



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Nanci Klein

**SUBJECT: PROPOSED 2021-2022 TRANSIENT  
OCCUPANCY TAX FUNDED ARTS  
AND CULTURAL DEVELOPMENT  
GRANTS**

**DATE:** May 24, 2021

Approved

Date: 6/2/2021

## RECOMMENDATION

Approve the proposed Fiscal Year 2021-2022 funding allocations for thirty-two Transient Occupancy Tax (TOT) funded operating grants for non-profit arts and cultural organizations for a total amount of \$1,200,000.

## BACKGROUND

Fifteen percent (15%) of total annual TOT revenue is used to fund cultural arts grants and the Office of Cultural Affairs (OCA) that is located within the Office of Economic Development. Per the Municipal Code, allowable uses include arts programs, grants, and services, as well as OCA operating costs (including staff, administration, and public art maintenance). Each year, grant awards are recommended based on projected TOT revenues and a competitive application-based peer review process. Due to the impacts of COVID-19 on both TOT revenues and the cultural arts sector, the OCA is modifying its approach to cultural grant recommendations for the upcoming fiscal year.

As outlined in the Proposed Operating Budget for 2021-2022, TOT revenue estimates remain dramatically reduced from pre-pandemic levels. Because the OCA's cultural grants are awarded based on projected TOT collections, and accumulated reserves have mitigated significant TOT shortfalls in both 2019-2020 and 2020-2021, the approach for 2021-2022 is cautious and responsible, positioning the City to provide funding stability and fully honor awarded arts grants. The purpose of this memorandum is to outline the amended process and recommended grant awards in the 2021-2022 *Cultural Funding Portfolio: Investments in Art, Creativity and Culture*.

## **ANALYSIS**

### ***Arts and Cultural Development Funding and a Modified, Iterative Approach for Grants***

Each year, in tandem with the development of the Proposed Operating Budget, the OCA develops recommendations for the allocation of TOT funds for arts and cultural development programs and services. Programs and services are prioritized based on available funding and cultural development goals and strategies. The projected amount of available TOT funding in 2021-2022 for the OCA's arts and cultural development programs, services and grants is \$1,674,148.

Among the most significant of the OCA's programs are the competitive grant programs that comprise the *Cultural Funding Portfolio: Investments in Art, Creativity and Culture*: Operating Grants; Festival, Parade and Celebration Grants (FPC); and *take pART* Grants. These grants are aimed at promoting artistic vibrancy, economic development, and cultural diversity in San José. These grants also support broad-based, community-wide participation in a wide range of arts experiences across San José, including expressions of multicultural traditions of San José's diverse population.

Traditionally, the OCA releases annual Council-adopted guidelines and criteria for its grant programs that comprise the *Cultural Funding Portfolio*. Notices of the grant opportunities are publicized through multiple channels including the City's website, OCA's contact list and social media channels, community partners and in several local newspapers published in English, Spanish and Vietnamese. Each spring, peer review panels evaluate and score applications based on the guidelines and criteria. Peer review panels are open to the public and comprised of a diverse mix of Arts Commissioners, multidisciplinary nonprofit arts and culture professionals, and community representatives. Traditionally, grant applications for these programs are accepted in January/February with public grant review panels held in March/April, leading to grant recommendations to the Arts Commission in May that are voted on by the City Council as part of the City's Operating Budget each year.

For FY 2021-2022, the OCA proposes a phased release of award recommendations, with priority going to the Operating Grants Program as these unrestricted grants collectively serve a broad and diverse constituency throughout the City and produce the largest number of public programming and outreach/arts education initiatives that impact residents year-round. Operating Grants also enable the consistent employment of thousands of diverse artists and arts workers, support operation of cultural facilities and collectively play a large financial role in the economic engine that will drive post-pandemic recovery. This memorandum recommends that the City Council award thirty-two arts grants for a total amount of \$1.2 million for the Operating Grant Program, with the remainder of projected TOT revenues planned for reserves should TOT collections fall short of current projections. Even with the priority for Operating Grants, given the size of the program, the available funding for the Operating Grants Program is approximately 70% less than (pre-pandemic) TOT-funded grants in FY 2019-2020. Upon Council approval of the grant recommendations listed in Attachment A, agreements with the respective organizations will be developed.

***Additional Support for the Arts and Culture Sector to Recover from the COVID-19 Pandemic***

As most organizations have been closed to the public continuously since March 2020, the OCA recognizes the significant loss of earned income from programming, admissions and fundraising events. With the anticipated reopening of public life with increased vaccination rates, there is “light at the end of the tunnel.” However, it will take time for the arts sector to recover.

To provide additional funding to support the arts sector in the pandemic’s aftermath, Manager’s Budget Addendum #16, *Community and Economic Recovery Budget*<sup>1</sup>, recommends an allocation of \$2.0 million from the American Rescue Plan (ARP) Fund, subject to City Council approval, to supplement arts and cultural grants funding for programs at the threat of closure or which have experienced revenue declines due to decreased Transient Occupancy Tax revenue. As additional resources become known, final decisions regarding supplemental funding allocations will be made using an iterative, phased approach. OCA also plans to continue technical assistance and resources to support the arts ecosystem through the recovery phase.

***Arts Commission Recommendation***

The Arts Commission supported a strategy that carried forward the Operating Grant, take pART and FPC grant recommendations to the 2021-2022 funding cycle without burdening grantees to complete new grant applications. At its May 17, 2021 meeting, as the amount of available ARP funds for arts grants was yet to be determined, the Arts Commission took action and recommended that the Mayor and Council approve a phased release of 2021-2022 grant recommendations, (with priority going to the Operating Grants Program with the \$1.2 M available in projected TOT revenue), as well as the approval of ARP funding to distribute across OCA arts and cultural grant programs. The Commission will continue to advise on the use of additional funding resources.

/s/

NANCI KLEIN

Director of Economic Development

For more information, please contact Kerry Adams Hapner, Director of Cultural Affairs, at (408) 793-4333.

Attachment: Proposed 2021-2022 TOT Arts and Cultural Grants Recommendations

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<sup>1</sup> MBA #16: <https://www.sanjoseca.gov/home/showpublisheddocument/73424>

**Attachment: FY 2021-2022 Arts and Cultural Grant Recommendations**

<b>ORGANIZATION</b>	<b>GRANT AMOUNT</b>
Abhinaya Dance Company of San Jose	\$13,499
Aimusic School	\$21,081
Bay Area Glass Institute	\$28,127
Cashion Cultural Legacy	\$11,658
Children's Discovery Museum of San Jose	\$95,100
Children's Musical Theater San Jose	\$77,560
Chinese Performing Arts of America	\$23,574
Cinequest Film Festival	\$50,117
City Lights Theater Company of San Jose	\$36,262
Kaisahan of San Jose Dance Company	\$9,925
MACLA/Movimiento de Arte y Cultura Latino Americana	\$37,312
New Ballet	\$45,012
Opera San Jose	\$85,835
San Jose Chamber Orchestra	\$19,713
San Jose Institute of Contemporary Art	\$34,470
San Jose Jazz	\$80,081
San Jose Multicultural Artists Guild	\$7,771
San Jose Museum of Art	\$82,928
San Jose Museum of Quilts & Textiles	\$30,913
San Jose Stage Company	\$36,170
San Jose Symphonic Choir	\$8,045
San Jose Taiko	\$27,424
San Jose Youth Symphony	\$37,743
School of Arts and Culture at MHP	\$77,849
Silicon Valley Shakespeare	\$10,370
sjDANCEco	\$9,088
Starting Arts	\$54,984
Steinway Society - The Bay Area	\$9,022
Symphony Silicon Valley	\$85,017
Teatro Vision	\$12,866
The Tabard Theatre Company	\$27,974
Vivace Youth Chorus	\$12,510
<b>GRAND TOTAL</b>	<b>\$1,200,000</b>