8 million in Occupancy Taxes in 2012. These collections from Austin hotels are used to fund the Austin Convention Center, the Austin Convention and Visitor's Bureau and Cultural Arts (according to allocations approved by the Austin City Council). The City is

experiencing unprecedented growth in hospitality as major construction of over 2800 new hotel rooms slated for completion in 2014-2015 is underway.

The Music Commission's observation of council budget hearings over the last year was that the city should look at alternative ways of funding special events other than from the general fund. Therefore, we respectfully request that you direct the City Manager to explore this alternative model of funding events (attached), which could apply to all sizes and types of events - from the Farmer's Market to the Kite Festival to SXSW.

It centers on an additional disbursement of increased Hotel Occupancy Tax starting in 2015, with a goal of moving the costs of City co-sponsored events (and potentially more events) from the general fund to this alternative funding model.

Vote: **6-0**

For: Brad Spies, Rich Garza, Heather Wagner Reed, Nakia Reynoso, Marc Fort, Lindsey Sokol

Against:

Abstain:

Absent: Joseph Stallone

Attest: *[Staff or board member can sign]*

Ashley Bichanan