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City of Racine, Wisconsin
COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Finance & Personnel **LEGISLATION ITEM #:** 0430-18

AGENDA DATE: May 7, 2018 & May 21, 2018 Finance & Personnel Committee
June 5, 2018 Common Council

DEPARTMENT:

Prepared By: James M. (Jim) Palenick, City Administrator

Reviewed By: Cory Mason, Mayor

SUBJECT:

Communication from the City Administrator presenting a proposed, Policy on the Use of Room Tax Proceeds” detailing the desired, appropriate, and lawful use of room tax proceeds received as revenue by the City and expended consistent with State Statutes and City Budget priorities.

EXECUTIVE SUMMARY:

Given that the City will soon be receiving expanded levels of Room Tax proceeds because of both a voluntary collections agreement with Air B&B, and a new contract with Real Racine; and further due to the fact that the City does not currently have any established and clearly-articulated policy on the collection and use of room tax proceeds; it is both appropriate and recommended that the City establish a Room Tax proceeds policy as presented.

To that end, the policy proposal was developed to identify the statutory provisions which must be followed, but then within those provisions, to look to incorporate the provisions and expected outcomes of the new agreements, as well as to establish clear priorities that the City will use to obligate, budget for, and expend the room tax proceeds received.

The policy describes seven (7) different (paragraph #3 [a-g]) lawful purposes for expenditure of the funds and requires the City to, as part of its yearly Budget process, estimate the yearly revenues to be received, and then to Budget such dollars according to three (3) priorities.

30 The first priority would be to budget adequate funds to repay any obligated debt service
31 requirements. After first-priority requirements are met, the second priority would be to cover City-
32 identified and budgeted projects or program expenditures consistent with (b) – (e) as detailed. And,
33 the final or third priority would be to provide for one-time grants to organized community non-profits
34 engaged in efforts and activities which fulfill (b) – (f) as detailed. To this end, we have also provided
35 the proposed S.T.A.R.T. (Supporting Tourism Allocation of Room Tax) Grant program details and
36 application.

37

38 **BACKGROUND & ANALYSIS:**

39 In broad, general terms, room tax proceeds must be used to fund or support activities, events, venues
40 or programming that draws visitors from outside the community and increases overnight lodging
41 stays. That is, tourism development and promotion where the tourism can be generated by arts &
42 entertainment, history, culture, recreation, sports, or similar destination draws – whether one-time or
43 recurring.

44 Convention & Visitors Bureau’s, (CVB’s) like Real Racine, are generally the entities given primary
45 responsibility for tourism promotion activities and support. However, other public entities like the
46 City, the Downtown Racine Corporation, the Fourth Fest, or other Festival or event organizers, can
47 and do engage in tourism support activities. In the case of the City, constructing a catalytic,
48 destination draw/venue, such as a conference center, performing arts center, competition sports-
49 plex, or other “Tangible municipal development” , as contemplated for in the State Room Tax statute,
50 is not only an allowable use for room tax proceeds (to repay debt service on construction), but one
51 which is universally pursued by most urban centers to aid in funding such facilities in the least-
52 burdensome manner possible. In fact, in the new Real Racine contract, the City and Real Racine have
53 made specific provision for this expectation. So too, this proposed policy prioritizes the City’s receipts
54 to first pay such obligated debt service.

55 This policy also imagines a yearly process of small, impactful, one-time grants to non-profits and event
56 organizers to aid in new or extraordinary tourism opportunities.

57

58 **BUDGETARY IMPACT:**

59 This policy looks to require and institutionalize a yearly budgeting and planning process for the use of
60 Room tax proceeds so that we can assist and facilitate the financing of a catalytic destination venue
61 (such as the event center had imagined) as well as the prioritization of and support for extraordinary
62 tourism promotion activities.

63 A new, 144-room, select-service destination hotel,(as contemplated in the new Real Racine contract)
64 with 58% stabilized occupancy, would be expected to generate approximately \$305,000 per-year to
65 the City in new Room taxes which, in turn would support debt service on a catalytic, “tangible
66 municipal development”. Air B&B Room tax revenues might generate anywhere from \$6,000 -
67 \$75,000/year, depending on a multitude of factors.

68

69 **OPTIONS/ALTERNATIVES:**

70 1.) To recommend and adopt the proposed Policy on the use of room tax proceeds, along with
71 the companion S.T.A.R.T. Grant program as presented.

72 2.) To defer, reject, or amend the proposed Policy on the use of room tax proceeds and
73 companion S.T.A.R.T. Grant program.

74

75 **RECOMMENDED ACTION:**

76 To recommend and adopt the proposed Policy on the Use of Room Tax Proceeds, along with the
77 companion S.T.A.R.T. Grant program as presented

78

79 **ATTACHMENT(S):**

80 1.) Policy on the Use of Room Tax Proceeds.

81 2.) S.T.A.R.T. Grant program guidelines and application