

FUNDING THE RECOVERY AND FUTURE OF TOURISM

Tourism Improvement District
State Enabling Legislation
House File 3042 / Senate File 3255

Tourism Improvement Districts in the US

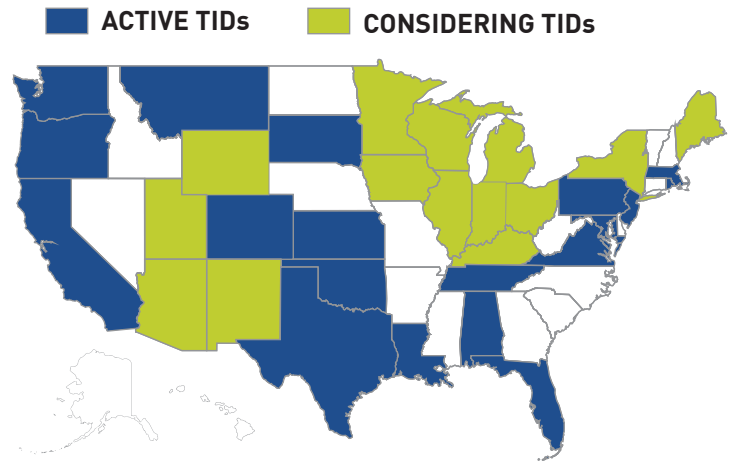
Over more than 20 years, almost 200 communities in 19 states have authorized Tourism Improvement Districts (TID), and a growing number of state legislatures are considering them. The mission of these districts is to promote and improve tourism within designated boundaries with activities including marketing and advertising, website operations and other significant sales and marketing programs. In communities where TIDs are already established, the program has raised additional funding for the tourism industry, increased revenue for local municipalities, and provided more job opportunities in the leisure and hospitality industry.

This proposal authorizes the establishment of TIDs through a partnership among private businesses, local governments, and tourism promotion organizations. The TID is a public-private partnership to provide supplemental funding for specific tourism activities. Through a TID, a service charge is placed on lodging businesses within a designated geographic area. The funds generated may only be used for new tourism-specific activities that must benefit these businesses. The TID service charge is a tool to supplement existing funding of Convention and Visitor Bureaus (CVBs), not supplant it.

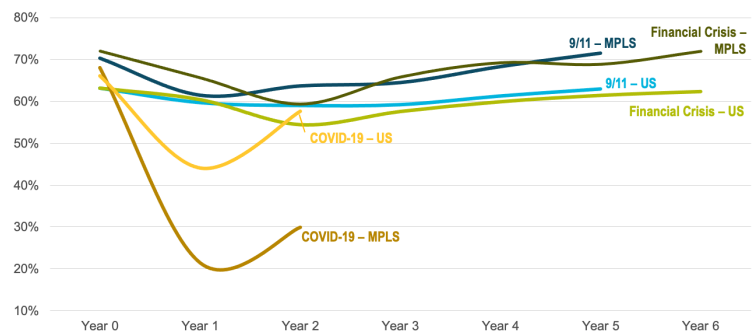
Leisure and Hospitality as an Economic Driver

It is clear that tourism drives economic activity in communities of all sizes across Minnesota and that the impact of the COVID-19 pandemic on the leisure and hospitality industry cannot be overstated. Prior to the pandemic, the leisure and hospitality industry represented 11% of the Minnesota workforce. At the onset of COVID-19, 20% of all jobs lost in Minnesota were those in this industry. While the Minnesota labor force as a whole has seen significant rebounds, down only 1% from pre-pandemic levels, the leisure and hospitality industry continues to struggle, down 8%.* The hotel occupancy rate is a key indicator of the health of tourism in a destination and previous economic shocks have shown both Minnesota and Minneapolis ahead of the US recovery. The COVID-19 pandemic recovery is proving to be a very different story, one where we are lagging the rest of the country. The ability to implement a TID would hasten that recovery for communities that choose to move forward with one.

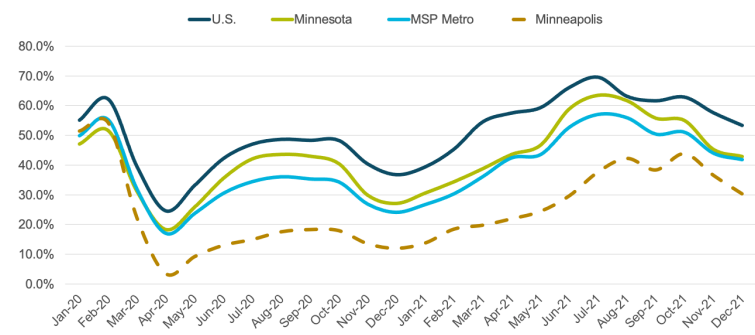
* Source: DEED



Historical Hotel Occupancy Rates in Previous Shocks



Monthly Hotel Occupancy 2020-2021



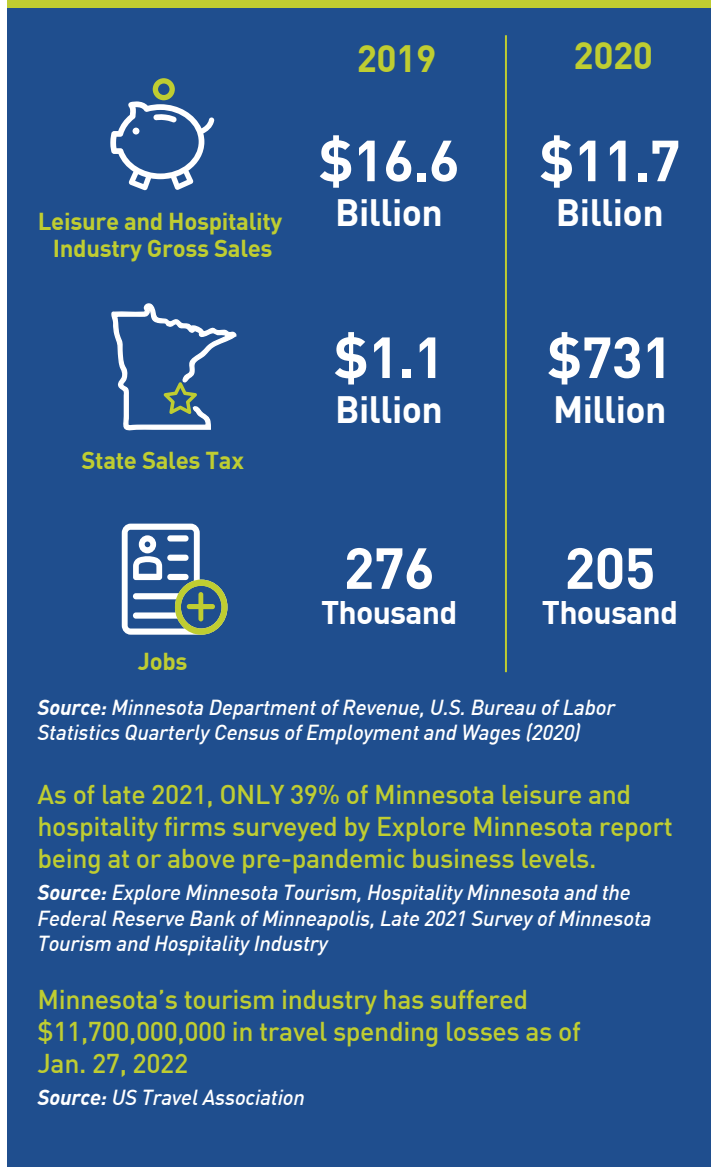
Source: CBRE Hotels Research, STR

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Tourism Improvement District state enabling legislation is supported by:

- City of Duluth
- Greater Minneapolis Hotel Association
- Meet Minneapolis
- Minneapolis Regional Chamber of Commerce
- Minnesota Association of Convention and Visitors Bureaus (MACVB)
- mpls downtown council
- Shakopee Chamber & Visitors Bureau
- Visit Saint Paul
- Visit Inver Grove Heights

THE ECONOMIC IMPACT OF COVID-19 ON MINNESOTA TOURISM



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How will it work?

- The lodging businesses in a defined geographic area vote to create a TID and assess a service charge to their customers. These funds will only be used for specific purposes associated with driving visitation to the area and increasing hotel occupancy. This, in turn, benefits the businesses, the local government and entire community through increased economic activity.
- The development of a service charge plan by the lodging businesses in the defined area will define TID parameters that will include, but are not limited to, programs to be funded, budget, boundaries, term, rate and fund management through the local government ordinance process.
- The area's convention and visitor bureau (CVB) will manage and direct programmatic spending for specified tourism activities and fund management on behalf of, and with oversight from, the industry via a committee representative of the lodging businesses, called the Tourism Improvement Association (TIA).
- The TID will have a defined term, which must be renewed by the impacted businesses.

What businesses will be included in the TID?

The TID will include only lodging businesses within designated boundaries that decide to form a district. Those businesses will establish a TIA, which will oversee the use of these funds.

A self-funded stimulus

As the impacts of COVID-19 continue to ravage the hospitality industry, we look to the future and the recovery of this far-reaching economic driver. Past economic shocks have shown that recovery times can be uneven and unpredictable, and this recovery is proving to be no different, but with longer lasting impacts. This tool is a self-funded stimulus that will shorten the time it will take to return to pre-COVID-19 levels, enabling organizations to have a greater impact on the recovery of our industry.

Providing the industry this additional tool will help to accelerate the recovery timeline, put leisure and hospitality workers back to work, and will provide a sustainable revenue source to help promote Minnesota as a year-round destination for years to come.