



MUSIC COMMISSION RECOMMENDATION 20201019-2bi

Date: 10/19/1010

Subject: Live Music Fund Working Group Recommendation

Motioned By: Commissioner Reynolds Seconded By: Vice-chair Jonathan “Chaka” Mahone

Recommendation

1. The Music Commission voted to support the Live Music Working Group recommendations to develop a framework for the effective use of Hotel Occupancy Tax funds, as appropriate for the commercial music sector by the City of Austin, for the enrichment of Austin Musicians, Music Venues and Music Tourism through sustainable investment. A copy of the report is attached as Exhibit A, Live Music Fund Recommendations.
2. City staff is encouraged to explore funding sources outside the City to supplement revenue generated by Hotel Occupancy Taxes. Recommendations for pursuing private philanthropy is attached as Exhibit B, Funding Model Observation and Recommendations.

Description of Recommendation to Council

1. The Live Music Working Group recommends the creation of a citizen-led advisory board to govern the use of funds. The board, divided into subcommittees, will drive future board nominations, review board structure and responsibilities of sub-committees, pursue opportunities for private philanthropy, review grant criteria, metrics interface with a financial administrative body, and review grant proposals based on established criteria. The Fund should be administered by a local nonprofit organization having familiarity with Austin’s music community and demonstrated expertise in managing funding for various music and arts entities.
2. The Music Commission asks staff to research, identify, and pursue additional funding streams such as corporate philanthropy and public-private partnerships. The technology sector in particular is a logical avenue of support for Austin’s iconic yet struggling music economy.

Rationale:

1. The ordinance effective September 30, 2019 allocates the use of hotel occupancy tax revenue to provide additional funds for local music and historic preservation. Specifically, of the additional two percent hotel occupancy tax for the Convention Center Expansion, an amount equal to 15% of the two percent assessment is allocated to the Live Music Fund for local music that meets the requirements of Texas Tax Code Section 351.101(a)(4) and that is not funded through the Cultural Arts Fund. Section 351.101 (a) (4) states the available uses as “***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.***”

2. The Live Music Fund is dependent on a funding source (hotel occupancy taxes) that is vulnerable to crises such the COVID19 pandemic and slowing growth in the convention industry. Corporate giving has the potential to stabilize and greatly supplement the Live Music Fund. Specifically, thriving tech companies have a prominent presence in Austin, and technology and music are firmly intertwined, therefore technology sector philanthropy has excellent potential for growing the Live Music Fund.

Vote

For: 10 (Chair - Rick Carney, Vice-chair - Chaka Mahone, Secretary - Anne-Charlotte Patterson, Parliamentarian - Oren Rosenthal, Commissioners Al Duarte, Gavin Garcia, Doug Leveton, Paul Pinon, Graham Reynolds, Stuart Sullivan)

Against: 0

Abstain: 0

Absent: 1 Patrice Pike

Attest: Kim McCarson

Exhibit A 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 healthy 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.**



Exhibit A 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”

Exhibit A 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:

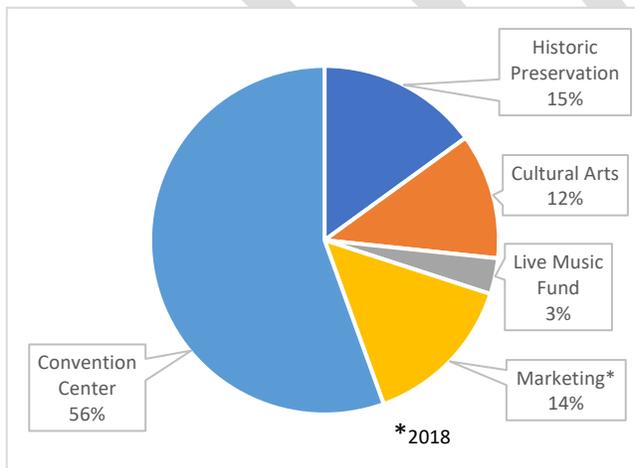
the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound 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).

Exhibit A Live Music Fund Working Group Recommendations

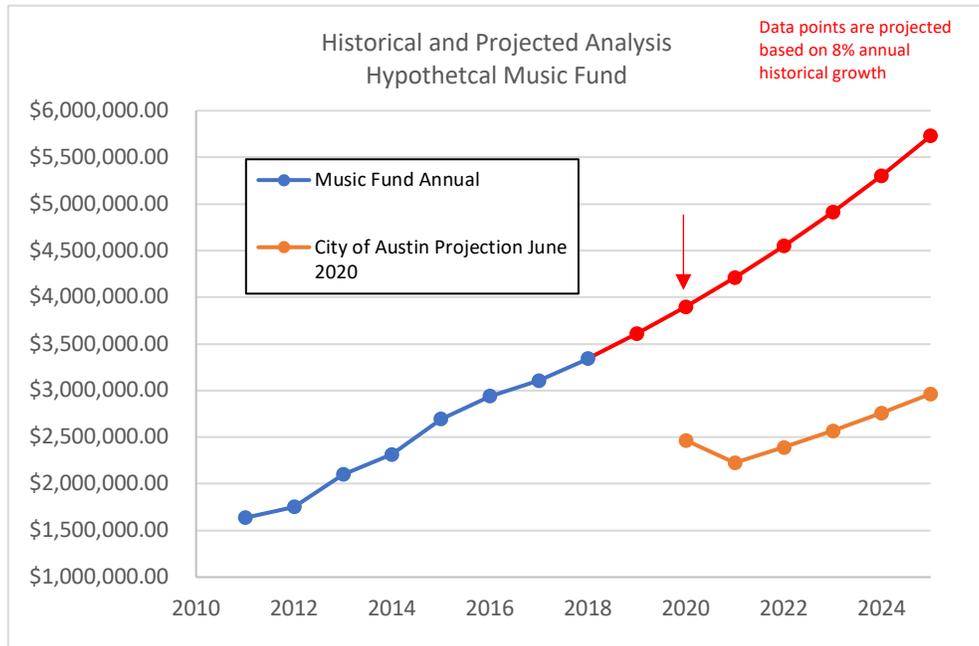


Figure 2. Annual Growth of Theoretical Live Music Fund²

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.

Exhibit A Live Music Fund Working Group Recommendations

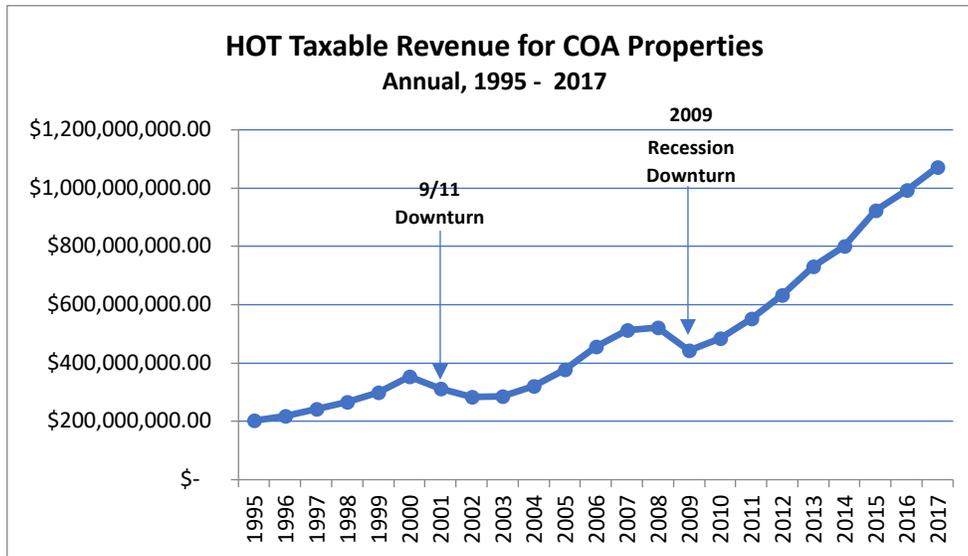


Figure 3. Historic Annual HOT Taxable Revenue

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.

Exhibit A Live Music Fund Working Group Recommendations

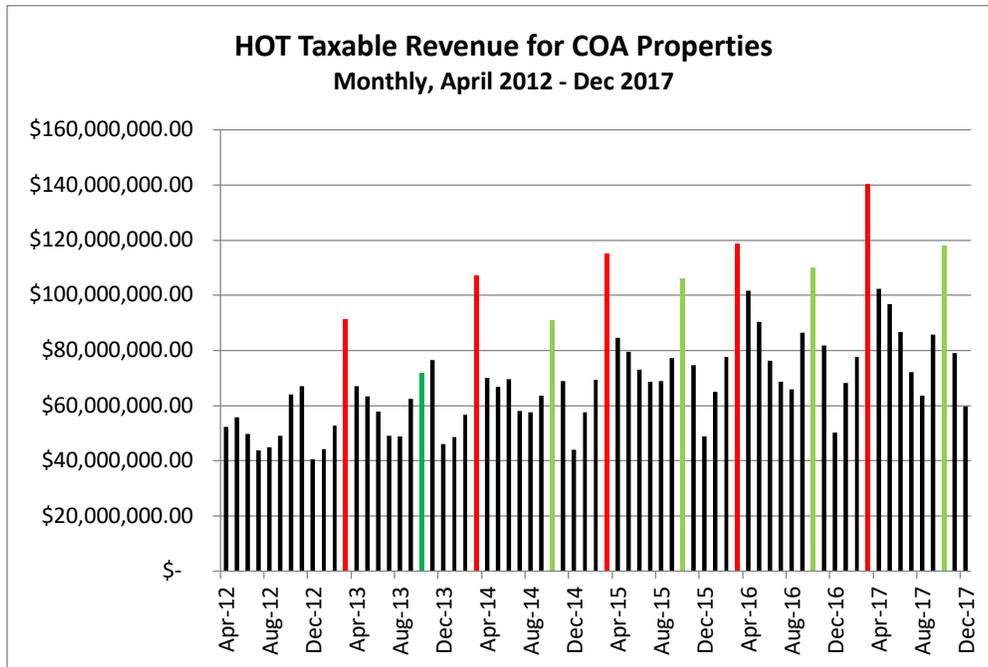


Figure 4. Historic Monthly HOT Taxable Revenue

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

Exhibit A 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

Exhibit A 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.

Exhibit A 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](#)

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>

**Exhibit B: Funding Model Observations and
Recommendations By Frank Rodriguez
Member, Live Music Working Group
June 4, 2020**

Summary

- The Live Music Fund is dependent on a funding source (the hotel occupancy tax) that draws from travel and tourism that has obviously been severely hit. The hotel occupancy tax has suffered a severe impact and will affect programs in the Convention Center that will further exacerbate the ability to spend any of the funding dedicated to the Live Music Fund.
- Recent emergency funding for music and the music industry is one-time funding.
- A new funding model is suggested that adds a secondary fund as a companion to the Live Music Fund. The secondary fund will require administrative and fundraising capabilities. A new fund can capture new secondary funding streams such as technology philanthropy where music and other cultural organizations have struggled to garner a share. Studies of millennial giving show that they favor education and basic-needs charities and environment, civil rights and activism. On the bottom of the list? Music, arts, and culture.

Background

This report is intended to provide information on the development of a music funding model – which is defined as a *methodical and institutionalized approach to building a reliable revenue base to support musicians and the music industry.*

The Live Music Working Group is a stakeholder group appointed by the City of Austin’s Music Commission. The Working Group’s charge is to recommend to the Music Commission the elements that will support City Ordinance No. 20190919-149. To date the Live Music Working Group has discussed many areas related to the development of the fund including: organizational structure, governance, program areas for funding, eligibility criteria, and priority areas for funding consideration.

The ordinance effective September 30, 2019 allocates the use of hotel occupancy tax revenue to provide additional funds for local music and historic preservation. Specifically, of the additional two percent hotel occupancy tax for the Convention Center Expansion, an amount equal to 15% of the two percent assessment is allocated to the Live Music Fund for local music that meets the requirements of Texas Tax Code Section 351.101(a)(4) and that is not funded through the Cultural Arts Fund. Section 351.101 (a) (4) states the available uses as ***“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.”

The City ordinance establishing the Live Music Fund can be found at:
<https://www.austintexas.gov/edims/document.cfm?id=328565>

The initial Live Music Fund was estimated at \$3.5 million. Since the enactment of the Live Music fund, HOT funds have been deeply affected because of the COVID-19 pandemic. A recent City report noted that Average Daily Rates for the Hotel Industry has dropped to 5% down from 20% the previous year. Recently, the City’s Convention Center Hotel bond rating has been lowered and the outlook for HOT revenues is uncertain in the near future. With this in mind, it is important for the Live Music Working Group to integrate this planning scenario in its recommendations for the short and longer-term and to determine an appropriate funding model.

Until the advent of the Live Music Fund there has not been a dedicated funding stream for music and the music industry. The COVID-19 pandemic has brought about several emergency music centric funding streams including the Austin Music Disaster Relief Fund (\$1.5 million); the Austin Artist Disaster Relief Fund (\$1.0 million), and the Austin Creative Space Disaster Relief Program (\$1 million). Additionally, the City Council has approved funding where musicians and music businesses might apply including small business assistance (\$16.5 million); nonprofit assistance (\$6.35 million); and creative sector workers (\$3 million). These funds are only one-time emergency funds and the majority are federal funds.

Funding Model

The Live Music Fund requires clarity as to how it will fund its intended targets. The Live Music Working Group’s job is to identify beneficiaries and how the fund will make a difference for them with its funds. Given the potential slow recovery in tourism and tourism dollars for the hotel occupancy tax building and scaling sustainable financial support is as complicated and important as figuring out the programmatic dimensions.

A funding model that only relies on slow revenue growth hotel occupancy growth is problematic. The guidelines to help the Working Group should be to: (1) get a sense of where we are; (2) branch out and develop a funding mix; (3) weigh revenue potential against associated costs; and; (4) pave the road.

1. Getting a Sense of Where We Are. Traditionally with funding models, the way forward starts with a look back. In this case, we are in an unprecedented situation as the historical approach to funding doesn’t relate the near future. A recent City Budget report dated April 7th provided the following:

- *Hotel Occupancy Taxes – Severe Impact*

- *Impact on programs in the Convention Center, Historic Preservation, Cultural Arts, and Music Funds*
- **Lodging Taxes**
 - *Travel & Tourism obviously severely hit – some modest demand from first responders, medical professionals, those who must distance from family*
 - *Rates likely will be affected – while industry will try to hold the line as compared to past crisis situations (9/11 & 2008) the impact to the economy and massive excess supply will put downward pressure*
 - *Scenario for real time activity – Average Daily Rate (ADR) down 20% from previous year, occupancy down as much as 95%; EOY occupancy projections is 35% and ADR is \$78.50 (down from \$175.81 in March)*

Funding Sources: Analyzing historical sources isn't going to help articulate what the potential revenue streams will be in the short and medium run and how it may change in the future. The Live Music Fund is dependent on a funding stream that is uncertain and unstable because of the pandemic. Ideally, a fund that garners revenues from three or more funders gives it a good chance of weathering the loss of one. There is also the tactical issue that the Live Music Fund is tied to the future of the new Convention Center. Assuming the favored construction scenario the new Convention Center was underfunded by 50% before the pandemic and a funding source other than Hotel Occupancy Tax was required.

2. Branch out and develop a funding mix. Understanding that the Live Music Fund relies on an unstable and fluctuating stream of funding means that using new tactics to cultivate new discrete sources. Adopting a broader funding mix means that new capabilities will be required. These capabilities include fundraising, performance measurement, and reporting. A clear funding model could include for example, a companion fund to the Live Music Fund where the majority of support comes from individuals, foundations, and private companies. The companion fund will not be subject to the constraints of the Live Music Fund's state statute requirements, yet, can be used to leverage companion or additional programming.

The Live Music Working Group should consider adding capabilities and creating a new fund to the Live Music Fund. There are three important aspects to consider: fitting within the defining features of the Live Music Fund; type of funding; and funding decision makers and their motivations. For the funding model's primary type of funding, the Live Music Fund, would the primary type of funding (hotel occupancy tax) allow it to appeal successfully to the relevant funding decision makers, tapping into the same motivations that lay behind the funding of the Live Music Fund? In order to do so, would a new fund need to make changes to the program model – adjusting existing programs, adding new ones, servicing different beneficiaries, or expanding to new geographies? Would the Live Music Working Group be willing to recommend those changes?

Capabilities would have to be added to access new relevant sources of funds. For example, could the new fund cultivate new donors and funders? And does it have the appetite for

doing so? Will the new funding model be willing to create a nonprofit to add these capabilities?

One ripe area of philanthropy that could be targeted is technology giving. In 2018, there were 46 relocations to the Austin area and that doesn't include companies already opening up second offices and those who are expanding like Apple, Amazon, and Google. In 2019, one of the biggest moves was that of Zoho who left the East Bay area to establish its headquarters in South Austin. Whenever the factors are discussed as to why companies move from California to Austin for example, inevitably, the list is quality of life, traffic, cost of living, housing prices, and **the Austin music scene**. The headlines read like from Business Insider, "Austin, Texas, is the fastest-growing major metro area in the US with a vibrant music scene and relatively low cost of living." Big tech has noticeably made itself more at home in the capital city in the last decade, but the industry has a long history in Austin.

Despite the looming presence of Big Tech in Austin, why is Austin music struggling to garner a share? A recent study of millennial giving, "Next Gen Donors," conducted by the Frey Chair for Family Foundations and Philanthropy program, showed that they favored education and basic-needs charities, and preferred animal welfare, environment, civil rights and activism. On the bottom of the list? Music, Arts, and Culture.

In the pandemic big tech has muscled up and have extended their reach by integrating technology into every aspect of civic life. Tech has focused on telehealth, remote learning, and broadband. Some are calling it the "Screen New Deal" where our future is in the no-touch future via high-speed digital connectivity for our schools, workplaces, and primary entertainment venues. It's a potential future that impacts employment of workers.

A new fund might target technology in a strategic fashion conducting harnessing data to determine the disconnect in attracting those dollars for music. Tech and music are intertwined and those relationships are sometime not as obvious for building a donor base.

3. Weigh Revenue Potential Against Associated Costs. In assessing a new funding model, weighing costs and benefits is essential. The revenue a new nonprofit can reasonably expect to access through a given funding model must be sufficient to warrant the program, staff, and systems investments required to develop it. Assessing the revenue potential of a given funding model means digging into the leading types of funding, considering in particular the priority funding sources for music and the music industry which until recently have not been in place, the total dollars awarded annually through each of these sources, and the level of competition for those funds.
 - a. Programs – It may be necessary to refine the programs anticipated to be funded through the Live Music Fund into the new fund to serve a different group of beneficiaries.
 - b. Personnel – New capabilities and staff time are required to develop and manage the funding associated with a new funding model.

- c. Systems – New funding models place greater demand on systems especially in performance measurement.
4. Pave the Road. Getting an understanding of the limitations of the Live Music Fund and that the fund will not be operational for some time, then consideration should be given to tallying the cost of creating a new fund as a companion fund and weighing it against expected benefits. Settling on a single funding model right now is the issue of uncertainty. When pursuing a new funding model, we should consider secondary sources that may go a long way toward complementing the primary funding source and serve as a stabilizer since it appears that the primary funding source has ups and downs. There are examples of many nonprofits that derive the bulk of their revenue from small donations, corporate sponsorships, and foundation grants. The new sources may become the growth engine for the future, giving the primary funding stream, the Live Music Fund, an opportunity to become steady. New funding models typically requires two or three years to take hold. A good implementation plan is an invaluable resource as the organization paves its new road.

Recommendations

- A. Consider creating a new companion fund to the Live Music Fund that can be immediately activated. The Live Music Working Group would continue its work in outlining the purpose of the new fund along with specifics as to its organization structure, development targets, fundraising strategy and other administrative tasks.
- B. Consider creating a new nonprofit to manage the Live Music Fund and the new companion fund after considering the costs and benefits associated with a new fund. The reason for a nonprofit is to have fundraising capabilities along with administrative and performance measurement. The nonprofit would manage both funds.
- C. Consider creating the Live Music Fund and the new fund as associated funds with the Austin Community Foundation (ACF). The ACF's associated funds are designated to support a particular community, interest area, or region. Associated funds are led by the board of the nonprofit. The funds make grants and direct fundraising efforts in their specific communities or interest areas.
- D. In a new fund, target technology as a primary donor using a data driven and messaging campaign.

**Exhibit B: Funding Model Observations and
Recommendations By Frank Rodriguez
Member, Live Music Working Group
June 4, 2020**

Summary

- The Live Music Fund is dependent on a funding source (the hotel occupancy tax) that draws from travel and tourism that has obviously been severely hit. The hotel occupancy tax has suffered a severe impact and will affect programs in the Convention Center that will further exacerbate the ability to spend any of the funding dedicated to the Live Music Fund.
- Recent emergency funding for music and the music industry is one-time funding.
- A new funding model is suggested that adds a secondary fund as a companion to the Live Music Fund. The secondary fund will require administrative and fundraising capabilities. A new fund can capture new secondary funding streams such as technology philanthropy where music and other cultural organizations have struggled to garner a share. Studies of millennial giving show that they favor education and basic-needs charities and environment, civil rights and activism. On the bottom of the list? Music, arts, and culture.

Background

This report is intended to provide information on the development of a music funding model – which is defined as a *methodical and institutionalized approach to building a reliable revenue base to support musicians and the music industry.*

The Live Music Working Group is a stakeholder group appointed by the City of Austin’s Music Commission. The Working Group’s charge is to recommend to the Music Commission the elements that will support City Ordinance No. 20190919-149. To date the Live Music Working Group has discussed many areas related to the development of the fund including: organizational structure, governance, program areas for funding, eligibility criteria, and priority areas for funding consideration.

The ordinance effective September 30, 2019 allocates the use of hotel occupancy tax revenue to provide additional funds for local music and historic preservation. Specifically, of the additional two percent hotel occupancy tax for the Convention Center Expansion, an amount equal to 15% of the two percent assessment is allocated to the Live Music Fund for local music that meets the requirements of Texas Tax Code Section 351.101(a)(4) and that is not funded through the Cultural Arts Fund. Section 351.101 (a) (4) states the available uses as ***“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.”

The City ordinance establishing the Live Music Fund can be found at:
<https://www.austintexas.gov/edims/document.cfm?id=328565>

The initial Live Music Fund was estimated at \$3.5 million. Since the enactment of the Live Music fund, HOT funds have been deeply affected because of the COVID-19 pandemic. A recent City report noted that Average Daily Rates for the Hotel Industry has dropped to 5% down from 20% the previous year. Recently, the City’s Convention Center Hotel bond rating has been lowered and the outlook for HOT revenues is uncertain in the near future. With this in mind, it is important for the Live Music Working Group to integrate this planning scenario in its recommendations for the short and longer-term and to determine an appropriate funding model.

Until the advent of the Live Music Fund there has not been a dedicated funding stream for music and the music industry. The COVID-19 pandemic has brought about several emergency music centric funding streams including the Austin Music Disaster Relief Fund (\$1.5 million); the Austin Artist Disaster Relief Fund (\$1.0 million), and the Austin Creative Space Disaster Relief Program (\$1 million). Additionally, the City Council has approved funding where musicians and music businesses might apply including small business assistance (\$16.5 million); nonprofit assistance (\$6.35 million); and creative sector workers (\$3 million). These funds are only one-time emergency funds and the majority are federal funds.

Funding Model

The Live Music Fund requires clarity as to how it will fund its intended targets. The Live Music Working Group’s job is to identify beneficiaries and how the fund will make a difference for them with its funds. Given the potential slow recovery in tourism and tourism dollars for the hotel occupancy tax building and scaling sustainable financial support is as complicated and important as figuring out the programmatic dimensions.

A funding model that only relies on slow revenue growth hotel occupancy growth is problematic. The guidelines to help the Working Group should be to: (1) get a sense of where we are; (2) branch out and develop a funding mix; (3) weigh revenue potential against associated costs; and; (4) pave the road.

1. Getting a Sense of Where We Are. Traditionally with funding models, the way forward starts with a look back. In this case, we are in an unprecedented situation as the historical approach to funding doesn’t relate the near future. A recent City Budget report dated April 7th provided the following:

- *Hotel Occupancy Taxes – Severe Impact*

- *Impact on programs in the Convention Center, Historic Preservation, Cultural Arts, and Music Funds*
- **Lodging Taxes**
 - *Travel & Tourism obviously severely hit – some modest demand from first responders, medical professionals, those who must distance from family*
 - *Rates likely will be affected – while industry will try to hold the line as compared to past crisis situations (9/11 & 2008) the impact to the economy and massive excess supply will put downward pressure*
 - *Scenario for real time activity – Average Daily Rate (ADR) down 20% from previous year, occupancy down as much as 95%; EOY occupancy projections is 35% and ADR is \$78.50 (down from \$175.81 in March)*

Funding Sources: Analyzing historical sources isn't going to help articulate what the potential revenue streams will be in the short and medium run and how it may change in the future. The Live Music Fund is dependent on a funding stream that is uncertain and unstable because of the pandemic. Ideally, a fund that garners revenues from three or more funders gives it a good chance of weathering the loss of one. There is also the tactical issue that the Live Music Fund is tied to the future of the new Convention Center. Assuming the favored construction scenario the new Convention Center was underfunded by 50% before the pandemic and a funding source other than Hotel Occupancy Tax was required.

2. Branch out and develop a funding mix. Understanding that the Live Music Fund relies on an unstable and fluctuating stream of funding means that using new tactics to cultivate new discrete sources. Adopting a broader funding mix means that new capabilities will be required. These capabilities include fundraising, performance measurement, and reporting. A clear funding model could include for example, a companion fund to the Live Music Fund where the majority of support comes from individuals, foundations, and private companies. The companion fund will not be subject to the constraints of the Live Music Fund's state statute requirements, yet, can be used to leverage companion or additional programming.

The Live Music Working Group should consider adding capabilities and creating a new fund to the Live Music Fund. There are three important aspects to consider: fitting within the defining features of the Live Music Fund; type of funding; and funding decision makers and their motivations. For the funding model's primary type of funding, the Live Music Fund, would the primary type of funding (hotel occupancy tax) allow it to appeal successfully to the relevant funding decision makers, tapping into the same motivations that lay behind the funding of the Live Music Fund? In order to do so, would a new fund need to make changes to the program model – adjusting existing programs, adding new ones, servicing different beneficiaries, or expanding to new geographies? Would the Live Music Working Group be willing to recommend those changes?

Capabilities would have to be added to access new relevant sources of funds. For example, could the new fund cultivate new donors and funders? And does it have the appetite for

doing so? Will the new funding model be willing to create a nonprofit to add these capabilities?

One ripe area of philanthropy that could be targeted is technology giving. In 2018, there were 46 relocations to the Austin area and that doesn't include companies already opening up second offices and those who are expanding like Apple, Amazon, and Google. In 2019, one of the biggest moves was that of Zoho who left the East Bay area to establish its headquarters in South Austin. Whenever the factors are discussed as to why companies move from California to Austin for example, inevitably, the list is quality of life, traffic, cost of living, housing prices, and **the Austin music scene**. The headlines read like from Business Insider, "Austin, Texas, is the fastest-growing major metro area in the US with a vibrant music scene and relatively low cost of living." Big tech has noticeably made itself more at home in the capital city in the last decade, but the industry has a long history in Austin.

Despite the looming presence of Big Tech in Austin, why is Austin music struggling to garner a share? A recent study of millennial giving, "Next Gen Donors," conducted by the Frey Chair for Family Foundations and Philanthropy program, showed that they favored education and basic-needs charities, and preferred animal welfare, environment, civil rights and activism. On the bottom of the list? Music, Arts, and Culture.

In the pandemic big tech has muscled up and have extended their reach by integrating technology into every aspect of civic life. Tech has focused on telehealth, remote learning, and broadband. Some are calling it the "Screen New Deal" where our future is in the no-touch future via high-speed digital connectivity for our schools, workplaces, and primary entertainment venues. It's a potential future that impacts employment of workers.

A new fund might target technology in a strategic fashion conducting harnessing data to determine the disconnect in attracting those dollars for music. Tech and music are intertwined and those relationships are sometime not as obvious for building a donor base.

3. Weigh Revenue Potential Against Associated Costs. In assessing a new funding model, weighing costs and benefits is essential. The revenue a new nonprofit can reasonably expect to access through a given funding model must be sufficient to warrant the program, staff, and systems investments required to develop it. Assessing the revenue potential of a given funding model means digging into the leading types of funding, considering in particular the priority funding sources for music and the music industry which until recently have not been in place, the total dollars awarded annually through each of these sources, and the level of competition for those funds.
 - a. Programs – It may be necessary to refine the programs anticipated to be funded through the Live Music Fund into the new fund to serve a different group of beneficiaries.
 - b. Personnel – New capabilities and staff time are required to develop and manage the funding associated with a new funding model.

- c. Systems – New funding models place greater demand on systems especially in performance measurement.
4. Pave the Road. Getting an understanding of the limitations of the Live Music Fund and that the fund will not be operational for some time, then consideration should be given to tallying the cost of creating a new fund as a companion fund and weighing it against expected benefits. Settling on a single funding model right now is the issue of uncertainty. When pursuing a new funding model, we should consider secondary sources that may go a long way toward complementing the primary funding source and serve as a stabilizer since it appears that the primary funding source has ups and downs. There are examples of many nonprofits that derive the bulk of their revenue from small donations, corporate sponsorships, and foundation grants. The new sources may become the growth engine for the future, giving the primary funding stream, the Live Music Fund, an opportunity to become steady. New funding models typically requires two or three years to take hold. A good implementation plan is an invaluable resource as the organization paves its new road.

Recommendations

- A. Consider creating a new companion fund to the Live Music Fund that can be immediately activated. The Live Music Working Group would continue its work in outlining the purpose of the new fund along with specifics as to its organization structure, development targets, fundraising strategy and other administrative tasks.
- B. Consider creating a new nonprofit to manage the Live Music Fund and the new companion fund after considering the costs and benefits associated with a new fund. The reason for a nonprofit is to have fundraising capabilities along with administrative and performance measurement. The nonprofit would manage both funds.
- C. Consider creating the Live Music Fund and the new fund as associated funds with the Austin Community Foundation (ACF). The ACF's associated funds are designated to support a particular community, interest area, or region. Associated funds are led by the board of the nonprofit. The funds make grants and direct fundraising efforts in their specific communities or interest areas.
- D. In a new fund, target technology as a primary donor using a data driven and messaging campaign.