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TO: Conan Smith, Chair  
Ways & Means Committee

FROM: Robert E. Guenzel  
County Administrator

DATE: November 18, 2009

RE: Approving Five-Year Contracts with the Ann Arbor Area Convention and Visitors Bureau, Inc. and the Ypsilanti Area Convention and Visitors Bureau, Inc., Concerning the Expenditure of Revenues Collected Under the Washtenaw County Accommodation Tax Ordinance

**BOARD ACTION REQUESTED:**

Administration requests that the Board of Commissioners approve five-year contracts with the Ann Arbor Area Convention and Visitors Bureau, Inc. ("Ann Arbor CVB") and the Ypsilanti Area Convention and Visitors Bureau, Inc. ("Ypsilanti CVB") to govern how revenues collected under Washtenaw County's Accommodation Tax Ordinance shall be spent by these entities to promote tourism and convention business within the County.

**BACKGROUND:**

Michigan law permits counties to collect an excise tax of up to 5% on those businesses providing rooms for transient guests, i.e. hotels, motels, bed and breakfast facilities, etc., provided the county has passed an Ordinance authorizing the tax. The money collected from this excise tax is to be used to promote tourism and convention business within the county. On June 26, 1975, the Board of Commissioners approved the Washtenaw County Accommodation Ordinance effective on September 1, 1975. The Ordinance originally authorized the County to collect a 2% excise tax on eligible room rentals. On December 3, 2008, the Board of Commissioners approved a Resolution (#08-0244) increasing the accommodation excise tax from 2% to the statutory limit of 5%. The County also created an Accommodation Ordinance Commission to oversee the collection of funds and how they are expended. The County has for many years contracted with the Ann Arbor CVB and the Ypsilanti CVB to expend the money collected under the Ordinance. The existing five-year contracts with the CVB's expire on December 31, 2009.

**DISCUSSION:**

The proposed contracts with the Ann Arbor CVB and the Ypsilanti CVB provide that these entities will use the excise tax funds collected under the Accommodation Ordinance to conduct a number of activities designed to promote tourism and convention business within the County. Under the proposed contracts, the County would retain 10% of the collected tax to defray the cost of administering and enforcing the Ordinance. Under the Ordinance, the County Treasurer is primarily responsible for these functions with assistance from Corporation Counsel. The 10% share for the County is a raise from the 5% the County received under earlier contracts with the CVB's. The additional funds are needed to pay for the increased cost of administering the Ordinance and instituting collection measures, including the filing of lawsuits, to enforce the Ordinance.

Once the County's 10% share is paid, the remaining accommodation tax funds are divided between the CVB's with the Ann Arbor CVB receiving 75% of the funds and the Ypsilanti CVB receiving the remaining 25%. There are four key changes that have been added to the proposed contract: (1) the County's share of the accommodation tax is increased from 5% to 10%; (2) there is specific language concerning the process to follow in collecting delinquent accommodation taxes; (3) language in previous contracts indicating that the County could reduce the percentages allocated to the CVB's if it contracted with other agencies to expend the accommodation tax money has been removed; and (4) a termination clause whereby either party may terminate the Agreement upon giving the other party six months written notice of such termination has been added.

The proposed Contracts will run for a five-year period extending from January 1, 2010 to December 31, 2014.

**IMPACT ON HUMAN RESOURCES:**

None

**IMPACT ON BUDGET:**

Under the proposed Contracts, the County retains 10% of the collected accommodation tax money, which is used by the County Treasurer to off-set the cost to administer and enforce the Accommodation Tax Ordinance.

**IMPACT ON INDIRECT COSTS:**

None

**IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:**

The requested action will contractually obligate the Ann Arbor CVB and the Ypsilanti CVB to aggressively promote tourism and convention opportunities within the County. The proposed Resolution will also require the County

Treasurer to use the County's 10% share of the accommodation excise tax to administer and enforce the Accommodation Ordinance.

**CONFORMITY TO COUNTY POLICIES:**

The proposed action conforms to all County policies and procedures.

A RESOLUTION APPROVING AGREEMENTS WITH THE ANN ARBOR AREA CONVENTION AND VISITORS BUREAU AND THE YPSILANTI AREA CONVENTION AND VISITORS BUREAU FOR THE PERIOD JANUARY 1, 2010 THROUGH DECEMBER 31, 2014

WASHTENAW COUNTY BOARD OF COMMISSIONERS

December 2, 2009

WHEREAS, for many years, Washtenaw County has contracted with the Ann Arbor Area Convention and Visitors Bureau ("Ann Arbor CVB") and the Ypsilanti Area Convention and Visitors Bureau ("Ypsilanti CVB") to provide a number of services, including, but not limited to using accommodation excise tax money to market tourism and convention business in Washtenaw County as provided for in the Washtenaw County Accommodation Ordinance and the appropriate state statute; and

WHEREAS, the Board of Commissioners believes that those Contracts have been beneficial for the County and its citizens; and

WHEREAS, the current five-year Contracts between Washtenaw County and the Ann Arbor and Ypsilanti CVB's will expire on December 31, 2009; and

WHEREAS, both the Ann Arbor Area Convention and Visitors Bureau and the Ypsilanti Area Convention and Visitors Bureau have requested that new five-year contracts be signed; and

WHEREAS, the key changes to the proposed new contracts are as follows: (1) the County's share of the accommodation tax is increased from 5% to 10%; (2) there is specific language concerning the process to follow in collecting delinquent accommodation taxes; (3) language in previous contracts indicating that the County could reduce the percentages allocated to the CVB's if it contracted with other agencies to expend the accommodation tax money has been removed; and (4) a termination clause whereby either party may terminate the Agreement upon giving the other party six months written notice of such termination has been added; and

WHEREAS, this matter has been reviewed by the Accommodation Ordinance Commission, Corporation Counsel, the Finance Office, County Administration and the Ways & Means Committee.

NOW THEREFORE, BE IT RESOLVED that the Washtenaw County Board of Commissioners approves and authorizes the Chair of the Board of Commissioners to sign the Management Agreements with the Ann Arbor Area Convention and Visitors Bureau and the Ypsilanti Area Convention and Visitors

Bureau for the period of January 1, 2010 through December 31, 2014, as attached to this Resolution.