

# SEATTLE BUSINESS IMPROVEMENT AREA RENEWAL BENEFIT ANALYSIS

OFFICE OF ECONOMIC DEVELOPMENT

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## **HIGHLIGHTS:**

Created under Ordinance 123714 as the Seattle Tourism Improvement Area (STIA) in 2011, the program manager (Visit Seattle) in response to ratepayer feedback and having successfully obtained signatures representing **72 percent** of support, Visit Seattle is proposing to sunset their current ordinance and establish a new 15-year term STIA.

**BUDGET** - The total estimated budget for the new STIA beginning at the time of the authorization (January 1, 2024) is estimated at **\$15 million**

**RATEPAYERS** - The assessment is on all eligible (71) owners of businesses offering transient accommodations with 60 or more rooms ("Lodging Businesses")

**SUPPORT** - As of July 1st, 2023, STIA has petition signature from **46 petitions** in support of the renewal, representing **72 percent** of assessment in support. City staff followed RCW 35.87A.010 and calculated the estimated special assessments that each Lodging Business would pay, by signed petitions and percentage of support as assigned by OED based on 2022 assessments for the entire proposed Seattle Tourism Improvement Area, exceeding the threshold of 60 percent of support as stated in RCW 35.87A.010.

**BOUNDARIES** - The renewed STIA includes all hotels within the existing district. The district boundaries are as follows: Beginning where Puget Sound meets W. Galer Street, continuing east as if Galer Street continued to 12th Avenue, south to South Royal Brougham Way, west as if South Royal Brougham Way continued to Puget Sound, continuing along the shore of Puget Sound to W. Galer Street.

The renewed district focuses on hotels in downtown Seattle that contribute to the overall economic benefit of all businesses serving leisure, convention, and business travelers. The work of the STIA is to improve occupancy of the hotels within the district boundaries.

**STIA PROGRAMS AND SERVICES** - are unique as STIA programs are intended to encourage both leisure tourism and group tourism (e.g., the hosting and attending of meetings and events) in Seattle to increase hotel occupancy within the area, and no other purpose.

**ASSESSMENTS** - Special monthly assessments of two and three tenths percent (2.3%) of the guest room rate paid by guests for each occupied room night (excluding taxes or other charges required by law, but without deduction for commissions or payment card processing fees) for

each ratepayer.

**OUTREACH** - A BIA renewal petition packet was sent to ratepayers by members of the existing STIA Advisory board and other STIA ratepayers. In addition, a webinar for all ratepayers was held on June 21, 2023, and a live presentation was made available to ratepayers on June 22, 2023. Feedback was collected via e-mail, by mail, one-on-one contact, and meetings.

**PROGRAM MANAGER** - The Program Manager for the STIA is recommended by the Ratepayers Advisory Board to the City. The Ratepayers Advisory Board approves an annual budget, work plan, and program manager for use of BIA generated funds in alignment with the BIA ordinance.

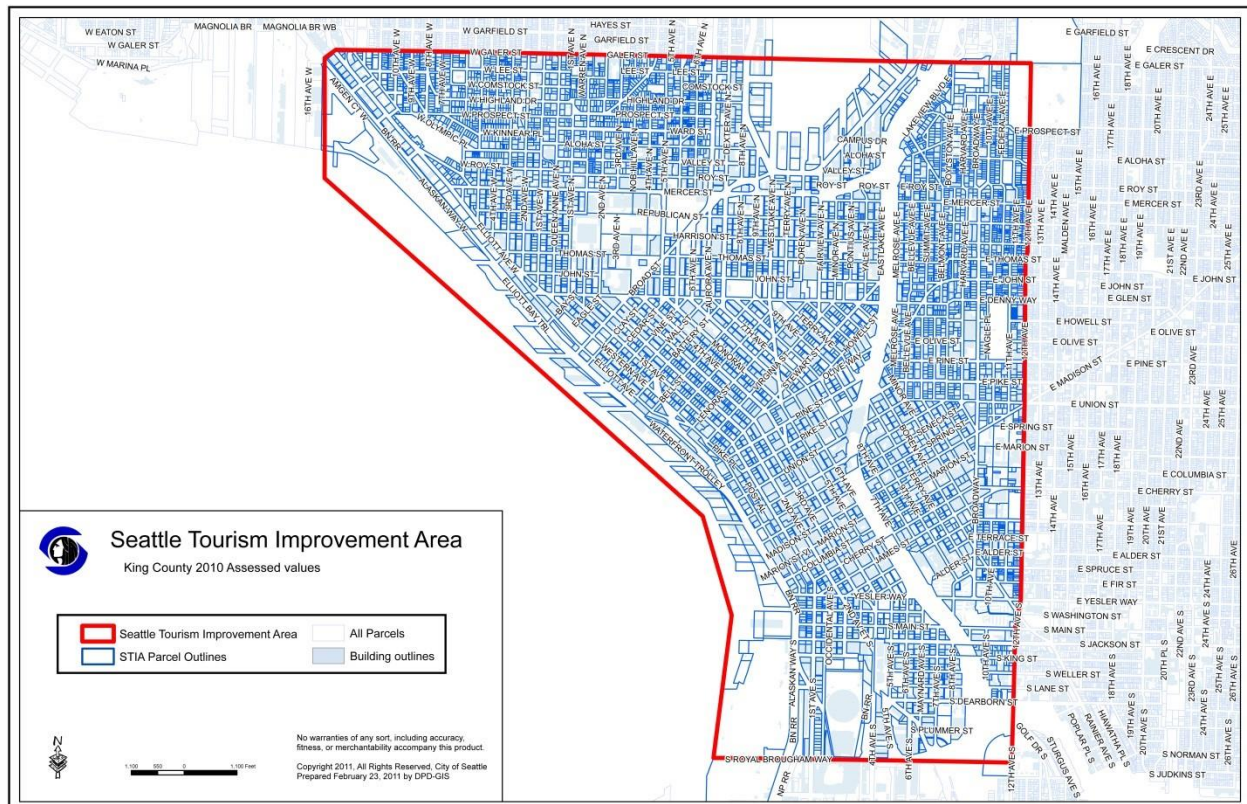
#### **BUSINESS IMPROVEMENT AREA (BIA) OVERVIEW:**

Currently, there are **11 BIAs** in Seattle generating a total of **\$35 million dollars** in enhanced programs and services to business districts. BIA assessments typically are utilized to support professional management, clean and safe, economic development, transportation, and business district advocacy.

This Business Improvement Area (BIA) benefit analysis has been prepared to support the proposed reauthorization and expansion of the STIA within the City of Seattle and a requirement of Resolution 31657 - the Citywide BIA Policies

## SECTION A: STIA PROPOSED BOUNDARIES

The boundaries, for the purpose of the STIA, includes those areas within the following: Beginning where Puget Sound meets W. Galer Street, continuing east as if Galer Street continued to 12th Avenue, south to South Royal Brougham Way, west as if South Royal Brougham Way continued to Puget Sound, continuing along the shore of Puget Sound to W. Galer Street.



## SECTION B: STIA PETITION SUPPORT AND BENEFITS

STIA has petition signature from **46 petitions** in support of the reauthorization and expansion, assessments are generated by one ratepayer class within the STIA boundaries. Per [State RCW 35.87A.010](#), petition support is based upon the assessment that would be generated by the BIA proposal.

While there were **25 ratepayers** who have not yet responded to the petition request to review the new STIA proposal, OED does not anticipate any organized opposition and Treasury has mailed out additional information to those business owners.

**Benefits Overview:**

The broadened scope of the STIA, funds will be invested in securing incremental meetings and conventions for Seattle. The opening in January 2023 of Summit provides clear opportunities for new business for Seattle's downtown and direct benefits to the ratepayers. Given that the assessment model is uniform, with the variation being the hotel cost - OED believe that the programmatic benefits generated via the new assessment will be commensurate with the proposed benefits from Visit Seattle.

Tourism is a \$3.6 billion industry in Seattle/King County - creating and supporting over 80,000 jobs and generating \$322 million annually in taxes for the state and city. Restrictions on the current ordinance is not adequate to compete and grow tourism revenues. Tourism is fiercely competitive and volatile - and Seattle competes with all destinations from Vancouver, BC to San Diego and most of those competitors are better funded at both the city and state levels.

New resources allowable under the new ordinance will support sales and marketing personnel and the supporting functions for their work: travel to sales missions, conferences and trade shows; bringing prospective clients to Seattle for familiarization, negotiation and site selection; collateral material development, advertising, social media, website, professional development, overhead and other attendant activities that result in an increase in overall business for the ratepayers.

Additional and expansion on benefits for the stakeholder group include the following:

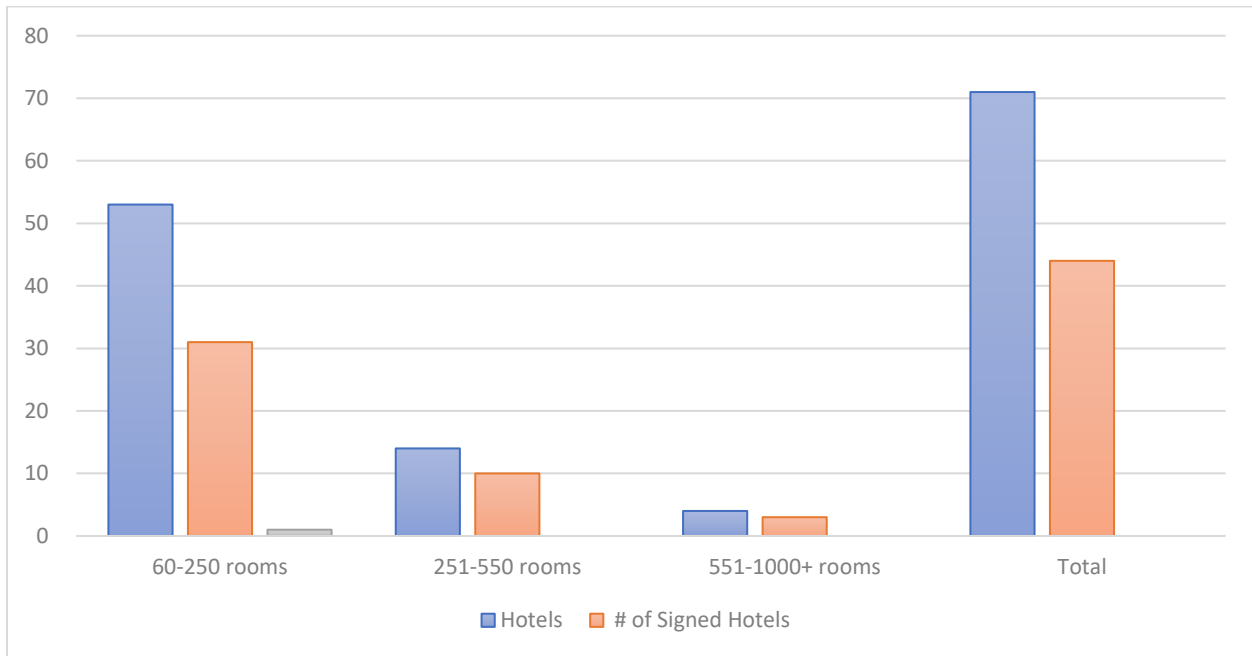
- Marketing and sales programs that focus on building business during need periods, growing occupancy and profitability of ratepayer businesses
- Participation opportunities in marketing and sales programs that provide exposure opportunity not otherwise available, accessible or affordable to the ratepayer businesses
- Public Relations programming that generate earned media, improve destination credibility and reputation, and address barriers to business growth
- A thriving business district that benefits from holistic support of complimentary services and businesses to help ensure the district is a balanced, thriving environment that supports continued business growth and community benefit
- Funding strategies to promote non-leisure tourism conventions
- For the anticipated non-leisure budget use for non-leisure:

**Assessment Exemptions:**

The special assessment is not imposed on rooms (a) where the occupant has stayed 30 or

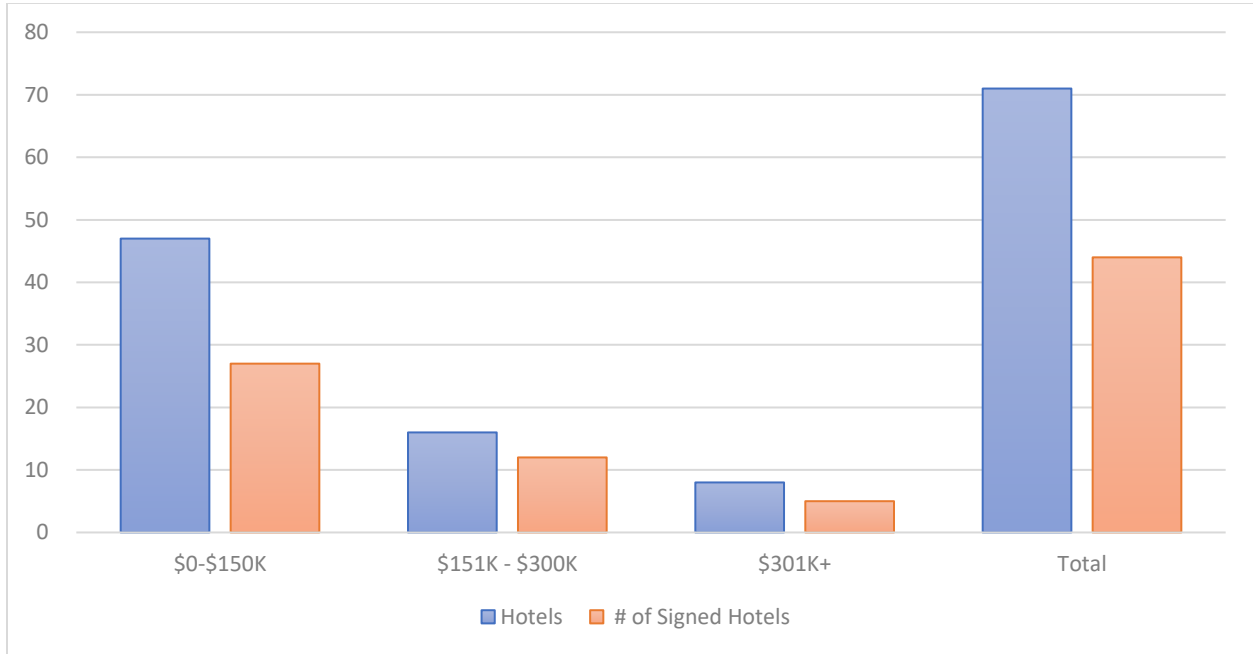
more days; (b) that are provided by a Ratepayer to guests without charge for promotional purposes; (c) that are available exclusively to members or guests of members of a private member-owned club or its reciprocal clubs or (d) that comprise facilities where accommodations are generally marketed and sold on a per bed, shared room basis (e.g. hostels).

**B1: PETITION SUPPORT BY HOTEL SIZE:**



Room Size	Hotels	Signed Hotels	% of Signed Hotels
60-250 rooms	53	31	58.5%
251-550 rooms	14	10	71.4%
551-1000+ rooms	4	3	75%
<b>Total</b>	<b>71</b>	<b>44</b>	<b>Overall Support: 62%</b>

**B2: PETITION SUPPORT BY HOTEL ASSESSMENTS (FY2022):**



Assessment Range	Hotels	# of Signed Hotels	% of Signed Hotels
\$0-\$250K	47	27	57.5%
\$251K-\$300K	16	12	75%
\$301K+	8	5	62.5%
<b>Total</b>	<b>71</b>	<b>44</b>	<b>Overall Support: 62%</b>

**SECTION C: STIA BUDGET**

The STIA BIA will generate an estimated total of **\$15 million** in assessments for the base year of authorization (2024).

The STIA budget below is in draft form only. It is subject to marketplace conditions, hotel occupancy rates, and review from the STIA Advisory Board and approval from the STIA Ratepayers.

<b>STIA Estimated 2024 Budget Expense Summary:</b>	<b>Proposed STIA 2024 Budget (in thousands)</b>	<b>% of STIA Revenue</b>
Advertising	\$ 7,500	50%
International Tourism Development	\$ 345	2.3%
Convention Sales & Marketing	\$ 2,130	14.2%
Marketing Partnerships	\$ 552	3.68%
Special Events	\$ 207	1.38%
Photography & Videography	\$ 69	0.46%
Market Research	\$ 207	1.38%
Public Relations	\$ 413	2.75%
Personnel	\$ 2,000	13.3%
Operating Expenses	\$ 1,580	10.5%
<b>Estimated Total</b>	<b>\$15,000</b>	<b>100%</b>

#### **SECTION D: BIA PROGRAMS AND SERVICES**

Washington State law outlines several purposes for the use of BIA generated funds (see RCW 35.87A.010(1)). The services and activities funded by the STIA annual assessment revenue are in addition to those services already provided by the City. A summarized description of current BIA services is shown below.

**Advertising Visit:** Seattle will create and execute an advertising plan and media buy to support two main initiatives in 2023: 1) drive hotel bookings in downtown and 2) repair the Seattle brand reputation locally, regionally, and nationally. 2023 will see a continuation and evolution of our I Know A Place campaign, showcasing visitor experiences that are unique to Seattle. We will continue to have a heavy presence in our primary West Coast markets, but will be adding secondary markets to increase our geographic reach and entice new potential travelers. Additionally, there will be an emphasis put on developing new content and content partnerships to expand reach of message.

**Inbound Hosting of International Media and Travel Trade:** With international borders open, we expect an influx of both media and trade visits in 2023. Along with travel restrictions, staffing problems posed a challenge in 2022, with overseas clients not having enough in-office coverage to allow staff to travel for work. Both obstacles have been eliminated or diminished, which should result in more opportunities to host. Invited guests may include members of the media as well as



tour operators and travel professionals from the primary markets of Australia/New Zealand, Canada, France, Germany, Japan, Mexico, South Korea, and UK/Ireland. Travel professionals and media from these markets are strategically selected as they have an enhanced ability to promote and sell Seattle in their countries of origin, which are the largest source markets for our city.

**International Client Events and Sales Missions:** With the assistance and guidance of in-market representation, Visit Seattle will look at targeted trade and media events in the UK/Ireland and France/Benelux (Belgium, Netherlands and Luxembourg). Each of these regions represents long-term, stable visitation to the city and region with existing nonstop service. Promotion of the city and region will continue in additional markets through in-country agencies, advertising opportunities and a selection of trade shows attended by International Tourism staff.

**International Sales and Marketing Representation:** Visit Seattle will resume contracted representation in traditional top markets, and when appropriate, leverage partnerships with the Port of Seattle and State of Washington Tourism. In 2022, these markets included UK/Ireland, German Speaking Europe and France. New in 2023 will be Japan, Australia/New Zealand, Canada and the Netherlands. Each of these contracts represents in-market staff to promote, market and sell Seattle to professional travel trade, media and consumer audiences. Visit Seattle will continue to evaluate additional promotional opportunities for the city in other target markets and enlist agency support on an ad hoc basis to maximize the reach of these activities in the coming year.

**Special Events:** In order to increase awareness of Seattle beyond traditional advertising, funds will be utilized to support current events coming to the city, as well to support new partnerships in the future. For example, funding will be used in out-of-market advertising to support events such as MLB All-Star Game, Taste Washington, Refract, Bumbershoot, potential bid draw sporting events, etc. Additionally, Visit Seattle will work to initiate new partnerships with entities such as television programs and other media outlets to increase brand awareness of Seattle through mass media.

**Photography and Videography:** Downtown Seattle and beyond has changed, so has the way people interact. The photo and video library will be refreshed with timely imagery in order to paint a more accurate picture of Seattle in current times. Additionally, a new destination video will be created for use by all hotel properties.

**Market Research:** Visit Seattle continues to evaluate demand growth, occupancy rate and ADR to measure success of initiatives, evaluating by month and by day of week using STR data from the 70 ratepayer hotels. Reports from Longwoods and Tourism Economics provide detailed reporting

on the annual impact of visitors to the regional economy. Data provides insights on the travel paths of visitors at specific points in time.

**Public Relations:** Our PR team will elevate Seattle’s visibility as a premiere travel destination and enhance its reputation. Collaboration on annual campaigns and initiatives with marketing to drive attention to BIPOC-owned businesses, LGBTQ+ businesses and Women-owned businesses. Leveraging key moments in time (many for 2023 - All Star, playoffs, concerts, cruise, etc.) to tell larger story around Seattle, encourage exploration beyond event. Coordination of themed press visits and outreach to select regional markets. Plan and manage media events/desk-side appointments: Vancouver, LA, San Francisco, Portland, and New York City. Execute national media tactics and arrange meaningful in-person opportunities for reporters to learn more about Seattle. Collaborate with a local PR agency to help drive media coverage around Visit Seattle-driven campaigns and need periods with local and national media on a per project basis throughout 2023

**Salaries & Wages:** Visit Seattle will employ 13 FTEs to manage tasks listed within this workplan to support activities of the STIA. Staff receive the same benefits as current Visit Seattle employees.

Operating Expense: Operating expenses will be incurred to support these Visit Seattle staff with the same telephone, parking and computer assets as current Visit Seattle employees. General overhead including IT, legal, finance and HR support and rent. Visit Seattle will also continue to pay D&O insurance for the Ratepayers Board and legal fees to support this entity. Additionally, Board Meeting and Annual Ratepayer Meeting expenses will be incurred

**SECTION E: ASSESSMENT METHODOLOGY**

The 2.3 percent assessment model provides equity for all ratepayers. The rate charged is directly connected to the room rate achieved by the hotel property; therefore, those with higher rates will remit a higher dollar amount than those with lower rates; however, the percentage of the nightly rate will remain consistent for all ratepayers.

This approach also allows for longevity of the STIA, because the funds available to invest in the work of the STIA can grow both with occupancy and rate yield. This enables Seattle to remain competitive with other destinations vying for the same customer markets.

Nightly Rate	Assessment Charge
\$175	\$4.03
\$200	\$4.60
\$250	\$5.75

\$300	\$6.90
\$350	\$8.05

**SECTION F: OUTREACH AND SUPPORT**

The STIA Advisory Board and Program Manager conducted research on market opportunities and competitive destination budgets, revenue generation methods, tax and assessment rates and overall business models.

Analysis was also conducted on the opportunities presented by the opening of the new Summit building as part of the convention package for Seattle. This analysis has included the development of a City-Wide Sales Plan, developed in conjunction with an expert third-party consultant, 17 hotel properties that regularly participate in the bid development to attract conventions, and the leadership of the Seattle Convention Center.

The STIA Advisory Board met March 7 and April 26 of 2023 to discuss and review the opportunities and potential threats that changing the current STIA presented, to request and review the research, and to analyze the information.

As a result of this analysis and research, on May 24, 2023, the STIA Advisory Board unanimously voted to change the current STIA from a flat fee of \$4/occupied room night to 2.3% of the nightly room charges, and to include the sales and marketing of meetings and conventions in the allowable uses of the funds. The STIA Advisory Board consulted with the OED and legal counsel in the development of the petition to be circulated to ratepayers.

STIA Outreach

The STIA Advisory Board and a few additional key hotel owners and operators were the point of the spear for community outreach. Each member of this outreach team had a list of other STIA ratepayer hotels and did one-to-one outreach to discuss the recommended changes and obtain petition signatures. This outreach began in June of 2023 and the group will continue to be available as resources to the ratepayers throughout the process of sunseting the existing STIA and establishing the new district.

In addition, a webinar for ratepayers was conducted on June 21, 2023 and was recorded to be available for any ratepayers who may have missed the broadcast. In addition, a live presentation followed by an opportunity to ask questions or raise objections in person was held on June 22, 2023.

## SECTION I: GLOSSARY:

Assessment: A BIA assessment is a fee that each ratepayer pays to support the programs funded by the BIA. The sum of all the individual assessments that ratepayers pay comprise the total yearly assessment of the BIA, and underwrite most, if not all, annual operating expenses. The total yearly assessment is unique to each BIA in Seattle.

BIA: "BIA" is an acronym for Business Improvement Area. A business improvement area is a geographically defined area within the City of Seattle, in which services, activities, and programs are paid for through a special assessment which is charged to all eligible ratepayers within the area with the intention of reasonably distributing the benefits received and the costs incurred to provide the agreed- upon services, activities, and programs.

BIA Advisory Board: The City's policy is to create a BIA Advisory Board to oversee operations of the funds, approve an annual budget for use of BIA generated revenues and recommend a Program Manager; however, the City has sole discretion as to how the revenue derived from the BIA is to be used within the scope of the purposes stated in the BIA ordinance.

BIA Notification and Petition Validation Process: Processes in which the City notifies potential ratepayers of the BIA proposal and validates the petitions signed in favor of a BIA proposal. The City's policy is to send a letter to all potential ratepayers to notify them that the BIA proposal has been submitted to the City. The City also validates all signed petitions that have been submitted by the party or parties requesting to establish the BIA.

Program Manager: the organization that administers the operations of the BIA. The Program Manager is recommended by the BIA Advisory Board to the City. The BIA Advisory Board approves an annual budget for use of BIA generated funds in alignment with the BIA ordinance. The Program Manager administers the funds in accordance with the approved budget through direct expenditures and/or contracts with service providers. The Program Manager's administration will comply with all applicable provisions of law, with all county and City resolutions and ordinances, and with all regulations lawfully imposed by the state auditor or other state agencies.

Ratepayer: those individuals, organizations or entities that are assessed, i.e. those that receive an assessment bill from the City as a result of establishing the BIA. Individuals, organizations or entities that receive an increase in their lease rates or other contractual agreement with

ratepayers as a result of the establishment of the BIA are not, for purposes of City policies, considered ratepayers.

Ratepayer Classification: ratepayers that are grouped into a specific category either for purposes of applying a unique assessment rate or formula or for distinguishing a unique type or level of benefit.

Stakeholder: Individuals, organizations or entities that are located in or have a direct interest in the boundaries of the district. They can be ratepayers or non-ratepayers. They may include, but not be limited to, property owners, businesses, residents, government agencies, nonprofit agencies and other institutions. For example, a district could have the presence of manufacturing businesses, retail and service businesses, a private school, nonprofit service providers, condo associations, residential property owners, commercial property owners, etc.