

Tourism Recovery District – TPA Particulars

Situation: Due to the COVID-19 pandemic, BWCT is looking at between 50-75% reduction in funding from the City of Bellingham LTAC fund in 2021. Whatcom County has committed to stable funding for 2021, but it is unclear what resources will be available in 2022 and beyond. We must explore options and funding sources to carry us to COVID-19 recovery. BWCT is currently funded (85%) by hotel motel taxes collected in Bellingham and unincorporated Whatcom County. Because we have not been able to get to Phase 3 of the Governor’s reopening plan combined with the Canadian border closure, our hotel occupancy levels have suffered greatly. Along with that, we are seeing a dip in ADR. This means that in 2021 and beyond, our DMO will be faced with severe budget cuts requiring us to tap into reserves.

Potential Funding Source and Options: If BWCT is to continue sales, marketing and advertising programs and help the tourism industry in Whatcom County recover, we must look for new funding sources. We are working with hotel partners to explore the formation of a TPA-type Tourism Recovery District (uses the same Washington State TPA legislation) focused on the bulk of hotels in the county with over 40 rooms, which means those hotels located in the city limits of Bellingham. We also could include the Holiday Inn and Suites located in unincorporated Whatcom County, which is scheduled to be annexed into the City of Bellingham in the next couple of years. It is the only hotel in unincorporated Whatcom County that qualifies under the RCW. The County could participate in an interlocal agreement with the City of Bellingham to include the Holiday Inn and Suites until it is annexed. Bellingham and Whatcom County is one of the few remaining areas in the state without a TPA.

What is a TPA in Washington State?

A legislative authority may impose an additional charge up to \$3 per night per stay on the furnishing of lodging by a lodging business located in the area. This charge is in addition to the \$2 charge and expires July 1, 2027.

To impose the additional charge, signatures of the persons who operate lodging businesses that would pay 60 percent or more of the proposed charges must be provided. In addition, the following information must be provided:

- the proposed uses and projects to be funded through the charge;
- the total estimated costs;
- the estimated rate for the charge; and
- a proposed breakdown of charges by class of lodging business for the TPAs that use lodging rate classifications.

The legislative authority's use of revenue derived from the charge must be used to promote tourism that increases the number of tourists to the area. A tourist is defined as a person who travels for business or leisure to a destination at least 50 miles away or, in the case of the Canadian border, from Canada.

What Does This Mean for Bellingham: If hotels pursue this course of action it would require 60% of the hotel rooms in hotels with 40 rooms or more in the City of Bellingham to petition the City of Bellingham to form the district, which is funded by an assessment paid by hotel guests. It is not a tax but an assessment.

One hotel with more than 40 rooms, located just outside the City of Bellingham is the Holiday Inn and Suites at BLI, which is scheduled to be annexed into the City of Bellingham in the next couple of years. It is the only hotel with over 40 rooms in unincorporated Whatcom County. In order to participate in the TPA, we would need the Holiday Inn and Suites to petition the county. Once the hotel is annexed, it would then just become part of the Bellingham Whatcom County TPA/Recovery District.

Assessment: The amount we are looking at now, based on recommendations of other areas of the state with TPAs, is \$3 per occupied room. The great thing about TPA money is that it does not impact rate – it is below the line on the guest folio. If hotels were to run at 60% occupancy based on 2018 collections, at \$3 per occupied room, approximately \$1.1 million would be collected over a period of one year. This number would grow as occupancy grows. **In the case of the one hotel in unincorporated Whatcom County under the same scenario, about \$82,000 per year would be collected.**

Base LTAC Funding: It is important that, as we move forward, base funding from LTAC is maintained from cities and Whatcom County. As the TPA funding grows, BWCT could potentially move away from its dependence on LTAC funding. In a perfect world, a portion of LTAC funding that might be replaced by TPA funds could be earmarked for a capital project to develop additional tourism infrastructure for the future. A strategic tourism master plan for the future should be considered as soon as possible. Based on MPAR (marketing dollars per available room), and to compete with other similar sized destinations in Washington State, **BWCT should have a budget of at least \$1.8 million per year. A combination of LTAC and TPA funding would get us there in a couple of years.**