

March 2, 2022

MEMORANDUM

To: Economic Development, Technology & City Light Committee
From: Yolanda Ho, Lead Analyst
Subject: Seattle Tourism Improvement Area Amendment – Council Bill 120273

On March 9, 2022, the Economic Development, Technology & City Light Committee (Committee) will have an initial briefing and discussion on [Council Bill \(CB\) 120273](#) that would increase the assessment rate of the Seattle Tourism Improvement Area (STIA), one of the 11 established Business Improvement Areas (BIAs) in the city. Staff from the Office of Economic Development (OED) and STIA representatives will be at the Committee meeting to describe the background, outreach, and intent of the proposal.

This memorandum: (1) provides background on BIAs and the STIA; (2) describes State law governing changes to BIA assessment rates; (3) describes CB 120273; and (4) identifies next steps.

Background

BIAs are economic development funding mechanisms that allow businesses, multifamily residential developments, and mixed-use developments located within the geographic boundaries of the area to assess themselves to fund enhanced services, programming, and management for the area.

Seattle currently has eleven [established BIAs](#).¹ Each BIA has an Advisory Board (Board) consisting of ratepayers and other stakeholders, as appropriate, that provides oversight of the budget, annual work plan, and the BIA's Program Manager. Additionally, the Board hosts an annual ratepayer meeting and serves as a point of contact for ratepayers about question and concerns related to the BIA. The Program Manager administers the programs and services funded by BIA assessment revenues.² OED provides staff support to BIAs, and the Department of Finance and Administrative Services (FAS) collects assessment revenues from ratepayers and disburses the funds to Program Managers.

¹ OED's list of established BIAs does not yet include the 15th Avenue BIA, which was established by Council via [ORD 126446](#) in September 2021.

² As allowed under RCW 35.87A.110, City policy is to contract with an organization operating primarily within the city to be the Program Manager for a BIA. The City gives preference to a local, non-profit organization that is able to manage funds and delivery of the services and programs. BIA assessment revenues may only be used for the purposes as described in RCW 35.87A.010 (and as specified in a BIA's establishing ordinance).

In 2011, the Council passed [Ordinance \(ORD\) 123714](#) that established the STIA in perpetuity to levy a special assessment on hotels with over 60 rooms located within the STIA's boundaries, which encompass the greater downtown area (see Attachment 1). [Visit Seattle](#) (formerly the Seattle-King County Convention and Visitors Bureau) is the STIA's Program Manager. The assessment is a \$2 per occupied room night surcharge to guests. These funds are used solely for domestic and international tourism promotion, advertising, sales, and marketing activities that will encourage leisure tourism in Seattle to increase hotel occupancies within the STIA.

Specific activities include, but are not limited to, the following:

- strategic planning;
- market research;
- creative development;
- media placement;
- sales activities;
- hosting tourism industry events relating to promotion and marketing; and
- administrative and management support.

Changing BIA Assessment Rates

Procedures for changing BIA assessment rates are governed by [Chapter 35.87A RCW](#). To change assessment rates, the Council must first adopt a resolution that states the City's intention to change the rate, describes the proposed change, and sets the date and location for a public hearing on the proposal at least 15 days in advance of the hearing. Should ratepayers representing a majority of the total proposed assessment increase be opposed to the rate change, the Council is required to terminate its deliberations on the matter.

On March 1, 2022, the Council adopted [Resolution 32043](#) that stated the City's intent to modify the STIA assessment rates and set a date and location for a public hearing on the proposal. The date of the public hearing will be March 23, 2022. The hearing will be held remotely due to the COVID-19 civil emergency. As required by State law, the public hearing resolution will be published in the Daily Journal of Commerce and mailed to all potential ratepayers at least 10 days prior to the hearing.

CB 120273

CB 120273 would increase the STIA assessment rate from \$2 per occupied room night to \$4 per occupied room night. On January 14, 2022, the STIA's Ratepayer Advisory Board voted to approve the rate increase beginning on March 1, 2022, or when the proposed ordinance goes into effect, whichever is later. The rate increase is intended to generate additional funding for the range of activities described previously, with a focus in the near term on supporting the STIA's recovery from the economic impacts of pandemic.

For more details about the proposed uses of the increased assessment revenues, see the STIA's 2022 Business Plan ([Attachment B](#) to the Summary and Fiscal Note). The proposed legislation only changes the assessment rate and would not modify what services and programs may be funded with STIA assessment revenues.

Next Steps

At the next meeting on March 23, the Committee will hold the required public hearing, consider any proposed amendments, and possibly vote on CB 120273. If the Committee votes to recommend passage of CB 120273 on March 23, the City Council would likely consider the legislation at its March 28 meeting.

Attachments:

1. Seattle Tourism Improvement Area Boundary

cc: Aly Pennucci, Deputy Director

Attachment 1: Seattle Tourism Improvement Area (STIA) Boundary

