



## MEMORANDUM

**TO:** Mayor and City Council

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

**DATE:** March 8, 2021

**SUBJECT:** Update Regarding Hotel Occupancy Tax (HOT) Funded Cultural and Heritage Preservation Grant Contracts

This memorandum provides an update on the status of the City of Austin's cultural and heritage preservation grant contracts funded by Hotel Occupancy Tax (HOT). The COVID-19 pandemic continues to severely impact the convention, tourism, and lodging industry, which thus negatively impacts hotel occupancy tax (HOT) collections. The Economic Development Department (EDD) is providing this update to Council so that you continue to have timely information regarding HOT collections.

### Statistics Regarding Tourism and Lodging

Data from Austin-Bergstrom International Airport shows total local airline passenger traffic from January 2020 to November 2020 was 62.5 percent lower than the same period in 2019. Domestic travel was down 61.8 percent, and international travel is down 83.7 percent. Decreased travel resulted in lower hotel occupancy and rates. According to data from Visit Austin, 43 percent of hotel rooms were occupied in December 2020, compared to 78 percent in December 2019, and at much lower room rental rates.

### Status of Current HOT-Funded Contracts

Austin's cultural contractors contribute to the City's unique and home-grown character, drive tourism by offering distinctive experiences for visitors, and support thousands of workers, customers, and other industries. EDD staff continue to work diligently to mitigate the present and future impacts of the COVID-19 pandemic on organizations and individuals contributing to Austin's arts and music sectors.

Cultural and Heritage Preservation Grant contractors' awards for Fiscal Year 2021 will remain unchanged. Also, EDD staff will provide contractors with maximum flexibility to use Fiscal Year 2021 awarded funds. Contractors will have the opportunity to extend contracts to no later than September 30, 2022. If a contractor is fiscally sponsored, Fiscal Sponsors must approve the extensions.

EDD staff will focus on processing Fiscal Year 2021 contracts and assisting cultural contractors with amendments as needed. Additional team support is being added to speed up contract processing.

### Future HOT Revenues

EDD staff determine Cultural Arts and Heritage Preservations Grant budgets based on estimated future HOT collections, not past actual HOT collections. The COVID-19 pandemic's unprecedented financial effects will undoubtedly continue to negatively impact the City's HOT revenues in the months ahead. The stark reduction in hotel occupancy and rates will negatively impact current Fiscal Year 2021 HOT revenue collections. The upcoming

Budget Forecast to be presented to Council in April 2021 will provide the revised estimate for Fiscal Year 2021 HOT revenue collections and will represent the base for funding decisions. EDD will provide the arts and music sectors a timeline of future programming after the forecast has been received. The timeline will include information relating to the roll out of new programs, the application open and closing dates, peer panel meetings, and other information routinely published as part of the grant application and award process.

EDD is committed to equity as mentioned outlined as a focus in Strategic Direction 2023 and programs will continue to be built on the Equity Resilience Framework as outlined in an August 28, 2020 memo to Council that can be found [Cultural Funding Recommendations Memorandum](#).

Please contact me at [Sylvia.Holt-Rabb@austintexas.gov](mailto:Sylvia.Holt-Rabb@austintexas.gov) if you have any questions or if I can provide any additional information regarding this update.

cc: Spencer Cronk, City Manager  
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