

# Legislative Analysis



## CONVENTION & TOURISM PROMOTION: INCREASE ROOM TAX FOR KENT & GREATER LANSING BUREAUS

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**House Bill 4261 (Substitute H-1)**

**Sponsor: Rep. Michael Sak**

**Committee: Commerce**

**Complete to 5-8-07**

### A SUMMARY OF HOUSE BILL 4261 AS REPORTED FROM COMMITTEE 5-8-07

The bill would create a new Convention and Tourism Promotion Act, under which an existing nonprofit convention and tourism bureau could levy an assessment of up to two percent on hotel and motel rooms to support marketing and promotion programs. The new assessment would be in addition to assessments the eligible bureaus are currently levying under other acts. The act would apply to facilities of 35 or more rooms. Assessment revenues would not be state funds.

The bill would apply to:

- 1) An assessment district containing a municipality with a population between 570,000 and 775,000. (This applies to Kent County.)
- 2) An assessment district containing a municipality within which is levied a four percent marketing assessment under Public Act 395 of 1980, the Community Convention or Tourism Marketing Act. (This applies to the Greater Lansing area.)

[This proposed new act would be similar in purpose and structure to the existing Convention and Tourism Marketing Act (PA 383 of 1980), which allows an additional assessment in a county with a population of more than 1.5 million (Wayne County) and contiguous counties. The proposed new act, however, does not apply to contiguous counties.]

Assessment. An assessment could not exceed two percent of "room charges." That term would apply to the charge imposed for the use and occupancy of a room, excluding charges for food, beverages, state use tax, telephone service or like services, and reimbursement of the assessment (i.e., adding the assessment to customers' bills). It would apply to "transient facilities," defined as a building of 35 or more rooms used in the business of providing dwelling, lodging, or sleeping to transient guests, whether or not membership was required for use of the room. It would not apply to hospitals or nursing homes. It would apply to guests occupying a room for less than 30 consecutive days.

MEDC Notification & Approval. A convention and tourism bureau wishing to operate under the new act would have to file a marketing program notice with the director of the Michigan Economic Development Corporation (MEDC) describing the structure, history, membership, and activities of the bureau in sufficient detail to allow the MEDC to determine whether the bureau meets the act's eligibility requirements. The notice would also have to describe the marketing program to be implemented and specify the amount of the assessment fee.

Bureau Eligibility. Under the bill, to be eligible, a bureau would need 1) at least 200 dues-paying members, at least 25 of which were owners of transient facilities; 2) to have been actively engaged in promoting convention business and tourism for at least 10 years; 3) an elected board of directors; 4) a full-time chief executive officer and at least 14 full-time equivalent employees; 5) membership in one or more nationally recognized associations of travel and convention bureaus; and 6) regularly books conventions at the community's largest convention center, which generate hotel room nights throughout the surrounding area.

Owner Notification & Initial Referendum. The bureau would also have to send the marketing program notice by registered or certified mail to each owner of a transient facility in the assessment district. Owners could force a referendum on the plan. A referendum would be held if the MEDC received written requests for a referendum within 40 days after mailing of the notice from owners representing at least 40 percent of the total number of owners or at least 40 percent of the total number of rooms.

If a referendum were held (by mail or in person), each owner would have one vote per room. A majority of votes actually cast would determine whether or not an assessment went into effect.

Subsequent Referendums. At any time two years or more after an assessment took effect, and upon the written request of owners, the bureau would have to conduct a referendum on whether the assessment should be discontinued. If a majority voted to discontinue the assessment, it would be discontinued on the first day of the month following 90 days after certification of the results. If the resolution to discontinue the assessment was not adopted, another referendum could not be held for two years.

Marketing Program. A marketing program could include all or any of the following: 1) advertising, marketing, and promotional programs to encourage convention business and tourism in the district; 2) assisting transient facilities to promote business and tourism; 3) acquiring personal property; 4) hiring and paying personnel; 5) contracting with others to carry out program activities; and 6) undertaking research to encourage business and tourism.

Advisory Committee. A bureau establishing an assessment under the act would have to elect an advisory committee made up of representatives of facility owners within the assessment district, along with a representative of the director of the MEDC. The committee would consist of not fewer than five or more than nine persons, at least one of whom could not be affiliated with a bureau business member. One of the members would have to be affiliated with a facility of 120 rooms or fewer. The bureau would establish election procedures. The committee would meet at least quarterly and could approve or reject proposed marketing plans.

## **FISCAL IMPACT:**

This bill would have no fiscal impact on State of Michigan or local revenue because the assessments authorized become the property of the private, non-profit corporation promoting convention and tourism business.

## **POSITIONS:**

The Michigan Economic Development Corporation (MEDC) testified in support of the bill. (5-8-07)

Grand Rapids/Kent County Convention and Visitors Bureau testified in support of the bill. (5-8-07)

The Greater Lansing Convention and Visitors Bureau, along with the Lansing Entertainment and Public Facilities Authority, the Capital Region Airport Authority, and the Lansing Regional Chamber of Commerce, indicated support for the bill. (5-8-07)

The City of Grand Rapids indicated support for the bill. (5-7-07)

The Detroit Metropolitan Convention and Visitors Bureau testified in support of the bill. (5-7-07)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.