

# HOUSE BILL REPORT

## 2SHB 1290

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### As Passed Legislature

**Title:** An act relating to local tourism promotion areas.

**Brief Description:** Concerning local tourism promotion areas.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Maxwell, Rodne, Kenney, Green, Clibborn, Lias, Anderson and Hunter).

#### **Brief History:**

##### **Committee Activity:**

Community & Economic Development & Trade: 1/29/09, 2/4/09 [DPS];

Finance: 2/20/09, 3/2/09 [DP2S(w/o sub CEDT)].

##### **Floor Activity**

Passed House: 3/11/09, 83-13.

Passed Senate: 4/23/09, 36-12.

Passed Legislature.

#### **Brief Summary of Second Substitute Bill**

- Removes the restriction on forming a tourism promotion area in a county with a population exceeding one million.
- Allows the Department of Revenue to deduct a percentage of lodging charge collections to offset administrative expenses.

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### HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Chase, Probst and Sullivan.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Orcutt and Parker.

**Staff:** Meg Van Schoorl (786-7105)

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### HOUSE COMMITTEE ON FINANCE

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community & Economic Development & Trade. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta.

**Staff:** Jeffrey Mitchell (786-7139)

**Background:**

The establishment of local tourism promotion areas was first authorized in 2003 for those counties with populations between 40,000 and one million. The process begins when an initiation petition is presented to the legislative authority having jurisdiction over the location of the proposed tourism promotion area. The initiation petition must describe the area's boundaries, the proposed uses and projects to which the revenues from the charge will be put, and the total estimated costs. The initiation petition must also estimate the rate for the charge, propose a breakdown by class of lodging businesses, and provide signatures of persons who operate lodging businesses in the proposed area who would pay 60 percent or more of the charges.

After receiving a valid initiation petition, the legislative authority must adopt a resolution stating its intention to establish an area. It must hold a public hearing. The legislative authority may then adopt an ordinance to establish a tourism promotion area. The legislative authority can impose a charge not to exceed \$2 per night on persons who are taxable under the retail sales tax. The legislative authority can create up to six different classifications for lodging businesses, depending upon the number of rooms, room revenue, and location. The charge applies only at lodging businesses having at least 40 rooms.

The lodging businesses collect the charges and remit them to the Department of Revenue which deposits the revenues into the Local Tourism Promotion Account (Account) in the State Treasury. The state treasurer distributes money in the Account monthly to the legislative authority on whose behalf the money was collected.

According to the Department of Revenue, as of January 2009, areas within Benton, Chelan, Clark, Franklin, Spokane and Yakima counties were imposing tourism promotion area charges ranging from 50 cents to \$2.

There is no provision for establishing a tourism promotion area in a county with a population greater than one million or smaller than 40,000. According to the Office of Financial Management, as of April 2008, there is one county whose population exceeds one million and 15 counties with populations less than 40,000.

Tourism promotion includes activities and expenditures designed to increase tourism and convention business. Activities include advertising, publicizing or distributing information in order to attract tourists, and operating tourism destination marketing organizations.

**Summary of Second Substitute Bill:**

The restriction on forming a tourism promotion area in a county with a population above one million is removed. For the purposes of this bill, the legislative authority for such a county is defined as two or more jurisdictions acting under an inter-local agreement to jointly establish and operate a tourism promotion area.

The Department of Revenue (DOR) is allowed to contract with a legislative authority to retain a portion of lodging charge collections to offset administrative costs incurred by the DOR.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony (Community & Economic Development & Trade):**

(In support) Tourism is an important cluster to our state's economy, and it is increasing in its importance to cities and towns. Jurisdictions in 24 counties already have the opportunity to form tourism promotion areas and use the funds generated to jointly promote their unique characteristics. A 10-year moratorium on commercial and residential development demonstrated the importance of tourism to a city's economic vitality, especially the downtown. King County jurisdictions, especially suburban and rural cities such as Mercer Island, Issaquah, North Bend, Kirkland, and Redmond would like the same opportunity as larger cities in the county. Seattle and Bellevue would likely not want to use this mechanism because their hotel taxes are already quite a bit higher than other jurisdictions. The proceeds from the tourism promotion area charge are only for promotional expenditures, not bricks and mortar.

(With concerns) Exemption options for existing and new lodging facilities are not needed. This is our only concern with the bill. The lodging community itself initiates the formation process through a petition signed by those facilities that would pay at least 60 percent of the charges. Allowing for exemptions is a dangerous precedent that could extend to other areas of the state. It is also an equity issue because lodging facilities that opt out would still gain the benefit of the area promotions. Exemptions would also complicate administration for the Department of Revenue.

(Opposed) None.

**Staff Summary of Public Testimony (Finance):**

(In support) The tourism business is an important economic cluster for many of our local communities around the state. Tourism promotion areas already exist and are successful in Spokane, Yakima, Clark County, and three other counties. In those areas lodging facilities can charge up to \$2 per night paid by visitors, not by the residents and businesses. The

change to allow tourism promotion areas in King County will not have a widespread effect around the state, but it will be very important to the east King County communities. Several suburban areas, potentially including Mercer Island, Issaquah, North Bend, Kirkland, and Snoqualmie would like to join together to promote unique characteristics of each community, and have the opportunity to promote more tourism dollars to their town. Right now these communities are prevented from establishing the same kind of tourism promotion areas that are in 24 other counties in our state. It's a matter of ensuring consistency around our state so that no communities are disadvantaged in tourism. This is a tool totally focused on economic development and tourism promotion.

(Opposed) None.

**Persons Testifying** (Community & Economic Development & Trade): (In support) Representative Maxwell, prime sponsor; Jim Pearman, City of Mercer Island; Dan Trimble, City of Issaquah; Bob Cole, City of Snoqualmie; and Gina Estep, City of North Bend.

(With concerns) Becky Bogard, Washington Association of Convention and Visitors Bureaus.

**Persons Testifying** (Finance): Representative Maxwell, prime sponsor; and Jim Pearman, City of Mercer Island.

**Persons Signed In To Testify But Not Testifying** (Community & Economic Development & Trade): None.

**Persons Signed In To Testify But Not Testifying** (Finance): None.