

Additional Backup for Austin Convention Center
Department presentation:
Comparison of Austin's
Hotel Tax Distribution and Convention Center Financial
Operating Results to other cities

Presented to Tourism Commission
February 11, 2019

Comparison of Hotel Occupancy Tax (HOT) rates and allocations

	Austin		Fort Worth ^{1,7,8}		Dallas ⁵		Houston ^{2,3,4}		San Antonio ⁶		Nashville ¹¹		Seattle ¹¹		Denver ¹¹		Average	
	Assessment	Distribution	Assessment	Distribution	Assessment	Distribution	Assessment	Distribution	Assessment	Distribution	Assessment	Distribution	Assessment	Distribution	Assessment	Distribution	Assessment	Distribution
Total Rate Assessed	15.00%		15.00%		15.00%		17.00%		16.75%		15.25% + surtax		15.60%		14.85%		15.56% (excludes surtax)	
Breakdown of rate:																		
State HOT	6%		6%		6%		6%		6%		0%		0%		0%		3.75%	
County HOT	0%		0%		0%		2%		1.75%		0%		0%		0%		0.47%	
Sports Authority	0%		0%		0%		2%		0%		0%		0%		0%		0.25%	
Tourism Public Improvement District (TPID) ⁹	0%		0%		2%		0%		0%		0%		0%		0%		0.25%	
City (HOT - combined Chapter 351 and 334)	9%		9%		7%		7%		9%		6%		7%		10.75%		8.09%	
Sales											9.25%		8.60%		4.10%		2.74%	
Other											\$2.50 surtax							
Allocation of City Portion:																		
Convention Center Expansion Venue Debt Service (Ch. 334)	2.00%	100.00%	2.00%	100.00%	0.00%	0.00%	0.00%	0.00%	2.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.75%	37.50%
Convention Center (Ch. 351)	4.50%	64.29%	3.71%	53.00%	4.72%	67.43%	4.00%	57.14%	2.38%	34.02%	3.66%	61.02%	6.00%	85.73%	4.73%	44.00%	4.11%	56.85%
CC funds for non-CVB ¹⁰	3.67%	52.45%																
CC funds for CVB ¹⁰	0.83%	11.84%																
CVB (Ch. 351)	0.40%	5.71%	3.29%	47.00%	2.10%	30.00%	1.65%	23.57%	2.34%	33.45%	1.54%	25.66%	1.00%	14.27%	2.80%	26.00%	1.99%	27.19%
Arts (Ch. 351)	1.05%	15.00%	0.00%	0.00%	0.18%	2.57%	1.35%	19.29%	1.00%	14.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.45%	6.40%
Historic Preservation	1.05%	15.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	14.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.26%	3.67%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.28%	3.85%	0.80%	13.32%	0.00%	0.00%	3.22%	30.00%	0.54%	5.90%

¹ Funds arts with General Fund transfer

² Sports Authority assessment for venue bonds - allowed for Houston only

³ County assessment for Dome debt

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

⁵ TPID - managed by CVB; 50% for incentives; 45% for marketing; 5% for administration

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

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

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

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

¹⁰ As of Fiscal Year 2018, a portion of the 4.50% HOT allocated to CC now pays for a portion of CVB operations

¹¹ State assesses a sales tax instead of a hotel tax

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

Income Statement Comparison for Certain Convention Centers

Period Ended	Austin 9/30/2017	San Antonio ¹ 9/30/2017	Dallas 9/30/2017	Houston ² 6/30/2018	Fort Worth ¹ 9/30/2017	Nashville ^{2,3} 6/30/2018	Seattle ² 12/31/2017	Denver ^{1,2} 12/31/2017	Average
Operating Revenue	40,196	33,156	38,583	7,883	14,389	26,113	34,962	52,085	30,921
Operating Expenses, Depr, Amort	(69,040)	(56,622)	(89,388)	(87,324)	(29,930)	(40,229)	(47,763)	(71,328)	(61,453)
Net Operating Loss	(28,844)	(23,466)	(50,805)	(79,441)	(15,541)	(14,116)	(12,801)	(19,243)	(30,532)
Total Non-Oper Rev, Trans In/Out, Contrib, Net	69,454	16,629	47,742	71,933	33,390	56,737	65,021	15,509	47,052
Change in Net Position/Net Income	40,610	(6,837)	(3,063)	(7,508)	17,849	42,621	52,220	(3,734)	16,520

¹ City has chosen to categorize their convention center funds as Special Revenue Funds instead of Enterprise Funds. Accounting rules are different for each fund type; therefore, adjustments in the presentation of the financial information have been made to facilitate a more accurate comparison

² City and/or County has outsourced the operations to a separate entity; however, funding sources are still consistent with other city-run facilities

³ Nashville receives a portion of sales tax as well as Hotel and Rental Car tax to pay debt service, capital and operating costs

San Antonio	https://www.sanantonio.gov/Portals/0/Files/Finance/CAFR2017.pdf
Dallas	https://dallascityhall.com/departments/budget/financialtransparency/AuditedFinancials/CAFR_FY2017.pdf
Houston First	https://www.houstonfirst.com/static/media/uploads/hfc_financials_final_dtd_6-27-18.pdf
Fort Worth	http://fortworthtexas.gov/finance/pdf/fy2017-cafr.pdf
Nashville	http://www.nashvillemcc.com/sites/default/files/media/Quarterly%20Reports/financial_statements_of_the_convention_center_authority_as_of_june_30_2018.pdf
Seattle	https://www.wscc.com/sites/default/files/fin-it/files/Detailed%20Audited%20Financials%20for%20December%2031_%202016%20and%202017_0.pdf
Denver	https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/CAFR/Financial/Combine&Individual_Financial_Stmnt&Skd.pdf

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