

Some of the Issues with SSRTA 2021-22 Application for SeaTac Lodging Tax Funding

On the Agenda for the A&F Committee Meeting 11/12/2020

Council Members,

I have stated previously that none of the performance claims made by the SSRTA are verifiable with credible hard data. Yes, they provide some numbers, throw in a few multiplication and division signs and imply abundant equal signs. The eyes of many of their target audience glaze over and assume 'if the numbers are printed they must be accurate'. They wow their reader with colored brochures that are aesthetically pleasing. However, anyone who takes a deep dive in to the calculations and various documentation sources quickly realizes that the math is flawed and the documentation is full of implicit assumptions and generous disclaimers as to its accuracy for any given user.

I have the same issues with their performance promises contained in their 2021-2022 Application for SeaTac Lodging Tax Funding as I have had with their previous performance claims. I am sharing some of the non-sensical issues with you in this document. Unfortunately, I quickly tire of their fuzzy math and conflicting claims when comparing one SSRTA document to another. As a result, the following is only a sampling of the conflicts inherent in their performance presentations.

Because of these historical discrepancies I urge you to set very specific measurable expectations, tools and methods that **you** determine to validate performance levels **BEFORE** giving any money to the RTA. In addition, I suggest that you do not enter into any long-term agreement with the SSRTA until they have established a solid history of consecutive satisfactory performances.

Vicki Lockwood

(see following pages for some examples of their flawed calculations and non-verifiable performance claims)

<u>As a direct result of your proposed tourism-related service, provide:</u>	<u>Estimate</u>	<u>Calculation Methodology (See options below)</u>
<p>a. Overall attendance at your event/activity/facility</p> <p><i>RTA tracks encounters that include website unique users, meeting delegates, inquires/mailers, shuttle riders and ad attributed hotel sales not through RTA website. Does not include advertising impressions, social media exposure, PR, or other marketing outcomes. Exposure is a much, much higher number. 50% of 2019 outcomes due to COVID-19.</i></p>	326,658	<input checked="" type="checkbox"/> DC <input type="checkbox"/> IC <input type="checkbox"/> RS <input type="checkbox"/> IS <input type="checkbox"/> SE

If you accept the above estimate as being 50% of the 2019 attendance, then the 2019 attendance would have been 653,316. Both numbers are for the entire SSRTA 3-City area. Based on those numbers, **SeaTac's calculated 2021-22 attendance** would be 66% of the estimated 2021-22 total, or **215,594**

<p>b. Number of people who travel more than 50 miles for your event/activity</p> <p><i>Dean Runyan Research > 95% of Seattle Southside visitors travel more than 50 miles therefore (95% X a.)</i></p>	310,325	<input type="checkbox"/> DC <input checked="" type="checkbox"/> IC <input type="checkbox"/> RS <input type="checkbox"/> IS <input type="checkbox"/> SE
<p>c. Of the people who travel more than 50 miles, the number of people who travel from another country or state</p> <p><i>(Historically 50% based on Google Analytics, however, due to the pandemic we believe international travel will not fully recover until a vaccine is developed)</i></p>	zero	<input type="checkbox"/> DC <input checked="" type="checkbox"/> IC <input type="checkbox"/> RS <input type="checkbox"/> IS <input type="checkbox"/> SE

If you accept that 50% of the attendees in 2019 were international travelers (per 'c.' above), and if you accept that 2021-22 domestic attendees will be 50% of the 2019 level, then the realistic 2021-22 total estimated attendees would be:

2019 total attendees:	653,316
2019 international travelers:	- 326,658
2019 domestic attendees:	326,658
2021-22 estimated attendees (50% of 2019 domestic attendees)	163,329

SeaTac's calculated 2021-22 attendance would be 66% of the estimated 2021-22 total, or **107,797 rather than the 215,594** calculated under para. a. above. **Something's not adding up with the numbers provided.**

If you accept that 95% of the 2021-22 attendees will travel more than 50 miles, then based on the above revised SeaTac calculated attendance, **SeaTac's calculated 'potential lodgers'** would be **102,407 rather than the 204,815** calculated by using 66% of the 310,325 estimated provided in para. b. above. **Something's not adding up with the numbers provided.**

<u>As a direct result of your proposed tourism-related service, provide:</u>	<u>Estimate</u>	<u>Calculation Methodology (See options below)</u>
<p>d. Of the people who travel more than 50 miles, the number of people who stay overnight in UNPAID accommodations in SeaTac</p> <p><i>(RTA does not track overnight stays in UNPAID accommodations based on distance. However, noted in Dean Runyan Report research 85% stay in paid accommodations therefore we can assume (15% of b))</i></p>	46,549	<input type="checkbox"/> DC <input checked="" type="checkbox"/> IC <input type="checkbox"/> RS <input type="checkbox"/> IS <input type="checkbox"/> SE

If you accept that 15% of attendees traveling more than 50 miles will stay in unpaid accommodations, and if you use the newly calculated number of 102,407 SeaTac ‘potential lodgers’ rather than the number supplied by the SSRTA, the newly calculated **SeaTac ‘free lodgers’** would be **15,361 rather than 30,722** (66% of 46,549 as supplied in para. d. above). **Something’s not adding up with the numbers provided.**

<p>e. Of the people staying overnight, the number of people who stay in PAID accommodations (hotel/motel/bed & breakfast) in SeaTac</p> <p><i>(50% of 2019 RTA generated room nights ‘ 620,658 x 2.1 average party size from Dean Runyan) x 66% of SS hotel room supply equals SeaTac hotel supply)</i></p>	430,115	<input checked="" type="checkbox"/> DC <input type="checkbox"/> IC <input type="checkbox"/> RS <input type="checkbox"/> IS <input type="checkbox"/> SE
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The fallacy in the above calculation is readily apparent when the number of people staying in paid accommodations in SeaTac exceeds the estimated 3-City total attendees. It was stated under para. a. that the total attendees is estimated at 326,658 (SSRTA-provided number). SeaTac’s 66% share would be 215,594. We already established that not all attendees stay in paid accommodations, so **the SSRTA number supplied for para. e. above should be something less than 215,594.** **Something’s not adding up with the numbers provided.**

One should be able to take the number of people who travel 50 miles or more, subtract the number within this group who stay for free and arrive at the number of people who stay in paid accommodations. Using the SSRTA-supplied number of 310,325 (for total number of people traveling 50 miles or more) and subtracting the SSRTA-supplied number of 46,549 (for those within the group staying in free accommodations), the **3-City number should be 263,776 rather than the 430,115** shown for **SeaTac only**. If 430,115 was correct for SeaTac only, then the 3-City total attendees staying in paid accommodations would be 651,689 (eerily close to the 653,316 total 2019 attendance).

Using the corrected SSRTA 3-City calculation of 263,776, then **SeaTac’s ‘paid lodgers’** should be 66% of the latter number or **174,092 rather than** 66% of 430,115 or **283,876**. Using the newly calculated **SeaTac’s ‘potential lodgers’** of **102,407** and subtracting the newly calculated **SeaTac ‘free lodgers’** of **15,361**, the re-calculated **SeaTac paid lodgers** would be **87,046**.

There's a HUGE discrepancy in the number of estimated paid lodgers no matter what calculation method you use. **Something's not adding up with the numbers provided.**

In addition, the SSRTA says they average 2.1 people per party and the average length of stay is 3.8 days. I am assuming the 2.1 means how many people stay in one room. If this is correct, and if one takes the total estimated SeaTac 'paid lodgers' and divides that number by 2.1, then multiplies that result by 3.8 the answer should be the number of **paid room nights generated by the SSRTA in SeaTac**. In this instance it might be somewhere between 15,751 and 513,680 depending upon whose math you care to use. (See para. f. below where the SSRTA says they will generate 204,817 paid room nights in SeaTac) **Something's not adding up with the numbers provided.**

<u>As a direct result of your proposed tourism-related service, provide:</u>	<u>Estimate</u>	<u>Calculation Methodology (See options below)</u>
f. Number of paid lodging room nights in SeaTac resulting from your event/ activity/ facility <i>(50% of 2019 RTA generated room nights' 620,658 x 66% of SS hotel room supply equals SeaTac hotel supply)</i> <i>(example: 25 paid rooms on Friday and 50 paid rooms on Saturday = 75 paid lodging room nights)</i>	204,817	<input checked="" type="checkbox"/> DC <input type="checkbox"/> IC <input type="checkbox"/> RS <input type="checkbox"/> IS <input type="checkbox"/> SE

If we take the number of paid room nights in SeaTac, divide that by the average length of stay, we should arrive at the number of parties. Then multiply the number of parties by the average party size (SSRTA states this is 2.1) and we should know how many visitors the SSRTA is bringing in to SeaTac. Use the number provided by the SSRTA in para. f. above:

$$204,817 / 3.8 = 53,899 \quad \text{Calculated number of parties}$$

$$53,899 * 2.1 = \mathbf{113,188} \quad \text{Calculated number of SSRTA visitors to SeaTac}$$

Obviously, the above calculation does not coincide with any of the SSRTA statements about the number of people they bring to our City or to our SSRTA 3-City region. **Something's not adding up with the numbers provided.**

There is a major credibility gap with every single SSRTA calculation I tried to verify.



VIA EMAIL

SeaTac City Council
4800 South 188th Street
SeaTac, WA 98188

RE: SeaTac Gaming Tax Information

Dear SeaTac City Council,

It has come to our attention that there are some misconceptions about nontribal Gaming in the State of Washington. We have created a streamlined summary of the types of Gaming, Tax Rates, and Restrictions placed on nontribal gambling using the Cities of Renton, Tukwila, Puyallup, University Place, Redmond, and Kenmore as examples. We operate facilities in some of these cities but, for comparison, are unable to operate in other cities due to restrictions.

Gambling Taxes:

Gambling Receipts are taxed on a Cardroom's Gross Revenue. They are not a Pass-Through tax onto the consumer. Washington State has placed restrictions on the maximum amounts that local cities, counties, or towns can tax on gambling activities- see table below.

RCW 9.46.110 allows local cities, counties, or towns to tax gambling receipts. The maximum limitations are set forth in the law and are listed below.

Activity:	Maximum Tax Rate:
Amusement Games	Up to 2% of net receipts; cannot exceed actual enforcement costs
Bingo	Up to 5% of net receipts
Cardrooms	Up to 20% of gross receipts
Punchboards and Pull-tabs – Charitable	Up to 10% of net receipts
Punchboards and Pull-tabs – Commercial	Up to 5% of gross receipts or 10% of net receipts
Raffle	Up to 5% of net receipts; first \$10,000 cannot be taxed



Tax Rates for All Maverick Gaming Properties:

Our Average tax rate in Washington is 11.3%, including the SeaTac tax rate of 20%. The current Gaming tax rate in SeaTac is almost double the rate we pay in any other city that we operate in. The property is currently unprofitable and the change in the tax rate is significantly affecting our ability to continue to do business in the city of SeaTac.

Below is a table of our current Gambling tax rates by city.

DBA	City	City or County		WA Gambling Commission (QTR License Report)	
		Tax Rate* (Table Games)	Filing Frequency	Tax Rate** (Table Games)	Filing Frequency
Coyote Bob's Casino	Kennewick	10.00%	Monthly	1.462%	Quarterly
Crazy Moose Mountlake	Mountlake Terrace	10.00%	Quarterly	1.462%	Quarterly
Crazy Moose Pasco	Pasco	10.00%	Quarterly	1.462%	Quarterly
Club Hollywood Casino	Shoreline	10.00%	Quarterly	1.462%	Quarterly
Royal Casino	Everett	10.00%	Quarterly	1.462%	Quarterly
Silver Dollar Millcreek	Millcreek	10.00%	Quarterly	1.462%	Quarterly
Silver Dollar Renton	Renton	10.00%	Monthly	1.462%	Quarterly
Silver Dollar SeaTac	SeaTac	20.00%	Quarterly	1.462%	Quarterly
Red Dragon Casino	Mountlake Terrace	10.00%	Quarterly	1.462%	Quarterly
Royal Club Casino (Roman)	Renton	11.00%	Quarterly	1.462%	Quarterly
Great American Casino (Tukwila)	Tukwila	11.00%	Quarterly	1.462%	Quarterly
Great American Casino (Lakewood)	Lakewood	11.00%	Monthly	1.462%	Quarterly
Great American Casino (Everett)	Everett	10.00%	Quarterly	1.462%	Quarterly
Caribbean Yakima	Yakima	10.00%	Quarterly	1.462%	Quarterly
Macau Tukwila Casino	Tukwila	11.00%	Quarterly	1.462%	Quarterly
Macau Lakewood Casino	Lakewood	10.00%	Monthly	1.462%	Quarterly
Caribbean Kirkland	Kirkland	11.00%	Quarterly	1.462%	Quarterly
Caribbean Cardroom	Kirkland	11.00%	Quarterly	1.462%	Quarterly
Wizards Casino	Burien	11.00%	Quarterly	1.462%	Quarterly



Gaming Restrictions:

RCW 9.46.295 allows local cities, counties, or towns to prohibit gambling activities. The Washington State Gaming Commission provides a list of cities and counties that prohibit or restrict Gambling activities. The list can be found at, <https://wsgc.wa.gov/regulation-enforcement/gambling-bans>.

Below is a sample of Washington State cities and their various permissions for gambling activities and how those activities are taxed in each respective city.

Renton:

- **Restrictions:** Zoning Restrictions for card rooms

Activity:	Tax Levied:
Bingo games and raffles - for profit	5% of gross receipts, less cash and merchandise prizes awarded
Bingo games and raffles - non-profit	Effective 1/1/2017 no tax is imposed
Pull tabs and punchboards	5% of gross receipts
Card games (per establishment)	\$500 annually or 10% of gross receipts, whichever is higher
Amusement Devices	2% of gross receipts, less actual net amount paid for prizes
Bingo games and raffles - for profit	5% of gross receipts, less cash and merchandise prizes awarded

Tukwila:

- **Restrictions:** Zoning restrictions- ALL gambling activities MUST be within the commercial zone of the city

Activity:	Tax Levied:
Bingo games and raffles	5% Tax Rate
Amusement Games	2% Tax Rate
Pull tabs and punchboards	5% Tax Rate
Card Room/Social Card games (1-5 rooms in the city)	11%
Card Room/Social Card games (6 rooms in the city)	15%
Card Room/Social Card games (7+ rooms in the city)	20%

Puyallup:



- **Restrictions:** Commercial Card Rooms except for charitable/non-for-profit enterprises were banned in 1999, prior to Ban the tax rate was 20%. Reference City of Puyallup Gambling Tax Return. Reference Puyallup ordinance 2605, “Card rooms, gambling establishments, game parlors moratorium” and ordinance 2606, “Amends Ord. 2605 card rooms, gamble establishments, game parlors moratorium”.

University Place:

- **Restrictions:** Commercial and nonprofit cardrooms are banned. Reference city ordinance 9.46.295

Redmond:

- **Restrictions:** Ban on Punch Boards – no card rooms open

Activity:	Tax Levied:
Bingo games and raffles	5% Tax Rate
Amusement Games	2% Tax Rate
Pull tabs (nonprofit orgs)	10% Tax Rate
Pull tabs (as commercial stimulant)	5%
Social Card games (as commercial stimulant)	12%
Social Card games (nonprofit orgs)	\$1 per year per member

Kenmore:

- **Restrictions:** Commercial card rooms are banned. Reference city ordinance 5.100.010 Social Card Games prohibited.

Activity:	Tax Levied:
Bingo Games	5% Gross Receipts
Raffles	10% Gross Receipts
Amusement Games	2% Gross Receipts
Derbies	10% Gross Receipts
Pull Tabs	5% Gross Receipts