Frequently Asked Questions

Rev. 04.2022

GENERAL/HISTORY

1. **What is the STIA?**

   The Seattle Tourism Improvement Area (STIA) is a Business Improvement Area (BIA) formed in 2011, in accordance with Washington state law to establish a new leisure tourism marketing fund for Seattle that enables Seattle hoteliers to compete and grow their market share. The STIA is overseen by a ratepayer advisory board and its day to day activities are managed by Visit Seattle. The ordinance for these funds dictates they will be spent solely on leisure travel, domestic and international, focused on the off-season and shoulder months. The funds are used to support advertising, public relations, special events, international client events and sales missions that increase awareness of Seattle as a leisure destination.

2. **How is the funding spent?**

   At an annual hotel ratepayer meeting an advisory board approved workplan and budget is presented for quorum approval. This workplan functions as the roadmap for the following year's expenditures.

3. **How was the STIA formed?**

   The STIA required strong support and partnership with Seattle's hotel community. The majority of the hotels within the designated area needed to sign a petition in favor of the formation of the STIA. To establish the STIA, hotels in the designated "area" paying 60% of the anticipated assessments were required to sign a petition in favor of the formation of the STIA. Once the petition was received by the City, an ordinance was written by the City to include purpose, use of funds, assessment process, etc. The Seattle City Council held a public hearing relating to the STIA, voted for approval and was signed by the Mayor.

4. How was the area determined?

    The area is comprised of Visit Seattle and Seattle Hotel Association (SHA) members in Seattle's CBD. This zone shares the benefit of excellent proximity and location to all of Seattle's arts and cultural assets, attractions and retail area and each hotel will benefit regardless of size or market mix of the property.

5. *What are the STIA hotel area boundaries?

    Beginning where Puget Sound meets Galer Street, continuing east as if Galer Street continued to 12th Avenue, south to South Royal Brougham Way, west as if South Royal Brougham Way continued to Puget Sound, continuing along the shore of Puget Sound to W. Galer Street. *See addendum

6. Are all hotels within the designated area automatically subject to the assessment?

    Yes, all hotels (other than hostels) are subject to this assessment as long as they have 60 rooms or more.

7. What opportunity do hoteliers have to influence how the collected assessments are used?

    There is an advisory board comprised of 11 ratepayers that work with Visit Seattle to determine the uses for the assessments and to review and approve an annual work plan and budget prepared by Visit Seattle. Once approved by the advisory board, the annual work plan and budget is then presented to the ratepayers for their review and approval. The proposed work plan and budget must be approved by a majority of the ratepayers to become effective.

8. Has this type of program been used elsewhere in the State or outside the State for similar purposes?

    Anaheim, Los Angeles, Portland, San Diego, and San Francisco have successfully launched similar programs.

9. How was the occupied room night assessment determined?

    The initial $2.00 per occupied room night assessment was a conservative amount to start – and it is the same amount used by many TPAs* in the state. (*TPA = Tourism Promotion Area). Since its inception in 2011, the $2 assessment on each occupied room night has remained flat. To ensure destination competitiveness, particularly during the critical recovery phase after the COVID-19 pandemic, the STIA advisory board has voted unanimously to pursue an increase of the $2 STIA assessment to $4 per occupied room night. This increase was signed into law on March 31, 2022 and takes effect June 1, 2022.

ASSESSMENT INCREASE

10. What is the increase and when will it come into effect?

As of 3/31/22, the STIA assessment increase was signed into law, an increase of $2 to $4 per occupied room night. The increase will come into effect for all current and future hotels in the STIA hotel area boundaries June 1, 2022.

11. Why the increase now?

Having kept the STIA assessment stable at $2 the last 10 years, the STIA advisory board considered an increase in late 2019 but put the idea on hold due to the COVID-19 pandemic.

In 2019, prior to the pandemic, 21.9 million overnight visitors generated $8.1 billion in economic impact for Seattle and King County, supporting over 80,000 jobs and contributing $837.5 million in state and local taxes. COVID-19 has disproportionately impacted tourism to Seattle, with visitation declining 54% in 2020 as compared to 2019. The dramatic drop in visitation, coupled with temporary hotel closures throughout the pandemic, resulted in a loss of 74% in STIA collections/revenues in 2020. While there is meaningful recovery underway in 2021/2022, projections don't indicate a full recovery to pre-pandemic levels of tourism in Seattle until 2024.

To ensure destination competitiveness, particularly during this critical recovery phase, the STIA advisory board again considered an increase to the assessment and has voted unanimously to pursue an increase of the $2 STIA assessment to $4 per occupied room night in 2022.

12. How was this increase approved?

With strong support and partnership of the hotel and business communities, the STIA advisory board voted unanimously to pursue the increase. In January 2022, the STIA submitted its request for increasing the assessment to the City of Seattle. Upon receiving approval from the City's Office of Economic Development, legislation increasing the assessment was heard before Seattle City Council in a public hearing, voted for approval and was signed by the Mayor in March 2022.

13. How much is the increase expected to generate?

In 2022, with an effective date of June 1, 2022, it is forecasted the increased assessment will generate an additional $3 million (for a total STIA budget of approximately $10 million). In 2023 and beyond, based on annual occupancy amongst STIA ratepayers, additional revenues could amount to $5-8 million annually (resulting in a total STIA budget for approximately $13-16 million.

14. How will the newly generated funds be used in 2022?

Leisure Marketing

- Additional key domestic market targeting
- Consistent and stronger promotion throughout 2022/23 (including summer; leisure continues to dominate)
- New content partnerships with media partners (similar to Rolling Stone, Vice, Vox from past campaigns)
- Create new incentive months (Seattle Museum Month, Seattle In Bloom)

Public Relations

- Increase inbound media hosting–our most powerful tool to sell the destination
- Additional travel to key markets (NYC, SF, LA, etc.) to meet with journalists at key target publications/outlets; participate in media marketplace activities like IPW and IMMNYC
- Further reach for Seasonal Campaigns: Holidays/Winter, Seattle Museum Month, Refract etc.

International Tourism

- Increase inbound media hosting–our most powerful tool to sell the destination
- Targeted focus on key Canadian fly markets and also lengthening pre/post stays for cruise passengers
- Expanded trade/consumer marketing in the UK/Europe, where we foresee the greatest opportunity to capture overseas leisure visitation in 2022

15. How will this increase effect future groups with contracts booked in hotels?

As the increased assessment in now signed into law, they will need to pay the $4 per occupied room night effective June 1, 2022.

EXEMPTIONS

16. Is there a general rule for applying the assessment?

Yes. If occupancy tax is collected, then the assessment should also be collected. However, there may be circumstances where occupancy tax is not collected but the assessment is collected.

17. Does this assessment apply to Government including Federal and/or Diplomatic 'tax exempt' rooms?

Yes. These guests are not exempt from the assessment. This is collected in other comp set cities. It is legally a "fee" and not a tax – and should be collected, as directed by the city ordinance. **See addendum

18. Does the assessment apply to occupied rooms where guests have stayed thirty (30) or more days?

    No.

19. Does the assessment apply to occupied rooms that are provided by the ratepayer to guests without charge for promotional purposes (i.e. complimentary rooms or promotional room nights)?

    No. If it were, for example, a buy two nights, get one free situation, the assessment would apply to the two paid nights, but not the free night.

20. Does the assessment apply to private member-owned clubs?

    No, unless the club voluntarily participates (i.e. Washington Athletic Club).

21. Does the assessment apply to hostels?

    No.

22. Does the assessment apply to groups, conventions and third-party reservations?

    Yes.

23. Does the assessment apply to airline or hotel award nights?

    Yes. If occupancy tax is collected, the assessment should be collected.

24. Does the assessment apply to no-shows or cancellations?

    Yes. Because occupancy tax is typically collected, the assessment should be collected.

25. Does the assessment apply to adjusted room nights?

    If the room is adjusted to zero, there would be no assessment. If 99% or less is adjusted, the assessment would apply.

26. Can a customer "opt out" or refuse to pay?

    No, unlike property-level charges or assessments (e.g. resort fee, energy surcharges that may be imposed from time to time) payment of the assessment is a City mandated and enforced requirement.

27. Can a hotel "waive" the assessment?

    If the hotel decides to not charge the assessment for any reason, the hotel is still obligated to pay the $4 per night to the City of Seattle.

BILLING

28. How and when is the assessment collected?

Invoices will be mailed 1 month in advance and will be due and payable on the 10th. For example, invoices for assessments collected during the month of November will be mailed on or around November 10th. Completed invoices together with corresponding payments will then be due and payable to the City by December 10th.

29. What are the penalties for late/delinquent payments?

If an assessment has not been paid within thirty (30) days after its due date, the City of Seattle's Finance Director shall send the ratepayer a reminder notice and add a Five Dollar ($5.00) processing fee. If the assessment is not paid within sixty (60) days after its due date, a delinquency charge shall be added in the amount of ten percent (10%) of the assessment. All assessments that are not paid within sixty (60) days of the due date shall also bear interest from the due date at twelve percent (12%) per annum. The City of Seattle's Finance Director is authorized to refer any unpaid assessments to a collection agency or to bring legal action.

STIA QUICK FACTS

Original Ordinance Number: 123714 has been replaced with Ordinance Number 126552 as of March 31, 2022

Signed by Mayor: March 31, 2022

Assessment start date: June 1, 2022

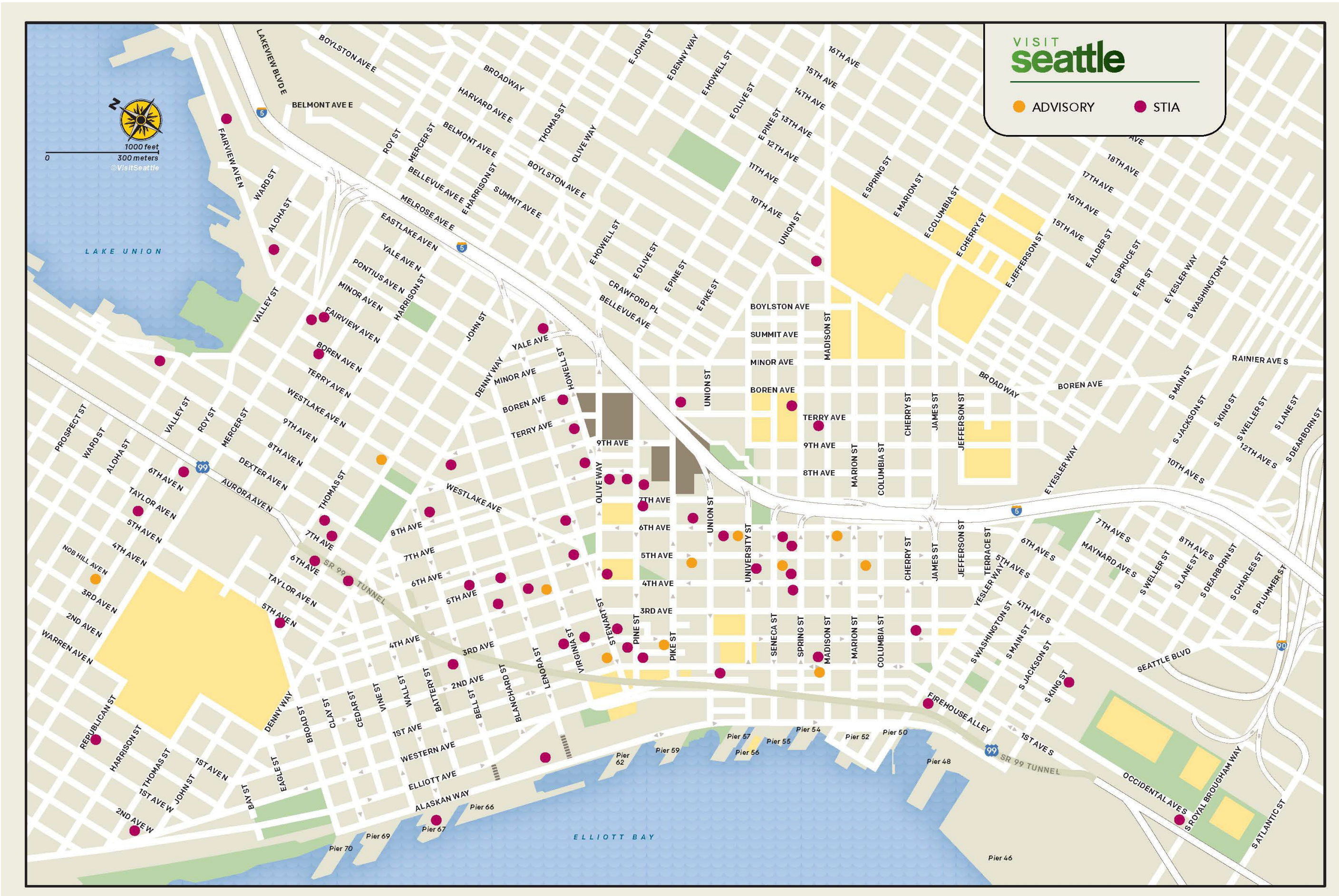
Current Total Hotels: 67, plus 1 voluntary property making contributions to the fund

Total guestrooms: 15,866

Approximate annual collection: $8M (pre-COVID-19 pandemic); $10M forecasted for 2022

<u>FAQS ADDENDUM</u>

*What are the STIA hotel area boundaries?



**Does this assessment apply to Government including Federal and/or Diplomatic 'tax exempt' rooms?

The Seattle Tourism Improvement Area (STIA) was established by City of Seattle Ordinance 123714. This ordinance includes an assessment of $4.00 per night, per occupied hotel room within a set geographic area.

The City of Seattle has consistently maintained that STIA assessment is a fee, and not a tax. As a result, the federal government is not exempt from paying it. Supervisors at the Washington Department of Revenue's Taxpayer Service Division have made clear that the Department of Revenue lacks authority to rule against the City of Seattle on whether the STIA assessment is a fee or a tax.

Questions concerning application of the assessment should be directed to Ryna Britto at the City of Seattle (206-233-7172) or Melanie Beam or Willie Houze at the Washington Department of Revenue (360-705-6671).

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