



MEMORANDUM

TO: Mayor and City Council
FROM: Mark Washington, Assistant City Manager *MW*
DATE: December 1, 2017
SUBJECT: Historic Preservation Fund/HOT Tax

I want to thank Mayor and Council for the amount of thoughtful time that was dedicated to the proper use of Hotel Occupancy Tax to fund historic preservation during the budget adoption process. Shortly after budget approval, the City's executive team met to discuss how best to move forward with the council directive. Furthermore, the Budget Office has established a Historic Preservation Fund so that projects can draw from one account and expenses can be tracked to the designated department or entity. Additionally, I have outlined a couple of paths that will guide the City in spending the allocated funding.

Use of Visit Austin for the Open Community Grant Application Process

Visit Austin has a contract with the City to market the historical assets of the City through administering the Heritage Grants Program. Visit Austin works in conjunction with the City's Historic Landmark Commission (HLC) to administer this program to make sure each grant meets both the requirements of the Texas Tax Code and the City's requirements regarding appropriateness of the proposed historical restoration project. The Tax Code requires that each historic preservation and restoration project promote tourism and the convention and hotel industry, and the projects must be located at or in the immediate vicinity of convention center facilities or visitor information centers; or be located in areas that would be frequented by tourists and convention delegates. If the projects do not meet both requirements, they are not eligible for expenditures of hotel occupancy tax funds.

The council approved funding of \$250,000 for Visit Austin to administer the community grant application process for Historic Preservation funding. Members of the community who believe they have a qualifying project can apply by following the grant process set out in the Visit Austin website at: <https://www.austintexas.org/about-acvb/heritage-marketing>. The current maximum award is \$59,000.

Since Fiscal Year 2018 is already underway, Visit Austin is managing the first six-month grant cycle. The program will be structured and funded identically to the 2017 program, with several potential changes that are consistent with some of the recommendations from the Visitor Impact Task Force. Staff is working on requirements that could allow grant applicants to request funding over and

above the current \$59,000 cap. Requests that meet the pre-determined qualifications for amounts above \$59,000 would be brought to Council at a future date for consideration and approval.

With the increased opportunities that are now presented for this grant program, we have begun preparing a Request for Proposal (RFP) seeking other entities that can administer the program beginning with the second six-month grant cycle in FY 2018. In addition to developing the RFP, we are working on identifying a city department to manage the contract with the selected entity. We have targeted the RFP to be posted shortly after the start of the new year with the award occurring by April 2018.

We are drafting proposed changes to the program that will help make the grant program more user-friendly and easier to navigate for the grant applicant. Potential changes include opportunities to waive the requirement of three competitive bid on each project and broadening the requirements for the program so more organizations can qualify for grants. In addition, we are looking at ways private businesses could qualify to apply for a grant.

Finally, we are working with Visit Austin to identify potential members of an Advisory Committee to assist in the award selections. The Advisory Committee may include City staff, such as employees from PARD and Historic Preservation staff from the Planning and Zoning Department and other key stakeholders such as members of the Parks Foundation.

Funding for City Identified projects and other identified venues

Council identified \$6,950,000 of Hotel Occupancy Taxes to be dedicated toward historic preservation in Fiscal Year 2018. Staff is in the process of identifying a list of proposed projects that may be eligible for this funding for historic preservation.

An inter-departmental team is working with the Budget Office and the Law Department to identify criteria for project evaluation. This criteria will guide the team in their efforts as they develop a recommended list of projects. Once the plan is complete and thoroughly vetted, we will provide the plan to Council for review and approval. PARD submitted a list of projects in September 2017 that we have attached for your information. However, the Council asked the City Manager to consider other projects in addition to the list previously submitted by PARD (such as but not limited to: Umlauf Sculpture Garden, Montopolis Negro School, and Mexic-Arte, etc.) and projects from other departments. Therefore, all other departments were given until December 15, 2017 to submit proposed projects to the Budget Office. I anticipate the inter-departmental team will complete their comprehensive evaluation prior by January 31, 2018.

Next Steps

The Law Department has prepared changes to the current City Code to reflect council's reallocation of the City's hotel occupancy tax funds for historic preservation. The Code change is on Council's December 14, 2017 agenda. Staff anticipates providing another update on the progress of the Historic Preservation Fund and projects in February 2018. Please let me know if you have further questions.

Attachment: PARD Historic Properties Eligible for HOT Funding

C: CMO Executive Team
Department Directors



MEMORANDUM

TO: Budget Office

FROM: Liana Kallivoka, PhD, PE, Assistant Director
Austin Parks and Recreation Department (PARC)

DATE: September 8, 2017

SUBJECT: PARC Historic Properties Eligible for HOT Funding

The Budget Office requested a list of PARC historic properties that may be eligible for funding through Hotel Occupancy Tax (HOT) under Chapter 351 of the Texas Tax Code. This code allows funding to be allocated for “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.” This provision allows for expenditures on historic sites “at or in the immediate vicinity of convention center facilities or visitor information centers; or located elsewhere in the municipality or its vicinity that would be frequented by tourists and convention delegates.”

PARC has identified potential historic preservation projects, personnel, and general fund expenditures that may be allowable expenditures under Chapter 351 of the Texas Tax Code. More detail about the proposed capital expenditures is provided in this document, but PARC wishes to emphasize that all municipal capital projects take time to mobilize due to contracting and procurement. Additionally, project timelines may allow for community engagement. As a result, capital projects may span multiple fiscal years from inception to completion. Following is a summary of PARC historic preservation projects and allocations that could be addressed in 2017-2018.

Expenditure	Proposed HOT funding amount
General Fund expenditures related to temporary staffing at historic sites	\$279,070
2 1/2 Temporary FTEs (project coordinator, program coordinator and marketing representative) to implement historic preservation capital projects and market historic sites to visitors and conventioners.	\$211,730
HOT-eligible Historic Preservation Projects	\$8,500,000
TOTAL	\$8,990,800

Explanation for expenditures

1. General Fund expenditures— PARD was asked to determine general fund expenditures that could be offset with HOT. Given the extremely tight timeline for this determination and the need for extensive legal guidance, PARD is putting forward a) the temporary staffing needs associated with operating museums in the immediate convention center area and downtown area (\$104,070); and b) estimated maintenance expenses directly associated with maintenance of a select number of historic sites located in the immediate convention center area and elsewhere that are visited by tourists and convention delegates (\$175,000). While PARD is an important partner in supporting the tourism infrastructure of our city, the department will need more guidance and time to extrapolate the costs associated with attracting, documenting, hosting, and accommodating out of town visitors at the other facilities managed by PARD.

Site	Temporary Staffing and Maintenance Costs
Temp employees—Old Bakery Museum and Emporium	\$45,497
Temp employees—O. Henry Museum	\$31,872
Temp employees—Dickinson Museum	\$26,701
General maintenance expenses—Old Bakery, O. Henry, Dickinson, Mayfield, Oakwood	\$175,000
TOTAL	\$279,070

2. Personnel for implementation of historic preservation and restoration projects—PARD’s historic resources are certainly in need of investment. In order to implement these capital projects, PARD is requesting two and a half additional temporary staff members to implement HOT-eligible historic preservation projects. Funding a temporary project coordinator (\$94,190) and program coordinator (\$72,650) will allow PARD to implement the projects in a timely manner and not divert staff resources away from PARD’s resident and community focused park projects. Given that these projects will be in development and under construction for a term longer than 2017-18, it is the department’s expectation that the funding for these positions would extend a minimum of two years. In addition, funding a part-time temporary marketing representative (\$44,890) will enable PARD to actively market the historic sites to visitors and conventioners.
3. HOT-eligible Historic Preservation Projects— Should HOT funding be provided to PARD, the department will formalize a spending plan for the capital expenditures. The development of a spending plan allows for the department to evaluate the readiness of projects, confer with partner organizations, ensure legal compliance with state and local statutes, and strive for an equitable distribution of resources. As previously noted, all municipal capital projects take time to mobilize due to contracting and procurement. Additionally, project timelines may allow for community engagement. As a result, capital projects may span multiple fiscal years from inception to completion. The locations of the proposed sites are indicated as follows:
 - IV or Immediate Vicinity: Located in the immediate vicinity of convention center facilities or visitor information centers
 - TC or Tourist and Conventioneers: Located elsewhere in the municipality or its vicinity that would be frequented by tourists and convention delegates

Project or expenditure	HOT funding proposed	Estimated project cost	Historic designation and visitor justification	Status	Note
Barton Springs Bathhouse Rehabilitation *location TC	\$1,500,000	\$5,000,000	Historic Designation: State Antiquities Landmark, National Register of Historic Places, City of Austin Historic Landmark Visitor justification: More than 80,000 out-of-town visitors were documented through point-of-sale data in 2016	Design process to begin Fall, 2017	Full rehabilitation of historic bathhouse. Barton Springs Conservancy is fundraising for a portion of funding, but additional funding is required.
O. Henry Museum at Brush Square Restoration Phase II *location IV	\$750,000	\$940,000	Historic Designation: National Register of Historic Places, City of Austin Historic Landmark Visitor justification: More than 8,500 visitors with non-residents as nearly 70% of total visitors. The O. Henry Museum and the Brush Square Museums marketed in Visit Austin guide.	Design and Phase I restoration of \$190,000 beginning Fall, 2017	Initial design phase to begin Fall, 2017 and be followed by Phase I implementation; Phase II is currently unfunded, but could be rolled into Phase I should funding be provided.

Project or expenditure	HOT funding proposed	Estimated project cost	Historic designation and visitor justification	Status	Note
<p>Oakwood Cemetery and Annex Historic Gate Restoration and Fencing Improvements</p> <p>*location TC</p>	\$500,000	\$500,000	<p>Historic Designation: National Register of Historic Places, City of Austin Historic Landmark</p> <p>Visitor Justification: Oakwood Cemetery is the city's oldest municipal cemetery; Close proximity to the Texas Capitol, Bob Bullock Texas State History Museum, Blanton Art Museum, and the UT campus.</p> <p>Recommended by Travel Channel, Trip Advisor, Texas Highways among many other tourism and travel-related websites. Further, the Oakwood Cemetery hosts numerous visitor and conference tours.</p>	Pending funding, could be completed by Summer, 2018	Includes historic entry gate restoration and replacement of approximately 9,300 linear feet of chain link with historically appropriate fencing. Fulfills goal of Historic Cemetery Master Plan.
<p>Downs Field Grandstands Restoration and associated improvements</p> <p>*location TC</p>	\$550,000	\$550,000	<p>Historic Designation: Recorded Texas Historic Landmark</p> <p>Visitor justification: Historic baseball field and grandstands are major historic athletic attraction for role as home for Negro League baseball. Significant players and visitors include Jackie Robinson, Willie Wells, Satchell Paige, Toni Rice.</p>	Pending funding, could be completed by Winter 2018	Includes electrical upgrades, roof replacement, rotten wood replacement, ADA and code upgrades, expanded press box. Six Square and Rosewood NA are major non-profit partners.

Project or expenditure	HOT funding proposed	Estimated project cost	Historic designation and visitor justification	Status	Note
<p>Elisabet Ney mechanical replacement, climate control improvements and new mechanical room</p> <p>*location TC</p>	\$1,250,000	\$1,250,000	<p>Historic Designation: State Antiquities Landmark, National Register Historic Places, City of Austin Historic Landmark</p> <p>Visitor Justification: Of the more than 22,810 visitors to the Ney Museum in 2016, out-of-town visitors comprise 43% based on sign-in logs, visitor sampling and questionnaires. In the last 15-month period, records indicate that visitors came from 162 distinct zip codes outside of the Austin area, including 18 countries. Staff reports that 50% of advance-booked site tours are from out of town visitors.</p>	<p>Project could possibly be incorporated into current restoration phase, which is scheduled to be completed by Spring, 2019</p>	<p>The museum requires a new mechanical system, which would provide stable interior climate control for the collection and would allow for the removal of the visible rooftop unit, which negatively impacts the front façade. The project cost includes the constructing a mechanical space in the basement.</p>
<p>Norwood Historic Estate Restoration</p> <p>*location TC</p>	\$750,000	\$6-7 M	<p>Historic Designation: City of Austin Historic Landmark</p> <p>Visitor Justification: Upon completion of restoration, the Norwood House will become a premier destination and event facility. Overlooking downtown and Lady Bird Lake, the historic estate is along Riverside Drive, a major entry corridor from ABIA and I-35.</p>	<p>Design; Construction drawing are expected to be finalized in 2018. The project will include private funding and will likely not begin before FY 2020-21 at the earliest.</p>	<p>PARD is supporting efforts of Norwood Park Conservancy. Project includes rehabilitation of 1800 sq. ft. historic house, terracing, restored gardens; new accessory structures to support operations as a historic civic and visitor asset.</p>

Project or expenditure	HOT funding proposed	Estimated project cost	Historic designation and visitor justification	Status	Note
Seaholm Intake Building— Design Phase and Phase I *location IV	\$2,750,000	\$9-12 M; Full cost to be determined	Historic Designation: National Register of Historic Places Visitor Justification: Upon completion, the historic Seaholm Intake Building will become a premier destination and hub for visitors with food concessions and programming. The building is sited at the southern end of the Seaholm District, along the north shore of Lady Bird Lake and along the Town Lake Hike and Bike Trail.	Design Phase would result in construction documents and Phase I improvements to bring utilities and infrastructure to building and restore building envelope.	Historic industrial waterfront building will be transformed into civic asset and visitor attraction. Planning is currently underway in partnership with The Trail Foundation and the Austin Parks Foundation.
Zilker Clubhouse— Design Phase *location TC	\$250,000	Full cost to be determined	Historic designation: National Register of Historic Places Visitor Justification: The 1934 historic clubhouse hosts innumerable events throughout the year that bring visitors to the city for events such as weddings, family gatherings and small organizational events. The terrace provides one of the most iconic views of Austin’s Skyline.	Design Phase would result in construction drawings with full cost estimates for restoration and rehabilitation.	Historic building requires full restoration, including new MEP systems, ADA upgrades and interpretive signage.

