

ADDENDUM A

VANCOUVER, WASHINGTON

FUNDING RESEARCH ANALYSIS



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TOURISM FUNDING LANDSCAPE

As a result of the past financial crises (COVID-19 Pandemic, Great Financial Crisis, 9/11), it has become clear for our industry it is our duty to harness this unique opportunity to elevate the importance of tourism in our communities. The Tourism Industry's new role: to collaborate with our local economic development partners to drive economic recovery and resiliency in our community.

"In today's globalized, networked world, every community must compete for its share of the world's visibility — its share of attention and respect. Every community must compete for its share of the world's tourists, consumers and available talent. Those communities who fail to compete will lose ground. They will be left behind."

— Jack Johnson, Chief Advocacy Officer, Destinations International

The COVID-19 Pandemic highlighted for our local economies the importance of tourism and the role our industry plays in local workforce development, supporting new residents, and creating experiences for visitors.

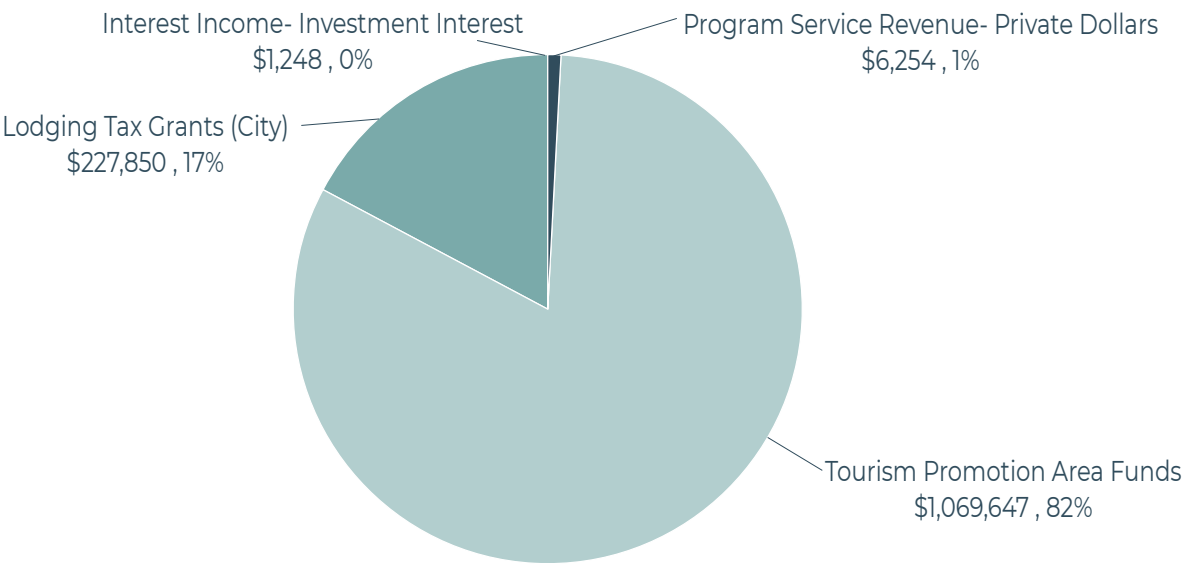
Adequate funding is necessary to support the role of Visit Vancouver WA. Today, more than ever, the ability to remain competitive is critical to our destination's future, as well as balancing the visitor economy to lift burdens from our local businesses and residents as our growth continues.

Investment in our destination's development through differentiating the visitor experience, investment in sustaining our resources, planning, and building infrastructure for the evolving visitor need will further support and reinforce the Vancouver position as a premiere destination to live in, work in, and visit.

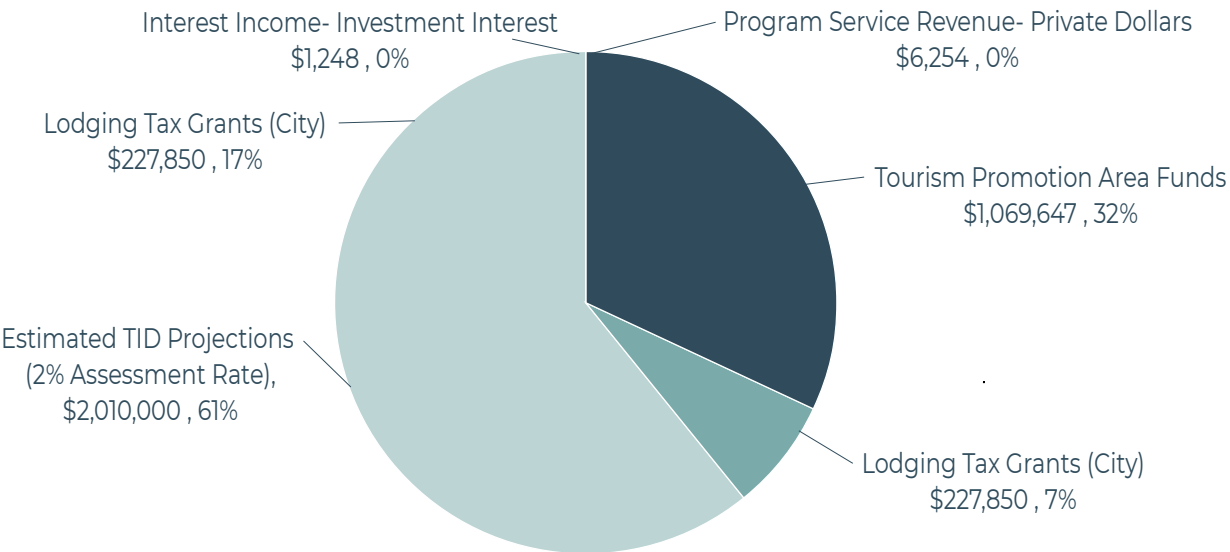
FUNDING PROJECTIONS BY JURISDICTION

Below you will find a 2021 budget summary for Visit Vancouver WA. This graph shows the breakdown of funds and the amounts that make up the \$1.3 million. The graph that follows will show you the same breakdown but will include the projected assessment revenues of a 2% assessment on all lodging properties in Vancouver, showcasing a new total of \$3.3 million in funds, more than doubling the amount.

2021 Funding for Visit Vancouver WA \$1,305,000

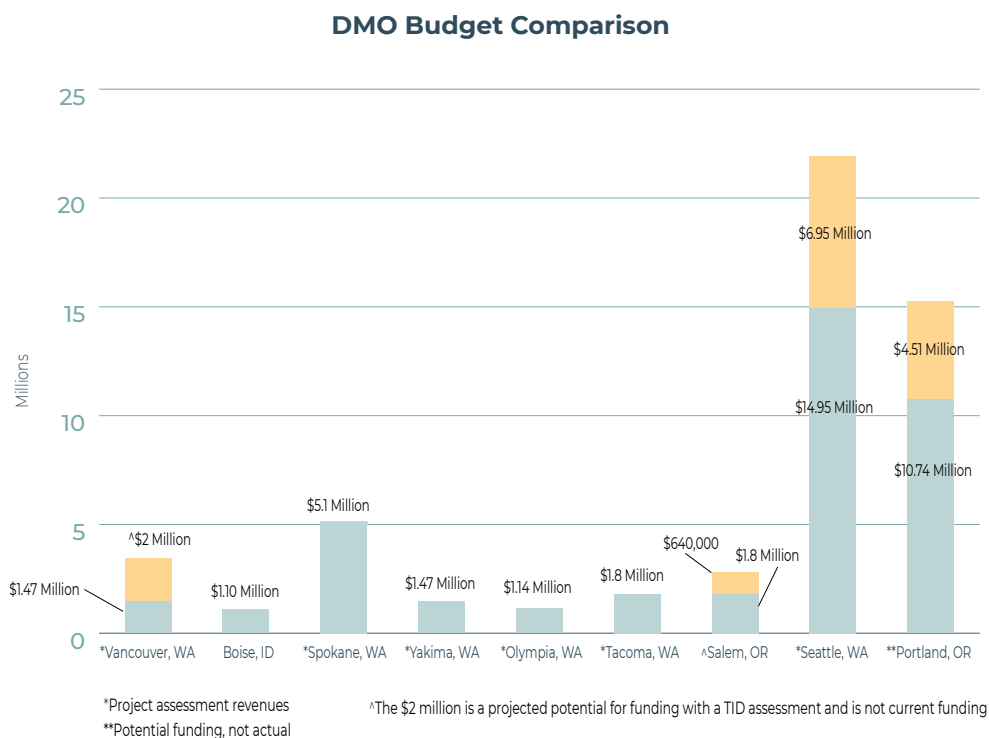
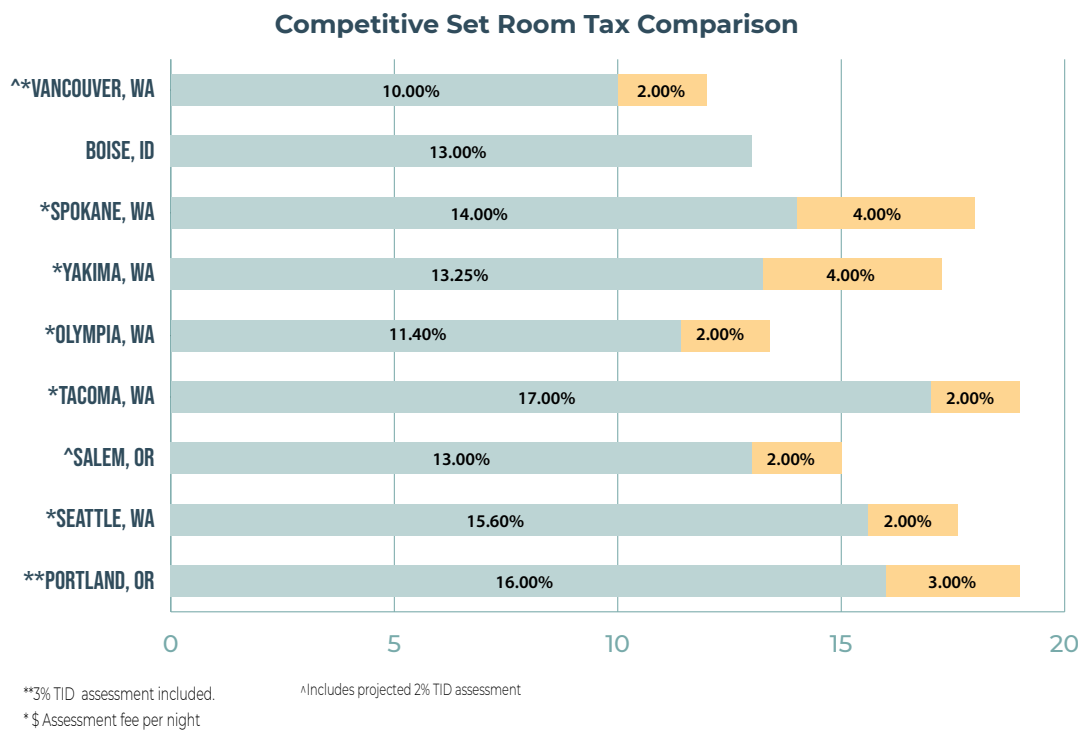


Projected Funding for Visit Vancouver WA with TID \$3,494,000



COMPETITIVE SET COMPARISON

The following charts compare destinations by their respective overall tax percentage on a guest room receipt. The data below shows Visit Vancouver Washington ranks lower in total lodging taxes and fees as compared to its competitors.



SOLUTIONS FOR AVAILABLE SUPPLEMENTAL FUNDING MECHANISMS IN WASHINGTON AND SUPPORTING RESEARCH

Increase TPA Assessment:

- Use the existing law to increase the TPA from \$2 to \$5, this would increase the funding from \$1.07 million to \$2.67 million.
- A legislative authority can impose an additional charge of up to \$3 per night on the furnishing of lodging by a lodging business located in Clarks County.
- To impose the additional charge, it is required to have signatures of 60% of all persons who operate lodging business, a proposed breakdown of intended use of the funds, and the estimated rate for the charge with breakdown by class of lodging business if classifications are to be used.
- Analysis of the affected tourism promotion efforts will be required.
- This option will expire as of July 1st, 2027.

Governance:

- City has sole discretion as to how revenue from TPA is used.
 - City will appoint an advisory board or committee to advise how funds are spent.
 - The City may also seek to contract with the DMO to administer.
- Pros: Familiar mechanism and local approval processes.
- Cons: Law allowing increase has a finite timeline.

Amend TPA Law:

- Simpler amendments
 - Remove 2027 cap on \$5 increase.
 - Remove minimum threshold of 40 room hotels thus creating the ability to include short term rentals.
- Substantial amendments
 - Expand allowing other types of tourism business.
 - Governance: Providing strong protections for paying lodging businesses.
 - Government can create an advisory board made up of a majority of paying lodging businesses.
 - Government can appoint the DMO Board of Directors as its advisory board, provided most of the Board is made up of paying lodging businesses.
- Pros:
 - Like a Tourism Improvement District- allows for a district creation mechanism to fund tourism promotion.
- Cons:
 - Large government involvement and oversight
 - Limitations on the size of lodging businesses and amount of assessment that can be imposed.

- Steps to Amend the TPA Law for longer term of increased rate and to include Short Term Rentals
 - Step 1: Draft amendment legislation
 - Step 2: Consult with stakeholders and gain industry buy in
 - Step 3: Identify a sponsor for the bill
 - Step 4: Submit bill to legislature

Create a Tourism-Business improvement District (TID-BID) using current Business Improvement Area (BIA) statute:

TID characteristics of a BIA which allow for the formation of a TID with existing legal authority:

- Authorizes all municipalities to form a special benefit assessment district .
- Allows for tourism promotion activities and development of capital improvements .
- Requires a district plan .
- Has an owner's approval procedure.
- Allows for the designation of a non-profit to manage the district.
- Allows for industry specific districts.
- Broad levy methodology, which provides for a business-based benefit assessment rate .
- Historically has been used to form TID's in Washington

How the BIA works in Seattle, WA

- Established under 35.87A Parking and Business Improvement Areas (BIA) Law in 2012. Since then eleven BIAs now exist in Seattle to help revitalize business districts for the benefit of not only the businesses but residents and visitors alike.
- \$4 assessment on downtown hotels.
- Established in 2011, tried to increase in 2019 but paused after pandemic hit.
- Increase passed March 31, 2022.

Pros:

- Funds must be spent on services and improvements that provide a benefit only to those who pay.
- Funds cannot be diverted to general government programs .
- District law is customized to fit the needs of payers in each destination.
- District funds are designated to non-profit organizations..
- Governance models are designed, created and governed by those who will pay the assessment.
- Provides for a stable, long-term funding source for tourism promotion.
- Assessment rate is not capped nor is there a timeline limitation for implementation.

Cons:

- Length of process & political capital
- Approval threshold: petitions signed by business owners who will pay more than 50 percent of the assessments to be levied.

Admissions Tax (Low Feasibility Option)

- Every city and town can impose a fee of one cent on every twenty cents of admission charges.
 - Admissions charges must be:
 - Season tickets/subscriptions.
 - Cover charge/reservation for tables.
 - Charge for food or refreshment where there is free entertainment, recreation, or amusement.
 - Rental charges for equipment if rental is necessary for enjoyment and if general admissions is charged.
 - Parking charges if the parking fee is determined according to number of passengers.
- Exceptions
 - Activities at any elementary and secondary school; or
 - Activities at any public facility district unless the city or town uses the admission tax revenue to construct, operate, maintain, repair, replace, or enhance that facility or to develop, support, operate, or enhance programs at the same facility.
- Excludes
 - Cities in a county with population of more than one million may not levy tax on stadiums constructed after January of 1995 owned by public facilities district and have a seating capacity over forty thousand.
- Cons:
 - No legal protection for this revenue, the government can divert the funds raised.

Lodging Tax Increase (No Feasibility)

There are 2 lodging tax options:

- A “basic” or “state-shared” lodging tax up to 2% that is taken as a credit against the 6.5% state sales tax rate, this does not let the lodging patron see any tax increase
- An “additional” or “special” lodging tax up to 2% on top of the other state and local retail sales taxes, resulting in a higher tax bill for the patron
- Total lodging tax capped. At 2% by statute Vancouver is already at 4%.
 - Optional political discussion with lodging tax committee to increase percentage allocated to DMO
 - May forestall any other meaningful gains in other dedicated funding sources.

OUR RECOMMENDATIONS

Private funding amounts fluctuate and, in bad economic times, are likely to decrease significantly. Securing public funds can be a challenge when tax revenues are not dedicated to tourism marketing and development. Industry-led funding mechanisms, like Tourism Improvement Districts (“TIDs”), are becoming more recognized as the future for destination marketing organizations as a secure and stable funding source.

Districts create a mechanism for a partnership between destination management organizations, hotels, stakeholders, and the municipality to levy an assessment on room nights sold and collectively leverage funding for programs to increase additional demand for overnight visitation for the destination. TIDs create a platform for the industry to establish an “industry-led” revenue stream that bolsters a collaborative environment to raise all boats within a community.

Based on our research, the implementation of a TID would be the ideal short-term goal to increase the available funding for Visit Vancouver Washington. A TID is recommended to work toward establishing a secure, stable supplemental revenue stream for future organizational resilience.

At Civitas, we have been raising money for DMOs for over 20 years. We have sought stable, reliable sources of funding, partnering with our local governments through a private-public partnership. The following is an expected timeline for the recommended project.

FUNDING STRATEGY TIMELINE

ACTION	DATE
Vancouver Tourism Improvement District (QCTID) Project Kick Off	1 st month
District plan development	2 nd -4 th months
Stakeholder outreach program developed	4 th & 5 th month
File final district plan with the Cities staff	6 th month
Cities to approve final district plan	6 th month
Lodging business approval/petition process	7 th month
Draft VTID Ordinance	8 th month
Final VTID formation documents approval by City staff	8 th month
Mail and Publish - Notice of Public Hearings	9 th month
City Council — Public Hearings	10 th month
City Council- Ordinance Forming the VTID	11 th month
VTID begins collecting assessment	12 th month

VTID = Vancouver Tourism Improvement Districts

STEPS FOR THE FORMATION OF A TOURISM IMPROVEMENT DISTRICT USING BUSINESS IMPROVEMENT AREA LEGISLATION

Enabling Law: Chapter 35.87A Parking and Business Improvement Areas

The Washington Parking and Business Improvement Area (BIA) law allows business-based assessments to pay for tourism promotion and services. Jurisdictions include all counties, incorporated cities and towns. BIAs may also overlap with Tourism Promotion Areas (TPAs), another assessment mechanism.

Steps to Formation

Petition

The petition sets forth the parameters of the BIA to present to the legislative authority presiding over the jurisdiction in which the BIA is being formed. The petition must include:

- A description of the proposed boundaries;
- The proposed uses and projects that shall be funded by BIA revenue;
- The estimated rate for the BIA charge, as well as a proposed breakdown by class of paying businesses;
- The signatures of owners of lodging businesses within the proposed boundaries that would pay sixty percent (60%) or more of the proposed BIA charges.

Resolution of Intention

After the petition has been received by the legislative authority, they must then adopt a Resolution of Intention (ROI) to establish the BIA. The resolution must state:

- The time and place of a hearing to be held by the legislative authority to consider establishment of the BIA;
- A description of the proposed boundaries;
- The proposed uses and projects that shall be funded by BIA revenue; and
- The estimated rate for the BIA charge, as well as a proposed breakdown by class of paying businesses.

Notice of Hearing- Publication and Mailing

At least ten (10) days before the hearing to establish the district is held, the ROI must be published in a newspaper within the city or county in which the BIA is to be established and mailed to each assessed business within the proposed boundaries.

Hearing

A hearing will be held by the legislative authority of the BIA concerning the establishment of the BIA. The hearing may be continued from time to time.

During the hearing, the legislative authority shall hear all protests and receive evidence for and against establishment of the BIA. If protests are received from a majority of businesses to be included in the BIA, proceedings to establish the BIA will be terminated.

If the legislative authority decides to change the boundaries of the proposed Area, the legislative authority must provide notice to the assessed businesses of the change following the procedure above and that the hearing shall be continued after fifteen (15) days.

Ordinance

After the petitions have been submitted and the hearing has been held, the legislative authority may adopt an ordinance to establish the BIA. The ordinance must contain:

- The number, date and title of the ROI adopting the BIA;
- The time and place that the hearing was held;
- The description of the boundaries of the Area;
- A statement that the businesses in the Area shall be subject to the provisions of the special assessments;
- The initial or additional rate of charges to be imposed, broken down by classification (if applicable);
- A statement that the BIA has been established; and
- The proposed uses and projects that shall be funded by BIA revenue; consistent with those outlined in the initial petition.

Levy of Charge

Classifications

- a. Classifications may be based upon the following criteria:
 - i. Total number of rooms in lodging businesses;
 - ii. Room revenue;
 - iii. Geographical location within the Area (zone);
 - iv. Any other reasonable factor related to the benefit received
- b. Each classification and/or zone may have their own rate

Collection of Charges

- a. Collections Processes
 - i. Collections may be made in any such manner as the legislative authority shall determine.
- b. Use of BIA Revenue and Governing the BIA
 - i. Revenues are to be used for activities and services related to BIA operations only, and are not to be diverted for other purposes.
 - ii. The legislative authority has the sole discretion to decide how BIA revenue will be spent for the purpose of increasing the number of tourists to the Area. However, the legislative authority may appoint existing advisory boards or commissions to make recommendations for use of revenue, or create a new board for this purpose.
 - iii. The legislative authority may also contract with DMOs or similar corporations to administer operation of the Area as long as the commission operates in accordance with existing law.

Disestablishment of BIA

The legislative authority may disestablish an area via ordinance following the same procedures as for establishment.

1. Petition
 - a. If 60% of assessed lodging businesses submit petitions to the legislative authority to remove the BIA charge, the charge will be removed.
2. Notice & Hearing
 - a. The authority shall adopt an ROI to disestablish at least 15 days before the hearing. The ROI will state the time and place of the hearing.
3. Assets and Liabilities
 - a. The legislative authority shall determine the disposition of any proceeds, assets acquired, or liabilities incurred by the Area.

NATIONAL TOURISM FUNDING LANDSCAPE

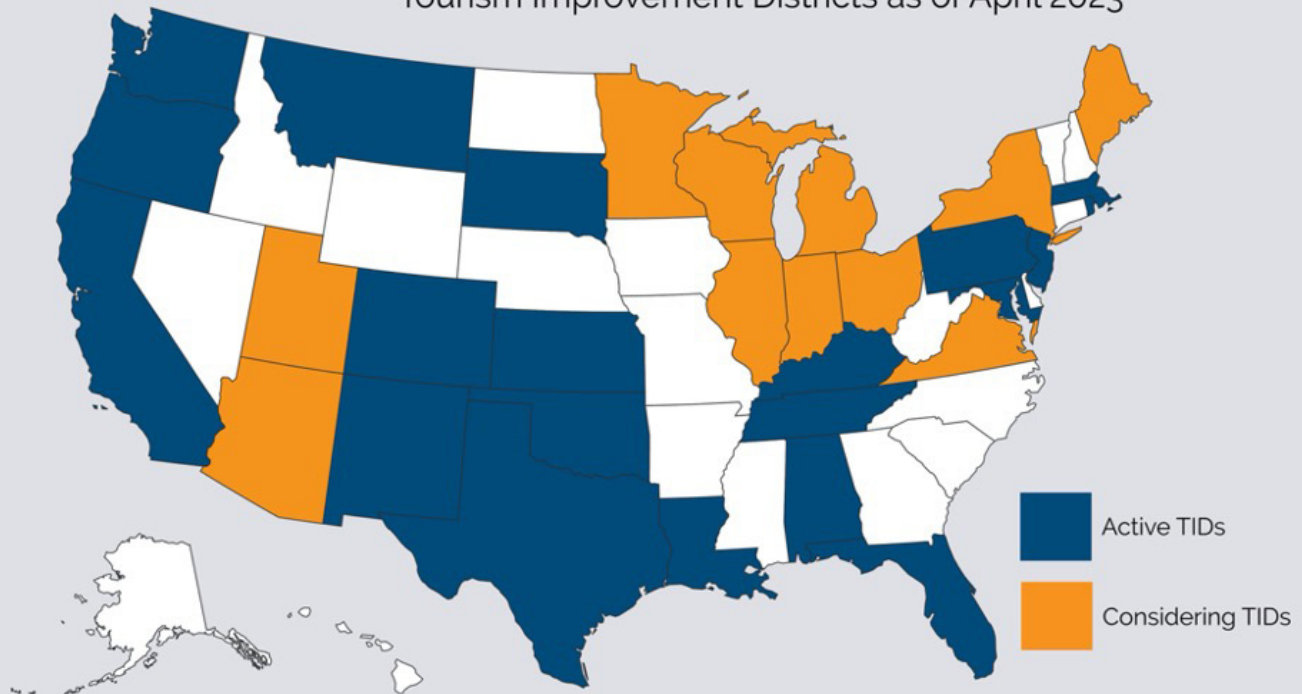
TIDs have fundamentally changed the financial structure of destination marketing organizations (DMOs). TIDs have helped DMOs by providing a new source of stable, dedicated funding. TIDs are currently operating in nearly 200 destinations across nineteen (19) states and have ushered in a new era of sufficiency, stability, and predictability.

TIDs are an evolution of the traditional Business Improvement District. The first TID was formed in West Hollywood, California, in 1990.

Since then, over 180 U.S. destinations have followed suit, including destinations in Colorado, Florida, Kansas, Louisiana, Montana, New Jersey, Pennsylvania, Rhode Island, South Dakota, Texas, Oklahoma, and Washington. TIDs are primarily formed pursuant to existing state statutes.

However, some destinations such as Portland, Oregon, Memphis, Tennessee, and Tampa, Florida, have utilized their home rule powers to create TIDs without a specific state statute. Nationwide, TIDs collectively raise over \$450 million annually for local destination marketing.

Tourism Improvement Districts as of April 2023



202 TIDs

Most Recent:
Bellevue-Redmond, WA
(February 2023)

43%
Fixed \$ Amount

55%
Gross Revenue %

1%
Fixed-rate
based on # of
hotel rooms

1%
Fixed-rate per
occupied room per
night that varies by
ADR

ANNUAL AMOUNT RAISED

Low	\$10,000
High	\$41,000,000
Total	\$496,569,565

20 STATES

APPENDIX

BUDGET SOURCES

- Boise, ID- 2019 990 Report
- Olympia, WA- 2019 990 Report
- Tacoma, WA- 2019 990 Report
- Seattle, WA- 2019 990 Report
- Vancouver, WA- Direct from Organization
- Portland, OR- Direct from Organization
- Spokane, WA- Annual Report
- Yakima, WA-2020 Annual Report
- Salem, WA- Annual Report

Tax Sources determined by reviewing lodging rates for each specific area (IHG.com, Bonvoy.com, Hilton.com)

CURRENT FUNDING MECHANISMS

- Source: Visit Vancouver - Funding
- Clark County TPA Ordinance 3.17

TPA INCREASE

- Law increase to \$5: Rev. Code Wash. (ARCW) § 35.101.057
- Two dollar charge authorized by RCW 35.101.050

BIA

Chapter 35.87A Parking and Business Improvement Areas. Rev. Code Wash. (ARCW) § 35.87A.010

- Resource: Improvement Areas in Washington

Lodging Business Projections

2022 DATA*

	Assessment	Room Count	Occupancy Rate	ADR	Annual Room Nights	Annual Revenue	Projected TID Revenue
Clark County	1%	3,767	64.00%	\$114.20	879,971	\$100,492,711.04	\$1,004,927.11
Clark County	2%	3,767	64.00%	\$114.20	879,971	\$100,492,711.04	\$2,009,854.22
Clark County	3%	3,767	64.00%	\$114.20	879,971	\$100,492,711.04	\$3,014,781.33
Clark County	\$1	3,767	64.00%	\$114.20	879,971	\$100,492,711.04	\$879,971.20
Clark County	\$2	3,767	64.00%	\$114.20	879,971	\$100,492,711.04	\$1,759,942.40
Clark County	\$3	3,767	64.00%	\$114.20	879,971	\$100,492,711.04	\$2,639,913.60
Clark County	\$4	3,767	64.00%	\$114.20	879,971	\$100,492,711.04	\$3,519,884.80

*Projections based on the Vancouver Region STR report for end of April 2022. Using the YTD numbers of 64 Occupancy and an ADR of \$114.20 for lodging businesses.

COMPARISON CHART OF TPA/BIA/TID

DISTRICT ELEMENT	TPA Rev. Code Wash. (ARCW) § 35.101	BIA Rev. Code Wash. (ARCW) § 35.87A.010	TID MODEL
Tax, Assessment, or Fee	Charge. § 35.101.050; § 35.101.057; § 35.101.120	Assessment. § 35.87A.080	Assessment
Levy Basis	Business-Based — lodging businesses only. § 35.101.010	Business-based. § 35.87A.080	Business-based.
Levy Methodology	The assessment rate is two dollars (\$2) per night per stay on the furnishing of lodging by a lodging business located in the TPA. Updates to the law allow for an additional charge of up to three dollars (\$3) per night per stay, but only available until 2027. Limit of 6 classifications. § 35.101.050; § 35.101.057	The assessment may be classified based on various factors tied to benefit, including business and occupation taxes imposed, square footage of the business, or any other reasonable factor relating to the benefit received. A lodging business may, but is not required to, collect any special assessment amount from its guests in the form of a separately stated charge per night on the sale of lodging taxable by the state under chapter 82.08 RCW. § 35.87A.080 “Lodging business” means a person that furnishes lodging taxable by the state under chapter 82.08 RCW. § 35.87A.020; § 35.87A.080 Different rates allowed per class. § 35.87A.090. Different rates for different zones in district. § 35.87A.150.	Any methodology that provides benefit to the payor—percentage, fixed rate, etc.
Levy Funds Protections	The law states that the ordinance needs to have a statement that says that the uses of the charge revenue shall conform to the uses declared in the initiation petition. § 35.101.080	The special assessments must be for the purposes specified in the ordinances and the proceeds shall not be used for any other purpose. § 35.87A.010	Express provision that the lead jurisdiction may not seize TID assessment revenue for any other purposes other than those defined in the District Plan.

DISTRICT ELEMENT	TPA Rev. Code Wash. (ARCW) § 35.101	BIA Rev. Code Wash. (ARCW) § 35.87A.010	TID MODEL
Authorized Jurisdictions	All counties, and cities or towns within those counties (with the implementation of an interlocal agreement). § 35.101.010	All counties and incorporated cities and towns. § 35.87A.020	Authorizes all jurisdictions- cities, towns, counties, etc.
Boundaries	Only lodging businesses with forty (40) or more rooms are assessable. Some jurisdictions have established additional exemptions. Boundaries may overlap with other districts, including BIAs. § 35.101.110	Boundaries may overlap with other districts, including TPA. § 35.101.110	No conditions to impose the assessment. Boundaries may overlap with other districts.
Term	No defined term.	No defined term.	Typically, five years upon initial establishment, ten upon renewal.
Baseline	No baseline provisions, but protections for levy revenue. § 35.101.080	No baseline provisions, but protections for levy revenue. § 35.87A.120	The lead jurisdiction must maintain baseline levels of funding the tourism-related and government services to the area.
Services	Activities and expenditures designed to increase the number of tourists to the proposed Area and to attract convention business, including but not limited to advertising, publicizing, or otherwise distributing information to attract and welcome tourists, and operating tourism Destination Marketing Organizations (DMOs). § 35.101.010	Sponsorship or promotion of public events which are to take place on or in public places in the area; and providing professional management, planning, and promotion for the area, including the management and promotion of retail trade activities in the area. § 35.87A.010	Any services, including but not limited to: marketing and sales promotion, economic development, and special events, provided for the purpose of conferring benefits upon assessed businesses located in the TID.
Petition	To impose the \$3 increase, signatures of the persons who operate lodging businesses that would pay 60 percent (60%) or more of the proposed charges must be provided. Each TPA must also conduct a program review of the additional charge to be submitted to the appropriate committees of the Washington State Legislature by January 1, 2026. § 35.101.020	The initiating petition shall contain the signatures of the persons who operate businesses and residential operators in the proposed area which would pay fifty percent (50%) of the proposed special assessments. § 35.87A.030	Approval threshold: petitions signed by business owners who will pay more than 50 percent of the assessments proposed to be levied.

DISTRICT ELEMENT	TPA Rev. Code Wash. (ARCW) § 35.101	BIA Rev. Code Wash. (ARCW) § 35.87A.010	TID MODEL
District Plan	No plan required.	No plan required.	Requires a District Plan outlining the parameters of the TID, including but not limited to the assessment methodology, boundaries, and proposed services and improvements.
Governance	Legislative authority has sole discretion as to how revenue from TPA is used. The legislative body may appoint an existing advisory board or create a new advisory board to make recommendations on the use of the revenues. However, the legislative body has sole discretion as to how the funds will be spent to increase the number of tourists to the Area. The legislative authority may contract with tourism DMOs or other similar organizations to administer the operation of the TPA. § 35.101.130	Legislative authority has sole discretion as to how revenue from BIA is used. Legislative authority may contract with a chamber of commerce or other similar business association operating primarily within the boundaries of the legislative authority to administer the operation. § 35.87A.110	Ability to create or use an existing non-profit organization to administer the district with oversight from the lead jurisdiction
Dissolution	A TPA can be disestablished by ordinance after a hearing before the legislative authority. The legislative authority must adopt a resolution of intention to disestablish the area at least fifteen (15) days prior to said hearing. § 35.101.140	A BIA can be disestablished by ordinance after a hearing before the legislative authority. The legislative authority must adopt a resolution of intention to disestablish the area at least fifteen (15) days prior to said hearing. § 35.87A.180	30-day period each year of the operation of the TID in which objections can be filed. If the written petition of owners of businesses that pay 50% of the total assessments levied are submitted, the TID will be disestablished.