



LTAC Budget & Authority

LTAC Members,

The purpose of this memo is to provide current information on available Lodging Tax Program resources, eligible use of funds as defined by Revised Code of Washington (RCW), and a proposed award and budget process for FY 2025.

Lodging Tax Resources & Revenue

Currently, the City manages two fund reserves that are capitalized by annual Lodging Tax Revenue:

1. \$2.9 million City Debt-Service Guarantee (2024 value)
2. \$6.3 million Cash Reserves for future tourism programmatic or capital expenditures (2024 value)

Annually, the City generates approximately \$3 million in lodging tax revenues.

	2019	2020	2021	2022	2023
Revenue	\$2.7 M	\$1.5 M	\$1.4 M	\$3.2 M	\$3.7 M

Of the annual revenues generated each year, City Council has approved 50% going toward debt-service related to the construction and expansion of the City Convention Center. The other 50% is available for tourism-related activities designed to attract visitors to Vancouver.

Eligible Use of Funds

According to RCW 67.28.1816(1), lodging tax revenues may be used directly by any municipality or indirectly through a destination marketing organization for:

- a. Tourism marketing;
- b. Marketing and operations of special events and festivals designed to attract tourists;
- c. Capital expenditures and operating expenses of tourism-related facilities owned or operating by a municipality or a public facilities district;
- d. Operating expenses of tourism related non-profits.

Qualifying tourism events should be targeted towards one or more of the following:

- a. People who are in Vancouver away from their home or work and spending the night in paid accommodations (i.e. 'heads in beds');
- b. People who travel fifty miles or more from an origin in Washington to come to Vancouver (i.e. Castle Rock (50m) or White Salmon (58m));
- c. People who travel from another state or country to come to Vancouver (e.g., Portland).

In addition to the eligible uses outlined in RCW 67.28.1816(1), lodging tax revenues can also be used to cover City administrative costs associated with managing the Lodging Tax Program and the Lodging Tax Advisory Committee (LTAC). RCW 67.28.1815 states that all lodging tax funds can be used to pay for all or any part of the cost of tourism promotion, acquisition of tourism-related facilities, or operation of tourism related facilities. The Municipal Research and Services Center (MRSC) in consultation with the WA State Auditor's Office concluded that lodging tax revenues may be used to pay for staff support of the LTAC.

FY 2025 Award Recommendations to Council

City staff is recommending that the LTAC focus on identifying FY 2025 Award Recommendations for the 50% – or approximately \$1.5 million – of annual revenues not earmarked by Council for debt-service. Use of funds for the current (2024) \$6.3 million in Cash Reserves will require a more comprehensive City and community engagement process than is currently feasible in the near-term.

From a process perspective, City staff is proposing the following grant award categories:

1. *Emerging Event or Festival Grants*. The application would be simplified, and award amounts capped (~\$2,500). The event or festival must be less than three years old.
2. *Established Event or Festival Grants*. A more robust application would be required, but there would not be an award cap. An event/festival could not receive a grant award more than two times, unless it can demonstrate a change in approach or scope to significantly attract more attendees and reach new communities.
3. *Non-Profit Tourism Organization Operating Grants*. Officially designated non-profit tourism organizations would be eligible for annual operating grants.
4. *Catalytic Tourism Program or Capital Expense Grants*. Organizations could apply for non-event/festival grants to support the growth of the tourism industry as long as proposals meet the eligible use of lodging tax funds as outlined in RCW 67.28.1816(1).

The grant evaluation criteria currently being developed by the LTAC would apply to each of the four award categories outlined above. There is no requirement that Award Recommendations must utilize all of the annual funds (~\$1.5 million) available. It is recommended that LTAC adopt evaluation criteria that ensures measurable impact. Annual resources not recommended by the LTAC or adopted by Council would further capitalize the Cash Reserves.

In addition to annual grant applications submitted for each of the four grant categories defined above, City staff will submit a budget proposal to the LTAC outlining eligible annual City administrative/staff costs for review and comment.

Proposed Grant and Award Recommendation Timeline

- Step 1 (June/July) – City staff engages the LTAC to review grant evaluation criteria and establish annual budget priorities and goals.
- Step 2 (July/August) – Applications open for each of the four grant categories.
- Step 3 (September/October) – Applications are evaluated by the LTAC and Award Recommendations are submitted to City staff.
- Step 4 (November/December) – City staff prepares LTAC Award Recommendations and submits to Council for consideration.

- Step 5 (November/December) – Council takes action on the LTAC Award Recommendations. Council actions could include:
 - a. Adoption of proposed LTAC Award Recommendations, or
 - b. Sending proposal back to City staff and LTAC with comments and a request for a resubmittal.
- Step 6 (Q1 2025) – City staff prepare contracts with recipient organizations.
- Step 7 (2025 ongoing) – City staff process recipient invoices and report grant impact data to the State of Washington.

Potential Discussion Questions for the June 4th LTAC Meeting

- What clarifying questions do you have about LTAC resources and eligible use of funds?
- What feedback or reactions do you have specific to the four proposed grant categories?
- The proposed grant process will require a significant overhaul of the LTAC grant application and evaluation process. If necessary, are you comfortable rolling out these changes in phases or over multiple grant cycles?

Sincerely,

Chris Harder
Deputy Director
Economic Prosperity & Housing