

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.

Note: Data in the following table to be confirmed and correct by appropriate City and ACC staff

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	\$46,809,809	\$10,298,158	\$23,469,689	\$7,364,400	\$5,476,748	Data not avail. to committee

2012	\$51,049,877	\$11,230,973	\$25,595,592	\$8,031,473	\$5,972,836	\$195,988 (.49% of 7%)
2013	\$59,622,189	\$13,116,882	\$29,893,612	\$9,380,121	\$6,975,796	\$115,260 (.25% of 7%)
2014	\$68,156,254	\$14,994,376	\$34,172,455	\$10,722,751	\$7,974,282	\$137,876 (.25% of 7%)
2015	\$79,446,644	\$17,478,262	\$39,833,276	\$12,499,023	\$9,295,257	\$117,500 (.18% of 7%)
2016	\$69,509,528	\$15,292,096	\$34,850,965	\$10,935,656	\$8,132,615	\$212,075 (.39% 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 Historic Preservation Grant Program (to include grants for historic sites and resources on City of Austin Park land):

1. Transfer administration of the Heritage Grant program from the ACVB to a non-profit or City department with an advisory board composed of a broad set of stakeholders representing historic preservation 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. Substantially increase 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. Grant scoring criteria and guidelines for maintaining properties after funding can be established to put a higher burden on this type of grant recipient. 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 and also benefit the historic resources and the community.

Also, consider establishing funding through low-interest loans if market factors in the future make loans to privately-owned, commercial properties attractive enough to make a loan program viable.

- 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 a % 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 Parks 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 Park and Heritage Grant Program fund.