

2021 TPA Work Plan

Skagit TPA Advisory Board

1/14/21

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Executive Summary

Skagit County and the eight cities and towns within the county agreed by an Interlocal Cooperative Agreement (ILA) on June 6, 2020 to establish a Tourism Promotion Area (TPA) as defined by RCW 35.101, as petitioned by lodging owners and operators within the region. The \$2.00 per room, per night, will be collected by hotels that have 40 or more hotel rooms, beginning in January 2021. In accordance with the ILA, a TPA Advisory Board has been formed to recommend to Skagit County how to best deploy these funds for the economic benefit of the county-wide tourism industry.

The TPA Advisory Board is pleased to submit this 2021 Work Plan and outline a recommended path forward and for the ultimate formation of the Skagit Tourism Bureau, which will seek funding from the TPA.

Due to the COVID pandemic, county-wide hotel and motel occupancies have declined and are not expected to have fully recovered by January 2021 when TPA fee collection will begin. The 2021 TPA fee collections are budgeted to be about \$448,000. There is an approximately 3-month delay from the month of occupancy and collection to the distribution of these funds. It will not be until late March 2021 that funds will be available for the plan.

The Board recommends that Skagit County contract with the Economic Development Alliance of Skagit County (EDASC) to assist with startup activities and organizational development in **year one** only, by functioning as our Contractor as defined in the ILA. We anticipate that EDASC will need about four months to formally establish a new Skagit Tourism Bureau (the “Bureau”). This Bureau will serve to execute the mission as so contracted by Skagit County, as recommended by the TPA Advisory Board. EDASC will structure the Bureau to function as Skagit County’s destination marketing and tourism industry advocacy organization. However, the Bureau will not have the luxury of guaranteed perpetual TPA funding. Instead, the Bureau will need to maintain the support of the TPA Advisory Committee to be recommended to legislative authority to function as the Contractor in year two and thereafter. We believe this approach will help ensure that the TPA Advisory Board is well informed about Bureau activities. Going forward, the power to *recommend* alternative “contractors” (as referenced in the ILA), will remain with the TPA Advisory Board.

This 2021 TPA Work Plan includes a proposed operating budget; however, it is expected that the eventual Bureau will propose changes that will require further consideration and consent from the TPA Advisory Board and ultimately, Skagit County. At present, marketing expenses are also budgeted without specific details because we need Bureau leadership, which will possess tourism and destination marketing expertise, to develop and execute our proposed marketing strategy. Any expenditures or refined budget detail proposed by the Bureau will, at minimum, require TPA Advisory Board approval.

Vision

The Skagit TPA Advisory Board advises the Board of County Commissioners on a plan to allocate funding to enhance, supplement, and extend the existing tourism marketing efforts of the county and its cities

and to attract more visitors to Skagit County, bolster lodging business occupancy, support job stability and growth, increase restaurant and retail demand, and increase patronage at arts, cultural and sporting venues in a competitive marketplace.

Skagit County TPA Advisory Board Members

In accordance with the ILA, Skagit County has formed the TPA Advisory Board, comprised of the members outlined below. The Board has elected Kristen Keltz to serve as its first Chair.

Entity/ Organization	Appointee	Term Expiration
TPA Party: City of Anacortes	Councilmember Anthony Young	September 30, 2023
TPA Party: City of Burlington	pending appointment	September 30, 2021
TPA Party: City of Mount Vernon	Jennifer Berner	September 30, 2022
TPA Party: City of Sedro-Woolley	Monique Brigham	September 30, 2023
TPA Party: Town of La Conner	Mayor Ramon Hayes	September 30, 2022
TPA Party: Town of Hamilton, Town of Concrete, Town of Lyman	Valerie Stafford	September 30, 2023
TPA Party: Skagit County	Jed Holmes	September 30, 2021
Skagit County Lodging Association	Karen Egerdal	September 30, 2021
Skagit County Lodging Association	Kevin McEntee	September 30, 2021
Skagit County Lodging Association	Sandy Kish	September 30, 2021
Skagit County Lodging Association	Kripa Patel	September 30, 2022
Skagit County Lodging Association	Russ Olivier	September 30, 2022
Skagit County Lodging Association	Jane Schmidt	September 30, 2023
Skagit County Lodging Association	Kristen Keltz	September 30, 2023
Economic Development Alliance of Skagit County	John Sternlicht	September 30, 2023
Skagit County Chambers Executive Directors' Association	Andy Mayer	September 30, 2022
Legislative Authority: Skagit County	Lennart Bentsen	September 30, 2022

Organizational Development Subcommittee

The TPA Advisory Board has formed an Organizational Development Subcommittee. The committee has been tasked with planning the formation and startup activities necessary to meet the deliverables of the ILA and other details outlined in this 2021 Work Plan. Committee members include Kristen Keltz (Chair), Monique Brigham, John Sternlicht, Andy Mayer and Lennart Bentsen.

Public Meetings

All TPA Advisory Board meetings will be held in full compliance of the Washington Open Public Meetings Act, chapter 42.30 RCW, as may be amended.

TPA Overview and Collectors of Lodging Charges

The Tourism Promotion Area (TPA) is an area of the law that, when adopted, allows the operators of lodging businesses with more than 40 hotel rooms to collect a \$2.00 fee per occupied room-night from its hotel guests. The \$2.00 amount may change over time with statute. In 2020, with the necessary support of the applicable hotel owners and managers, Skagit County and its Cities signed an interlocal agreement enabling these hotel establishments to collect the fee. The Skagit TPA Advisory Board makes recommendations to Skagit County, the interlocal agreement's legislative authority, regarding the way in which revenue derived from lodging charges is to be used to promote tourism within the Skagit County TPA. In the calendar year 2021, the following hotel properties are identified as TPA fee collectors.

TPA Collector	Address	ROOMS
Anacortes Lodging Collectors		
Anacortes Inn	3006 Commercial Avenue	44
Fidalgo Country Inn	7645 State Route 20	50
Majestic Inn & Spa	419 Commercial Avenue	52
The Marina Inn	3300 Commercial Avenue	52
Burlington Lodging Collectors		
Candlewood Suites	1866 S. Burlington Blvd	83
Cocusa Motel	370 West Rio Vista Avenue	53
Comfort Inn & Suites	500 E. George Hopper Road	82
Hampton Inn & Suites	1860 S. Burlington Blvd	102
Holiday Inn Express & Suites	900 Andes Road	75
La Quinta Inn & Suites	1670 S. Burlington Blvd	104
Mount Vernon Lodging Collectors		
Best Western College Way	300 W. College Way	65
Best Western Skagit Valley Inn	2300 Market Street	120
Days Inn	2009 Riverside Drive	65
Quality Inn	1910 Freeway Drive	68
Tulip Inn	2200 Freeway Drive	40
West Winds Motel	2020 Riverside Drive	40
Sedro-Woolley Lodging Collectors		
Three Rivers Inn	210 Ball Street	40
Skagit Motel	1862 WA-20	47
La Conner Lodging Collector		
Channel Lodge	205 N. 1st Street	40
Skagit County Lodging Collectors		
The Skagit Ridge Hotel	18444 Bow Hill Road, Burlington	40
Fairfield Inn and Suites	9384 Old Highway 99 North Road, Burlington	78

2021 Mission

The TPA Advisory Board's 2021 mission is focused primarily on organizational development, and secondarily on marketing/program development. TPA fund collections are expected to commence at lodging establishments for the first time in January 2021, and a 3-month processing delay is expected before funds are made available to support the enclosed contractor budget. In 2021, the Advisory Board will concentrate its efforts on the Contractor's progress to meet the tourism promotion deliverables in the contract. We anticipate that the Bureau will, once established and funded under the EDASC umbrella, immediately commence strategic planning activities to facilitate our Vision.

The TPA Advisory Board has outlined the following objectives for the plan year.

2021 Objectives and Estimated Timeline

January	<ul style="list-style-type: none"> • Contractor engaged, and begins tourism promotion activities • Contractor to join WTA and DMO Associations on behalf of the Bureau • Contractor begins Smith Travel Research subscription, a source for competitive travel data • Contractor engages a recruiter to begin Bureau recruiting
February	<ul style="list-style-type: none"> • Plan and organize administrative logistics (bookkeeping service, office space, etc.) • Continue recruiting process
March	<ul style="list-style-type: none"> • Hire CEO/consultant • Finalize administrative logistics
April	<ul style="list-style-type: none"> • CEO/consultant is on board • Administrative setup, organization stabilizes
May	<ul style="list-style-type: none"> • Finalize operations and administration setup, recruiting, as necessary. • Stakeholder meeting/organization kickoff, 2021 budget review, and amendments prepared for Advisory Board review • Tourism marketing planning commences
June	<ul style="list-style-type: none"> • 2021 budget amendments proposed to Legislative Authority, if applicable. • Various stakeholder meetings/summits occur
July	<ul style="list-style-type: none"> • Annual stakeholder and program kickoff event • 2022 marketing planning and budgeting begins
August	<ul style="list-style-type: none"> • Early marketing development begins in accordance with marketing plan (e.g. website development, brand development, etc.)
September	<ul style="list-style-type: none"> • Ongoing operations and adjustments
October	<ul style="list-style-type: none"> • Ongoing operations and adjustments
November	<ul style="list-style-type: none"> • Ongoing operations and adjustments
December	<ul style="list-style-type: none"> • Ongoing operations and adjustments

Forecast of TPA Fees

2021 TPA fee collections have been forecasted and inform the 2021 Work Plan and enclosed operating budget. Due to the expected 3-month delay between the time of actual fee assessment at the hotel-level and final distribution from Skagit County to the Skagit Tourism Bureau, no revenues are anticipated in Q1/2021. Hotel-level collections assumptions for January are therefore reflected as revenue in April in the Operating Budget, May revenue reflects February collections, and so forth.

Historical Performance and Assumptions (1)

	STR Data		DOR Data		
	OCC (1)	ADR (1)	2% Tax Collected (1, 2, 3)	Revenue	
2019	69.3%	\$ 101.69	\$ 922,304	\$ 46,115,224	
2020	43.6%	\$ 86.56	\$ 520,000	\$ 26,000,000	Annualized

Estimated TPA Monies Collected

	Applicable Rooms Sold	Est. TPA Fees Collected	Est Market Demand % Chg (By rooms Sold)	
2018	284,314	\$568,628		
2019	298,355	\$596,710	4.94%	
2020	235,473	\$470,946	-21.08%	Forecast Only
2021	270,065	\$540,130	14.69%	Forecast Only

Note: There is typically a 2-month delay from hotel collection to Dept. of Revenue (DOR) distribution of these moneys. An additional 30-day delay is expected for the County to disburse these funds to the Skagit Tourism

Assumptions:

- 65% of lodging tax revenue-generating properties (a.k.a. LTAC funds) will also collect TPA monies
- Hotels with fewer than 40 available hotel rooms achieve the same level of occupancy as those that have 40 or more rooms.
- 2020 COVID-19 injury to lodging revenue will recover to 2019 performance in mid-2023
- New properties that opened in Burlington in 2019 will not induce additional county demand from neighboring counties.
- Casino hotels on tribal land elect *not* to collect the TPA assessment.

Sources:

STR Data: Smith Travel Research State STAR Report (Statistical), Year 2020-Aug YTD. Does not include all TPA or LTAC Collectors.

DOR Data: WA Dept. of Revenue (DOR), Lodging Taxes Distributed, August 2020 T-24. Does not include tax-exempt sources of business.

Footnotes:

- (1) ADR and OCC entries are actual data from Smith Travel Research, annualized on August YTD figures.
- (2) DOR LTAC collection data is actual for 2019, and annualized 2020-August on a trailing recovery trajectory, including a second 24% "dip" in performance in November 2020 before recovery resumes again.
- (3) DOR Taxes are derived from annualized ADR/Occupancy data from STR. A $\pm 4.73\%$ margin of error is estimated on this ratio, which impacts the rooms sold figure in this forecast.

Proposed 2021 Operating Budget

In support of the foregoing 2021 Objectives, the TPA Advisory Board proposes the following Annual Budget for the calendar year 2021 for consideration and adoption by Skagit County, the TPA's legislative authority. This budget represents the TPA's first year of business and as such, amendments to this budget may be proposed as the organization matures throughout the year.

Skagit County Tourism Promotion Area (TPA)		
2021 Contractor Budget		
	2021 TOTAL	% of Revenue
Income		
TPA Revenue	\$ 448,044	100.0%
Total Income	\$ 448,044	100.0%
Expenses		
<u>Program Expenses</u>		
Contractor Services	\$ 440,000	98.2%
Total Expenses	\$ 440,000	98.2%
Net Income	\$ 8,044	1.8%

Primary Contacts

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