

**CITY COUNCIL REGULAR SESSION**

Resolution authorizing execution of an interlocal agreement with the City of Redmond for the joint establishment of a Tourism Promotion Area (TPA).

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**EXECUTIVE SUMMARY**

This Resolution authorizes execution of an interlocal agreement with the City of Redmond to facilitate the future establishment and operation of a TPA, as discussed with Council on November 28, 2022. No changes have been made to the proposed interlocal agreement. If Council authorizes the agreement, staff expects lodging businesses will file an initiation petition, as early as January 18, 2023, requiring a formation hearing as required by statute.

**RECOMMENDATION**

Move to adopt Resolution No. 10206

**BACKGROUND/ANALYSIS****Progress Since Last Update**

Council received an update on the proposed Bellevue-Redmond TPA on November 28, 2022, at which time a draft Interlocal Agreement (ILA) was presented and reviewed.

Since then, the Redmond City Council has been updated on the TPA and reviewed the draft ILA on December 6, 2022. The Redmond City Council subsequently voted to approve the ILA on January 3, 2023, without any changes.

The proposed ILA on the Bellevue-Redmond TPA is attached to this memo, see Attachment A.

**No Changes to Interlocal Agreement**

The ILA has not changed from the one presented on November 28, 2022. Staff recommends adopting the ILA, as previously presented without changes, considering the following:

- Current language will maintain the support of rate paying stakeholders and Redmond.
- The ILA reflects lessons learned from other TPAs across the state.

In response to the questions posed by Councilmembers during the Nov. 28 meeting, staff provides the following responses:

What would happen if the City of Redmond dropped out?

In King County, two cities working under an ILA are required for a TPA. If either city was to withdraw, then the TPA would be dissolved. Sections XII(C) and XIV of the proposed interlocal agreement prescribe the process that would be followed in the event any city sought to withdraw from the TPA.

Specifically, the withdrawing city would need to adopt a resolution of intent to withdraw from the agreement, including an explanation for the withdrawal. Upon receipt of the resolution, the Bellevue City Council would hold a hearing and adopt an ordinance to dissolve the TPA. The dissolution would be effective at a time to be determined by the Bellevue City Council, to allow a reasonable time to wind down TPA operations without adversely impacting existing contracts.

It should be noted stakeholders can also petition to have the TPA dissolved, at any time. Section XII(C) prescribes the process to be followed if/when stakeholders file a dissolution petition. As stated above, this would necessitate a public hearing and an ordinance to dissolve, with the Bellevue City Council determining the effective date for any dissolution.

#### Are there other private, voluntary, models to consider instead of a TPA?

Staff studied other models when developing the Destination Development Plan in 2017. A TPA is considered the most common and effective approach to facilitation tourism promotion. Additionally, our stakeholder hotels see the vital role local government can play in promoting tourism, and do not wish to proceed with any voluntary/private program. Stakeholders believe there are organizational obstacles to implementing a successful voluntary assessment fee outside the statutory framework that authorizes TPAs.

#### Why will Council approve budgets or policies in an up or down vote only?

The ILA provision (Section VIII) that requires the Bellevue City Council to approve or deny, but not alter, the recommended budget of the Advisory Board is a key priority for the hoteliers, especially in Redmond. Our petitioning stakeholders see this as an essential provision because it ensures funds will go to stakeholder-supported, hotel room-generating activities. If Bellevue City Council has concerns with the proposed budget or policies, they may reject the proposal and send it back to the Advisory Board for revision.

### **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. For example, if a visitor spends \$300 on a hotel stay, we can expect them to spend an additional \$660-\$720 in the local economy during their stay. Year-to-date, 1.7M overnight visitors have directly spent \$535M in Bellevue, generating a total economic impact on Bellevue of \$1.39B.

### **Stakeholder Support**

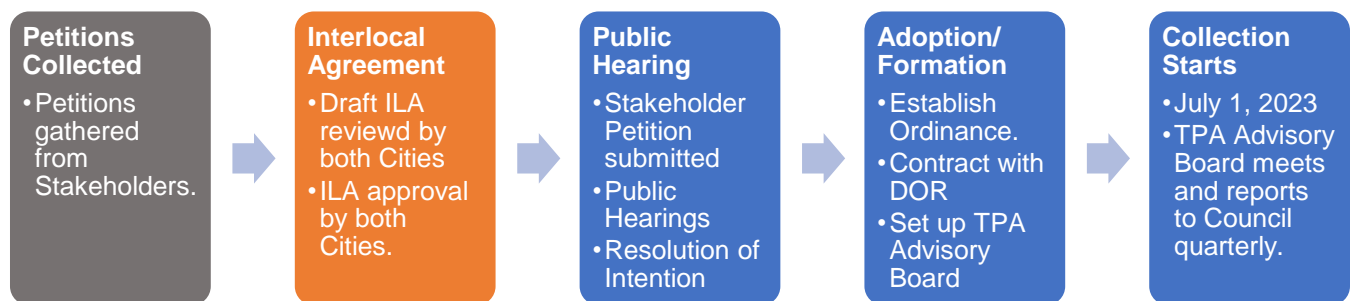
The TPA process starts with the Stakeholders. In Bellevue and Redmond, the level of Stakeholder support is very high. State Law requires 60 percent support from ratepaying Stakeholders, to form a TPA. Bellevue's and Redmond's Destination Marketing Organizations, Visit Bellevue and Experience Redmond respectively, have collected signatures from hotels in both cities. In Bellevue the TPA has 80 percent ratepayer support, and in Redmond it has 65 percent support, with no current vocal opposition.

### **TPA Formation Process**

The TPA formation process was addressed in the Study Session TPA Agenda Memo, which can be found in the Council packet for November 28, 2022. There will be several items before Council over the next weeks, a highlight of the process, and tentative schedule, are below:

January 3	Redmond adopts ILA
January 17	Bellevue adopts ILA
January 18	Bellevue receives petition from Stakeholders
January 23	Bellevue adopts Resolution of Intention to Establish TPA
January 27	Publish Notice of Hearing
February 6	Public Hearing/Adoption
Date TBD	Adopt contract with the Department of Revenue for collection

From start to finish, assuming the ILA is approved by Council, a TPA likely can be in place by February/March 2023, with revenue collection occurring in July 2023.



## 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 is held 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, increasing year after year as tourism is promoted within the area. The cost of administering the TPA is believed to be considerable, especially if the legislative authority requires staff to manage the day-to-day operations of the TPA and does not contract said work to Destination Marketing Organizations. However, funding for additional staff capacity is available through the administrative funds the City would be authorized to retain from revenues collected.

## OPTIONS

1. Adopt the Resolution authorizing execution of an interlocal agreement with the City of Redmond for the joint establishment of a Tourism Promotion Area (TPA).
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS**

A. Bellevue–Redmond Interlocal Agreement – Tourism Promotion Area  
Proposed Resolution No. 10206

## **AVAILABLE IN COUNCIL LIBRARY**

Economic Development Plan (adopted 2020)  
Destination Development Plan