

LODGING TAX



Answering Questions

1. Lodging Tax Statutes
2. City of Yakima Lodging Tax and LTAC processes
3. Follow up on the \$75,000 LTAC SunDome recommendation



What Can Lodging Tax Be Spent On?

1. **Tourism marketing;**
2. The marketing and operations of **special events and festivals designed to attract tourists;**
3. Supporting the operations and capital expenditures of tourism-related facilities **owned or operated by a municipality** or a public facilities district created under chapters 35.57 and 36.100 RCW; or
4. Supporting the operations of tourism-related facilities **owned or operated by nonprofit** organizations

(RCW 67.28.1816)



Who are Eligible Recipients?

1. The local lodging tax advisory committee must **select the candidates from amongst the applicants** applying for use of revenues in this chapter and provide a list of such candidates and recommended amounts of funding to the municipality for final determination. The municipality may choose only recipients from the list of candidates and recommended amounts provided by the local lodging tax advisory committee.
2. All recipients must submit a report to the municipality describing the **actual number of people** traveling for business or pleasure on a trip:
 - Away from their place of residence or business and **staying overnight in paid accommodations**;
 - To a place **fifty miles or more one way from their place of residence** or business for the day or staying overnight; or
 - From another country or state outside of their place of residence or their business.

(RCW 67.28.1816)



What is LTAC Committee Composition?

- At least five members, appointed by legislative body of municipality
 - One member an elected official of the municipality who shall serve as chair of the committee.
 - At least two members representing of businesses required to collect tax
 - At least two members involved in activities authorized to be funded
 - Equal number of collecting/receiving members
- May include one nonvoting County elected official member
(RCW 67.28.1817)



Who is on LTAC?

Appointed by Council:

- Elected official Committee Chair: Mayor Kathy Coffey
- Representatives of businesses required to collect tax:
 - Ledgestone Hotel – Sara Allen
 - Hilton – Lisa Vallejo
 - Howard Johnson – Colette Keeton
 - Oxford Inn – Sara Davila
- Businesses authorized to be funded by tax
 - Yakima Valley Tourism - John Cooper
 - Capitol Theatre – Charlie Robin
 - Convention Center – Angie Girard
 - Sundome – Greg Lybeck



How Often Can/Should LTAC Meet?

- RCWs silent as to frequency of meetings
- Spending Timeline:
 - A municipality proposing a change in the use of revenue shall submit the proposal to the lodging tax advisory committee for review and comment at least forty-five days before final action.
 - The advisory committee shall submit comments on the proposal in a timely manner through generally applicable public comment procedures.
 - Failure of the advisory committee to submit comments before final action on or passage of the proposal shall not prevent the municipality from acting on the proposal.
 - A municipality is not required to submit an amended proposal to an advisory committee under this section. (RCW 67.28.1816)

What is Historical Lodging Tax Revenue?





How Many Annual Room Nights?

1. Actual 2018 Rooms Sold was 451,848
(Per Smith Travel Research)
2. Number of hotel rooms:
 1. Yakima: 1,937
 2. Union Gap: 257
3. Since total Lodging Tax in 2018 was \$1,640,198,
Avg. Lodging Tax per room night was \$3.63

What is Historical Lodging Tax Spending?



		Fund					
		170		171	287	370	
		Tourist Promotion Operations*	SunDome	Capitol Theatre Operations	Debt Service- 1996 GO Bonds **	Convention Center Capital	
		<hr/>					
		100%					
2009	1,175,137	495,576	-	93,108	442,000	144,453	1,175,137
2010	1,222,135	545,200	-	97,000	428,000	151,935	1,222,135
2011	1,230,615	545,200	-	97,000	428,000	160,415	1,230,615
2012	1,283,306	545,200	-	140,000	428,000	170,106	1,283,306
2013	1,334,800	570,000	-	140,000	428,000	196,800	1,334,800
2014	1,430,792	630,000	-	150,000	428,000	222,792	1,430,792
2015	1,489,294	651,000	75,000	175,000	428,000	160,294	1,489,294
2016	1,575,526	633,550	75,000	200,000	428,000	238,976	1,575,526
2017	1,647,735	660,000	75,000	205,570	428,000	279,165	1,647,735
2018	1,640,198	660,000	75,000	205,570	428,000	261,628	1,630,198
	<u>25,323,224</u>						<u>25,313,225</u>
2018		40.1%	4.6%	12.5%	26.0%	16.9%	100%



Where is Lodging Tax Spent 2019?

2019 Budget Allocation

1. Conv. Center Debt Service	\$349,000
2. Conv. Center Capital	\$375,000
3. Conv. Ctr Tourist Promotion	\$670,000
4. Capitol Theatre	\$205,570
5. Unallocated	\$75,000



What Is Recipient Application Process?

- City Council can only choose from LTAC-recommended recipients
- Applicants applying for use of revenues in this chapter must provide the (LTAC) to which they are applying estimates of how any moneys received will result in increases in the number of people traveling for business or pleasure on a trip:
 - Away from their place of residence or business and staying overnight in paid accommodations;
 - To a place fifty miles or more one way from their place of residence or business for the day or staying overnight; or
 - From another country or state outside of their place of residence or their business.

(RCW 67.28.1816)



Council Roles and Responsibilities?

City Council:

- Has decision making authority from Lodging Tax Advisory Committee-input
- Authorizes spending in budget
- May amend 2019 budget any time
- Authorizes or rejects projects/recipients
- Once the budget is adopted, may notify the LTAC of any changes in uses (projects).



Can Unspent Lodging Tax Help GF Reserves?

- No, not directly
- Lodging Tax is a restricted revenue fund and can only be used for purposes outlined in the RCWs

(RCW 67.28-1816)



What is Lodging Tax Fund Balance?

- Projected 2019 Ending Fund Balance \$344,138
- This does not count the \$75,000 recommended by LTAC for SunDome Operations



SunDome Stats

- 2018 Visitors outside 50-mile radius 45,952
- 2018 Lodging room nights 26,101
(est. lodging tax @\$3.63 avg = \$94,750)
- Estimated economic impact to Yakima Valley \$23.9 million
- Total 2018 attendance – all events – 526,663
(Yakima SunKings, WIAA sports, associations and tradeshow, other events, graduations and commencements, concerts, State Fair)

See
handout

Source: 2018 Yakima Valley SunDome report & 2018 Event Tracking Report



City Support of SunDome - REET

- The debt payment in REET is \$150,000 through 2023, an interlocal agreement with State, County and City
 - Debt paid for 16K sqf expansion (north side), seating capacity increase to 7,100, new locker rooms and second floor improvements
- We help Central WA Fair:
 - \$22,900 in PD time (out of a total: \$33,900 where \$11,000 is reimbursed)
 - \$18,600 in Transit services (Free shuttle)
 - \$5,309 in FD stand by services including OT
 - FD collected \$4,075 in fire inspections fees



What's the County's Lodging Tax?

- County gets 2% Lodging Tax of the State's share about \$750,000, for existing 2009 debt
- 2009 bond was for
 - Fairgrounds capital
 - Capitol Theatre seating
 - Convention center flooring
 - Seasons performance hall
 - Yakima Valley museum

Staff seeks Council's direction
on the unallocated \$75,000 in 2019 Budget

Handout

SunDome Example

WIAA Attendance, Hotel Rooms, Economic Impact

WIAA Events Held -- Through December 2018										
			Rate Schedule:			Formula for Calculating Estimated Economic Impact:				
			Convention Group:			\$170/\$181	(# ppl x # peak nights) x rate = estimated economic impact			
			Sports Group/Events:			\$170/\$181	(#ppl out-of-town x #peak nites x rate=est.economic impact			
	Mgr	Group	Facility	#PplRprtd	#PplAct	Rm Nts	Rate:	#RmsBlkd	#RmsAct	Econ Impact
Sporting Events	RA	WIAA 1B, 2B Region 2 Wrestling Tourney	Kittitas HS	150	150	1.0	\$170	75	75	\$25,500
	RA	WIAA 4A Region 3 Wrestling Tourney	Ike HS	400	400	2.0	\$170	200	200	\$136,000
	RA	WIAA 1A Boys and Girls ST Basketball	SunDome	3,200	3,600	4.0	\$170	2,100	2,400	\$2,448,000
	RA	WIAA 2A Boys and Girls ST Basketball	SunDome	3,200	3,600	4.0	\$170	2,100	2,400	\$2,448,000
	RA	WIAA ST Dance & Drill	SunDome	3,900	4,500	2.0	\$170	1,450	2,700	\$1,530,000
	RA	WIAA State Solo & Ensemble Contest	cwu	1,500	1,500	2.0	\$181	1,000	1,000	\$543,000
	RA	WIAA 1B, 2B, 1A ST Tennis	Yak Tennis Club	500	500	2.0	\$181	320	320	\$181,000
	RA	WIAA 1A, 2A ST Baseball	Yak Co Stadium	800	800	2.0	\$181	500	500	\$289,600
	RA	WIAA 1B/2B ST Softball Championships	GW Sports Complex	1,000	1,000	2.0	\$181	540	540	\$362,000
	RA	WIAA 2A ST Softball Championships	Carlton	1,000	1,000	2.0	\$181	740	740	\$362,000
	RA	WIAA Coaches School	Center	425	425	2.0	\$181	350	350	\$153,850
	RA	YVIAA Distr 5 WIAA 2A Girls Soccer Round of 16 at Selah HS Nov 6	Selah HS	80	80	1.0	\$181	20	20	\$14,480
	RA	YVIAA Distr 5 WIAA 1A Girls Soccer Round of 16 at Marquette Stadium Nov 6	Marquette Stadium	200	200	1.0	\$181	50	50	\$36,200
	RA	WIAA 1B ST Volleyball	SunDome	1,000	1,000	2.0	\$181	500	500	\$362,000
	RA	WIAA 2B ST Volleyball	SunDome	1,200	1,200	3.0	\$181	750	750	\$651,600
	RA	WIAA 1A ST Volleyball	SunDome	2,200	2,200	2.0	\$181	1,200	1,200	\$796,400
	RA	YVIAA Distr 5 WIAA 1A Football Round of 16 at Zillah HS Nov 9	Zillah HS	200	200	1.0	\$181	50	50	\$36,200
	RA	YVIAA Distr 5 WIAA 1A Girls Soccer Round of 16 at Marquette Stadium Nov 10	Marquette Stadium	200	200	1.0	\$181	40	40	\$36,200
	RA	YVIAA Distr 5 WIAA 2A Girls Soccer Quarterfinals at Eburg HS Nov 10	Eburg HS	200	200	1.0	\$181	50	50	\$36,200
	RA	YVIAA Distr 5 WIAA 2A Girls Soccer Quarterfinals at Selah HS Nov 10	Selah HS	200	200	1.0	\$181	70	70	\$36,200
	RA	YVIAA Distr 5 WIAA 1A Football Round of 16 at Marquette Stadium Nov 10	Marquette Stadium	200	200	1.0	\$181	50	50	\$36,200
	RA	WIAA 3A ST Volleyball	SunDome	2,000	2,000	2.0	\$181	1,400	1,400	\$724,000
	RA	WIAA 4A ST Volleyball	SunDome	2,000	1,800	2.0	\$181	1,400	1,200	\$651,600
	RA	YVIAA Distr 5 WIAA 1B Football Quarterfinals at Gview HS Nov 17	Gview HS	80	80	1.0	\$181	20	20	\$14,480
	RA	YVIAA Distr 5 WIAA 1A Football Quarterfinals at Gview HS Nov 16	Gview HS	300	300	1.0	\$181	60	60	\$54,300
SPORTING EVENTS TTL:		25		26,135	27,335			15,035	16,685	\$11,965,010

WIAA Events alone at SunDome bring approximately \$45,556 in Lodging Tax (Tourism) and \$159,332 in Sales Tax (General Fund)

Lodging Tax Economic Impact
WIAA Events 2018
SunDome

Economic Impact is # of People X # Room Nights X avg. spending \$

	Ppl Act	#Rms Act	Rm Nights		Econ Impact
	[a]	[b]	[c]	[d]	[a] x [c] x [d]
1A boys and Girls ST Basketball	3,600	2,400	4	\$ 170	\$ 2,448,000
2A boys and Girls ST Basketball	3,600	2,400	4	\$ 170	\$ 2,448,000
ST Dance & Drill	4,500	2,700	2	\$ 170	\$ 1,530,000
1B ST Volleyball	1,000	500	2	\$ 170	\$ 340,000
2B ST Volleyball	1,200	750	3	\$ 170	\$ 612,000
1A ST Volleyball	2,200	1,200	2	\$ 170	\$ 748,000
3A ST Volleyball	2,000	1,400	2	\$ 170	\$ 680,000
4A ST Volleyball	1,800	1,200	2	\$ 170	\$ 612,000
	19,900	12,550			\$ 9,418,000

Avg. Lodging Tax	\$ 3.63		
Total Lodging Tax	\$ 45,556	=	\$ 9,418,000
			\$ (45,556)
Total non-Lodging Tax economic activity			\$ 9,372,444

Sales Tax Rate - City			1.70%
Sales Tax \$ - City	\$ 45,556	x	\$3.50 = \$ 159,332

Annual Lodging Tax	\$ 1,640,198
total Yakima room nights	451,848
Avg. Lodging Tax / room night	\$ 3.63

State	6.50%
City	1.70%
Total	8.20%



What is Lodging Tax's "Sales Tax Effect?"

Quantifying the economic multiplier

- Assumes \$170 per person per room night
- \$1 in Lodging Tax generated about \$3.50 in Sales Tax in this one example

Reference

Information

For reference only



What is the Lodging Tax Rate in Yakima?

Of the total 11.2% on hotel's room rate,
City of Yakima receives 5%:

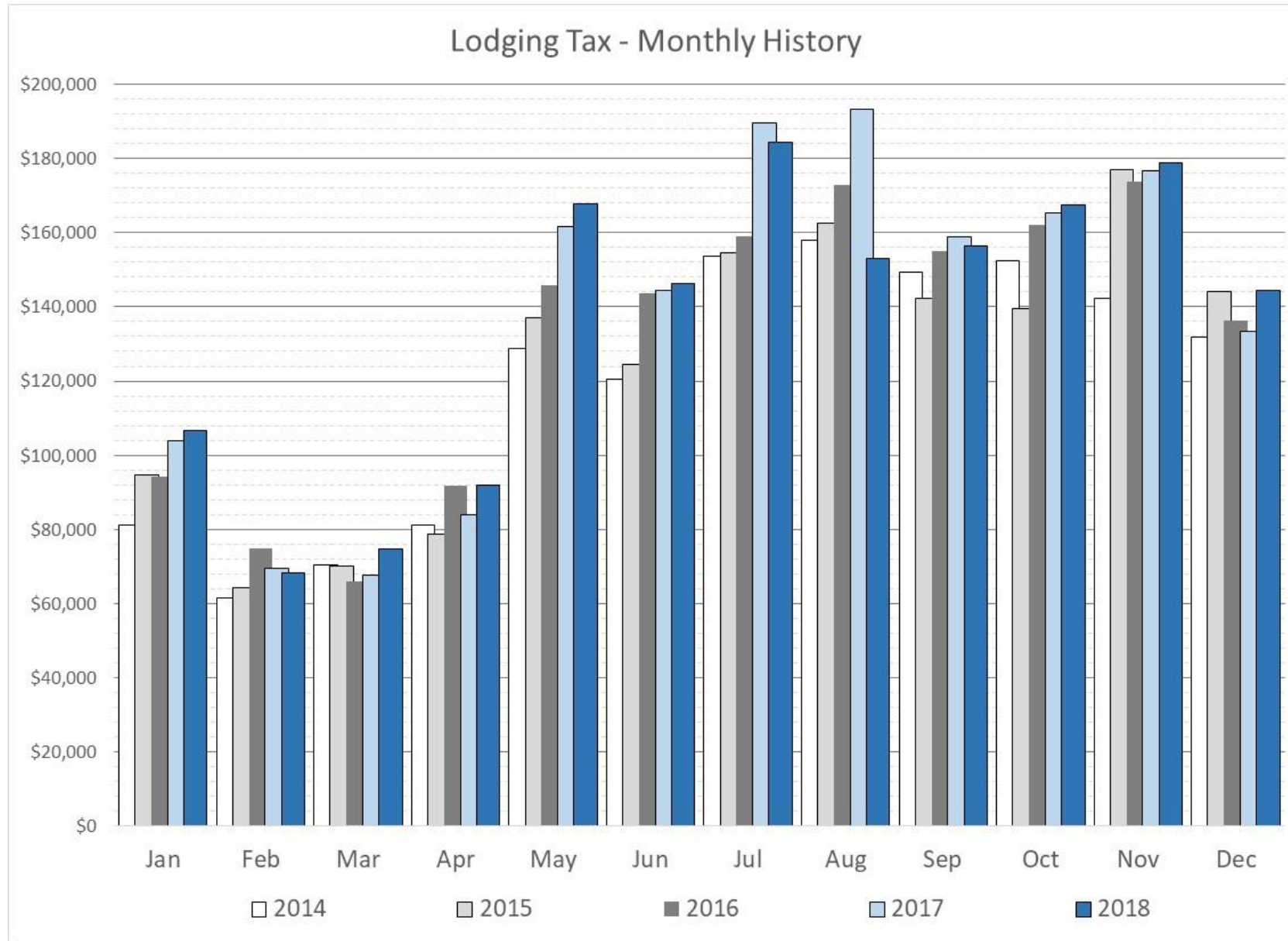
- To State/County 6.2%
- To City 2.0%+ 1%
RCW 67.28.180 RCW 67.28.240
- To City 2.0%
RCW 67.28.181(1)



Can We Measure L-Tax by Event?

- Sales Tax is received monthly
- Property Tax is received monthly, assessed annually
- Lodging Tax is received monthly
- Hoteliers can measure hotel nights daily or around events – but is confidential proprietary information

What is Monthly Seasonality?





Recipient: Roles and Responsibilities

- RCW 67.28.1816 requires all Lodging Tax recipients to provide the Council information on use of the tax and to do annual report to Joint Legislative Audit Review Committee.