

CITY COUNCIL STUDY SESSION

Update on establishment of a Tourism Promotion Area

Michael Kattermann, Director, 452-6191

Jesse R. Canedo, Assistant Director, 452-5236

Lorie Hoffman, Arts Community Manager, 452-4246

Community Development Department

DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff seeks Council direction regarding the proposed Bellevue-Redmond Tourism Promotion Area (BRTPA) and draft Interlocal Agreement with the City of Redmond. The purpose of the proposed BRTPA and interlocal agreement is to better support tourism promotion, consistent with chapter 35.101 RCW and the Tourism and Creative Economy goals in the Economic Development Plan and Destination Development Plan.

RECOMMENDATION

Direct staff to return with an Interlocal Agreement for approval at a future meeting.

BACKGROUND & ANALYSIS**Background and Analysis**

A Tourism Promotion Area (TPA) is a mechanism that local governments may use to generate additional revenues for tourism promotion. Lodging Businesses with 40 or more units, may petition a Legislative Authority to form a TPA and impose charges for the promotion of tourism. However, in any county with a population of one million or more (*i.e.* King County), two or more jurisdictions must work together under an interlocal agreement to establish and administer any TPA.

Visit Bellevue and Experience Redmond, the official Destination Marketing Organizations for Bellevue and Redmond, have collected signatures from over 80 percent of hotels with 40 or more units in both cities and are prepared to request the formation of a TPA and collection of special charges to further support tourism activity in the two cities. Staff for Bellevue and Redmond have worked with stakeholders to identify the options and best practices to successfully implement and administer a TPA.

The anticipated funding from the proposed TPA would provide approximately \$2.5 million per year in additional funding to support Tourism Promotion in Bellevue and implementation of both the Tourism Policies of the Bellevue's Economic Development Plan and Destination Development Plan.

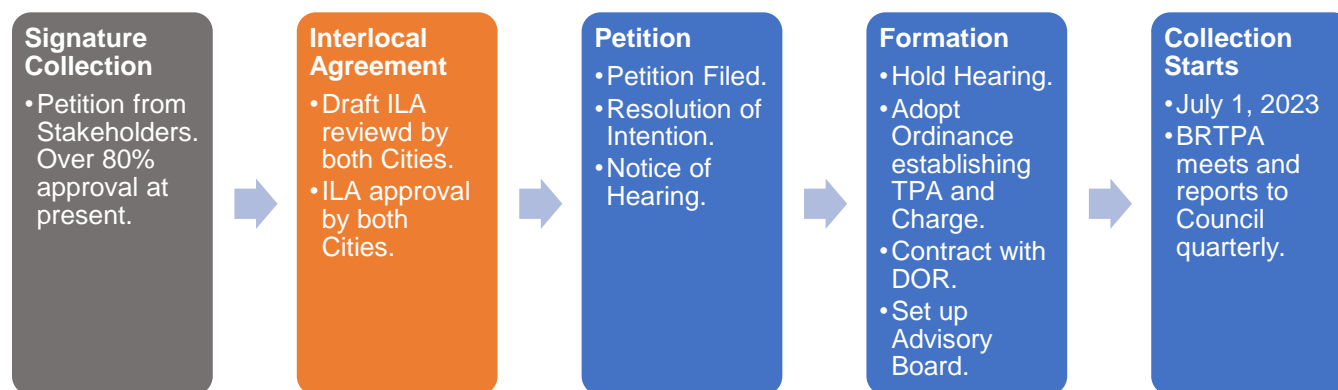
Economic Impacts of Tourism

Overnight visitors play a vital role in the local economy. On average, visitors spend an additional 2.2-2.4 times the price of their hotel stay at local restaurants, retail, attractions, nightlife, and arts. Year-to-date in 2022, 1.7M overnight visitors to Bellevue have directly spent \$535M in Bellevue generating a total economic impact on Bellevue of \$1.39B.

TPA Formation Process

If staff is directed to move forward, the process for forming a Tourism Promotion Area (TPA) is prescribed by statute. Staff for Bellevue and Redmond have worked together to develop a draft Interlocal Agreement (ILA) to facilitate the formation and administration of a TPA. If the ILA is approved by both City Councils, stakeholders will submit a petition to the designated Legislative Authority for the TPA, which currently identifies the Bellevue City Council as the Legislative Authority for the area. As the Legislative Authority for the TPA, the Bellevue City Council would then adopt a Resolution of Intention to establish the TPA, call for and hold a public hearing on the establishment of the TPA, adopt an Ordinance establishing the area, and execute a contract with the Department of Revenue (DOR) for revenue collection.

From start to finish, assuming Bellevue and Redmond execute a mutually acceptable interlocal agreement in January 2023, and assuming a majority of lodging businesses support formation of the area, a TPA likely can be in place by February/March 2023, with revenue collection occurring in July 2023, and allocations for tourism promotion activities occurring as early as September 2023.



Draft ILA/ Proposed BRTPA Structure

Based on input received from lodging businesses, staff for Bellevue and Redmond have developed a draft interlocal agreement that would support formation and administration of the TPA. See Attachment A.

Key aspects of the interlocal agreement include:

- The initial term of the interlocal agreement would be for a period of five years and would automatically renew each year thereafter if a TPA is established. If a TPA is not established by a date certain (to be determined), then the interlocal shall immediately terminate.
- The Bellevue City Council shall be designated the Legislative Authority for purposes of receiving any petition, adopting any resolution of intention, conducting any public hearing, adopting any ordinance establishing the area and levying/modifying charges, receiving recommendations for allocation of charges, adopting annual budgets for use of revenues, and entering into agreements as necessary to accomplish the intended purpose of the area.
- The TPA would be comprised of two zones: a Bellevue Zone and a Redmond Zone. Each zone

encompasses the jurisdictional boundaries of the two cities, and each zone includes the lodging businesses that have 40 or more units within their respective zone.

- Lodging Businesses with 40+ units in each zone will be subject to the same \$2.50 per night charge. This charge is comprised of a \$2.00 base charge and a \$0.50 additional charge.
- The creation of an advisory board, which shall make recommendations regarding the use of any revenue from imposed charges.
- The advisory board shall be comprised of representatives of lodging businesses subject to the charges, and representatives on the board shall be an equal number from both the Bellevue and Redmond Zones.
- The advisory board shall:
 - review tourism promotion activities and expenditures designed to increase tourism and convention business with the TPA's two zones,
 - review relevant financial statements concerning revenues and expenditures,
 - provide periodic reports to the legislative authority concerning TPA revenues and expenditures,
 - develop a recommended annual strategic plan for lodging revenues by July 30 of each year,
 - develop a recommended annual budget by July 30 of each year,
 - provide an annual report to the Redmond City Council each year,
 - review and recommend proposals for management agreements with Destination Marketing Organizations or other similar organization to provide for management and operation of the TPA,
 - recommend qualified candidates to serve as representatives to the advisory board, and
 - perform other duties as assigned.
- The Bellevue City Council, as legislative authority for the TPA, would be required to approve or deny all recommendations included in the annual budget as recommended by the Advisory Board, without ability to alter the recommendation(s). If the City Council denies the recommendation, then it shall provide a rationale for the denial and request an alternative recommendation from the Advisory Board.
- Bellevue shall keep revenues derived from the TPA separate from other revenues that it may generate, and it shall further segregate revenues derived from the Bellevue Zone and the Redmond Zone. Revenues derived from the Bellevue Zone will be used for tourism promotion in Bellevue, and revenues derived from the Redmond Zone will be used for tourism promotion in Redmond. Bellevue shall provide quarterly reports to Redmond to keep it apprised of revenues/expenditures specific to each zone.
- Use of funds shall be used as allowed by statute and includes, but is not limited to, (a) general promotion of tourism and convention business within the TPA; (b) advertising programs designed to attract overnight visitors; (c) tourism development programs, corporate visitation, meetings, conventions, festivals, and events to promote and increase tourism; and (d) research to inform and advance tourism.

- Bellevue is authorized to retain 5% of all revenues collected from each zone to cover administrative costs associated with the operation and management of the TPA.
- The City of Bellevue may execute one or more management agreement with a Destination Marketing Organization (DMO), or similar organization, to provide for the management and operation of the TPA.
- Any liabilities incurred by the TPA shall be satisfied exclusively from the charges collected for the benefit of the TPA to the fullest extent allowed by law.

Collection

If the TPA is established by February/March 2023, fund collection would begin on July 1, 2023. Collection is conducted by the Washington State Department of Revenue and remitted to the Legislative Authority two months after collection. The BRTPA could recommend funding allocations to the Legislative Authority as early as September 2023. Subsequent funding allocations would be conducted on an annual basis.

POLICY & FISCAL IMPACTS

Policy Impact

Chapter 35.101 RCW expressly authorizes the City to establish TPAs; provided there are two or more jurisdictions acting jointly under an interlocal agreement, there is an initiation petition (signed by 60 percent of lodging businesses subject to the charge to be imposed) requesting establishment of the area, and a public hearing on the formation of the TPA.

Establishing the TPA will provide dedicated funding to support tourism, consistent with the City's Economic Development Plan (Sections T1-T2: Tourism) and the Visit Bellevue's Destination Development Plan.

Fiscal Impact

The projected revenues from the TPA as proposed is estimated to be \$3.5 million in the first year (\$2.5 million from Bellevue and \$1 million from Redmond), increasing year after year as tourism is promoted within the area. The time required to successfully manage a TPA can be considerable, which is why staff recommend contracting the majority of said work to the Destination Marketing Organizations (DMO's). However, additional City of Bellevue staff time will be required and can be funded through the 5 percent (\$175,000) the City would be authorized to retain from revenues collected specifically for TPA related work.

OPTIONS

1. Direct staff to continue work on a Bellevue-Redmond Tourism Promotion Area and return with an Interlocal Agreement for approval at a future meeting.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. DRAFT Bellevue-Redmond Interlocal Agreement – Tourism Promotion Area

AVAILABLE IN COUNCIL LIBRARY

Economic Development Plan (adopted 2020)

Destination Development Plan