

September 7, 2023

MEMORANDUM

To: Economic Development, Technology, and City Light Committee
From: Jasmine Marwaha, Analyst
Subject: Seattle Tourism Improvement Area – Council Bill 120641

On September 11, 2023, the Economic Development, Technology, and City Light Committee (Committee) will have an initial briefing and discussion on [Council Bill \(CB\) 120641](#) that would establish a new Seattle Tourism Improvement Area (STIA), replacing the STIA established in 2011. STIA is one of 11 established Business Improvement Areas (BIAs) in the city. Staff from the Office of Economic Development (OED) and proponents of the proposed STIA will be at the Committee meeting to describe the background, outreach, intent, and scope of the proposal.

This memorandum: (1) provides general background about BIAs; (2) describes City policy and State law governing the formation of a BIA; (3) summarizes the content of CB 120641; and (4) identifies next steps. Attachment 1 shows the boundaries of the STIA, which will remain unchanged in the new proposal.

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.

OED provides staff support to BIAs, and the Department of Finance and Administrative Services (FAS) collects assessment revenues from ratepayers and disburses the funds. There are currently 11 [established BIAs](#) in Seattle, including the STIA.

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](#) is the STIA's Program Manager. In 2022, [Council Bill \(CB\) 120273](#) amended the assessment rate from \$2 to \$4 per occupied room night. These funds are currently 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.

As described further below, CB 120641 proposes to change the assessment rate from a flat fee per occupied room night to a percentage of the guest room rate. CB 120641 would also expand the programs and services provided to support both leisure tourism and group tourism (e.g, the hosting and attending of meetings and events). Due to the extent of the proposed changes, the

proponents opted to circulate petitions to create a new Seattle Tourism Improvement Area, rather than attempt to amend the 2011 STIA ordinance.

Establishing a New BIA

Procedures for establishing and operating a BIA are governed by [Chapter 35.87A RCW](#). BIAs may be initiated either by a petition from prospective ratepayers who would pay at least 60 percent of the BIA assessments or by resolution. The City has its own non-binding BIA policies, most recently amended by [Resolution 31657](#) in 2016. Per the adopted policies, the City will consider a new BIA when presented with a petition by those who represent 60 percent or more of the total assessment in the proposed BIA.

In July 2023, the proponents submitted to the City 46 petitions ([Clerk File 322704](#)) in support of the new STIA from potential ratepayers representing over 72 percent of the total assessment, above the recommended minimum threshold of 60 percent.

On August 15, 2023, the Council began the process to consider the new STIA by introducing and adopting three resolutions:

1. [Resolution 32104](#) that initiates consideration of the new STIA;
2. [Resolution 32105](#) stating the City's intent to establish the new STIA and set a date and location for a public hearing on the proposal; and
3. [Resolution 32106](#) that expressed intent to formally disestablish the 2011 STIA, and set a date and location for a public hearing on the disestablishment.

Resolutions 32105 and 32106 set the date of the public hearing for September 13, 2023. Comments will be accepted in one public hearing for both the establishment of the proposed new STIA, and the disestablishment of the 2011 STIA. The hearing will be held in person and remotely in Committee. As required by State law, Resolutions 32105 and 32106 were published in the Daily Journal of Commerce and mailed to all potential ratepayers at least 10 days prior to the hearing.

On August 15, 2023, the Council introduced a fourth piece of legislation ([CB 120641](#)) that would establish the new STIA and levy the special assessment to fund STIA activities.

Council Bill 120641

CB 120641 would establish a new Seattle Tourism Improvement Area (STIA) beginning on January 1, 2024. Among other things, the bill:

- Establishes the geographic boundaries of the new STIA;
- Describes the assessment schedule;
- Describes the programs that would be funded by the assessments;

- Establishes an Advisory Board;
- Authorizes OED to contract for program management; and
- Allows for all remaining funds in the 2011 STIA Account to be transferred to the new STIA Account.

Boundaries

The renewed STIA includes all hotels within the existing district. The district boundaries, as established in 2011, extend north to W. Galer Street, east to 12th Avenue, south to South Royal Brougham Way, and west to Puget Sound. Please see Attachment 1 for details on the STIA boundaries.

Term

The new STIA would be established for a period of 15 years, beginning on January 1, 2024. Prior to expiration of this term, proponents may recommend that the STIA be renewed.

Assessments

For each ratepayer, the assessment rate is proposed to be 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.

Changing the assessment rate from a flat fee to a percentage of the guest room rate will result in higher projected revenue overall for the STIA and a more equitable distribution of assessments – guests who are staying in rooms with lower rates would pay a lower assessment than guests staying in rooms with higher rates.

Programs

STIA revenues shall be used solely and exclusively for domestic and international tourism promotion, advertising, sales and marketing activities intended to encourage both leisure tourism and group tourism (e.g., the hosting and attending of meetings and events) in Seattle in order to increase area hotel occupancies and for no other purpose. The [Office of Economic Development's STIA Benefit Analysis](#) provides a more detailed description of the proposed budget and program activities.

Program Manager

OED would be authorized to contract with a local non-profit entity operating primarily within the City, with experience in BIA management, to act as the Program Manager. The Program Manager of the current STIA, [Visit Seattle](#), would fulfill this criteria and is anticipated to continue in this role with the new STIA.

BIA Advisory Board

Within 30 days of the effective date of the legislation, OED would appoint an STIA Advisory Board (Board) comprised of representatives of the varying locations, sizes and types of ratepayers within the geographic area of the STIA. Individuals serving on the Board would be required to possess the legal authority to represent, and act on behalf of, their respective lodging properties in all STIA board matters.

The Board would be responsible for: adopting bylaws consistent with the City's BIA policies; adopting policy guidelines; recommending approval of budgets, expenditures, and programs; and providing advice and consultation to the OED and Treasury Directors and to the Program Manager.

Next Steps

At the next meeting on September 11, 2023, the Committee will have an initial briefing and discussion on [Council Bill \(CB\) 120641](#). At the following Committee meeting on September 13, 2023, the Committee will hold a public hearing on CB 120641, consider any proposed amendments and possibly vote on the Council Bill. If the Committee votes to recommend passage of CB 120641 on September 13, the City Council will likely consider the legislation at its meeting on September 19, 2023.

Attachments:

1. Seattle Tourism Improvement Area Boundary Map

cc: Esther Handy, Director
Aly Pennucci, Deputy Director
Yolanda Ho, Supervising Analyst

