



## ARTS COMMISSION RECOMMENDATION 20240520-11

**Date:** 5/20/2024

**Subject:** Improved Collection of HOT and Sustainability Fees from Short-Term Rentals

**Motioned By:** Commissioner Heidi Schmalbach     **Seconded By:** Michael Vernusky

### **Recommendation:**

The Arts Commission recommends that City Council direct the City Manager and City staff implement mechanisms to:

- 1. Improve and streamline STR licensure and compliance in order to increase HOT collection.** Specifically, we recommend implementation of a tiered licensing system that clearly differentiates between nonresident whole-home operators and resident operators. This has a particular impact on the cultural community as artists and musicians increasingly seek to supplement their incomes by renting their primary residence (or ADU) as STRs. Both the Covid 19 pandemic and rising cost of living in Austin have put exceptional stress on cultural producers. Affordable STR licensing for resident-operators can help alleviate some of this burden, while also increasing compliance overall.
- 2. Require that City's portion of Hotel Occupancy Taxes be collected automatically by STR platforms from the hosts, then remitted to the City.** In addition to increasing compliance through an improved licensing process, HOT collection should occur at booking by requiring the platforms to include municipal HOT along with the State HOT.
- 3. Develop – in partnership with STR platforms – an “opt-out” cultural sustainability fee for each STR booking in the City of Austin,** the proceeds from which would be used to establish a Cultural Sustainability Fund managed by a City partner for the support and preservation of music and cultural arts in Austin.

### **Description of Recommendation and Rationale**

The Live Music Fund, Cultural Arts grants, and Heritage grants are funded through Hotel Occupancy Taxes. However, there are a large number of unlicensed STRs operating in Austin and, regardless of licensing, the City does not currently have a consistent mechanism for collecting municipal (HOT) from operators, leading to an estimated loss of \$3M annually to music and cultural funding. In addition to alleviating the issues related to compliance, safety,

and quality of life (see [Tourism Commission Recommendations](#)), the City can better support the Austin arts and music community by closing the STR HOT funding gap and leverage the STR model for additional cultural funding from visitors, through a voluntary, “opt-out fee” for each rental reservation (The “cultural sustainability fee”)

**Rationale:**

- Music, cultural arts, and preservation in Austin are supported through the collection of hotel occupancy taxes from lodgings including short term rentals
- Currently unlicensed STRs do not remit HOT to the city.
- In February of 2024, the Tourism Commission passed a recommendation to council regarding improved STR regulation and HOT collection, accompanied by a comprehensive report. In April 2024, the Music Commissions passed similar recommendations. The Arts Commission supports the Tourism Commission recommendation 20240214-005 and the Music Commission Recommendation 20240401-13a.

**Vote: 6-0**

For:

Commissioner Nagavalli Medicharla  
Commissioner Monica Maldonado  
Commissioner Felipe Garza  
Commissioner Michael Vernusky  
Commissioner Acia Gray  
Commissioner Heidi Schmalbach, Vice Chair

Against:

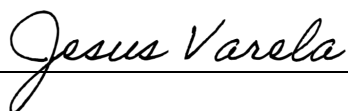
Abstain:

Absent:

Commissioner Gina Houston  
Commissioner Celina Zisman, Chair  
Commissioner Amy Mok  
Commissioner Faiza Kracheni

Attest:

Jesus Varela  
Arts Commission Staff Liaison

  
\_\_\_\_\_