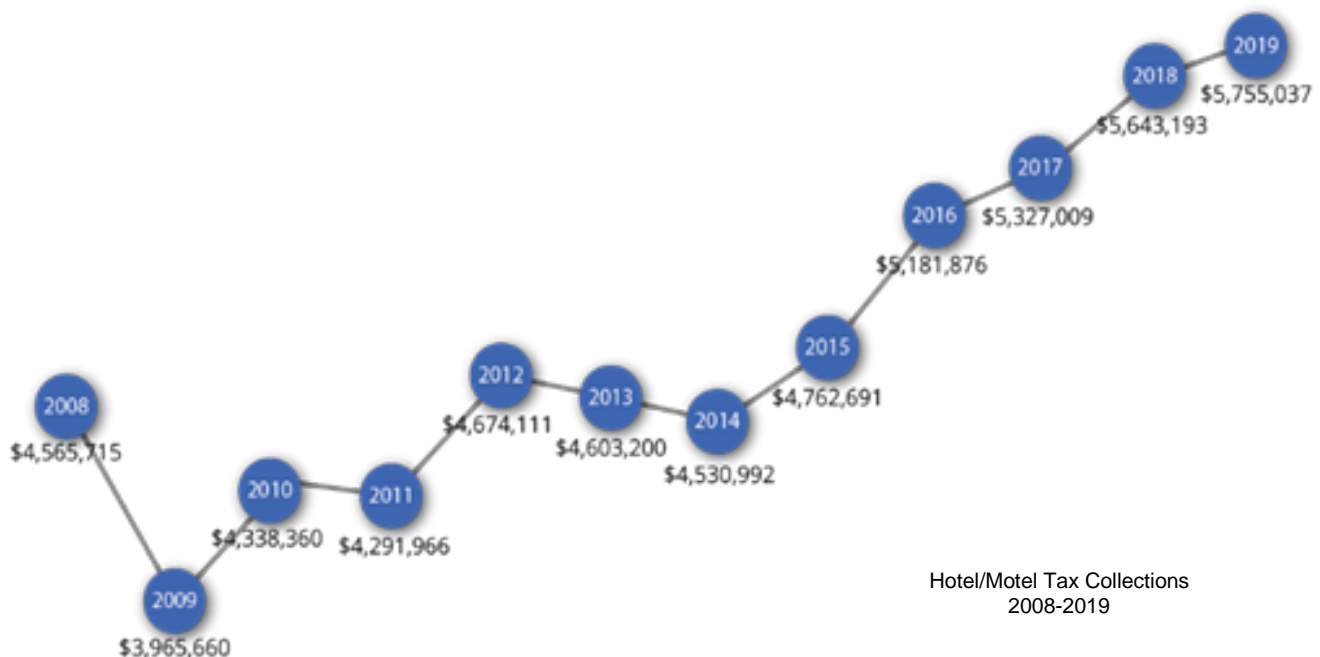


Tourism Works for Fairbanks

Record Tourism Numbers for Fairbanks Area Fairbanks Grows as a Year-round Tourism Destination

Developing the aurora and winter tourism seasons has strengthened the local Fairbanks region travel industry providing more year-round jobs and economic impact.

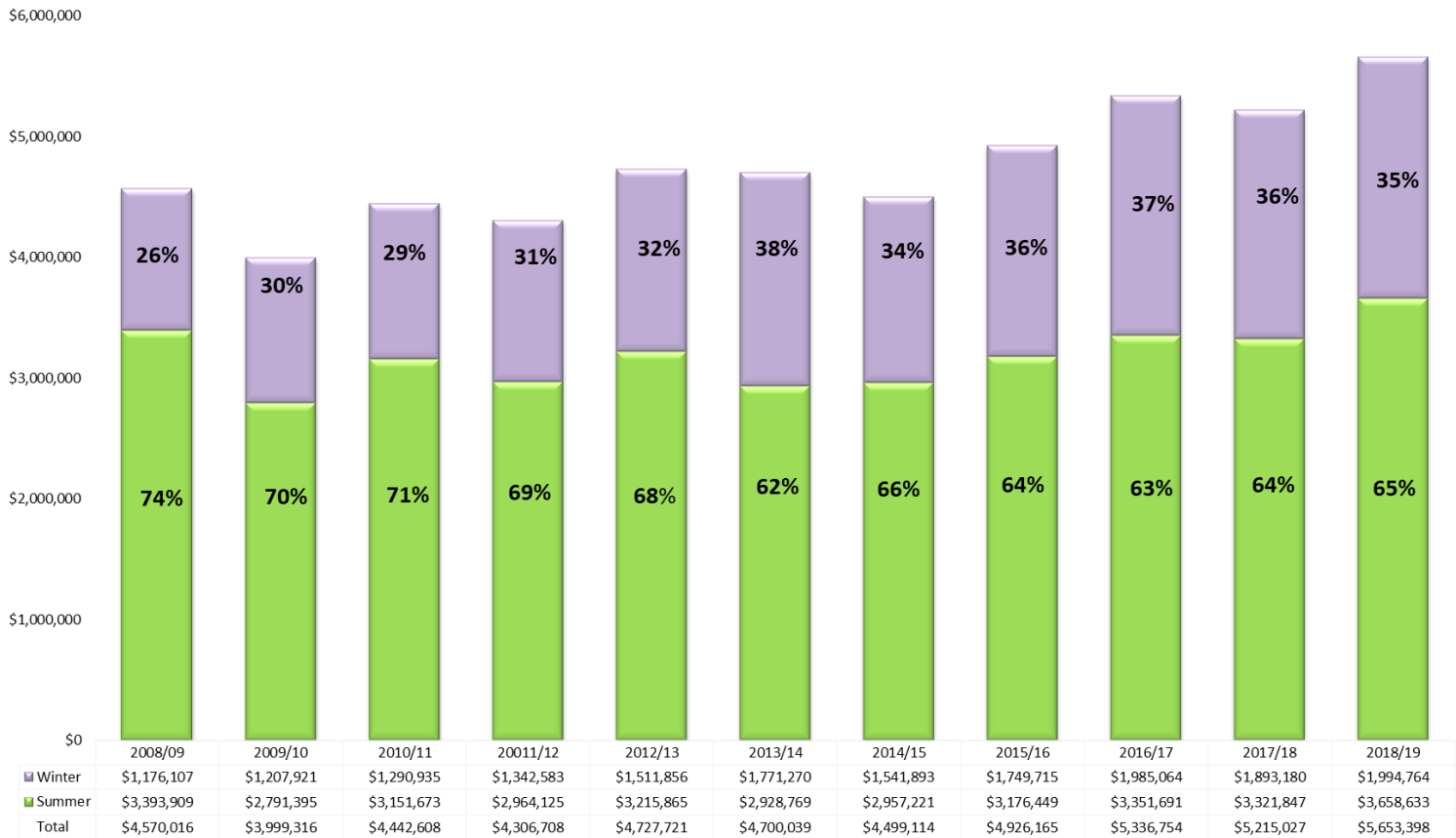
Hotel/Motel Tax collections have five record-breaking years Hotel/Motel Tax collections in 2019 rose in another record-breaking year for the Fairbanks tourism industry. The Fairbanks North Star Borough, including the cities of Fairbanks and North Pole, now has had five consecutive record-breaking years of hotel/motel tax collections.



The total hotel/motel tax collections (combined total of the Fairbanks North Star Borough, including the cities of Fairbanks and North Pole) have increased year-over-year:

- 5 percent increase in 2015
- 9 percent increase in 2016 when collections broke the \$5 million mark for the first time
- nearly 3 percent increase in 2017
- nearly 6 percent increase in 2018.
- and 2 percent in 2019.

FNSB including cities Summer(May-Sept)/Winter (Oct-Apr) Bed Tax



While the lion's share of hotel/motel tax collections continues to be during the summer period, the growth in collections has been primarily attributable to growth in winter tourism. When analyzing summer and winter bed tax collections from 2008 through 2017, the average growth of the five-month May through September summer period was flat, whereas the seven-month October through April winter period grew an average of nearly six percent.

However, summer 2018 collections had an impressive ten percent increase, surpassing 2008 for the first time. Now 2019 is officially the highest collection in summer collections with record collections at a one percent increase over 2018.

Winter collections had steady growth every year except for slight dips in both 2014 and 2018. Collections in winter 2017 broke the \$2 million mark for the first time. With a slight dip in 2018, 2018 ranked the third highest year for winter collections with 2017 being the second highest. Now 2019 is officially the highest in winter collections with record collections at an estimated nearly four percent increase over 2018.

In 2008, winter collections accounted for 26 percent of the total collections; whereas in 2017, winter accounted for 38 percent of the total collections. With growth in both summer and winter collections in 2019, summer's greater volume accounted for 65% of the collections and winter with 35 percent.

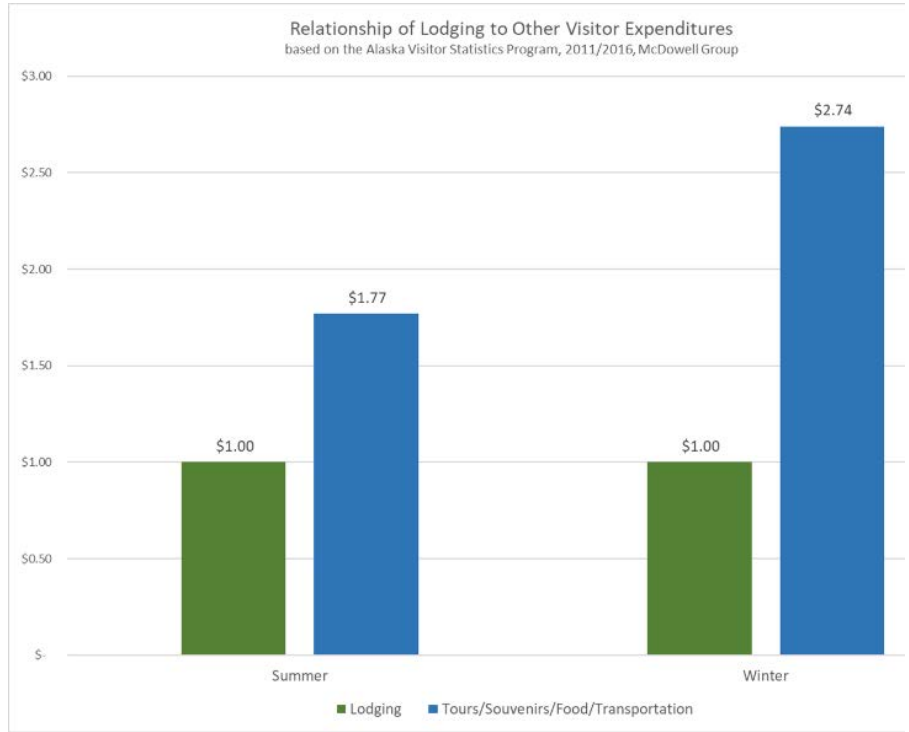
- Fairbanks is above the national average in hotel occupancy** Beginning in 2015, Explore Fairbanks, in collaboration with a number of hotel partners, has gathered standard hotel statistics including Average Daily Rate (ADR) and Occupancy Percentage. In 2019, participating hotels represented more than 70 percent of the room inventory found in Fairbanks properties with 60 or more guest rooms. Our statistics account for 84% of properties with 60 or more guest rooms summer and 73% of that inventory in the fall/winter/spring. Fairbanks saw a slight decrease in reported ADR and Occupancy Percentage in 2019, but Occupancy numbers still exceeded the national average. While numbers are down compared to 2018, 2019 statistics are still better than any of the numbers reported in the years prior to 2018. Over the last five years, Fairbanks occupancy has grown by 1.5% and ADR has grown by 7.4%, leading to a 9.5% increase in RevPAR.

	National Occupancy	Fairbanks Occupancy	Fairbanks Average Daily Rate	Fairbanks Revenue Per Available Room
2015	65.6%	67.5%	\$99.67	\$70.35
2016	65.5%	67.9%	\$104.65	\$74.28
2017	65.9%	67.4%	\$105.71	\$73.67
2018	66.2%	69.3%	\$108.21	\$78.19
2019	66.1%	68.5%	\$107.08	\$77.01

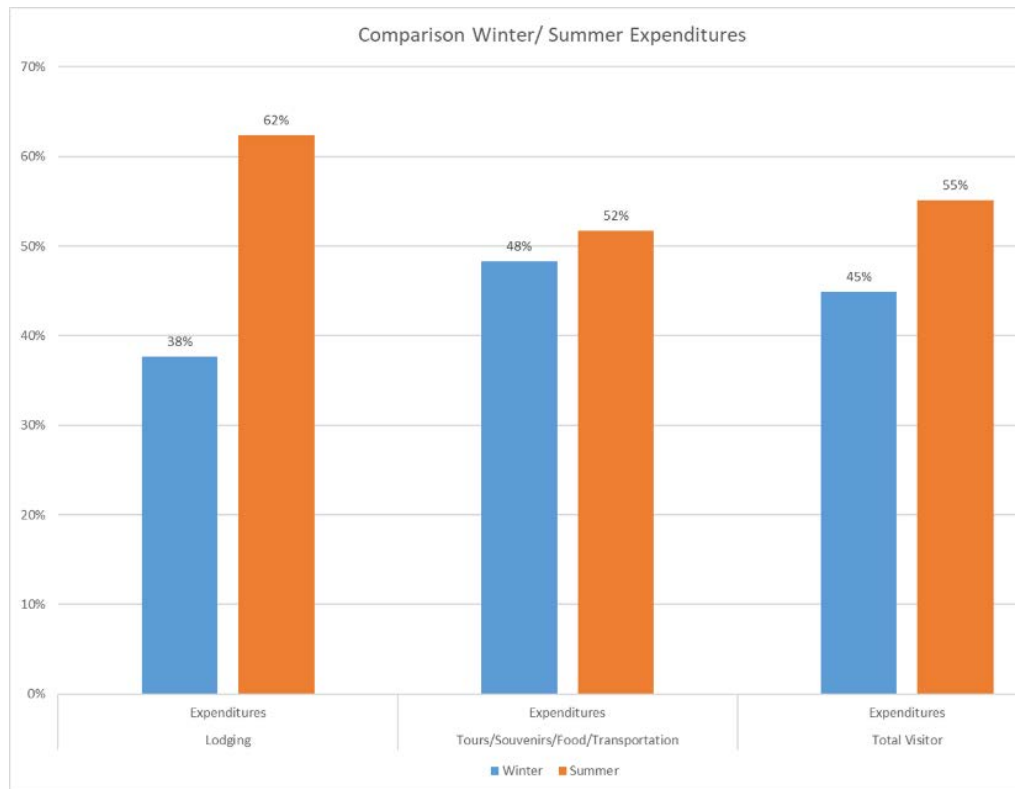
However, since there was an increase in the amount of hotel/motel tax collections (combined total of the Fairbanks North Star Borough, including the cities of Fairbanks and North Pole), one may make some observations that account for that discrepancy: a) increased collections by Airbnb and other shared economy lodging providers, and/or b) substantial increases by the few properties with more than 60 rooms that do not share their data with Explore Fairbanks.

- **Direct visitor expenditures in winter are proportionately higher than summer expenditures**
Economic growth from the visitor industry is sustainable. The economic benefits brought to Fairbanks by the visitor industry are based on renewable resources and are not dependent on fluctuating commodity prices. Thus, the visitor industry provides the Fairbanks-area economy with sustainable economic benefits that can help buffer the booms and busts of other basic industry sectors of the local economy.

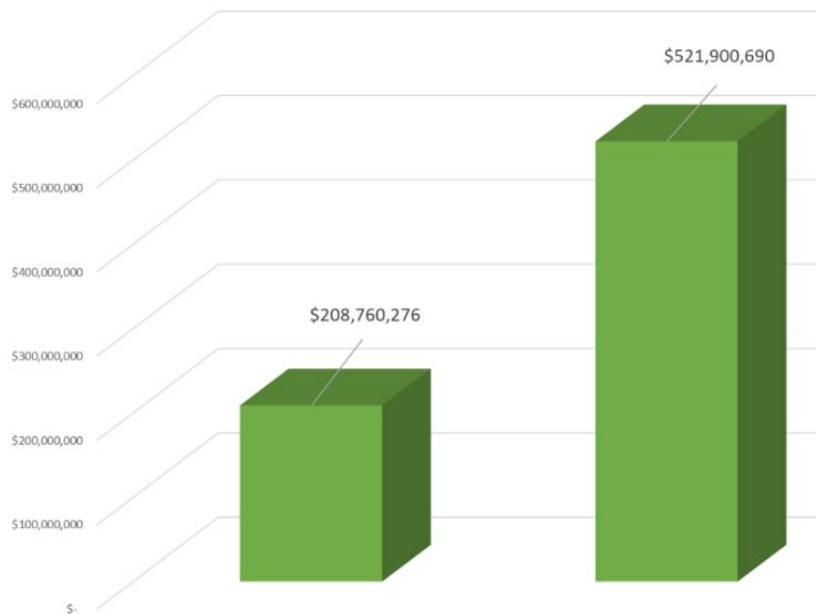
- For every dollar spent by a visitor on lodging in the summer, \$1.77 is spent in other direct expenditures (tours, souvenirs, food and transportation), however, for every dollar spent on lodging in winter, \$2.74 is spent in other direct expenditures.



- While winter tourism accounts for 38 percent of lodging expenditures, winter tourism generates 45 percent of the direct expenditures.



- **Tourism is working for the Fairbanks economy** There is a lot of hype surrounding the term “economic development” yet growing an economy really boils down to importing new dollars into the Fairbanks economy by either growing a currently-existing basic industry or attracting a new one. Currently, the primary sources of new dollars for Fairbanks’ economy are limited to state and federal government; and a handful of private-sector basic industries, including a gold mine, oil-related support services, and the visitor industry. The visitor industry economic development strategy has worked for the economy of the Fairbanks region. It represents proven economic development that is attainable, measurable, and sustainable.

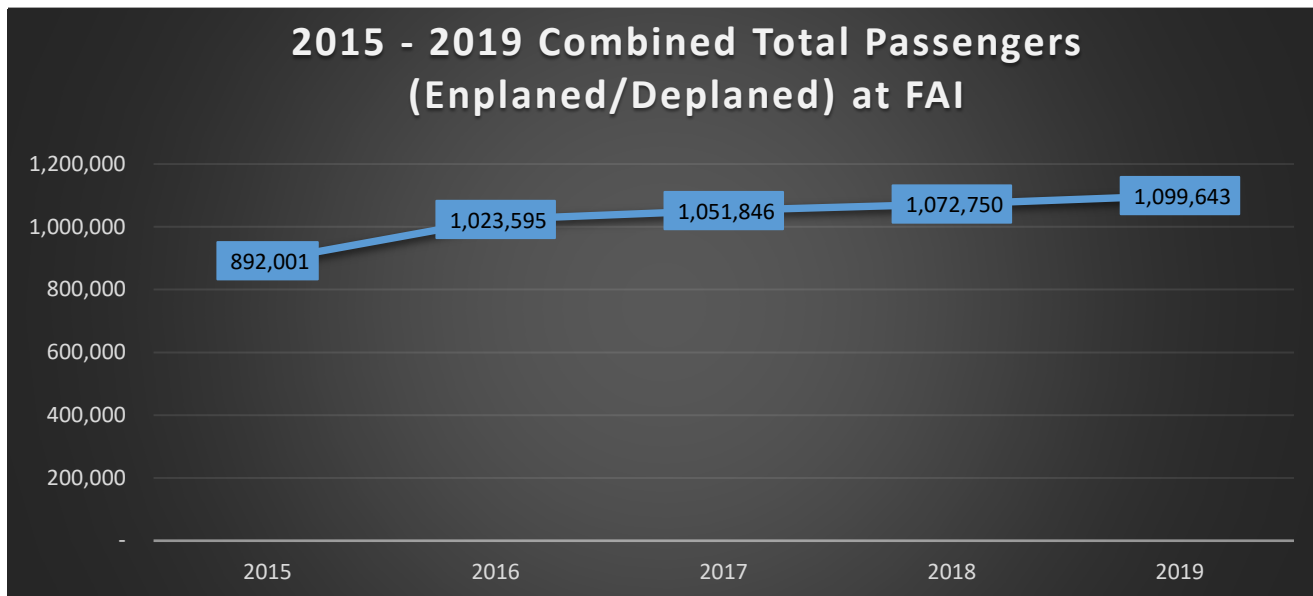


- Total direct visitor spending in Fairbanks is estimated to be \$208.8 million
- Total direct and indirect economic impact is estimated to be nearly \$522 million
- According to the Alaska Department of Commerce, Community and Economic Development (DCCED) Alaska Visitors Statistics Program (AVSP) for Summer 2016, the 320,000 summer (May through September) visitors in Fairbanks had an economic impact of \$125 million in direct expenditures in the local economy (does not include any multipliers or induced spending figures). Average expenditure per person per trip in the Fairbanks community is \$391. According to the most recent – and outdated – AVSP Winter 2011-2012, 50,000 visitors in Fairbanks totaled nearly \$43 million in direct expenditures (this figure does not include indirect spending or multipliers). Average expenditure per person per trip is \$920, with international visitors spending \$1,612 and Japanese specifically spending \$2,075. Unfortunately, due to state budget limitations, recent figures for winter tourism in Alaska are not available. Indicators such as hotel/motel tax collections and airport arrivals/departures verify that Fairbanks’ winter tourism has grown significantly in the intervening years since the 2011-2012 AVSP.

Note: the charts above are an update on this AVSP data with economic impact figures calculated using 2017 hotel/motel tax collection figures and the ratio of lodging dollars versus dollars spent on other direct expenditures (tours, souvenirs, food and transportation) established by the Summer 2016 AVSP and the Winter 2011-2012 AVSP.

- According to the DCCED updated 2017 estimate, 18 percent (\$392 million) of the direct visitor spending is in the Interior.
- From 2015 to 2017, Alaska has lost 10,600 jobs but the Visitor Industry sector has gained 3,500 jobs. For more updated DCCED statewide tourism research, go to <https://www.commerce.alaska.gov/web/ded/DEV/TourismDevelopment/TourismResearch.aspx>

- Airport arrivals and departures have grown 19 percent since 2015** The following data reflects domestic signature flights as well as international signature (scheduled) and international non-signature (charters); FAI East Ramp numbers are removed from the reporting. These numbers are indicators and not totally reflective of visitation. Summer 2019 featured two new flights with United Airlines from Denver and San Francisco, as well as an extension of their Chicago service. FAI saw an increase of 2% in deplanements, totaling 555,403 compared to 543,358 in 2018. Enplanements were 4% higher in 2019 than enplanements in 2018 with a total of 544,240 in 2019 compared to 523,392 in 2018. The combined total of enplanements and deplanements in 2019 was 1,099,643, an increase by 2% over the 2018 total of 1,072,750.



Fairbanks Region Travel Industry Pays Its Own Way Via Property Taxes

- Hotels are among the top property tax payers in the Fairbanks North Star Borough** Property tax is a broad-based tax that is fair in the sense that it evenly distributes support of government services across all private-sector segments of the economy. Hotels are significantly represented in the top property tax payers in the community:
 - Of the top 50 property tax payers, excluding the pipeline, in the Fairbanks North Star Borough, ten (20%) are hotels. The Westmark Hotel and Conference Center is the most highly assessed lodging facility, ranking 8th of the top 50 tax payers.
 - Of these top 50, 41 are in the City of Fairbanks and seven (17%) are hotels. The Westmark is ranked 4th overall.

Tourism Is a Major Private-sector Employer in the Borough

- According to the 2014 data collected by Applied Development Economics for the Fairbanks North Star Borough's Comprehensive Economic Development Strategy (CEDS), the Tourism Cluster ranked second in a list of six primary economic clusters in the borough. The Military Cluster ranked number one with 12,328 jobs followed by the Tourism Cluster with 4,995 jobs.

- According to the State of Alaska Department of Commerce, Community and Economic Development, Alaska's visitor industry in 2017 accounted for the following:

- An estimated employment of 43,300 full- and part-time jobs with a total labor income impacts of \$1.5 billion; and representing 10 percent of statewide employment. Peak employment is estimated at 52,000 jobs.
- The Interior (including Denali area and Fairbanks) accounted for 8,500 people employed reflecting nearly 20 percent of visitor industry employment and labor income impacts of \$276 million; and representing 13 percent of the region's employment.

TABLE 41 SUMMARY OF EMPLOYMENT IN INDUSTRY CLUSTERS, FNSB 2014

CLUSTERS	JOB
Total All Clusters	24,846
Military Cluster	12,328
Active Duty Military*	7,815
Civilians Employed At Military Facilities	1,668
Support Services	2,845
Tourism Cluster	4,995
Food Services and Drinking Places	2,649
Accommodation	1,095
Rail	100
Air Transportation	506
Amusements, Gambling, Recreation	378
Scenic and Sightseeing	178
Performing Arts	71
Museums, Zoos, Parks, etc.	18
Construction Cluster	3,045
Construction of Buildings	695
Water and Sewer Line and Related Structures Construction	28
Power and Communication Line and Related Construction	20
Land Subdivision	6
Highway, Street, and Bridge Construction	255
Specialty Trade Contractors	2,030
Lumber/Construction Materials Merchant Wholesalers	11
Transportation Cluster	2,399
Air Transportation	487
Alaska Rail Road Corporation	445
Water Transportation	6
Trucking	1,281
Support Activities	180
Mining Cluster	1,492
Mining (except oil and gas)	1,271
Support Activities	221
Oil and Gas Support (Energy) Cluster	588
Oil/Gas/Coal Extraction	76
Support Activities for Petroleum Extraction	109
Oil and Gas Pipeline Construction	111
Petroleum Refineries	186
Petroleum Bilk Stations/Terminals/Wholesale	70
Pipeline Transportation of Crude Oil	36

Note: The challenge in quantifying tourism economic data is that the tourism industry contributes into many economic sectors from the obvious such as lodging/accommodations to retail, transportation (air, sightseeing, railroad), food services/drinking places, etc.

- Travel jobs provide a gateway to gain experience, confidence, skills and training.**
 - As tracked by the Bureau of Labor Statistics National Longitudinal Survey of Youths, nearly four in ten (38%) individuals had their first job in travel and tourism. One third of those go on to be awarded a bachelor's degree or higher, earning an average salary of \$82,400.
 - According to the United States Travel Association, the travel industry is one of the top ten largest employers of middle-class wage earners in the U.S. Half of the 8.9 million employees in the travel industry earn middle-class wages.
 - According to the U.S. Travel Association, the skills gained through travel industry employment inspires entrepreneurship, especially for women. Seventeen percent of Americans whose first job was in travel now own their own business and 19 percent consider themselves entrepreneurs. Of women who started their career in the travel industry, 14 percent now consider themselves an entrepreneur.

- For more on the U.S. Travel report, Made in America – Travel's Contribution to Workforce Development and Career Advancement, go to <https://www.ustravel.org/research/made-america-travels-contribution-workforce-development-and-career-advancement>.

The Local Tourism Industry is Small-Business Friendly

Tourism offers unparalleled opportunities for local entrepreneurs to participate in the economic success of a basic industry at the ownership level. Explore Fairbanks' cooperative destination marketing program is currently supported by more than 420 partners that are primarily small businesses. The growth in winter and aurora tourism seasons in the Fairbanks region has resulted in a rise in many small businesses, such as dog mushing tours, aurora viewing facilities and photography tours.

Aurora Tourism Season in Fairbanks Grows Economic Impact from Late Summer Well into Spring

The Fairbanks region (specifically the Fairbanks North Star Borough and north to Coldfoot) location is ideal for northern lights viewing because it is under the "Auroral Oval"—a ring-shaped zone over the far north where aurora activity is concentrated. Additionally, the low precipitation and distance from coastal areas contributes to consistently clear nights. All combined, these variables make the Fairbanks region an outstanding destination for possible aurora viewing. The Fairbanks' location is frequently referred to as the best place to see the northern lights in Alaska, the United States and, in many cases, across the globe. *National Geographic Magazine* states that "Fairbanks is the best place in the U.S. to take in the northern lights." CNN says "The city of Fairbanks, in Alaska, is often cited as the best place to see the northern lights in the United States." *Travel + Leisure* and *Smithsonian* magazines both call Fairbanks the best place to view the northern lights in the U.S.

- For visitor planning purposes the "Aurora Season" is defined as from August 21 to April 21 in the Fairbanks region. Visitor numbers are not available for this "season" as it straddles from the late summer into spring. Due to state budget constraints, there has not been an Alaska Visitors Statistics Program (AVSP) study for winter since 2011/2012. Since northern lights viewing is the primary driver of winter tourism to the region, indicators such as hotel/motel tax collections and passengers at Fairbanks International Airport are used to gauge tourism activity.
- According to the AVSP for summer 2016, international travelers (excluding Canada) accounted for 9% of visitors statewide whereas international accounted for 16 percent in Fairbanks. Furthermore, that 16% of international visitors in Fairbanks represents an increase of 7 percent from summer 2011. International visitors spend more money in the community on a per person basis than domestic visitors. This higher percentage of international visitors in Fairbanks is primarily due to the successful marketing of and infrastructure development to support the "aurora season" from August 21 through April 21 by Explore Fairbanks and business partners.
- Since 2004, FAI has had "aurora charters" from the Japanese market via Japan Airlines in winter and, since 2005, at the end of summer. Winter 2019/2020 is the first time since 2004 that Fairbanks will not host charters with Japanese guests which Japan Airlines associates with the challenging logistics of moving a large portion of their fleet over from Narita Airport to Haneda Airport to fill in new slots. At times during this period, other carriers – Korean Air, Uzbekistan Airways and All Nippon Airways – have occasionally operated charter flights from Japan to FAI. In recent years, China Airlines periodically offered aurora charter service from Taiwan, China, to FAI.
- Winter growth is also reflected in increased rail service. In 2014, the Alaska Railroad offered two mid-week arrival/departures in March which have grown in frequency over the intervening years. In 2018, the railroad offered northbound marked its first mid-week January service. Extended service included more rail travel from February to March, in particular from March 6-21, with northbound service three times a week (Tuesday, Thursday and Saturday) and southbound service three times a week (Wednesday, Friday and Sunday). Combined northbound and southbound totals for 2018 were 6,466. Going back to 2014,

when the railroad first started offering midweek service, the combined totals for 2018 increased by 36 percent.

The Travel Industry Contributes to the Quality of Life for Local Residents

Visitors enjoy the same things that residents enjoy. The visitor industry, unlike most basic industries, develops the physical infrastructure used to “manufacture” a visitor experience that can also be enjoyed by and substantially enhance the quality of life of Fairbanks-area residents. Examples are:

- Visitor air arrivals to and air departures from Fairbanks allow air service to be provided to residents with an increased frequency and at a decreased cost. The inbound (visitor) market to Fairbanks represents 70% of the total air passengers at Fairbanks International Airport. Most new or expanded air service to Fairbanks has served residents as well as visitors.
- Residents enjoy restaurants and use meeting facilities year-round.
- Museums, historic sites, hot springs and other attractions are enjoyed by residents and play an instrumental role in helping our community record and preserve its heritage for future generations. Public facilities, such as Pioneer Park, that are extensively used by residents are all directly or indirectly supported by visitor industry dollars.
- Urgent care and hospital services are another example of how visitor spending augments services for residents.
- Impressive landscaping and flower displays provided each summer by visitor industry businesses are enjoyed by visitors and residents alike.
- In 2017, the Alaska Department of Fish and Game reported that nonresidents spent \$25.5 million on hunting and fishing licenses and tags.
- The Fairbanks tourism industry generously donates trips, tickets and hotel rooms to area nonprofits. The 17th Fairbanks Visitor Industry Walk for Charity was held on Friday, May 10, 2019 when families, friends and community groups gathered to walk and eat to support local non-profits. The 448 walkers raised \$13,440 for 57 registered local non-profits. All proceeds were distributed to the designated 501(c)(3) charities. Since inception in 2001, the 17 Walk for Charity events in Fairbanks have generated a total of \$380,960 for local non-profits.
- An intangible sense of pride and community spirit is felt by residents of Alaska’s Golden Heart as they welcome visitors from around the world.

The Destination Marketing and Management Model Is Distinctive to the Tourism Industry

The mission of Explore Fairbanks is to be an economic driver in the Fairbanks region by marketing to potential visitors and optimizing the visitor experience.

“Co-opetition” Is the Key to Destination Brand Marketing

Cooperation + competition = “co-opetition” meaning businesses that cooperate when it is to their advantage are said to be in co-opetition. “Destination marketing” is the proven method worldwide whereby competing visitor industry businesses coalesce to market the destination brand. A key mechanism for that marketing is through a destination marketing and management organization (DMMO) such as Explore Fairbanks.

- Among destinations, a destination may co-operate with another destination in some target markets but be its competitor in other markets. Carefully evaluating “co-opetition” is a strategic key to a destination’s success.
- Throughout the United States, the primary funding source for this effort is hotel/motel tax collections used as a reinvestment into destination marketing and management.

We Are United in Our Commitment to the Future of Destination Marketing and Management

Explore Fairbanks and business partners have demonstrated a commitment to “optimizing the visitor experience” through destination management. Organizations such as Explore Fairbanks advocate for improvements to the destination which enhance the product. While these improvements are focused on improving a visitors’ experience in the destination, they have a positive impact on local residents too in terms of economic benefit as well as enjoying a more robust menu of products.

Adventure Green Alaska Is Leader in Sustainable Tourism

Now administered by the Alaska Travel Industry Association, Adventure Green Alaska (AGA) was founded on the principle that sustainable tourism makes sound economic, cultural, and environmental sense - and businesses operating on principles of sustainability should be recognized for their efforts. Operating in Alaska, tourism businesses know the value of public lands and ecosystems, history, and the people of Alaska. For many businesses, sustainability is not just a catch phrase - it is the basis on which they operate on a daily basis. These businesses know sustainable tourism supports not only the special places that draw people to Alaska, they also support economic and community development, create employment opportunities, and help land managers administer Alaska's natural resources for the benefit of current and future generations. For more information, go to <https://www.adventuregreenalaska.org/>.

Explore Fairbanks is the first destination in Alaska to be awarded the AGA certification. In addition to Explore Fairbanks, the following businesses that operate in Fairbanks and nearby Denali have earned certifications:

Alaska Railroad	Doyon Tourism, Inc. /
Alaska Riverways (Riverboat Discovery and Gold Dredge 8)	Kantishna Roadhouse
Alaska Wildland Adventures	Gondwana Ecotours
Alaskan Tails of the Trail with Mary Shields	Husky Homestead
Arctic Dog Adventure Co.	John Hall's Alaska
Boreal Journeys Alaska	Northern Alaska Tour Company
Doyon / Aramark Joint Venture	Pike's Waterfront Lodge
	Premier Alaska Tours

Fairbanks Leads the Way in International Travel

According to the Alaska Visitors Statistics Program report for Summer 2016, international travelers (excluding Canada) accounted for 9% of visitors statewide whereas international accounted for 16% in Fairbanks. Furthermore, that 16% of international visitors in Fairbanks represents an increase of 7% from summer 2011. International visitors spend more money in the community on a per person basis than domestic visitors.

- Due to state budget restraints, recent numbers are not available for winter visitation but the international percentage in Fairbanks would most likely be the highest in the state and a higher percentage of winter leisure visitors as has been reported in previous studies.
- This higher percentage of international visitors in Fairbanks is primarily due to the successful marketing of and infrastructure development to support the “aurora season” from August 21 through April 21 by Explore Fairbanks and business partners.

Air Service Development Is Key to Destination's Growth

Explore Fairbanks and the Fairbanks International Airport (FAI) have had nearly two decades of working together to secure new air service to FAI. Examples of this cooperation are as follows:

- Condor has offered summer seasonal weekly service since 2001.
- Since winter 2004-2005, Japan Airlines (JAL) charters have continued without interruption to the present. In years in which JAL has reduced service, other airlines have stepped in to bring Japanese guests to FAI via charters: Korean Airlines, and more recently, Uzbekistan Airlines and All Nippon Airways.
- China Air charters from Taiwan have intermittently flown to FAI with the first flight in December 2015.
- Year-round, FAI is serviced with flights from Seattle on both Delta and Alaska airlines.
- Fairbanks is served in the summer season with daily direct flights to Minneapolis via Delta Airlines. United has been offering daily nonstop summer seasonal service from Chicago since 2013. In 2019, the schedule began on April 29 and continue to October 10, an extension of more than two months over the summer 2018 schedule. In summer 2019, United Airlines also brought back direct flights from Denver; and Alaska Airlines offered an additional fifth daily flight from Seattle, resulting in a 17 percent increase in capacity.
- Looking forward to 2020, American Airlines has announced daily flights in summer from both Dallas-Ft. Worth and Chicago to FAI. Condor will increase to 16 flights, up from the 13 in summer 2019, running on Thursdays from May 21 through September 10.

Convention and Arts Center Feasibility Is Carefully Studied

Explore Fairbanks continues to lead the effort to collaborate with the Fairbanks Arts Association to determine the feasibility of a co-located convention and arts center (CAC) that could create a major new civic asset using the Polaris site and adjacent land in the downtown core. Envisioned could be a purpose-built infrastructure that will enhance quality of life through the performing arts and attract and generate new revenue and advance the Fairbanks region economy by securing new conference and convention business to the community. Explore Fairbanks has commissioned three feasibility studies in the past ten years.

In the most recent (2017-2019) study, Explore Fairbanks engaged business, civic, cultural and community partners, local, state and federal leadership, user groups and other stakeholders to strategically assist a multi-disciplined consultant team secured to analyze the viability of the proposed facility. This team was tasked to prepare a financial plan and management/operating plan and budget for stakeholder review and evaluation. This effort independently evaluated previous assumptions; and validated and refined the economic viability of a CAC project. A highly collaborative process with stakeholders was employed to update, define, shape and assess the sustainability of a CAC project.

This level of scrutiny gauged the project’s ability to broaden the cultural offerings of Fairbanks, contribute to downtown revitalization, attract regional, national and international meeting groups, and serve as a best practice model within the Circumpolar North. To review the full reports from the three studies commissioned by Explore Fairbanks - Convention, Sport and Leisure, Incremental Meetings Market Demand, and Johnson Consulting - go to: <https://www.dropbox.com/sh/4w6si5or1odlj06/AABct9dYX03qazCutrJDLuYQa?dl=0>

In the Johnson Report (May 2018), “Next Steps” are identified in order to facilitate the development of a revised program arrangement for the CAC, specifically for the program addressing combined arts center and junior ballroom components as well as other project objectives designed to move the project forward on the Polaris site.

Explore Fairbanks Is Engaged with Other Infrastructure Projects

- Explore Fairbanks has a positive track record with infrastructure projects of this kind. From its inception, Explore Fairbanks was a partner in the development of the **Morris Thompson Cultural and Visitors Center**. Opened in September 2008, the \$30 million center has become a community icon and gathering

place for visitors and locals alike. In 2018, the center logged a record number of guests, 161,858 which was an 11% increase over 2017.

- Explore Fairbanks works on other projects that enhance the community and region such as:
 - Encouraging sustainability of the community through leading an Arctic Winter Games Legacy Recycling Bins Program which has distributed more than 200 **recycling bins** to nearly 40 community organizations for use in public spaces, including schools, visitors center, community parks, sports facilities, and private-sector businesses.
 - Collaborating with community partners to advocate for **expanded winter products**, such as the Alaska Railroad schedule and activities/plowing at Denali National Park and Preserve. Another collaborative project has been the development of a Dalton Highway Safety Guide and sign.
 - Initiating a downtown wayfinding signage program as part of the Cushman Street Complete Streets project.
 - Working closely with elected officials and the University of Alaska Fairbanks, positioning Fairbanks as the **hub and basecamp for the arctic**. As the farthest north community in the United States accessible by air, rail and road, Fairbanks is situated to be a leader in scientific research and policy, helping sustainable economies for indigenous peoples, technologic development, and military defense. Leisure tourism as well as meetings and conventions are key to this positioning.

Hotel-Motel Tax Collections Is the Mechanism for Funding Destination Marketing and Management

The Tourism Industry Is Consistent with Its Stance Against a Hotel/Motel Tax Increase for General Government Services

- No targeted taxes for general services. A tax on guests of lodging facilities is a targeted tax.
- If there is a demonstrable need for increased funding for government services, the tourism industry would only support a broad-based tax imposed equitably on **all** industry sectors, residents and visitors.
- If there is ever any increase in bed tax, the government body should consider it *only* if it is requested by the local tourism industry for a project or marketing strategies that would benefit the industry and by extension, the economy of the community.
- Other organizations are aligned with Explore Fairbanks on this stance, including the Alaska Hotel & Lodging Association, Alaska Travel Industry Association, Downtown Association of Fairbanks and the Greater Fairbanks Chamber of Commerce. As recently as June 9, 2019, the *Fairbanks Daily News-Miner* opposed an increase in the hotel/motel tax for general government services.

Note: An increase of hotel/motel taxes at this juncture would essentially kill any future infrastructure project or marketing program that may be planned by the local travel industry. An example of a hotel/motel tax advocated by their local travel industry was the increase of Anchorage's bed tax from 8% to 12% to fund the Dena'ina Convention Center and the Egan Convention Center.

Brief Histories of Hotel/Motel Tax Within the Fairbanks North Star Borough

An eight (8) percent hotel/motel or “bed” tax imposed on overnight guests is collected by the lodging facilities and remitted to the three government entities: the cities of Fairbanks and North Pole and the Fairbanks North Star Borough (excluding cities).

- **City of Fairbanks**

- In 1977, a group of business people incorporated the Fairbanks Convention and Visitors Bureau (FCVB) – renamed Explore Fairbanks in 2014 – as a 501(c)(6). The following year, a handful of existing visitor industry small businesses recognized that world-class visitor product already existed in Fairbanks. They further recognized that the missing ingredient was promotion of their product.
- In 1979, Initiated by the FCVB/Explore Fairbanks, the Greater Fairbanks Chamber of Commerce and travel industry in Fairbanks, the City Council under Mayor William Wood enacted a 2% bed tax with a clear intent for economic development, especially destination marketing: “...for the purpose of and shall be limited to the funding of tourist and entertainment facilities for the general public, to promote the tourist industry, and the economic development of the City of Fairbanks.” Ordinance #3793 established the bed tax. That first year, 90% was reinvested into FCVB/Explore Fairbanks and 10% to the Fairbanks Industrial Development Corporation (now known as Fairbanks Economic Development Corporation).
- Around 1999, members of the City Council had articulated concerns about the effect that a growing bed tax had on the amount of property tax that can be levied by the City under its current tax cap. The case put forth was that under the tax cap, every new bed tax dollar collected dictated that one less dollar in property tax can be collected. At the time, the City retained 100% of every property tax dollar collected but 35% of every bed tax dollar collected. The result of reinvesting a consistent 65% of a growing bed tax back into FCVB/Explore Fairbanks destination marketing efforts was a declining amount of property taxes that could be collected to fund City services. On 07/15/2000, the Mayor and City Council approved Ordinance No. 5420 which was supported by the local travel industry. The ordinance had three main points: 1) during the upcoming election, the voters would have the opportunity to remove any bed collections from the tax cap; and 2) established 65% to FCVB/Explore Fairbanks; 6% to Fairbanks Industrial Development Corporation (FIDC) [Note: now known as Fairbanks Economic Development Corporation (FEDC)]; and “all remaining revenues for the funding of general services and/or discretionary grants”; and 3) a housekeeping detail that clarified what was already being done by adding “and for the funding of services for the general public.” On 10/03/2000, the voters approved the removal of any bed collections over the total 1999 collections (\$2.23 million) from the tax cap. This successful vote was the direct result of a

“Move Fairbanks Forward” campaign executed by the local travel industry in order to have a growing bed tax not interfere with the City’s ability to collect other taxes. Move Fairbanks Forward also successfully worked to pass a similar vote in the Fairbanks North Star Borough in 2003.

- The consistency in keeping with the original ordinance was jagged on the part of the City Council until it reached a point of severe contentiousness between City government and the local tourism industry. Finally in 2003, an agreement was reached among representatives of the City of Fairbanks, Fairbanks Arts Association and FCVB/Explore Fairbanks as reflected in the ordinance that has been in place since 2004 which stipulates: 22.5% to the City of Fairbanks; \$400,000 distributed annually to Fairbanks Economic Development Corporation (\$100,000), Golden Heart Plaza/Barnette Landing Maintenance (\$30,000), Discretionary Grants (\$270,000); and the remaining to Explore Fairbanks. This “remaining” has translated into an average of 63% reinvestment into Explore Fairbanks’ destination marketing programs during the past eleven years.
- For the last three years, the Mayor and staff of the City of Fairbanks has attempted to take more of the existing hotel/motel or to increase it. All proposals have been resoundingly defeated or not forwarded by the Fairbanks City Council.

- **Fairbanks North Star Borough**

- Since 1993, the Fairbanks North Star Borough has levied an 8% bed tax. Beginning in 2002, FNSB reinvested bed tax into destination marketing via Explore Fairbanks. Since 2004, FNSB fiscal year budgets have appropriated 65% of a projected tax to be reinvested into the Explore Fairbanks destination marketing program.
- Historically (except for two years since 2002), the actual amount collected has exceeded the projected amount. Therefore, the actual amount reinvested into Explore Fairbanks has been less than 65 percent, averaging 60% over the past eleven years.

- **City of North Pole**

- With the construction of a hotel within the North Pole City limits in 2009, the City of North Pole began collecting an 8% bed tax with the stated purpose of funding services for the promotion of economic development, including the tourist industry, and for the funding of services for the general public. Since then, the city’s formula for distribution has varied from year-to-year.
- Currently, the City reserves 25% for an administrative fee with the remaining 75% distributed to local nonprofits. The distributions are based on the last audited figure. In 2018, the City of North Pole approved a decrease in funding to the North Pole Chamber of Commerce, Christmas In Ice and Explore Fairbanks in order to fund a playground and Halloween safety lights for trick-a-treaters.
- Over the last nine years, the City reinvested only 9% of the total into the destination marketing programs of Explore Fairbanks.