



Tourism Works for Fairbanks

COVID-19 causes dramatic impact to Interior Alaska visitor industry



The Fairbanks visitor industry had five straight years of record growth prior to the outbreak of the pandemic in early 2020. Among the more serious impacts of the pandemic in comparison between 2020 and 2019:

- **Employment:** The leisure and hospitality sector accounted for 40% of all the job losses in Fairbanks; the second biggest job loss was in the transportation sector. Both sectors include and are fueled by tourism.
- **Fairbanks International Airport:** The main terminal had a total passenger loss of 58%; this includes a combination of both arrivals and departures.
- **Hotel/Motel Bed Tax Collections:** Collections in the FNSB, including the City of Fairbanks and City of North Pole, decreased by 55%.
- **Meetings and Conventions:** The estimated loss economic impact of cancelled or postponed meetings and conventions that Explore Fairbanks had directly engaged in for 2020 was \$12.2 million.
- **Loss of Cruise, Highway and International:** In typical summers, 41% of summer visitors to Fairbanks come by way of Cross Gulf of Alaska cruise/land tour, 10% are highway travelers and 16% are international visitors. All three of those markets were nonexistent for summer 2020 and it has continued to be a problem for summer 2021.

Explore Fairbanks implemented numerous budget reductions in 2020 as a result of the significant decline in bed tax revenues, to include lay-offs, salary reductions across the board, not filling vacant positions, eliminating all travel and trade shows, and more. What the organization did not cease doing was marketing, albeit of a different nature. The communications department launched a new marketing campaign directed to the local and in-state market to encourage visitation, incorporating COVID-19 safety messaging. The department also launched campaigns aimed at keeping Fairbanks in the minds of domestic consumers as an "inspirational destination" for when they were ready to travel again, which led to record stats in website traffic.

A promotional banner for Explore Local Fairbanks Alaska. The background is a scenic landscape with a lake, trees, and a building under a sunset sky. The text includes the hashtag #explorelocal, the slogan "This summer, be a visitor in your own backyard. Experience all the outstanding activities, attractions and adventures that make this one of the best places on earth.", the hashtag #explorefairbanks, the Explore Local logo, the website "Visit www.explorefairbanks.com/local to find", and a list of activities: "Open for Business List • Alaska Resident Discounts • Scavenger Hunt". The Explore Fairbanks Alaska logo is in the bottom right corner.

#explorelocal This summer, be a visitor in your own backyard. Experience all the outstanding activities, attractions and adventures that make this one of the best places on earth. #explorefairbanks

LOVE ALASKA
FAIRBANKS

explore LOCAL

Visit www.explorefairbanks.com/local to find
Open for Business List • Alaska Resident Discounts • Scavenger Hunt

explore FAIRBANKS ALASKA

Local, federal government relief funding provided necessary support to industry

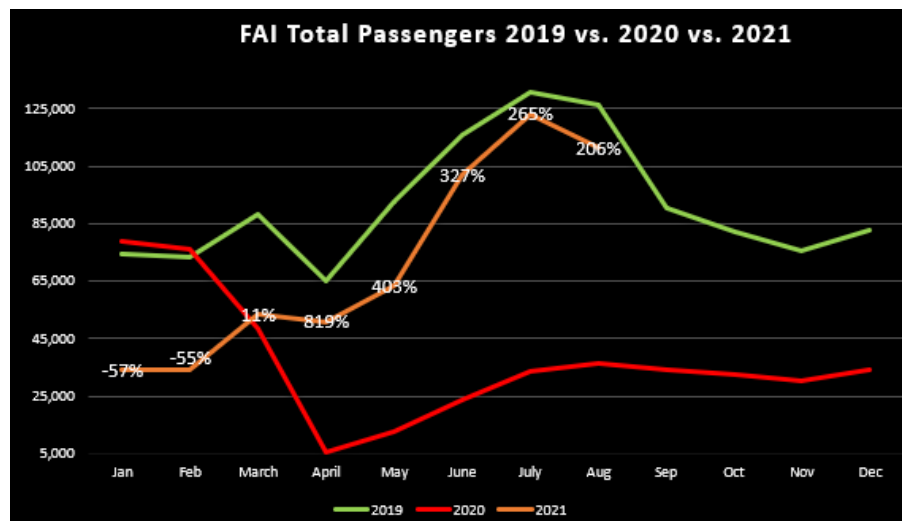
SOURCE	AMOUNT
SBA EIDL Grant	\$10,000
City of Fairbanks CARES Funding	\$426,950
FNSB Business Interruption Grant (BIG)	\$40,000
State of Alaska CARES Funding	\$100,000
City of North Pole CARES Funding	\$84,000
Ak Community Foundation Grant	\$25,300
DCCED COVID-19 Safety Travel Grant	\$348,640
Payroll Protection Program (1 st draw)	\$285,915
Payroll Protection Program (2 nd draw)	\$285,915
TOTAL	\$1,606,720

Going back to 2020, Explore Fairbanks applied for and received several grants administered through the local, state and federal level. The chart to the left shows funding received through August 31, 2021. In 2020 the total amount of the funds was \$686,250; without those funds, Explore Fairbanks would have had a 51% decrease in funding over 2019; with the funds, the decrease was reduced to 34%. Many of the grants were very specific on what they could be used for and when the funds had to be spent. For example, the DCCED COVID-19 Safety Travel Grant was awarded in June of 2021 and had to be expended by end of August, with the

usage limited to advertising and marketing efforts focused on in-state and national travel for the summer season and incorporating COVID-19 safety messaging and vaccination availability. The FNSB Assembly currently has \$700,000 in American Rescue Plan Act (ARPA) Funds to be allocated to Explore Fairbanks over a two-year period which will be voted on by the assembly later this month.

Signs of recovery in 2021 with 2022 projections looking strong

2021 has shown signs of recovery even with the loss of cruise, highway and international, thanks to a strong independent domestic leisure market combined with record airlift at the Fairbanks International Airport along with extremely inexpensive air fares. April and May, for instance, had record occupancy rates and hotel/motel bed tax collections, even going back to pre-pandemic years. May through August combined arrivals and departures at the Fairbanks International Airport were only down by 14% over 2019 and up by 218% over 2020. The biggest challenge for 2021 has been labor shortages which have caused many businesses to reduce hours and days of operation as well as turning away customers. Supply chain disruptions, in particular, the rental car shortage due to decreases in manufacturing, have also resulted in challenges that have hindered growth.

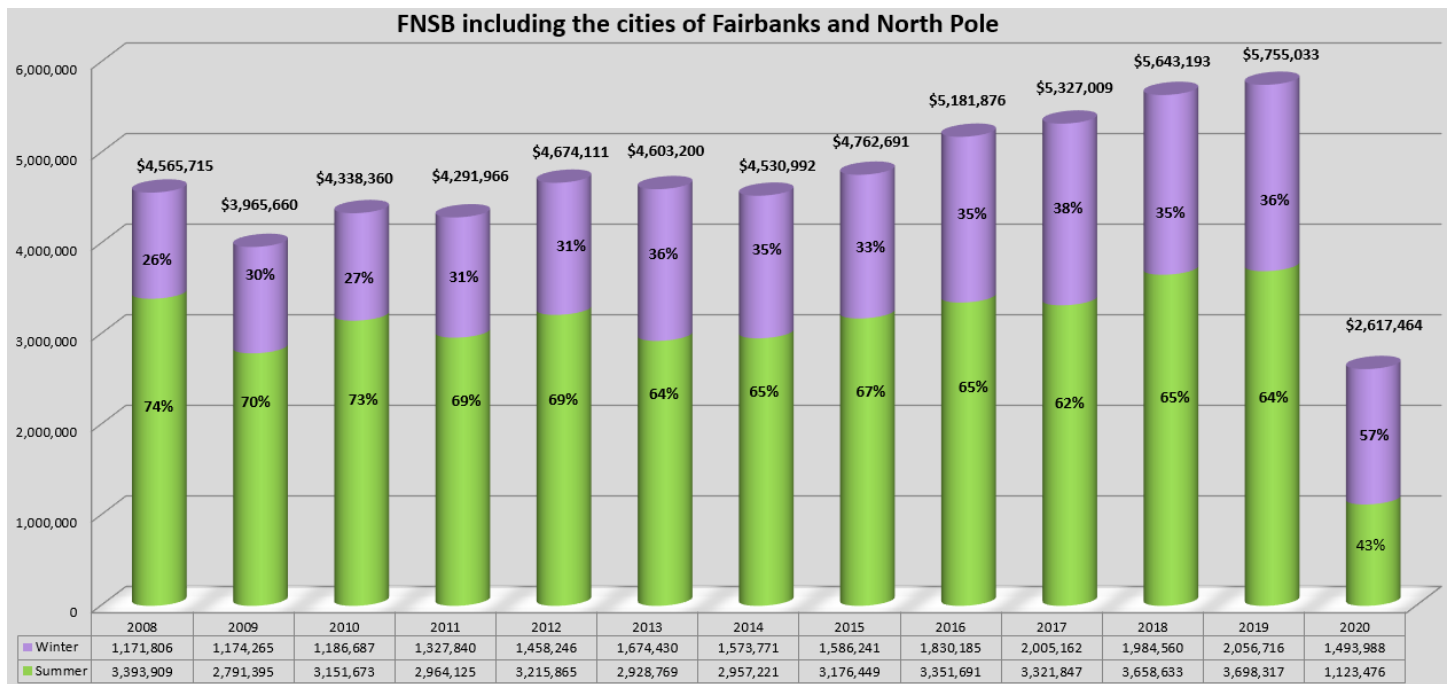


For 2022 Explore Fairbanks is forecasting visitation and subsequent hotel/motel bed tax collections to be an estimated 75% of what we saw in 2019. The Cross Gulf of Alaska cruises are anticipated to return, with an estimated 440,000 passengers: up over 430,000 in 2019. Canadian/United States border issues should be resolved by then as well which will result in the return of the highway travelers. International and business travel is not anticipated to return to pre-pandemic levels until 2024 or 2025.

Record growth as a year-round tourism destination prior to COVID-19

The following are some of the key data indicators that demonstrate the successes of the regional visitor industry in the years leading up to COVID-19.

Hotel/Motel Tax collections had five record-breaking years: The Fairbanks North Star Borough, including the cities of Fairbanks and North Pole, had five consecutive record-breaking years of hotel/motel tax collections from 2015-2019 prior to 2020's dramatic decrease.

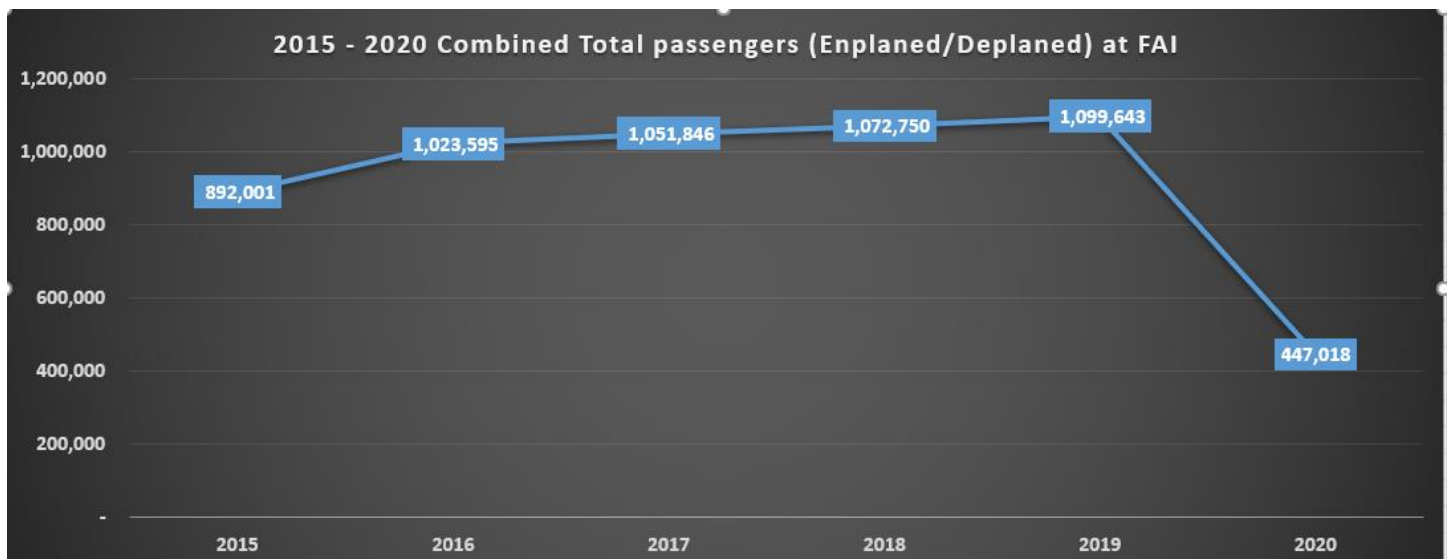


While the lion's share of hotel/motel tax collections continues to be during the summer period, the growth in collections has been primarily attributable to growth in winter tourism. When analyzing summer and winter bed tax collections from 2008 through 2019, the average growth of the five-month May through September summer period was flat, whereas the seven-month January through April/October through December winter period grew an average of nearly six percent. In 2020 winter bed tax collections exceeded summer for the first time ever, due to a strong start in January & February, a greatly reduced summer, and then seeing the results of a return to travel later in the year.

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), occupancy percentage, and revenue per available room (RevPAR). Our statistics historically account for 84% of properties with 60 or more guest rooms summer and 73% of that inventory in the fall/winter/spring. Since 2015 we have exceeded the national occupancy rate, even in 2020 which was determined to be the worst year on record for the U.S. hotel industry in all three reporting categories.

	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	66.2%	69.3%	\$108.21	\$78.19
2020	44%	48.88%	\$93.08	\$45.04

Airport arrivals and departures grew 19 percent from 2015 through 2019: 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.



Fairbanks leads the way in international travel: According to the Alaska Visitors Statistics Program (AVSP) 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. 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. 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.

Tourism is an economic driver for the Fairbanks region



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 year-round economy of the Fairbanks region. It represents proven economic development that is attainable, measurable, and sustainable. Below are some estimated impacts prior to 2020:

- 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.
- According to the DCCED updated 2017 estimate, 18 percent (\$392 million) of the state's direct visitor spending is in the Interior.

Direct visitor expenditures in winter are historically proportionately higher than summer expenditures:

- 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.



Fairbanks region visitor Industry pays its own way via property taxes

Hotels are among the top property taxpayers 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 taxpayers in the community:



- Of the top 50 property taxpayers, excluding the pipeline, in the Fairbanks North Star Borough, ten (20%) are hotels. The Westmark Fairbanks Hotel and Conference Center is the most highly assessed lodging facility, ranking 8th of the top 50 taxpayers.
- 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 employer in the borough

As the chart from the Alaska Department of Labor and Workforce Development shows, the leisure and hospitality industry is one of the largest employers in the Fairbanks North Star Borough, surpassed only by government, trade/transportation/utilities, and education/health services. Employment in the industry was steadily increasing from 2017-2019 before dropping by 19.5% in 2020 and was 40% of all of Fairbanks' total job loss. Additionally, Fairbanks lost about 300 transportation jobs last year, mainly linked to the tourism industry.

For 2021 the state forecasted a recovery of half of those lost jobs in leisure and hospitality (600) and 200-300 of the lost jobs in transportation. However, one of the most significant challenges for 2021 has not been the lack of available jobs, it has been the lack of employees filling those jobs, which is a national issue as well that is impacting numerous industries. Bringing back that workforce is going to be essential to industry recovery moving forward.

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.

Employment

ANNUAL AVERAGE MONTHLY EMPLOYMENT BY INDUSTRY

Fairbanks North Star Borough
2017-2020

Industry	2017	2018	2019	2020	% Change 2019-20
Natural Resources & Mining *	-	969	1,014	1,082	-
Agriculture, Forestry, Fishing, Hunting*	100	-	-	-	-
Mining *	-	-	-	-	-
Construction	2,604	2,797	2,725	2,609	-4.3%
Construction of Buildings	504	542	549	610	11.1%
Heavy Construction	949	1,011	906	846	-6.6%
Specialty Trade Contractors	1,151	1,244	1,270	1,152	-9.3%
Manufacturing *	-	575	560	490	-12.5%
Trade, Transportation & Utilities	7,658	7,646	7,774	7,162	-7.9%
Wholesale Trade	618	633	639	595	-6.9%
Retail Trade	4,710	4,711	4,751	4,517	-4.9%
Food & Beverage	455	454	430	429	-0.2%
General Merchandise	1,338	1,259	1,344	1,327	-1.3%
Transportation & Warehousing	1,941	1,912	1,987	1,657	-16.6%
Air Transportation	550	524	509	446	-12.4%
Transit & Ground Passenger*	311	299	-	-	-
Information	421	408	359	303	-15.6%
Telecommunication	223	210	199	195	-2.0%
Financial Activities	1,309	1,274	1,274	1,219	-4.3%
Finance & Insurance	652	623	607	580	-4.4%
Credit Intermediation, etc.	462	450	436	417	-4.4%
Real Estate, Renting & Leasing	657	650	667	639	-4.2%
Real Estate	462	460	465	454	-2.4%
Professional & Business Services	2,496	2,646	2,753	2,544	-7.6%
Professional, Scientific, Technical Services	1,398	1,415	1,469	1,271	-13.5%
Management of Companies & Enterprises	127	132	145	152	4.8%
Administrative & Waste Services	971	1,099	1,140	1,121	-1.7%
Educational & Health Services	5,524	5,599	5,504	5,299	-3.7%
Health Care & Social Assistance	5,320	5,391	5,299	5,111	-3.5%
Leisure & Hospitality	4,465	4,501	4,553	3,665	-19.5%
Accommodation	1,118	1,107	1,119	682	-39.1%
Food Services & Drinking Places	2,784	2,854	2,888	2,561	-11.3%
Other Services	1,027	1,021	1,045	1,012	-3.2%
Membership Organizations, etc.	369	379	377	372	-1.3%
Repair & Maintenance	436	411	417	440	5.5%
Government	10,697	10,490	10,459	10,194	-2.5%
Federal Government	3,018	3,016	3,111	3,269	5.1%
State Government	4,726	4,631	4,531	4,300	-5.1%
Local Government	2,953	2,843	2,817	2,625	-6.8%
Unclassified Establishments	32	3	4	2	-50.0%
Total Industries	37,671	37,928	38,023	35,580	-6.4%

SOURCE: Alaska Department of Labor and Workforce Development, Research and Analysis Section; *Quarterly Census of Employment & Wages-Annual Review 2020*.

NOTE: Data provided is subject to revision.

Starting March 2020 data could show fluctuations due to the COVID-19 pandemic, State of Alaska mandates, shut downs and supply chain interruptions.

* Due to changes in employer classifications & employment levels data that was previously disclosable has become confidential.

The Fairbanks visitor 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. The growth in winter and aurora tourism seasons (below) in the Fairbanks region has resulted in a rise in many small businesses, such as dog mushing tours, aurora viewing facilities and photography tours. Explore Fairbanks' cooperative destination marketing program is currently supported by more than 320 partners that are primarily small businesses. That being said, the number of partners is currently at a level that has not been this low for more than 10 years. Over the course of the last year Explore Fairbanks lost

many small business partners due to financial impacts or going out of business altogether. The organization actively worked on providing partners with information and resources for local, state and federal recovery efforts, most recently with the City of Fairbanks to allocate \$1.5 million in economic relief to small businesses in the leisure and hospitality industry within the city.

Aurora and winter season establish Fairbanks as a year-round visitor destination

The visitor industry in Alaska is composed of multiple business models with the majority operating year-round, others operate in the summer season only, and some only in aurora season and/or winter season. For Fairbanks and many businesses, this diversification was intentionally strategic. The growth of aurora and winter visitation did not organically happen. The strategy required the investment of human and financial resources in research, marketing and infrastructure development over a long period of time.

Despite these efforts, summer continues to be the lion's share of visitors and there is a general recognition that more investments are to be made to fully realize year-round sustainability.

Establishing Fairbanks as an aurora destination has been a primary component of Explore Fairbanks' branding and messaging of the region. For visitor planning purposes the "Aurora Season" is defined as being from August 21 to April 21, crossing from late summer into winter and into early spring. Our 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, and has been a factor in quantitative successes such as:



- “Aurora charters” with direct flights from Japan to Fairbanks going back to 2004, with a record number of 18 charters during the 2013//2014 season. Most of the charters were with Japan Airlines (JAL) but over the years other carriers such as Korean Air, Uzbekistan Airways and All Nippon Airways provided the service when JAL was unable to, and China Airlines periodically offered aurora charter service from Taiwan.
- Winter growth is also reflected in increased rail service with the extension of the Alaska Railroad’s “Aurora Winter Train” service going back to 2014 into midweek service during the peak winter months of January through March.
- Growth in the winter months of hotel/motel bed tax collections (see above) and growth in passenger counts at the Fairbanks International Airport during the October to April timeframe.

Visitor 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:



- 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.
- Visitor air arrivals/departures to/from Fairbanks allow air service to be provided to residents with an increased frequency and at a decreased cost. Most new or expanded air service to Fairbanks has served residents as well as visitors.
- Residents enjoy restaurants and use meeting facilities year-round.
- 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 visitor industry generously donates trips, tickets and hotel rooms to area nonprofits. Since its inception in 2001, the Annual Walk for Charity events in Fairbanks have generated a total of \$385,975 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 visitor 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 (see below).



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.

Air service development is key to destination's growth

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

- Condor Airlines has offered summer seasonal weekly service from Fairbanks to Frankfurt since 2001. The service was cancelled for both 2020 and 2021 but does have flights in the system for summer 2022.
- Securing the aforementioned charters from Japan and Taiwan to Fairbanks.
- Securing a Small Community Airline Service Development (SCASD) grant that led to Frontier Airlines providing summer daily service from Denver to Fairbanks (2014 & 2015) and United Airlines providing summer daily service from San Francisco to Fairbanks (2018).
- Maintaining year-round service with Alaska Airlines and Delta Airlines from Fairbanks to Seattle.
- Securing seasonal routes over the years, to include this summer's record 33% increase in passenger capacity with new carriers such as American Airlines (daily flights from Dallas-Fort Worth and Chicago) and Sun Country (weekly flights from Minneapolis) and a daily new route with Delta Air Lines (Salt Lake City).



Explore Fairbanks is engaged with regional 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.

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.

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

An eight 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).

• History of the City of Fairbanks bed tax collections

- In 1977, a group of businesspeople 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, the local visitor industry, the Fairbanks 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.The logo of the City of Fairbanks, Alaska, is a circular emblem. It features a map of Alaska in the center, with a yellow heart shape on the map. The text "CITY OF FAIRBANKS" is written in a circle around the top, and "ALASKA" is written at the bottom. Inside the circle, it says "INCORPORATED ON NOVEMBER 10, 1903" and "www.fairbanksalaska.com".
- 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 what was then the Fairbanks Industrial Development Corporation (FIDC) 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 visitor 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 traditionally distributed annually as follows: \$100,000 to the Fairbanks Economic Development Corporation; \$30,000 to the Golden Heart Plaza/Barnette Landing Maintenance, and \$270,000 to Discretionary Grants; 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.

- From 2017 through 2019, 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.

- **History of the Fairbanks North Star Borough bed tax collections**



- 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.

- **History of the City of North Pole bed tax collections**

- 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-or-treaters.
- Over the last nine years, the City reinvested only 9% of the total into the destination marketing programs of Explore Fairbanks.



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.