

Senator Terry Van Duyn
Senator Chuck Edwards
Representative Susan Fisher
Representative Brian Turner
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 unprecedented growth of visitors and hotel construction in Asheville has elevated public concern about how tourism is impacting the community, including issues ranging from wear and tear on infrastructure to growing needs for multi-modal transportation. While tourism creates many jobs and has helped our community achieve low unemployment, many tourism jobs 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 this surge of tourist visitation is the Buncombe County hotel tax, which generates \$25 million in annual revenue. Under the current state law, 75% of these revenues, more than \$18 million per year, must be spent on more advertising for hotels and 25% 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 66%-33%. 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 Legislation" 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 replacing 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.

Unfortunately, it is our understanding that the Buncombe County hotel association is advocating for a bill that would impose such restrictions on the use of these community investments. We ask you to please oppose any bill that includes such a provision. It would be better to leave the legislation as it is than pass a new bill with such an unwarranted provision. Hopefully, the hotel association 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,