

Kathi Petersen

From: Stephanie Brown
Sent: Thursday, February 27, 2020 8:59 AM
To: Kathi Petersen
Subject: FW: BCTDA: Update from The Asheville Buncombe Hotel Assn. (ABHA)
Attachments: ABHA Comments -Muth for BCC 02.18.20.docx; ABHA handout for BCC 02.18.20.docx; Newman Letter - 2.18.20.pdf

In response to the sunshine request.

From: Stephanie Brown
Sent: Wednesday, February 19, 2020 2:30 PM
To: Andrew Celwyn <andrew@herbiary.com>; Chip Craig (chip@greybeardrealty.com) <chip@greybeardrealty.com>; Gary Froeba (gfroeba@omnihotels.com) <gfroeba@omnihotels.com>; Himanshu Karvir (hkarvir@holidayinnbiltmore.com) <hkarvir@holidayinnbiltmore.com>; James Poole <jpoole@foundryasheville.com>; Joe Belcher (joe.belcher@buncombecounty.org) <joe.belcher@buncombecounty.org>; John Lockett (john.lockett@kesslercollection.com) <john.lockett@kesslercollection.com>; John McKibbon (johnm@mckibbon.com) <johnm@mckibbon.com>; Jonna Sampson <jsampson@exploreasheville.com>; Julie Mayfield (juliemayfield@avlcouncil.com) <juliemayfield@avlcouncil.com>; Leah Ashburn <leaha@highlandbrewing.com>; Stephanie Brown <sbrown@exploreasheville.com>; Tom Ruff (truff@biltmore.com) <truff@biltmore.com>
Cc: Marla Tambellini <mtambellini@exploreasheville.com>; Jonna Sampson (jsampson@Exploreasheville.com) <jsampson@Exploreasheville.com>; Glenn Cox <gcox@exploreasheville.com>; Kathi Petersen <kpetersen@exploreasheville.com>; Jane Anderson <execdir@airasheville.org>; Pat Kappes <pkappes@exploreasheville.com>; Stephanie Brown <sbrown@exploreasheville.com>
Subject: BCTDA: Update from The Asheville Buncombe Hotel Assn. (ABHA)

Hello BCTDA members:

Please see the information attached and below from Jim Muth on behalf of the Asheville Buncombe Hotel Association.

In additional, I'm attaching the letter distributed by Commissioner Brownie Newman and the link to the meeting video where it was presented.

<https://www.youtube.com/watch?v=L87A2mRVxOE>

We look forward to seeing you again next week.

My best,
Stephanie

From: Jim Muth <jim.muth@muthmail.com>
Sent: Wednesday, February 19, 2020 2:07 PM
To: Stephanie Brown <sbrown@exploreasheville.com>
Subject: Update from The Asheville Buncombe Hotel Assn. (ABHA)

Hi Stephanie,

I would appreciate it if you would share the attached information with the BCTDA Board.

It was the intention of the Hotel Association (ABHA) to go before the County Commissioners last night to communicate our support for changes to the Occupancy Tax legislation.

After weeks of meetings with City and County elected officials, and the WNC Delegation to the General Assembly, we felt that we had come to an understanding of the changes we were recommending, and the value of those changes to the community. We had communicated with all parties that we would be attending the commissioners meeting to communicate our recommendations.

However at the last minute I received an email from Chairman Brownie Newman which stated:

As we all said at the meeting, we can not support any bill that imposes restrictions on the use of the 33% funds above and beyond the general state guideline requirement that the funds must be invested in tourist related activities. From your email, I am concerned that you are continuing to support that position with your industry members. Could you provide us with a date by which the local hotel association can make a final decision on where it stands on this part of the policy?

At this point, I feel the need to communicate to the Commissioners, the general public and our state legislators that, while we are open to supporting a bill in the short session that makes some changes, we can not support any bill that unduly restricts how the non-advertising funds are invested. I plan to send a letter to the our legislative delegation clearly outlining the policies we could support and those which, if included in a bill, we would urge them to oppose the bill.

Chairman Newman also posted additional information of a similar nature on a Facebook post at that time. Considering those comments we decided to postpone our presentation until we had greater clarity on these issues.

I have attached the notes for my 3 min. presentation to the Board, and more detailed points of background information on our position, that were intended to be left behind to better inform interested parties.

Thanks for providing this information to the BCTDA Board.

Best Regards

Jim

Good evening, Commissioners, and thank you for the opportunity to speak with you tonight.

My name is Jim Muth and I am the Executive Director of the **Asheville Buncombe Hotel Association**. I am speaking to you tonight on behalf of our members.

First: The members and I would like to express our condolences to the Commission and the family of Commissioner Mike Fryar. We appreciated his longtime service to Buncombe County.

For 12 years, my wife and I have been **local, small-business owners** of a B&B Inn. During that time, I served on the Buncombe County TDA for 6 years – the last 2 as Chair – until last summer when my term expired.

When my wife and I sold our B&B, I was asked to help form the Asheville Buncombe Hotel Association to address various issues affecting the industry.

For Context, One of the unique factors about hotels in Buncombe Co. is that **more than three-fourths** of them are **family-owned** businesses, run by **local** citizens who live **here** in the community. Many have been here for **decades** – even **generations**. They are **NOT** out-of-town developers as they are sometimes portrayed.

Over the past several months the Hotel Association has been seeking input from the community, as well as our local delegation to the state General Assembly.

I am here tonight to express the Hotel Association's support for changes to the state law that governs the use of the occupancy tax.

We support **reducing** the funding dedicated to marketing Asheville and Buncombe County, from 75% to 67%.....
and **increasing** the funding available for community projects, from 25% to 33%.

These changes to the tax are the **maximum allowable** under the state guidelines that were adopted by the NC General Assembly in 1997 to govern occupancy tax legislation.

We also support **expanding the flexibility** of the portion of the tax designated for community projects

- **To go beyond the current limits** of only “brick and mortar” capital projects... and include some **non-capital** projects, such as funding for things like the City’s Transit Master Plan.
- We also support **expanding the TDA Board** to include a **broader range** of tourism partners.

In the interest of my 3-minute time limit, I have a handout here with a few more details.

In closing, I would like to note that the occupancy tax has been a **very successful strategy** for Buncombe County, **attracting customers to local businesses, providing jobs and creating tax revenue.**

At the same time, we understand and appreciate that the needs of the community change over time.

We, the Asheville Buncombe Hotel Assn. are happy to take a leadership role in responding to these changing needs.

We’d like to express our appreciation to Chairman Brownie Newman, Commissioner Joe Belcher, Mayor Esther Manheimer and Council member Julie Mayfield for their time and effort spent in discussions with us about this topic.

Thank you again for the opportunity to speak with you.

ASHEVILLE BUNCOMBE HOTEL ASSOCIATION

Jim Muth, Executive Director

Information for Buncombe County Board of Commissioners

February 18, 2020

Background

- The Asheville Buncombe Hotel Association was formed in 2019 to address various issues affecting the hotel industry. Despite ongoing mainstream and social media coverage of “the hoteliers” in Asheville and Buncombe County, there has been no such formal entity in recent years.
- Jim Muth is Executive Director, having been asked to form the association after he and his wife sold the local bed and breakfast establishment they owned for 12 years. During that period, Muth served on the Buncombe County Tourism Development Authority for six years, including two as chair, until his term expired in mid- 2019.
- It is notable (and unusual in many locations) that more than three-fourths of hotels in Buncombe County are **family-owned businesses**, run by **local citizens who live here in the community**. Many have been here for decades – even generations. They are *not* out-of-town developers as they are sometimes portrayed.
- The Asheville Buncombe Hotel Association has spent the past several months seeking input from the community about the laws governing the use of the occupancy tax, which is paid by visitors to Buncombe County who stay overnight in commercial lodging facilities, to include not just hotels but also bed and breakfast establishments and short-term rentals such as Airbnbs and VRBO .
- The ABHA has also been in discussions with Western North Carolina’s local delegation to the state General Assembly to ask for help in making changes to this law.
- In addition, ABHA’s position on the occupancy tax has been informed by the extensive research done over the past year as part of the Buncombe County TDA’s Tourism Management & Investment Plan (TMIP) process. More than 90 projects have been submitted by public partners (City of Asheville, Buncombe County, UNC Asheville) and nonprofits / community groups for potential funding.
 - Funding for any of these projects, if selected, would be from the Tourism Product Development Fund (TPDF), which comes from a portion of the occupancy tax paid by overnight visitors. To-date, \$44 million in TPDF grants has been given to 39 community projects, including infrastructure, parks, greenways, cultural arts organizations, sports facilities, and more.

Support for Changes to the Occupancy Tax

The Asheville Buncombe Hotel Association supports the following changes to the laws that govern the use of the occupancy tax:

- **Reducing the funding dedicated to marketing** Asheville and Buncombe County from 75% to 67% -- and **increasing the funding available for community projects** from 25% to 33%. These changes to the tax are the maximum allowable under the occupancy tax guidelines that have been applied to occupancy tax legislation since 1997.
- **Expanding the flexibility** of the portion of the tax designated for community projects (TPDF):
 - To go **beyond the current limits** of only “brick and mortar” capital projects.
 - To include some **non-capital projects**, such as transportation funding for initiatives like the City’s Transit Master Plan.
 - To **expand the option for bonding funds** over a period of 20 years, to enable funding of larger community needs.
 - To also provide funding for the **administration, design and maintenance of TPDF-approved projects**. *For example, a park or sports facility that received TPDF funding would also be eligible for funding for maintenance, allowing for the use of County or City dollars to be used for other purposes.*
 - To include **local arts projects**.
- **Expanding the TDA Board** to include a broader range of tourism partners, to include representatives of ticketed attractions, arts organizations, restaurants, and short-term rental owners.

Asheville Buncombe Hotel Association: Responding to Community Needs

The occupancy tax has been a **successful strategy** for Asheville and Buncombe County, **attracting customers to local businesses, providing jobs and creating tax revenue.**

The ABHA also understands and appreciates that the needs of our industry and the needs of the community change over time. **We want to be responsive to these needs**; therefore, we have taken a leadership role in asking our state representatives to make changes to the law that governs the use of the tax that is collected by our members.

We’d like to express our appreciation to Chairman Brownie Newman, Commissioner Joe Belcher, Mayor Esther Manheimer and Council member Julie Mayfield for their time spent in discussions about this topic.

February 21, 2018

Senator Terry Van Duyn
Senator A. Hank Edwards
Representative Susan Childs
Representative Brian Clouse
Representative John Ager

Dear Senators and Representatives:

Tourism has been an important part of the economy of Asheville and Western North Carolina for more than a century. It creates many jobs, generates tax revenues and brings many benefits to the region. However, the recent, rapid, unbridled growth of visitors and hotels in the region has elevated public concern about how tourism is impacting the community, including issues ranging from wear and tear on infrastructure and growing needs for multi-modal transportation. Many businesses pay so little that local government must subsidize housing and other basic needs so these workers can afford to live here, which further burdens our taxpayers.

The driver in the surge of tourist visitation is the Buncombe County hotel tax, which generates \$25 million in annual revenue. Under the current state law, 25% of these revenues, more than \$13 million per year, must be spent on more advertising for hotels and 75% must be spent on the Tourism Product Development Fund. The public believes, and we strongly agree, that the hotel tax policy should be changed in the following ways, each of which will benefit our community:

1. **Greater community investment.** The revenue formula should be changed so that more of the funds can be invested to meet important community priorities (which can also benefit the tourism sector) and less money should be spent on advertising. It is our understanding that the local hotel association is willing to change the funding formula from 75%-25% to 45%-55%. While this would be a step in the right direction, frankly most people believe it should go further. Investing into needs that benefit the community and the tourism sector, rather than just more advertising, would be one of the most powerful policies that could be enacted for the future wellbeing of the people of Buncombe County. We believe any hotel tax revenue growth over \$25 million should be allocated at least 50% for non-advertising community priorities.
2. **Flexibility in use of community funds.** The current law requires that the "Tourism Product Development Fund" can only be invested in new capital projects that attract tourists. However, the state-wide "Guidelines for Occupancy Tax Guidelines" which was created by the hospitality industry in North Carolina, recommends providing local communities more flexibility. The guidelines simply state that the funds must be invested in activities that are "tourism related" and allow communities to define what that means for them. Projects could include both capital costs, maintenance of existing facilities and operating costs. We support changing the existing hotel tax language, which is highly unusual and restrictive, and replace it with the commonly used state guidelines language. This could allow investments in infrastructure and other

important needs, such as improved public transportation, which would benefit the community and the tourism industry. We recommend changing the name from "Tourism Product Development Fund" to "Tourism and Community Development Fund."

3. **Community voices in decision-making** - Currently, the make-up of the TDA is dominated by hotel owners. We believe there should be more community voices added to the decision-making process, especially as it relates to the investments of the non-advertising funds.

These changes reflect how we believe in principle the tourism tax could best serve the community for the future. With that said, we recognize that changes to the Buncombe hotel tax require approval of the Legislature. Securing passage of a bill during the 2020 Short Session requires that it be relatively non-controversial. The state hotel industry association has informed us they would oppose any bill during the short session which is inconsistent with the state-wide guidelines. For this reason, we recognize that it is probably not possible to change the funding revenue any more than to the 66% - 33% formula, so we would support this in the 2020 Short Session.

If the Buncombe hotel tax law is updated, it is critical that there not be restrictions imposed on our community's use of the funds above and beyond the state-wide industry guidelines that the funds must be invested in "tourism related" activities. Once revised, we may have to live with the new law for many years into the future. In light of how rapidly the tourism economy has changed in recent years, it is critical that the legislation not bind the hands of how the funds may be invested.

We ask you to actively oppose any bill that revises the Buncombe hotel tax law if it dictates the use of the non-advertising funds in a way that is more restrictive than the state guidelines. It would be better to leave the legislation as it is today than to change it if it contains such a provision. Unfortunately, it is our understanding that the Buncombe County hotel association is advocating for a bill that impose such restrictions on the use of these community investments. Hopefully, they may reconsider their position on this issue so that a bill could move forward which has broad support.

Thank you for your consideration of this important issue and for your dedicated service to the people of Buncombe County and Western North Carolina.

Sincerely,