

Live Music Fund Working Group Recommendations

Table of Contents

Executive Report	2
Background	2
Definitions	3
Hotel Occupancy Tax.....	5
Formation and Process of Working Group	8
Formation.....	8
Members.....	8
Meetings	8
Community Input	9
Fund Administration	9
Advisory Board	9
Board Leadership	10
Advisory Board Sub Committees	10
Conflict of Interest	10
Initial Working Group Nominated Board Appointments.....	10
Financial Model.....	11
Initial Criteria	11
Initial Appointments	11
Appendix A – Visitor Impact Task Force.....	11
Appendix B – Recommendation of the Music Commission 11.14.20.....	11
Appendix C – City Council Resolution 20190919-149.....	12
Appendix D – Recommendation of the Tourism Commission.....	12
Appendix E -	12
References	12

Executive Report

Austin is the Live Music Capital of the World.

The Live Music Fund Working Group (“Working Group”) convened from February 2020 – June 2020 in a series of deliberations to develop a framework for the use of Hotel Occupancy Taxes, and other potential funding sources (singularly and collectively, “Fund”), to drive the Live Music economic sector, and derived tourism, in Austin.

This Working Group consisted of 14 diverse individuals representing a broad swath of the Austin Music Ecosystem. Represented were active musicians, community leaders, music venue advocates, policy experts and city officials. The work was supported by the City of Austin Music Office, a division of the Economic Development Department.

The guiding mission for the Working Group, as adopted, is:

To develop a framework for the effective use of Hotel Occupancy Tax funds, as appropriated for the commercial music sector by the City of Austin, for the enrichment of Austin Musicians, Music Venues and Music Tourism through sustainable investment.

From this common language and objective understanding of the subject matter, the Working Group outlined a governance body of an Advisory Board (“Board”), and a Financial Administrative Body. Through these entities a grant system would be developed.

Further, the Working Group discussed the need for objective outcomes from the long-term application of the Fund. Considerations for gauging the efficacy of the Fund in meeting its objectives were identified. Use of the Fund should bring value to multiple market segments, for example creating value for musicians, music venues and music publishing. Use of the Fund should drive *genre diversity*, be equitable and be applicable to a diverse cross-section of Austin’s demographics.

Criteria and management of the funds should evolve and be under consistent review to ensure efficacy and adaptability. This will be achieved by review of objective metrics to assess the impact and return on investment.

Background

In 2012, TXP produced an economic impact analysis snapshot of the Austin Creative industry in 2010 as an update to a previous analysis. It portrayed a health music economy, one that had grown 46% in five years at its primary market segments. Music tourism had shown a healthy 10% growth over the five years and represented approximately half of the total music economy. **Combined, in 2010, music represented \$1.6 Billion dollars in annual economic activity in Austin.**



Live Music Fund Working Group Recommendations

A follow up study published in 2016 depicted a changing landscape and, for those in the industry, it was a reality they were keenly aware of. Economic activity for “primary” music¹ had shrunk by 16% between 2010 and 2014, while music tourism had grown an incredible 36%. While this followed a broader global trend in the music economy, one of shrinking sales and a change in media and consumption, it was especially impactful in Austin where a rising cost of living and rapidly changing urban environment was quickly forcing musicians and music venues to pick between their art as livelihood and their ability to operate in Austin. **By 2016, the combined economic activity of core music and music tourism had grown to \$1.8 billion annual.**

In 2016, City Council passed the Creative Ecosystems Omnibus Resolution, driven by the recently elected Mayor Steve Adler. This resolution, and subsequent staff response, identified major conflicts in land use, policy, market forces, diversity, marketing and access to resources for musicians and music venues.

In the fall of 2016, the City of Austin convened the Visitor Impact Taskforce. This body represented numerous industries, with Gavin Lance Garcia and Catlin Whittington appointed by the Music Commission to represent the interest of the Music sector. The broad recommendation from the Taskforce was, in part, that the City of Austin should expand the Austin Convention Center and, in doing so, should maximize the public value across multiple sectors including Music. This was the first time that Music had an identified opportunity from Hotel Occupancy tax, contingent on an increased tax rate, and was the genesis for the Music Fund. (Appendix A)

In 2017, concluding the findings of the Visitor Impact Task Force, the expansion of the Austin Convention Center stalled under political pressure. Over the coming years, further studies and work was done to follow the recommendations of the Task Force and identify a path forward for the expansion of the Convention Center. A study by the University of Texas outlined a broad plan for localized development in the Convention Center District. City Council ultimately voted to move forward with the most expansive plan for redevelopment, and in doing so, trigger mechanisms to make available the additional HOT funding to support the Live Music Fund.

Definitions

In order to find objectivity and commonality of definition, the Working Group identified a common definition of Musicians, Music Venues and Music Tourism. For the purposes of these recommendations, and as a guiding vernacular for the future administration of the Fund, these are the adopted definitions.

Music Venue

The adopted definition of a Music Venue was agreed upon based on language from the Music Venue Association, and is one adopted in several local and global policies:

An establishment where live music programming is the principal function of the business and/or the business is a live music destination, and where the venue clearly establishes the ability of an artist to receive payment for work by percentage of sales, guarantee or other mutually beneficial formal agreement for every performance. A live music venue is a destination for live music consumers,

¹ TXP defined Primary Music to include “production, music video, industry, tour, and recording services, performers, and commercial music”

Live Music Fund Working Group Recommendations

and/or its music programming and is the primary driver of its business as indicated by the presence of at least five (5) of the following:

1. Defined performance and audience space;
2. Mixing desk, PA system, and lighting rig;
3. Back line
4. At least two of the following: (i) sound engineer, (ii) booker, (iii) promoter, (iv) stage manager, or (v) security personnel;
5. Charges cover charge to some music performance through ticketing or front door entrance fee;
6. Markets specific acts through show listings in printed and electronic publications;
7. Hours of operation coincide with performance times; or
8. Programs live music at least five nights a week.

Musician

The definition of a Musician, as put forth by Austin Texas Musicians organization and adopted by the Working Group is as follows:

A professional musician in Austin, Texas is defined as someone who meets four of the six requirements:

- An individual whose music business or businesses make up 40% of their total annual income
- An individual who engages in:
 - Live music performance (minimum 25 per calendar year) - payment for work by percentage of sales, guarantee or other mutually beneficial formal agreement for every performance
 - Music lessons (minimum 300 per calendar year) - payment for work through teaching of music lessons to students
 - Studio Recordings (minimum 25 per calendar year) - payment for work by guarantee, percentage of sales, or other mutually beneficial formal agreement for every recording session
- An individual that is recognized and established as owner or partner in an DBA, LLC, Sole Proprietorship, Corporation or Organization for the clear purpose of engaging in music-related business with the State of Texas or Travis County
- Has online presence with at least two of the following: official website, major social media profile (Facebook, Twitter or Instagram), Youtube, patronage platform (i.e. Patreon or Bandcamp)
- An individual who currently resides within, or within 30 miles of, Austin, Texas for no less than a period of one consecutive calendar year
- An individual who, solo or as part of a group, has released or been featured on a minimum of five commercial releases within a period of the last ten consecutive calendar years (physical or digital, full length albums, EPs or singles).

Music Tourism

Economic activity from visitors to the Austin MSA related directly or indirectly to music. Quantifiable objective economic impact drawn through survey, geographic attendee data, marketing reach or other metrics that show a direct relationship to Austin's music product.

Hotel Occupancy Tax

The collection and use of Hotel Occupancy Tax (HOT or HOT Funds) in Texas is governed by State Statute Chapter 351 and 334. For the purposes of the Fund, Chapter 351 creates allowable uses of HOT funds as collected by municipalities. Chapter 351.101 (4) specifically allows the use for the arts as follows:

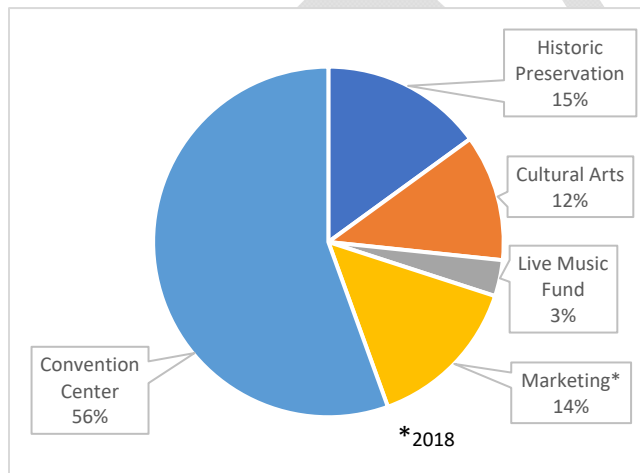
the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms;

While traditionally, arts funding from HOT taxes was appropriated as 15% of historic 7% municipal chapter. 351 tax rate, the expansion of that tax base to 9% to fund the future development of the Convention Center allowed the allocation of an additional \$.003 per taxable dollar to be allocated for the arts. (

Figure 1. Chpt.351 COA HOT Allocations by Sector)

It is within this allowed use that the Austin City council created and began allocation of funding for the Live Music Fund with the passage of ordinance 20190808-148 in August of 2019 and the subsequent passage of Ordinance 20190919-149.

For the purposes of these recommendations, any reference to HOT funds are specific to the \$.003 / taxable dollar under this allowable use.



Between 2010 and 2017, HOT taxable revenue grew by an annual average of 12%. In 2016 and 2017, there was a marked reduction in growth to 7% and 6% annually, respectively. Despite this market fluctuation, Austin has a strong hospitality sector with growing inventory, a high occupancy rate and high average daily rate. Occupancy and Average Daily Rate are factored to arrive at Revenue per Available Room (REV PAR). These metrics are used in forecasting future potential revenue.

Figure 1. Chpt.351 COA HOT Allocations by Sector

Prior to recent events, the future expansion of the Austin Convention Center and the growth of hotel inventory was forecast to drive continued growth of taxable revenue. As such, assuming a hypothetical fund starting in 2010, a simple projection based on a 20-year average of 8% growth the Fund was originally forecasted to accumulate somewhere between \$3.6MM - \$3.9MM for FY19-20 (Figure 2. Annual Growth of Theoretical Live Music Fund).

Live Music Fund Working Group Recommendations

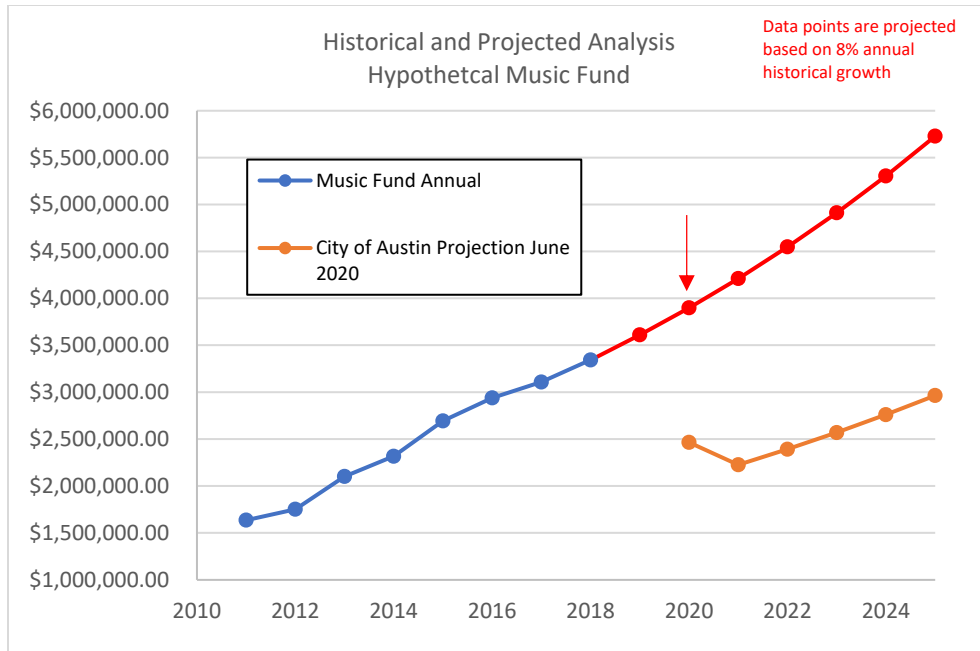


Figure 2. Annual Growth of Theoretical Live Music Fund²

In reality, the global COVID-19 pandemic crippled the hospitality market in March of 2020. The loss of major revenue drivers such as SXSW dealt a devastating blow to the music economy as well as to the accumulation of funds. Past downturns in tourism such as 9/11 and the Great Recession of 2009 have shown the resilience of Austin's hospitality market (*Figure 3. Historic Annual HOT Taxable Revenue*). While we do not know the long-term implications of the COVID-19 pandemic, it is safe to assume that recovery will take several years to return to previous levels of REV PAR and taxable revenue.

² Hotel Occupancy tax data was collected from the Texas Comptroller of Public Accounts over many years by Chair Whittington. As such, there is some variability in the accuracy of the numbers as local collections and state collections have variability in their reporting. Red data series represents 8% annual growth, consistent with 20-year historical average.

Live Music Fund Working Group Recommendations

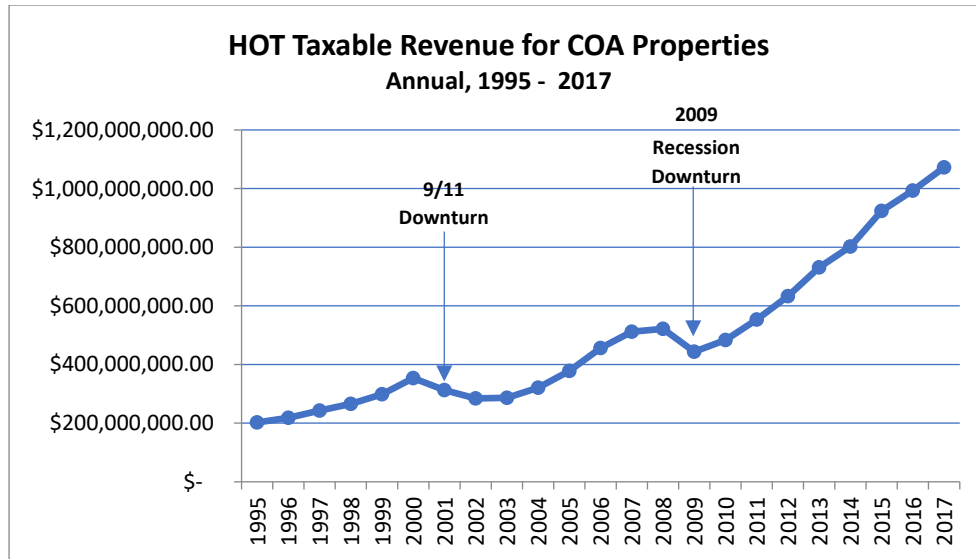


Figure 3. Historic Annual HOT Taxable Revenue

HOT funds in Austin, as in other markets, follow an ebb and flow throughout the year based on several variables. In Austin, none so much as the impact of annual music events and the weather. Peak demand in the transient housing market occurs in the Spring and Fall, driven in large part by the occurrence of the SXSW Conference and Festivals and the Austin City Limits Music Festival, which take place in March and October respectively.³

The growth and impact of these peak events, referred to in the industry as “city-wides”, can be seen in historical analysis of monthly HOT revenue in red (March) and green (October) (Figure 4. Historic Monthly HOT Taxable Revenue). These recommendations intend to provide funding to develop and sustain the music industry as well as to serve as an under-pinning in the path to economic recovery for the hospitality sector.

³ It is worth noting that March and October HOT Taxable revenue are also impacted by the annual Rodeo and Formula 1 events in Austin, respectively, both of which play heavily on the music culture of Austin as their host-city.

Live Music Fund Working Group Recommendations

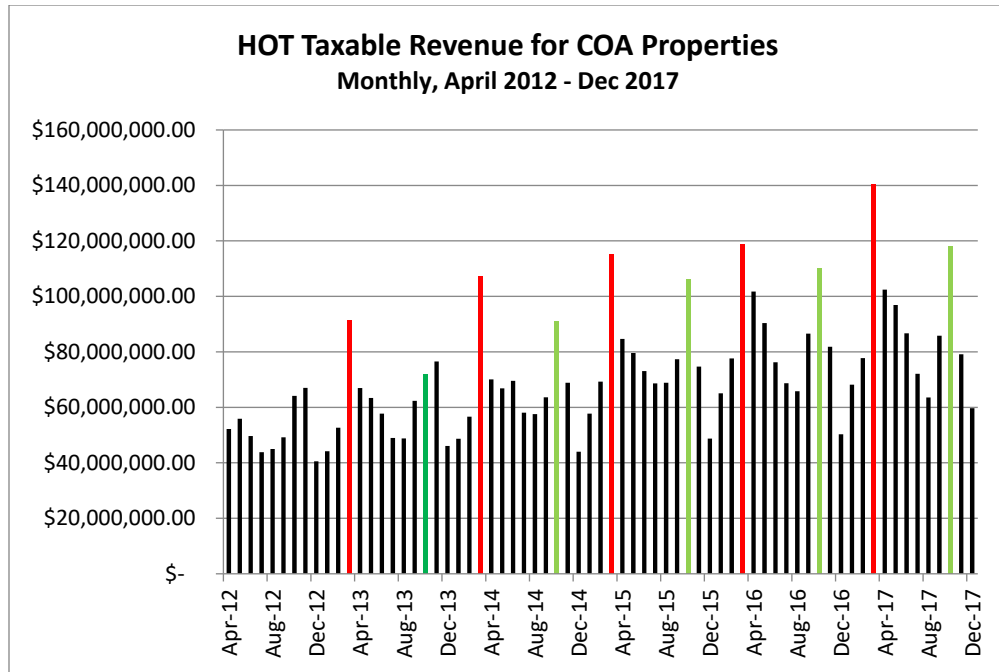


Figure 4. Historic Monthly HOT Taxable Revenue

Formation and Process of Working Group

Formation

Pursuant to City Council Resolution 20190919-149, the Music Commission formed a working group to establish a framework for management of the funds on Nov 4, 2019 (*Appendix A*). On November 14, 2019, the Music Commission appointed a community body consisting of (9) community members and (4) Music Commissioners to convene in developing the framework. Subsequent Music Commission meetings saw the appointment of an additional community member (*Appendix B*).

Members

Aaron ‘Fresh’ Knight	Frank Rodriguez	Ray Price ⁴
Anne Charlotte Patterson*	Gavin Garcia*	Rebecca Reynolds
Catlin Whittington – Chair	Johnathan ‘Chaka’ Mahoney*	Robert Kelley
Charles ‘Nook Turner’ Byrd	Nakia Reynoso	Taylor Wallace
Cris Flores – Vice Chair	Patrice Pike*	

* Music Commissioner

Meetings

- February 3, 2020 – Economic Development Office
- February 24, 2020 – The Long Center for the Performing Arts
- April 6, 2020 – Virtual Meeting
- April 13, 2020 – Virtual Meeting

⁴ Ray Price was appointed after the initial appointments, on XXXXX

Live Music Fund Working Group Recommendations

April 30, 2020 – Virtual Meeting

May 14, 2020 – Virtual Meeting

May 20, 2020 – Virtual Meeting

June 4, 2020 – Virtual Meeting

Community Input

Fund Administration

Advisory Board

The Working Group deliberated extensively regarding the structure of a citizen-led advisory board to govern the use of funds. The board shall consist of (13) members, each serving alternating 2-year terms with a two-term limit. The two-term limit can be extended by a super-majority (2/3) vote of the board. Terms shall run October 1 through September 30 to coincide with the City of Austin fiscal year.

The board will be divided into two groups, Group A and Group B, each serving alternating terms. Alternating terms allow for continuity of knowledge and process whereby every two years half of the board is up for appointment. The initial term for Group A will be 1-year, to allow for alternating terms with a common starting point.

Grouping of board members will initially be decided through a random, non-repeated, number assignment whereby the lower median of assigned numbers is in Group A and the upper median are in Group B, with the elected Board Chair assigned to Group B. For this reason, on initial instatement of the Board, election of officers must take place before grouping occurs.

After initial appointment, nominations for future appointments are made by the executive subcommittee, with input from a broad sector of community bodies, and voted into appointment by the majority of the Board. Nominations and appointments should begin in June of the corresponding year, with appointments completed by August 31st for term beginning October 1st.

The Advisory Board should represent recognized and respected music industry professionals as well as a cross-section of business sectors and community representation directly and indirectly driving the music economy.

Identified community and industry sectors are as follows:

- Musicians
- Music Venues
- State / University of Texas
- Tourism Sector
- Organizational / Community Non-Profit / Faith-based
- Music Production (Studios / backline / sound companies)
- Communities: Under-represented genres / musicians of color
- Music Commission
- Festivals and Events
- Innovation / Tech / Corporate sector

Live Music Fund Working Group Recommendations

Board Leadership

The board leadership will consist of a Chair, Vice Chair, Treasurer and Secretary. Such positions will be established by majority vote of the board. Election of officers will take place every two years, the first meeting after the appointment of Group B.

The Chair and Vice Chair will lead the Executive Sub Committee. The Treasurer will lead the Administrative Sub Committee. The Secretary will lead the Criteria Review Sub Committee. Upon election, the chair will be automatically included in Group B of the Board as established above.

Advisory Board Sub Committees

The Advisory Board should be managed by multiple subcommittees with distinct responsibilities. A preliminary overview of Sub-Committees and responsibilities are outlined below.

Sub Committee	Responsibilities
Executive	Drive future board nominations and transition Review of board structure and responsibilities of sub-committees
Development	Pursue opportunities for private philanthropy to grow the fund
Criteria Development and Review	Review sustainability and growth of the fund in terms of structure Review grant criteria, metrics and performance (annual review of criteria and performance)
Administration	Interfaces with financial administrative body Oversight of fund budget and projections
Grant Proposal Review	Review Grant proposals based on established criteria (twice annual review and grant cycle)

Conflict of Interest

The Working Group deliberated extensively regarding the need to mitigate potential conflicts of interest and self-dealing in the administration of the Fund. Board members must be forthcoming with any public funding received directly, indirectly, or by organizations with whom they are affiliated.

Live Music Fund Working Group Recommendations

Initial Working Group Nominated Board Appointments

Financial Model

Initial Criteria

Initial Appointments

Appendix A – Visitor Impact Task Force

Appendix B – Recommendation of the Music Commission 11.14.20

Discussion and Possible Action regarding Task Force for possible HOT funding. Commissioner Carney motions to move item “4.b. Discussion and Possible Action regarding Task Force for possible HOT funding” up in agenda to “4.a.” Commissioner Pinon seconds. Motion carries 8-0.

Commissioner Garcia gives update on Task Force creation. Commission takes nominations for additional task force members.

Commissioner Patterson nominates Cris Flores.

Commissioner Rosenthal nominates Catlin Whittington.

Commissioner Leveton nominates Robert Kelley.

Commissioner Carney nominates Nakia Reynoso.

Commissioner Mahone nominates Charles “Nook Turner” Byrd.

Commissioner Garcia nominates Aaron “Fresh” Knight.

Commissioner Pinon nominates Taylor Wallace.

Commissioner Duarte sent in his nomination of Frank Rodriguez and Commissioner Reynolds sent in his nomination of Rebecca Reynolds.

The five commissioners interested in participating on the task force include: Patterson, Carney, Mahone, Garcia, and Sullivan.

Commissioner Sullivan motions to invite commissioners not present, Commissioner Leveton seconds. Motion carries 8-0.

Commissioner Leveton motions to confirm the three Commissioners who have committed to serve on the task force: Commissioners Garcia, Patterson, and Mahone. Sullivan seconds. Motion carries 8-0.

[Music Commission Minutes from November 14, 2019](#)

Live Music Fund Working Group Recommendations

Appendix C – City Council Resolution 20190919-149

Appendix D – Recommendation of the Tourism Commission

Appendix E -

References

HOT Funded Programs – Update to Tourism Commission June 8, 2020

(<http://www.austintexas.gov/edims/document.cfm?id=341776>)

City of Austin FY20 Proposed Budget

(https://assets.austintexas.gov/budget/19-20/downloads/2020_Proposed_Budget.pdf)

Visit Austin FY20 Budget

(<https://www.austintexas.gov/edims/document.cfm?id=329355>)

TXP 2016

<https://www.austintexas.gov/sites/default/files/files/EGRSO/TXP-Austin-Music-Impact-Update-2016-Final.pdf>

TXP 2012

https://www.austintexas.gov/sites/default/files/files/creative_sector_impact2012.pdf

Music and Creative Ecosystems Stabilization Recommendations

https://www.austintexas.gov/sites/default/files/files/Music_and_Creative_Ecosystem_Stabilization_Recommendations_June_2016.pdf

Music and Creative Ecosystems Omnibus Resolution

<http://www.austintexas.gov/edims/document.cfm?id=253186>