



## MEMORANDUM

**TO:** Mayor and Council

**FROM:** Sylnovia Holt-Rabb, Director Economic Development Department

**DATE:** May 24, 2022

**SUBJECT:** Hotel Occupancy Tax Program Update – Staff Update

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The Economic Development Department (EDD) is in the final phases of the Hotel Occupancy Tax (HOT) Funding Review Process for the three programs funded by HOT – Historic Preservation Fund (HPF), Live Music Fund, and the Cultural Arts Fund. This memo is an update on the status of each fund.

### **Overall Status Update**

The Cultural Arts, Music and Entertainment, and Heritage Tourism Divisions have been working since 2018 with consultant MJR Partners, City commissions, and community members to re-imagine these three HOT-funded programs through a lens of equity, efficiency, and effectiveness. Several steps remain in the program development including finalizing guidelines, City procurement, legal review, communications outreach, application creation and database management, evaluation and review, contract development, and payment processing.

In concert with program development, staff is also planning for launching the programs. Staff plans to stagger the launches of each program to provide as much clarity, access, and assistance as possible to potential program applicants. Staggered launches are also necessary to align with the current department staffing for supporting each program. EDD is currently experiencing a 27.4% staff vacancy rate, or the equivalent of 20 full-time positions. EDD is actively recruiting for vacant positions; however, the current vacancies are creating impacts to program development and implementation, purchasing processes and controls, administrative support, and communications outreach.

Concurrent to the development and implementation for these three programs, EDD is also leading the development and implementation of additional programs to support the arts, music, and heritage communities. These other programs include the Creative Space Assistance Program, the Austin Civilian Conservation Corps, federally funded grants for arts education, as well as working closely with the Austin Economic Development Corporation to administer funds for creative space needs. Consequently, EDD staff are working in a variety of roles to cover staffing needs across all economic development programs.

And the development and implementation for the three HOT-funded programs follows the successful development and implementation of 11 grant programs to support our creative class communities. The following programs were put in place from April 2020 through February 2022 and resulted in 5,496 individual grants totaling \$28,015,539:

- Austin Music Disaster Relief Grant
- Austin Creative Space Disaster Relief Program
- Small Business Relief Grant (Creative Industries Only)
- Non-Profit Relief Grant (Arts & Culture Only)
- Creative Worker Relief Grant
- Live Music Venue Preservation Fund (Phase 1)
- Live Music Venue Preservation Fund (Phase 2)
- Arts & Culture Non-Profit Relief Grant
- Arts Community Relief
- Live Music Venue Preservation Fund (Completion)

### **Tentative Launch/Funding Dates for Three HOT-Funded Programs**

The tentative launch dates factor in a certain review period by City commissions and the finalization of guidelines. Any delays to sequenced review and finalization will impact final launch dates. While the first program launch is tentatively planned for late in the fourth quarter of FY22 with subsequent program releases throughout FY23, EDD will not enter into HOT-funded contracts with arts, music, or heritage contractors until FY23.

Funding is anticipated to be distributed as early as February 2023 and continue through program deployments throughout the remainder of FY24. This process and timing allow for staff to enter contracts based on actual total FY22 HOT collections instead of estimated FY22 HOT collections. Making this change will remove the unpredictability associated with using estimated collections versus actual collections, thus bringing stability to the overall program funding.

### **Historic Preservation Fund Update**

#### Background

In FY19 Council provided direction through [Resolution No. 20181004-033](#), to allocate the HPF budget in the following manner:

- 70% for City of Austin historic facilities and sites in accordance with Texas Tax Code Section 351.101(a)(5)
- 15% reserved for potential future historic acquisitions or major preservation projects that would be frequented by tourists and convention delegates
- 15% to the Heritage Grant Program

#### FY19-FY21 Historic Preservation Fund Allocations

A complete history of approved HPF allocations can be found below:

- FY19: [Resolution No. 20181004-033](#)
- FY20: [Historic Preservation Fund and Heritage Grant Recommendation for Action for FY 2019-20](#)

- FY21: [September 16, 2020 Clarification Memo for Item #14 – Historic Preservation Fund Heritage Grant Service Contracts](#)

Any changes to current allocations will require Council action.

#### FY22 Historic Preservation Fund Update

The HPF FY22 budget approved by Council includes program requirements (expenditures) for heritage grants, current staff support, operational and maintenance support of historic facilities and sites, and funding for potential historic land acquisitions. Operational support has remained relatively flat compared to previous budgets. Due to a decline in transferred funds from hotel occupancy tax collections there were no Capital Improvement Projects funded, as in prior years. Heritage grants and land acquisition will not be fully expended by the end of FY22.

#### Proposed Heritage Preservation Fund Grant Program

Staff presented initial draft Heritage Preservation Fund Grant Program Guidelines to the Historic Landmark Commission and will release an update to the draft guidelines in May for public feedback. Panel member recruitment is slated to begin in the third quarter of 2022. The updates to the Heritage Preservation Fund Grant Guidelines will encourage funding for underrepresented communities and under-interpreted histories for Capital, Planning, Educational, and Marketing projects. Staff will:

- Prioritize outreach to first-time applicants.
- Permit optional eligible expenses, including project management fees for capital projects, fiscal sponsorship fees, and insurance fees.
- Ensure proposed marketing projects at historic sites that demonstrate historic cultural significance will no longer be required to have a historic designation to encourage broader access and participation.
- Offer mandatory tourism marketing training for contractors together with the Cultural Arts and Music & Entertainment Divisions.
- Ensure all projects continue to promote tourism to diverse audiences.

#### **Live Music Fund Update**

##### Background

The Live Music Fund was established by the City of Austin [Ordinance No. 20190919-149](#) on September 19, 2019. In response, the pilot Live Music Fund Event Program is under development based on direction from the Music Commission to prioritize the equity core principals of Preservation, Innovation, and Elevation & Collaboration (PIE).

Based on the latest direction from Council at the October 12, 2021, Work Session, the Austin Music Commission voted on [Music Recommendation 20220207-3b](#) during their February 7, 2022 meeting. With this recommendation, staff incorporated additional uses of funds into updated Live Music Fund Event Program guidelines and presented to the Austin Music Commission on April 4, 2022. The April 4th guidelines draft included a change to a 24-month contract term for set \$20,000 awards. This approach would result in fewer contracts to manage, while providing more impactful and targeted support to local

professional musicians and promoters. However, the Austin Music Commission reiterated their preference for 12-month contracts for \$5,000–\$10,000 awards.

To best serve an estimated 1,200–2,500 applicants and an estimated 250–500 contracts with 12-month terms for \$5,000–\$10,000 awards, EDD is finalizing a formal solicitation to procure a third-party administrator to facilitate the FY23 Live Music Fund Event Program application and scoring processes as well as resulting awardee contracting and payments.

Based on the time required for City Purchasing to complete a formal solicitation and Council approval, staff expects to onboard a qualified third-party administrator in the first quarter of 2023 and launch the program in Summer 2023. The [Live Music Fund Community Engagement SpeakUp Austin!](#) webpage holds detailed information and background on the development of the pilot Live Music Fund Event Program.

FY20 was the first-year collections were transferred to the Live Music Fund, no grant expenditures have occurred to date from this fund. FY23 will be the first year to provide recipients grant funds. FY23 expenditures (and the years following) may use some of the fund balance and the previous year collections transferred.

## **Cultural Arts Fund Update**

### Background

In September 2021, when staff presented the Cultural Funding Review Process update, conversation with Council, the Arts Commission, and the community suggested that the new programs lead with equity and consider the needs of the entire ecosystem. In response, staff revised programs with a more intentional focus on transparency, impact analysis, input from the Austin Arts Commission’s Working Group, and a deeper dive into the different ways in which Austin’s cultural producers operationalize equity in their work.

### Proposed Cultural Arts Funding Programs

EDD recently opened a final phase of community feedback on three proposed programs for Cultural Arts (Nexus, Elevate, and Thrive), described briefly as follows:

- The Nexus program will nurture new and emerging applicants by funding creative, public projects that have been developed through community activation and/or collaboration. This program will have the easiest application and contracting process, providing an ideal entry-point for applicants who are new to City funding and especially for those who have been institutionally marginalized. Collaborations might include projects that involve artists, culturally specific groups, groups representing LGBTQIA and disability communities, non-profits, social advocacy organizations, and similar. Awards are currently estimated at \$5,000 each.
- Broader sector support will be realized through the Elevate program. Elevate will offer funding for the creative and administrative expenses of cultural producers that amplify equity and prioritize inclusive programming. Awards are currently estimated in the range of \$7,500 - \$50,000.

- Thrive will provide focused investment to sustain and grow arts organizations that are deeply rooted in and reflective of Austin’s diverse cultures. This program seeks to directly correct the historical under-funding, displacement, and cultural erasure of vulnerable communities within Austin by offering substantial funding for these organizations to self-determine and invest in their own sustainability and growth. Awards are currently estimated in the range of \$70,000 - \$120,000.

Staff presented the information to the Austin Arts Commission on April 18, 2022 and posted the information on the EDD Cultural Arts Division website on April 19, 2022. An online survey recently closed on May 10, 2022, and the Austin Arts Commission is gathering responses through community listening sessions. Staff will analyze all feedback and present any revisions to the Austin Arts Commission for discussion and possible action at their May and/or June meetings. Panel member recruitment is slated to begin in the third quarter of 2022.

### **Summary**

In closing, staff looks forward to continuing work with City Commissions and community to develop and implement the three HOT-funded programs. Please do not hesitate to contact me with any questions at 512-974-3131 or [Sylvia.Holt-Rabb@austintexas.gov](mailto:Sylvia.Holt-Rabb@austintexas.gov).

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