

HOUSE BILL REPORT

ESSB 6026

As Reported by House Committee On:
Trade & Economic Development
Finance

Title: An act relating to authorizing special assessments to fund convention and tourism promotion.

Brief Description: Authorizing special assessments to fund convention and tourism promotion.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator West).

Brief History:

Committee Activity:

Trade & Economic Development: 3/28/03, 4/4/03 [DPA];
Finance: 4/7/03 [DPA(FIN w/o TED)p].

Brief Summary of Engrossed Substitute Bill
(As Amended by House Committee)

- Authorizes the establishment of tourism promotion areas in counties with population of more than 40,000 but less than one million persons, and in cities and towns within such counties.
- Provides local governments that establish tourism promotion areas with the authority to impose a charge on lodging of up to \$2 per room per night within the areas to fund the promotion of conventions and tourism in the areas.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended. Signed by 8 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Skinner, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Blake, Chase, McCoy and Pettigrew.

Minority Report: Do not pass. Signed by 3 members: Representatives Condotta, Kristiansen and Priest.

Staff: Tracey Taylor (786-7196).

Background:

Under state law, all counties, cities, and towns (local governments) may create parking and business improvement areas that are designed to aid general economic development and to facilitate merchant and business cooperation. A parking and business improvement area may be established by either having: (1) the owners of property located within the geographic boundaries of the proposed parking and business improvement area submit an initiation petition to the legislative authority of the local government having jurisdiction over the area; or (2) the legislative authority of the local government passes an initiation resolution to create the parking and business improvement area.

The initiation petition or resolution must contain: (1) a description of the boundaries of the proposed area; (2) the proposed uses and projects to which the proposed special assessment revenues shall be put and total estimated cost thereof; and (3) the estimated rate of levy of special assessment with a proposed breakdown by class of business and multifamily residential or mixed-use project if such classification is to be used. The petition must be signed by the business and residential operators in the proposed area which would pay 50 percent of the proposed special assessment.

The legislative authority of the local government, after receiving a valid initiation petition from the property owners or after passage of an initiation resolution, must adopt a resolution of intention to establish a parking and business improvement area. During the public hearing process for the establishment of a parking and business improvement area, the legislative authority of the local government may change the geographic boundaries of the proposed area. The legislative authority of the local government must provide notice and give the public at least 15 days, after the proposed boundary change, for the public input.

The activities in a parking and business improvement area are financed through a special assessment that is imposed on businesses, multifamily residential developments, and mixed-use developments located within the geographic boundaries of the area. The assessments can be used to finance: (1) construction, acquisition, or maintenance of parking facilities in the area; (2) decoration of public areas; (3) promotion of public events in public places in the area; (4) furnishing of music in any public place in the area; (5) provision of maintenance and security of common public areas; or (6) management, planning, and promotion of the area, including the promotion of retail trade activities in the area.

Parking and business improvement areas are not explicitly authorized to promote tourism.

Summary of Amended Bill:

Certain counties and all incorporated cities and towns located in such a county, are

authorized to impose a charge on lodging to increase tourism and conventions by creating a tourism promotion area.

The charge on lodging is in addition to any other assessments, fees, or taxes authorized by law. There can be up to six classifications upon which the charge shall be assessed. The classifications are to be based on the number of rooms, room revenue, or location within the area. Each classification will have its own rate, expressed in the term of nights of stay. The rate cannot exceed \$2.00 per room, per night of stay.

A charge may be imposed at lodging businesses with 40 or more rooms on the premises in a tourism promotion area. The counties eligible to have a tourism promotion area within it must have a population between 50,000 and one million residents. A county may only establish a tourism promotion area within the unincorporated areas of the county, and a city may only establish an area within its borders, except when an interlocal agreement is adopted.

In order to create a tourism promotion area, an initiation petition by 60 percent of the potential lodging businesses must be submitted to the legislative authority. An area cannot be created by a resolution adopted solely on the legislative authority's own initiative.

Convention and tourism promotion are activities and expenditures to increase tourism and convention business. This includes advertising, publicizing or otherwise distributing information to attract and welcome tourists, and operating tourism destination marketing organizations.

A legislative authority creating a tourism promotion area has the sole discretion on how the funds are to be spent.

The Department of Revenue (DOR) will administer and collect the fee. The convention and tourism account in the Treasurer's Trust Fund shall retain its share of the interest earnings.

Amended Bill Compared to Engrossed Substitute Bill:

Creates a new chapter authorizing a charge on lodging to fund the promotion of tourism in a tourism promotion area, instead of using the existing parking and business improvement area chapter.

A charge, of up to \$2.00 per room, per night, may be imposed only at lodging businesses with 40 or more rooms on the premises in an authorized tourism promotion area. The counties eligible to have a tourism promotion area within it must have a population between 50,000 and one million residents. A county may only establish a tourism promotion area within the unincorporated areas of the county, and a city may only establish an area within its borders, except when an interlocal agreement is adopted.

In order to create a tourism promotion area, an initiation petition by 60 percent of the potential lodging businesses must be submitted to the legislative authority. An area cannot be created by a resolution adopted solely on the legislative authority's own initiative. The formalities to create the area, including the hearing requirements and ordinance requirements are enumerated.

A local tourism promotion account is created in the custody of the State Treasurer, who will disburse the proceeds to the proper jurisdictions on a monthly basis. The local tourism promotion account is authorized to retain its portion of the earnings.

The DOR to work with the local jurisdictions upon notification of the adoption of a resolution or ordinance creating the special assessment. The charge on lodging for tourism promotion is not to be considered a tax on the sale of lodging

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Tourism has an incredible local economic impact. For example, convention and tourism provided \$500 million to Spokane's economy. The hoteliers looked at the current situation of the dwindling budget for convention and tourism promotion and decided that they either need to live with the status quo or control their own destiny by introducing and supporting this bill. The bill was modeled after a program that Sacramento, California successfully implemented. Right now, tourism in Washington is our third largest industry, but we are 47th in the nation for funding tourism promotion. We need a commitment to the industry which is clean, that provides jobs, and generates tax revenue for the state and local economy.

Testimony Against: None.

Testified: John Brewer, Spokane Convention and Visitor Bureau; Ron Anderson, Spokane Hotel/Motel Association; Harry Sladich, Sterling Hospitality; Kris Watkins, Tri-Cities Visitor/Convention Bureau; Ruthie Reinert, Tacoma Regional Convention and Visitor Bureau; and Kathy Coffey, Yakima Valley Visitor and Convention Bureau.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended by Committee on Finance and without amendments by Committee on Trade & Economic Development. Signed by 6 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Ahern, Conway, Morris and

Santos.

Minority Report: Do not pass. Signed by 3 members: Representatives Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; and Roach.

Staff: Mark Matteson (786-7145).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Trade & Economic Development:

Limits the authority to establish a tourism promotion area and to impose a charge on sales of lodging to counties of population between 40,000 and one million persons and to cities and towns within such counties. Requires lodging businesses to collect the new charge from the consumer. Provides explicit authority to impose a charge to fund the tourism promotion areas.

Appropriation: None.

Fiscal Note: Available on ESSB 6062.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This is very similar to the bill you heard earlier this session. The concept did not really fit within existing statutory mechanisms, and so it was redrafted as a new chapter. It provides a mechanism to allow local governments to set up areas to promote tourism, but not without first having received a petition from those lodging businesses that would be affected. While the total authorized charge is up to \$2 per night, it is unlikely that any area would actually need that much. This is needed since the state ranks far behind other states in providing funding for tourism promotion. This is based on a similar experience in the City of Sacramento, California.

Testimony Against: None.

Testified: Becky Bogard, Washington Association of Convention and Visitors Bureaus.