



Legislation Details (With Text)

File #: ID 17-384 **Version:** 1 **Name:**

Type: Work Session Report

File created: 3/10/2017 **In control:** City Council

On agenda: 4/4/2017 **Final action:**

Title: Receive a report, hold a discussion, and provide direction regarding House Bill 2445 concerning the allocation of hotel occupancy tax funds to the purpose of enhancing and upgrading existing City-owned sports facilities.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit 1 - HOT Fund Resolution, 2. Exhibit 2 - Tax Code 351.1076 Current Law Funding Limitations, 3. Exhibit 3 - Tax Code 351.101 Current Law

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Agenda Information Sheet

DEPARTMENT: Community Affairs

CM/ACM: Todd Hileman

DATE: April 4, 2017

SUBJECT

Receive a report, hold a discussion, and provide direction regarding House Bill 2445 concerning the allocation of hotel occupancy tax funds to the purpose of enhancing and upgrading existing City-owned sports facilities.

BACKGROUND

The City Council directed staff to pursue legislation that would give the Council authority to allocate funding to enhance and upgrade existing, city-owned sports facilities. The Mayor and staff approached Representative Lynn Stucky to request he file such a bill on the City’s behalf. He subsequently filed HB 2445 on February 27. Though the Council approved a statement in support of this initiative in the 2017 Legislative Program, approved on December 13, 2016, Representative Stucky’s office has requested a stand-alone resolution in support of HB 2445, (Exhibit 1). The resolution is listed as an item for individual consideration for the City Council’s approval on April 4. Below is additional background on the purpose, use, and support of the bill.

Purpose of House Bill 2445

The genesis of this item came about when Parks and Recreation requested the City of Denton seek introduction and passage of legislation that would amend Tax Code Sec. 351.101 (a)7 by adding the City of Denton to the list of municipalities authorized to utilize Hotel Occupancy Tax (HOT) funds for enhancement and upgrading of city-owned and existing sports facilities or fields, which provide significant economic benefit to the community. Specifically, the purpose of HOT funds is to “promote tourism and the convention and hotel

industry.” The athletic tournaments hosted by the City of Denton Parks and Recreation Department generate revenue for the City’s General Fund, the Recreation Fund, and co-sponsored associations. More importantly, however, the tournaments to-date in 2016 alone provided an estimated economic impact to local businesses, such as hotels, restaurants, and retailers, of more than \$1,005,150. In addition, the tournaments have generated more than 800 room nights for Denton hotels and brought in an estimated 28,083 spectators. The economic impact estimates are calculated by a formula created by the Convention and Visitor’s Bureau in coordination with the Parks and Recreation Department.

For calendar year 2017 the number of available tournament weekends has been reduced from 30 to 13 due to the lack of funds to provide adequate enhancements and upgrades to the fields. Hosting tournaments has become more competitive as cities build and upgrade their facilities to enhance the experience and meet standards of tournament coordinators and teams. The proposed legislative initiative would allow the City Council an innovative funding mechanism to allocate existing HOT funds to the enhancement of Parks and Recreation existing sports facilities or fields in order to continue hosting, at previous levels, the athletic tournaments that have supported the local tourism industry and had such a positive economic impact on the community. If the legislation passes, it would provide the City Council the statutory authority to allocate HOT funds to the enhancement of existing City-owned sports facilities or fields for the specific purpose of hosting athletic tournaments should they so choose.

HOT Fund allocations allowable under HB 2445:

Examples of enhancements and upgrades to existing facilities include fencing, lighting, infield mix (to dry fields more quickly), Wi-Fi at the Sports Complexes, soccer goals, scoreboards, restroom upgrades, bleachers, shade structures, PA Equipment, batting cages, and pitching cages. This list is not exhaustive, but contains projects that Parks and Recreation staff have identified as needed upgrades to existing facilities.

Limitations on use of Funds

Current statute, Tax Code, Section 351.1076 (Exhibit 2), requires a five-year lookback on the return on investment of the HOT fund allocations to sports fields. If, over the five-year period, the amount of hotel revenue generated directly as a result of the HOT fund allocation and resulting tournament activity is less than the allocation itself, the general fund must reimburse the HOT fund account. “The municipality shall reimburse from the municipality's general fund any expenditure in excess of the amount of area hotel revenue attributable to the enhancements and upgrades to the municipality's hotel occupancy tax revenue fund.” Finally, the current statute to which HB 2445 is attached (Tax Code, Section 351.101; Exhibit 3), would not allow funds to be used for maintenance. There are bills that have been filed this session that expand the language to include maintenance for some communities, but this is not an expansion which we are currently seeking.

Support

On March 30, the Denton Chamber of Commerce Board of Directors voted unanimously to endorse HB 2445, with the understanding that the bill will not jeopardize existing recipient funding. The Chamber will send a letter of support to the City Council and Representative Stucky. The Convention and Visitor’s Bureau has also indicated support for HB 2445. In addition, Parks and Recreation staff is working on gathering letters of support from the Texas Recreation and Parks Society (TRAPS) and sports tournament leaders who have utilized our fields.

Next Steps

HB 2445 has been referred to the House Ways and Means Committee. All HOT fund-related bills have been assigned to this committee. Representative Stucky’s office has submitted a request for a hearing. When the hearing is scheduled, staff will notify the City Council and appropriate staff. We anticipate having Mayor Watts and Parks Director Emerson Vorel present at the hearing as resource witnesses to provide comments and answer

questions, should the committee chair desire to hear from stakeholders. Because there are dozens of HOT fund-related bills that could go through the committee, the hearing may be rather low-key with a greater emphasis on written testimony. This strategy will be re-assessed as the hearing is scheduled and we have a clear view of the landscape as it approaches.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On December 13, 2016, the City Council approved the following statement in the 2017 Legislative Program:

Seek introduction and passage of legislation that would amend the Tax Code by adding the City of Denton to the bracketed list of municipalities authorized to utilize Hotel Occupancy Tax (HOT) funds for enhancement and upgrading of city-owned and existing sports facilities or fields, which provide significant economic benefit to the community.

STAFF RECOMMENDATION

1. Approve Resolution of support for HB 2445

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: **Organizational Excellence**
Related Goal: **6.1 Collaborate with local, regional, state, and federal partners**

EXHIBITS

1. Resolution
2. Tax Code 351.1076, Current Law - Limitations on Use of Funds
3. Tax Code 351.101, Current Law Governing Use of HOT Fund Allocations to Sports Facilities

Respectfully submitted:
Todd Hileman
City Manager

Prepared by:
Lindsey N. Baker
Intergovernmental Relations/
Public Information Officer