

Austin Cultural Recovery Fund

A robust investment now can save many of the businesses that are the bedrock of our local culture and make Austin such an appealing place to live and visit. Such investment could come from CAREs Act funding, convention center reserves or other sources yet to be identified.

A successful comeback for Austin's creative community will require a comprehensive plan that supports music, arts, and cultural assets like iconic restaurants.

Austin has the opportunity to be a success story that inspires other communities to rally around their creative community and establishes Austin as a destination for post-pandemic travelers.

Iconic establishments like Threadgill's, Blue Dahlia and Shady Grove have already closed their doors. Cultural assets like music venues, arts spaces and restaurants are on the front lines of this crisis. They were the first to close for public safety and continue to bear the brunt as they work to find a safe path forward. Even with the hard work of organizations like Good Work Austin to create safety protocols for reopening, a huge number of our culturally significant restaurants will be operating at a loss if at all. The cost of operating under new safety protocols means much tighter margins in a business that already has tiny margins.

If no assistance is given to these businesses many will open too soon and/or without the proper safety protocols thus further endangering the public and slowing down any recovery.

As COVID-19 diagnoses continue to jump by 1,000 per day in Texas in the shadow of governor's attempts to restart the economy, the risk of sustained closures and another round of stay-at-home orders looms large. The time to tap available resources is now if we want to have independent businesses as part of a restarted economy.

Hyperlocal businesses and nonprofits need operational funding just to survive.

Besides CARE funds and other emergency reserves, two paths to accessing convention center reserves deserve serious consideration:

1. Council could determine that the sustainable existence of local music, arts, restaurants, retail businesses, and the creative Texans they employ, de facto promote tourism and the hotel and convention industry. While the governing body's determination is subject to judicial review, broad deference is given to their determination according to multiple Attorney General opinions.

2. Council could determine that the reserves are composed of rental and users fees earned by the convention center over the past decade. (\$279,766,000 since 2010 to be exact.) Such earned income is not subject to State Hotel Occupancy Tax Statutes. It can

be transferred to the general fund and used to support the vulnerable small businesses that give Austin its unique character. This could also replace the lost HOT funds for Cultural Arts in the next few years, without which we may lose hundreds of artists to cities that do invest in cultural recovery.

The Money Is There

The convention center department had cash reserves of \$233,184,000 as of 2019, an increase of \$45,192,000 over the previous year, even though their core business was flat yet again. In 2018 \$94,972,000 of those reserves were unrestricted by bond covenants, operating reserves or capital projects. That number went down to \$31m in 2019, but by cancelling or delaying some projects, money could be freed up again.

Potential Distribution

- 60% operational support to qualifying Restaurants dispersed via qualified non-profits
- 20% employing qualified individual performing, visual, media, musical and culinary artists in tourism promotion dispersed via qualified arts non-profits.
 - Individual artists could be paid now to create work promoting Austin later.
 - This would provide content (songs, photographs, short films, artwork, stories and poems) for an ambitious social media campaign promoting tourism and conventions once the travel industry is operational. #myaustin
- 20% Visitor Information Center Acquisition Fund
 - This fund could be used to purchase at risk venues or businesses

DRAFT AUSTIN CULTURAL RECOVERY FUND RESOLUTION

Whereas Texas Attorneys General have repeatedly affirmed that Cities Have Broad Discretion In Determining What Expenditures Promote Tourism;

Whereas Austin City Council Resolution NO. 20200326-091 directed City Management to Consider possible options for re-purposing existing HOT funds assigned to active projects;

Whereas culinary, arts, and other iconic businesses founded in Austin, and unique to Austin, promote tourism and the hotel and convention industry by defining the character and brand of the city as one filled with distinctive experiences for visitors, found only in Austin;

Whereas performing, visual, media, musical and culinary artists promote tourism and the hotel and convention industry by creating Austin's international reputation for cultural vibrancy that attracts visitors from around the world,;

Whereas certain iconic music venues and arts spaces may be acquired by the city and used as visitor information centers under Tex. Tax Code, Section 351.101(b)(1));

Whereas Austin's unique arts, music, dining and shopping experiences are fundamental to the city's ability to attract business investment;

Whereas, businesses and non-profits that promote tourism and the hotel and convention industry are faced with nearly complete loss of operating income due to COVID-19 precautions;

Whereas businesses and non-profits that promote tourism and the hotel and convention industry will be critical to the recovery of Austin's tourism economy and hotel room night generation once COVID-19 precautions are lifted;

Whereas, the Austin Convention Center department generated earned income of \$279,766,000 from rentals, fees and contractors between 2010 and 2019;

Whereas, such earned income is not subject to State Hotel Occupancy Tax Statutes;

Whereas, the convention center department had cash reserves of \$233,184,000 as of 2019, an increase of \$45,192,000 over the previous year due to robust Hotel Occupancy Tax revenues derived from tourism related to live music, arts, dining and shopping;

Be it therefore resolved that local culinary, arts, music and other iconic organizations, brands and businesses, as well as performing, visual, media, musical and culinary artists are determined to be essential marketing components in promoting tourism and the hotel and convention industry in Austin;

Be it also resolved a \$50,000,000 fund be established using CARES act funding, convention center reserves and other available funds, or a combination of these; that pending convention center capital projects be postponed if necessary to make available the resources to create such a fund; that the office of innovation administer the fund by seeking qualified organizations within the culinary, retail, arts and music sectors to serve as fund distribution agencies;

Be it further resolved that a qualified fund distribution agency is an Austin based non-profit organization with a history of serving its sector, or has member businesses representing a substantial portion of its sector;

Be it further resolved that 60% of the fund go to qualifying businesses and non-profits, 20% of the fund go to employing qualified individual performing, visual, media, musical and culinary artists in tourism promotion, and 20% go to a Visitor Information Center Acquisition fund;

Be it further resolved that a qualified individual performing, visual, media, musical or culinary artists is someone who derives the majority of their income working in the arts, music or culinary sectors;

Be it further resolved that a qualified business or non-profit is one whose primary business sector is retail, music, performing, visual, media or culinary arts; was founded in Austin, is majority owned or governed by Austin residents, is a brand unique to Austin and whose reputation within its business type or field extends beyond the central Texas region, is frequented by tourists, and/or sells goods by local makers and artisans and/or a majority of its programming presents new original artistic work within its discipline or sector, and/or presents an exemplary or innovative version of its work as publicly acknowledged by peers, critics and media coverage;

Be it further resolved that the Visitor Information Center Acquisition fund be made available to purchase acknowledged tourism assets, under risk of demolition or change in business type, solicit experienced operators who will maintain the historic name and business activity; additionally designate those businesses as Visitor Information Centers, and equip them as such.