

SB845:

Establishing Tourism Improvement Districts

Over the last decade, the rise of **Tourism Improvement Districts (TIDs)** across the country has continued to grow as more and more destinations are choosing to invest in tourism funding at the local and regional level.

To date, there are 211 TIDs across 23 states. While Pennsylvania has three municipalities that currently have TIDs in place, with the largest being in the City of Philadelphia, Senate Bill 845 is enabling legislation that provides a blueprint for local regions to consider if they'd like to establish and authorize a tourism improvement district in their region.

TIDs Allow Regions to Work Together to Generate Additional Tourism Promotion Revenue

A Tourism Improvement District (TID) is a stable source of funding for marketing efforts designed to increase occupancy and room rates for lodging businesses. Funds raised through a small, local-led assessment on lodging stays are then used to provide support for tourism promotion activities that **directly benefit the businesses** in the district and **create a larger economic impact** for the travel sector. Cities across the nation are using TIDs to invest more in targeted marketing initiatives and subsidies for business and sports events, **creating more competition** among destinations.

SB845 does:

- ▶ Provide enabling legislation for counties to create TIDs to generate additional tourism promotion revenue
- ▶ Allow the special assessment to be directly paid by guests using the local hotel services
- ▶ Ensure that TIDs are governed by the benefited businesses that collect the special assessment and that the collected funds are spent to benefit lodging properties that contribute to the assessment

SB845 does not:

- ▶ Mandate or force counties to create TIDs
- ▶ Burden Pennsylvania residents with a new tax
- ▶ Allow non-assessed businesses to guide or direct the use of funds

The Creation & Management of a TID is Driven by the Local Lodging Community



STEP 1:

The benefited businesses within the county may petition and present a preliminary plan to the county to establish a TID.



STEP 4:

A governing body is formed that includes primarily benefited business owners paying the special assessment.



STEP 2:

A public hearing notice is sent to all lodging providers located within the TID to receive public comment.



STEP 5:

If enacted, any substantial changes to the TID must be approved by hoteliers within the TID.



STEP 3:

The amount of assessment is determined by the hoteliers during the TID formation process.



STEP 6:

The TID sunsets in five years unless the lodging community votes to extend it.

Assessed Fees are Passed on to Visitors

The special assessment fee is passed onto guests of the participating lodging property as a fee on each guest room folio within the county. The benefiting lodging properties then collect and pay fees to the county treasurer, which retains an agreed upon administrative fee.

The remaining funds are expended to execute the tourism improvement plan approved during the petitioning process in an effort to **drive visitors to the county, thus increasing the number of guests at participating hoteliers.**

TIDs are Proven to Provide a Competitive Advantage for Destinations

Destinations with TIDs are more competitive and drive higher economic impact than those destinations without them. After a TID is implemented, destinations experience a stronger

rate of growth in both room revenue and demand. This growth accumulates year-over-year, and the increase translates to increased visitor spending, and in turn, more tax revenue for the destination.

2.1%

ROOM DEMAND



\$150K

DIFFERENCE IN DEMAND

4.5%

ROOM REVENUE



\$51M

DIFFERENCE IN REVENUE

TID Results in Action Across the United States



▶ After having a TID in place for **just three years**, Visit Denver's \$36M budget **generated \$73M** in local tax revenue – double the investment to Visit Denver's budget.



▶ **In the first year** of its operation, San Antonio's TID **generated 190,000 room nights**, with \$15.70 in room revenue for every \$1 investment.



▶ Portland's TID generated an average lift in hotel room demand of 2.1% per year. The room demand lift translates to **a lift of 4.5% in hotel revenue**, which equates to **a difference of \$32M**.

Source(s): Civitas, STR, Tourism Economics

Philadelphia Hospitality Investment Levy (PHiL)

After hosting the 2015 Papal Visit, a 2016 Democratic National Convention and the 2017 NFL Draft, Philly experienced “donor-fatigue” and funding from public and private sector was reduced. Attracting conventions and events became more competitive and had increased costs.

In 2017, PHiL was formed primarily as a funding mechanism to attract large conventions and events, but a portion of the funds raised could be used for other programs and initiatives as decided by the Board of Directors.

The results were so successful, the PHiL was re-authorized for 20 years— well beyond the initial five-year period it was approved for—and the assessed fee was **doubled to 1.5%**.

\$5.6 million
collected in the first year

92 large conventions & events funded

\$1.6 billion
in economic impact

Source: Civitas

Pennsylvania Restaurant & Lodging Association

Tourism Advertising is Proven to Increase Tourism Revenue

▶ When destinations **invest in tourism advertising**, tourism revenue **increases dramatically**.

MICHIGAN

- Between 2006 and 2009, Michigan invested \$8 million a year in out-of-state tourism advertising and saw an average of **\$325 million a year** in additional traveler spending.
- After increasing advertising investment in 2006, they **moved from 9th to 2nd in the region** within a few months.



▶ When destinations **cut tourism advertising**, tourism revenue **drops dramatically**.

COLORADO

- When Colorado eliminated tourism advertising, they **lost \$2.4 billion** in traveler spending and **fell from the #1 summer resort destination to #17** in one year.



Tourism Advertising through TIDs can **Grow Pennsylvania's Economy**

TIDs provide a competitive edge driving room demand, revenue and increased visitor spending, but TIDs **are much larger levers to economic development within a destination.**

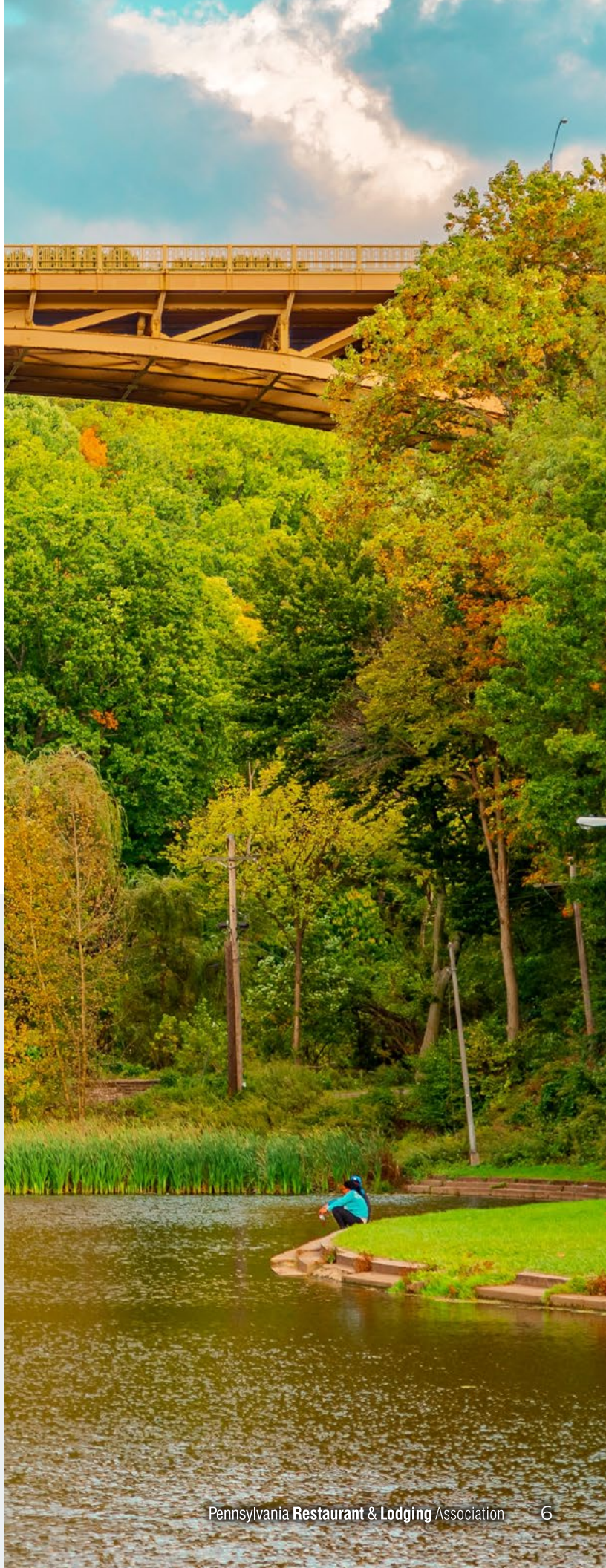


HALO EFFECT:

Tourism Spending Helps More than Just Tourism

Research shows that **tourism advertising improves a destination's image for economic development** as a place to live, buy a second home, start a business, go to college and retire.

Source: Longwoods



Frequently Asked Questions

▶ How will a TID be formed?

Upon passage of SB845, the formation process would continue on a **local level**. The thorough approval process at the county would begin with the development of a preliminary TID plan defining the parameters of the proposed district. A final plan will then be submitted to benefiting lodging property towns and approved by the TID board of directors and the county. Following a public hearing process, **if a positive consensus is established among the assessed businesses (hotels), then the TID formation will move forward.**

▶ Is the TID permanent?

TIDs are required to have a sunset provision of **no less than five (5) years**. Upon the sunset time frame, a renewal process is undertaken by the TID board of directors for an additional period of time established by the board. The county would need to then approve the board directives.

▶ How much is the special assessment?

Special assessment amounts are set forth in the locally developed plan and are based upon the **estimated cost of the tourism activities** to be provided in the TID. The plan is approved by the board of directors and the county.

▶ Who pays the assessment?

Benefiting lodging properties within the TID pay the special assessment to fund the programs and initiatives that will specifically benefit them. However, the funds are generated from a small fee applied to each guest room night.

▶ How is the assessment collected?

The county serves as the collector of the special assessment from each lodging property. Revenue is then remitted to the appointed TID management association to provide the marketing and development activities set forth in the plan.

▶ Who controls how the funds are spent?

TID revenue is designed and mandated via SB845 to benefit those who are paying the special assessment. The **appointed tourism agency will manage and direct** programmatic spending on behalf of, with oversight from, **benefiting property owners in the TID as well as the local TID governing body.**

▶ Is the TID another tax?

No. The TID special assessment is a **cooperative fee** determined by the benefiting lodging property owners through a planning and approval process in order to provide supplemental revenue to fund the approved marketing and development activities

▶ What marketing and promotion activities do the funds support?

TID-funded activities aim to increase visitation through increased **brand development, marketing initiatives, public relations, digital marketing expansion** and **event subsidies/grants.**