



# City of Tukwila

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6200 Southcenter Boulevard • Tukwila, Washington 98188

Jim Haggerton, Mayor

## **AGENDA**

Lodging Tax Advisory Committee

June 22, 2015

Noon to 1:30 PM

### **Starfire Sports Complex**

14800 Starfire Way, Tukwila, WA

**Special Meeting Notes:** *Prior to the meeting Ben Oliver, GM of Starfire Sports, and the newest member to the lodging tax advisory board will provide an optional tour of the facility. The tour starts at 11:15. Come see home of soccer in the Pacific Northwest and training ground for your Seattle Sounders, S2, and Sounders Women! Please RSVP to Brandon Miles by 4:30 PM on Friday, June 19<sup>th</sup>.*

*Lunch will be available at 11:45.*

1. Welcome and Introductions  
*Chair Kruller*
2. Approval of Agenda (ACTION ITEM)  
*Committee Members*
3. Approval of Minutes (ACTION ITEM)  
*Committee Members*
4. SSRTA Transition  
*Katherine Kertzman*

5. Economic Development Update
  - a. SSRTA Supply and Demand Forecast
  - b. Northwest Arena
  - c. Washington Place
  - d. Holiday Inn Express
  - e. Southcenter Pedestrian Bridge
  - f. Family Fun Center Expansion
  - g. Transit Center Ribbon Cutting
    - i. June 29<sup>th</sup>, 10 A.M.
  - h. Round 1
    - i. <http://www.round1usa.com/>
  - i. Transit Planning Updates
    - i. Sound Transit and ST3
      1. Boeing Access Road
      2. I-405 High Capacity Transit (HCT)
    - ii. King County Metro Long Range Plan

*Derek Speck, Brandon Miles, and Katherine Kertzman*

6. Southcenter Marketing Partnership  
*Brandon Miles*
7. Tukwila Lodging Tax, Admission Tax, and Sales Tax Collections  
*Brandon Miles*
8. Seattle Southside Annual Report  
*Katherine Kertzman*
9. Smith Travel Report  
*Katherine Kertzman*
10. Regional Fire Authority Update  
*Derek Speck*
11. Banner Update  
*Brandon Miles*
12. Roundtable
13. Adjourn

**DRAFT**

## **City of Tukwila Lodging Tax Advisory Committee**

Friday, February 20<sup>th</sup>, 2015  
12:00 p.m. – 1:30 p.m.

**Location: DoubleTree Suites by Hilton**  
16500 Southcenter Pkwy, Seattle, WA 98188  
Tukwila, WA, 98188

**Committee Members Present:** Council President Kate Kruller, Jim Davis, Carol Kolson

**Absent:** Mayor Jim Haggerton, Miesa Berry, Maureen Huffman, Mike Bush, Kelly McMeekin

**Staff Present:** Katherine Kertzman, Tourism & Marketing Program Manager; Kristina Thorne, Visitor Services Specialist; Ashley Comar, Marketing Communications Coordinator; Meagan McGuire, Business Relations Coordinator; Derek Speck, Economic Development Administrator; David Cline, City Administrator; Brandon Miles, Economic Development Liaison.

**Guest Present:** Andrew Opatkiewicz, S2, General Manager

**Meeting Duration:** 12:09pm – 1:31pm

### **1. Welcome and Introductions**

Council President Kate Kruller brought the meeting to order with around the room introductions and distribution of a sign in sheet.

### **2. Approval of the 08/27/14 Minutes and 02/20/15 Agenda**

Council President Kruller asked for a motion to approve the 08/27/14 Lodging Tax Advisory Committee minutes and 02/20/15 agenda. Brandon Miles clarified the quorum requirements for the Committee since LTAC has had three members resign. Establishing a quorum is based on the number of seated members. The three vacant positions are not counted towards the number of seated members. Determining a quorum is thus based on having three (Kruller, Davis and Kolson) of the six seated members attend the meeting. Carol Kolson made the motion to approve the minutes and agenda and Jim Davis seconded. No discussion, all in favor **MOTION PASSED.**

### **3. Sounders FC2**

Andrew Opatkiewicz described team history and emphasized the special atmosphere created at Starfire. Home games are estimated to drive traffic and business to area. S2 values a positive fan experience and will keep ticket prices \$6-\$15. Estimated attendance to be 3,000 per home game.

### **4. 787 Run**

Brandon Miles shared preliminary details of proposed 787 run from Westfield Southcenter to Museum of Flight in partnership with Seattle Sports Commission. Discussion of race housing followed.

### **5. Smith Travel Research and Lodging Tax Reports**

Katherine Kertzman detailed the reports, stating 2014 was the most successful year on record. Jim Davis

elaborated need for shoulder season weekend business. Council President Kruller asked about 2014 success attributes. Discussion followed.

#### **6. 2015 Funding Requests**

Council President Kruller opened with Tukwila's funding request. Miles explained the goal is to expand the fan experience and requested \$6,500 for street pole event banners in the City of Tukwila entertainment district. Jim Davis motioned to approve and Carol Kolson seconded. All in favor. **MOTION PASSED.**

#### **7. Seattle Southside Regional Tourism Authority (SSRTA)**

Kertzman, in place of Maureen Huffman, updated the committee on the details to date for the SSRTA progress.

#### **8. MarCom Vacation Planner**

Ashley Comar presented the new edition of the vacation planner and detailed the publication's projected reach.

#### **9. Destination Sales and Services**

Meagan McGuire shared details about group leads and discussion followed.

#### **10. Southcenter Marketing Partnership**

Brandon Miles announced relaunching of the City's Southcenter Marketing Partnership with the goal to strengthen/increase day tourist spending. He hopes the program will move forward in the spring.

#### **11. New Business & Announcements**

Derek Speck shared City of Tukwila construction updates. Kristina Thorne reported on Westfield Visitor Center activities.

Meeting Adjourns: 1:12pm

# Regional Tourism Authority

## New Supply and Demand Forecast

With record occupancy and high room prices, the past two years have been the best of times for hotel owners and operators, particularly in the central urban areas in King County. Naturally, this strong performance has attracted the interest of developers. No one questions the need for some new capacity, but the extent of the pending expansion of supply is disquieting. Eighteen new hotels are under construction in the tri-county area, and dozens more are pending or proposed. Even with strong growth in demand, the new competition will put downward pressure on occupancy rates and room prices for the next several years. We look for the market to reach a trough in 2017 or 2018, with the next peak anticipated around 2022.

In Tukwila, a **139-room** Home2 Suites by Hilton is being developed several blocks south of Southcenter Mall. Opening in June 2015, it will be the first hotel in the region to carry this midscale extended-stay brand. A few blocks away, the mixed-use Washington Place development (formerly Circuit City) will include a **189-room** hotel, opening in 2017. At least one additional limited service property in Tukwila has been proposed for development.

Ariel Development has announced plans for a **150-room** Hyatt Place in SeaTac. The hotel will be located near the southwest corner of Angle Lake, replacing an existing office building. At least two other sites near the airport have been proposed for hotel development, flag and room totals have not been announced yet.

To the south, the **225-room** Four Points by Sheraton is under construction in Des Moines. That city hosted a formal ground breaking in mid-2011, but the actual start of construction was delayed. The hotel now is expected to open in the latter half of 2015.

The projects identified above total **703** not counting the 2 additional proposed undisclosed projects in SeaTac. The 500ish additional rooms that was mentioned at the May 20<sup>th</sup> Tourism Networking Meeting, does not include the **Home2 Suites or Four Points by Sheraton** currently under construction, as they are known and opening this year. This 500ish estimate references projects going through the permitting process now.

Another nearby anticipated project in Renton includes a full service Southport Hotel with 353 rooms expected to open in 2017.

<u>May 2015 Market Performance YTD</u>		<u>2016 Market Forecast</u>
<b>Room Occupancy:</b>	<i>Increase 6.4%</i>	<i>Decline</i>
<b>Average Room Rate:</b>	<i>Increase 4.5%</i>	<i>Increase</i>
<b>RevPar:</b>	<i>Increase 11.1%</i>	<i>Flat</i>

Excerpted from “Kidder Mathews Seattle Hotel Market Report” 4<sup>th</sup> Quarter 2014 and “Smith Travel Research” reports, May 2015

# Seattle Hotel

## Market Forecast

	Estimated 2014	Projected 2015
Room Occupancy	↔	↓
Average Room Rate	↑	↑
Daily RevPAR	↑	↔

## Market Up Close

Hotel occupancy rates have peaked in most of the region, and are near all-time highs in and near the central business districts of Seattle and Bellevue.

In most markets, room prices have recovered to pre-recession levels, with recent rate growth at a moderate pace.

Hotel sale activity has accelerated since the recession, and now averages over one significant transaction per month. While most of the recent purchases involved budget and midscale properties, there were also two sales of luxury hotels at record prices.

Four new hotels were completed during 2014, 11 are expected to open during the coming year, and numerous additional projects are pending or planned. In some markets, increases in supply are likely to outpace growth in demand, driving down occupancy rates. ■

With record occupancy and high room prices, the past two years have been the best of times for hotel owners and operators, particularly in the central urban areas. Naturally, this strong performance has attracted the interest of developers. No one questions the need for some new capacity, but the extent of the pending expansion of supply is disquieting. Eighteen new hotels are under construction in the tri-county area, and dozens more are pending or proposed. Even with strong growth in demand, the new competition will put downward pressure on occupancy rates and room prices for the next several years. We look for the market to reach a trough in 2017 or 2018, with the next peak anticipated around 2022.

## HOTEL PERFORMANCE

During 2014, Kidder Mathews completed hotel appraisals in nearly 30 lodging markets throughout the Pacific Northwest. The results discussed below reflect the performance of selected Washington submarkets. Measures of demand include the market occupancy rate, the market average room rate, and revenue per available room. Estimates for 2014 were extrapolated from year-to-date results and adjusted for seasonality.

The highest rates of occupancy were reported for Seattle's South Lake Union neighborhood, for upscale hotels near SeaTac Airport, and for the Issaquah/Eastgate submarket. In each case, the average occupancy rates for both 2013 and 2014 were nearly 80%. Occupancy was also strong in Downtown Bellevue and East Vancouver. Rates were somewhat lower in South King County, Pierce County, and Thurston County. Hotels in and near Bremerton reported very low occupancy, due primarily to reduced demand from the Puget Sound Naval Shipyard.

→ Continued, page 2

# Area Review

## Hotel Performance

Market	Tier	Room Occupancy			Average Room Rate			Daily RevPAR		
		2013	2014(Est)	Change	2013	2014(Est)	Change	2013	2014(Est)	Change
Bellevue CBD	Overall	76%	75%	-1.3%	\$161	\$176	9.3%	\$122	\$132	7.9%
Bellingham	Overall	75%	66%	-12.0%	\$110	\$111	0.9%	\$83	\$73	-11.2%
Bremerton	Budget	41%	43%	4.9%	\$77	\$79	2.6%	\$32	\$34	7.6%
Federal Way	Overall	57%	58%	1.8%	\$95	\$98	3.2%	\$54	\$57	5.0%
Fife	Budget	59%	60%	1.7%	\$48	\$50	4.2%	\$28	\$30	5.9%
Issaquah/Eastgate	Overall	77%	78%	1.3%	\$133	\$143	7.5%	\$102	\$112	8.9%
Kennewick	Overall	63%	62%	-1.6%	\$85	\$87	2.4%	\$54	\$54	0.7%
Kent/Southcenter	Midscale	70%	71%	1.4%	\$115	\$117	1.7%	\$81	\$83	3.2%
Moses Lake	Overall	50%	53%	6.0%	\$87	\$88	1.1%	\$44	\$47	7.2%
Olympia/Tumwater	Midscale	60%	60%	0.0%	\$96	\$98	2.1%	\$58	\$59	2.1%
Pasco	Midscale	52%	53%	1.9%	\$55	\$57	3.6%	\$29	\$30	5.6%
Pullman	Overall	64%	63%	-1.6%	\$105	\$109	3.8%	\$67	\$69	2.2%
SeaTac	Upscale	78%	78%	0.0%	\$117	\$122	4.3%	\$91	\$95	4.3%
SeaTac	Budget	65%	70%	7.7%	\$64	\$69	7.8%	\$42	\$48	16.1%
South Lake Union	Upscale	79%	80%	1.3%	\$155	\$159	2.6%	\$122	\$127	3.9%
Spokane	Upscale	66%	67%	1.5%	\$117	\$120	2.6%	\$77	\$80	4.1%
Tukwila North	Budget	62%	64%	3.2%	\$70	\$73	4.3%	\$43	\$47	7.6%
Vancouver East	Midscale	76%	74%	-2.6%	\$94	\$97	3.2%	\$71	\$72	0.5%
Walla Walla	Midscale	59%	59%	0.0%	\$107	\$111	3.7%	\$63	\$65	3.7%
Yakima/Union Gap	Overall	46%	48%	4.3%	\$66	\$68	3.0%	\$30	\$33	7.5%
<b>Sample Average</b>		<b>64%</b>	<b>64%</b>	<b>0.5%</b>	<b>\$98</b>	<b>\$102</b>	<b>3.8%</b>	<b>\$65</b>	<b>\$67</b>	<b>4.1%</b>

In the eastern half of the state, occupancy rates were moderate in Spokane and Kennewick, and relatively low in Yakima, Moses Lake, and Pasco. Most of these communities benefit from a modest base of business travel and seasonal sporting events, but they do not attract summer tourism to the same extent as larger urban areas.

During the recession, many hotels offered significant discounts, drawing guests away from what had been more affordable alternatives. With occupancy now at or above pre-recession levels, property managers have become more aggressive, raising rack rates and limiting discounts. For 2014, we estimate that room prices increased by 7% to 9% in the urban markets, and by 2% to 4% in outlying areas. Among the markets surveyed, growth in daily RevPAR averaged just over 4%.

The recent experience of the Bellingham market is instructive. In 2013, hotels in that city achieved very strong performance. But while demand continued to increase during 2014, the opening of two new hotels put downward pressure on both occupancy and revenue. With three more hotels presently under construction and at least two others proposed, a significant reduction in the market occupancy rate is anticipated.

The Bellingham experience may soon be repeated in Seattle and Bellevue, where several new hotels are under construction and many more are planned. These popular urban areas are particularly vulnerable to overbuilding, the consequences of which include lower rates of occupancy and stagnant or declining room prices. In peripheral markets, where new development may be limited to one or two hotels, the impact should be less severe.

## HOTEL DEVELOPMENT

With market performance improving and debt financing more readily available, hotel development in and near Seattle is accelerating. Three new hotels opened in the tri-county area during 2013, and four were completed in 2014. At year-end, 18 hotels were under construction and over 30 additional projects were proposed.

### Seattle

Strong occupancy and rising prices have made Seattle a high-profile target for hotel developers. Areas of particular interest include the central business district and South Lake Union.

Ariel Development is nearing completion on the 172-room Hyatt House Space Needle, just east of Seattle Center. Hyatt House is an upscale select service brand that caters to both transient and long-term guests. A few blocks away, Kimpton Hotels is converting a vintage apartment building into a 97-room boutique hotel.

Construction has commenced on several mixed-use projects that include a lodging component. These include a 222-room Hilton Garden Inn in Hill7, a 142-room Hotel Indigo in Portola Tower, a 184-room SLS Hotel at 5th & Columbia, a 158-room Thompson Hotel at 1st & Stewart, and a 278-room Embassy Suites just north of CenturyLink Field.

Two extended stay hotels are under construction outside the CBD. The 130-room Staybridge Suites will be the newest hotel in the Fremont/Wallingford neighborhood. Work also is underway on a 165-room Residence Inn in the University District.

## Hotel Development

Property Name	Location	Type	Opening	Rooms
Best Western Plus	Arlington	Limited Service	Apr-14	100
Homewood Suites	Lynnwood	Extended Stay	May-14	165
Hampton Inn & Suites	Everett	Limited Service	Jul-14	122
Hampton Inn & Suites	Bellevue	Limited Service	Dec-14	128
Marriott Hotel	Bellevue	Full Service	2015	378
Four Points	Des Moines	Full Service	2015	225
Courtyard	Everett	Select Service	2015	156
Homewood Suites	Issaquah	Extended Stay	2015	123
Cedarbrook Lodge Addition	SeaTac	Conference	2015	63
Calhoun Hotel	Seattle	Boutique	2015	97
Staybridge Suites	Seattle	Extended Stay	2015	130
Residence Inn	Seattle	Extended Stay	2015	165
Hyatt House	Seattle	Extended Stay	2015	172
Hilton Garden Inn (Hill7)	Seattle	Select Service	2015	222
Home2 Suites	Tukwila	Extended Stay	2015	139
Thompson Hotel	Seattle	Boutique	2016	158
SLS Hotel (5th & Columbia)	Seattle	Full Service	2016	184
Lincoln Square Two	Bellevue	Full Service	2017	245
Southport Hotel	Renton	Full Service	2017	353
Embassy Suites	Seattle	Full Service	2017	278
Hotel Indigo (Potala Tower)	Seattle	Boutique	2017	142
Washington Place Hotel	Tukwila	Full Service	2017	189

Nearly a dozen other hotels are proposed for sites in or near Downtown Seattle. The most ambitious proposal is for development of a mixed-use project with 1,680 guestrooms, apartments, restaurants, and retail space. The timing of construction could be influenced by permitting issues and by a potential expansion of the nearby state convention center.

### South King County

The owners of Cedarbrook Lodge in SeaTac are nearing completion on a 63-room addition to the upscale conference hotel, bringing its room count to 167. To the south, the 225-room Four Points by Sheraton is under construction in Des Moines. That city hosted a formal ground breaking in mid-2011, but the actual start of construction was delayed. The hotel now is expected to open in the latter half of 2015.

In Tukwila, a 139-room Home2 Suites by Hilton is being developed several blocks south of Southcenter Mall. Opening in early 2015, it will be the first hotel in the region to carry this midscale extended-stay brand. A few blocks away, the mixed-use Washington Place development will include a 189-room hotel, opening in 2017.

Ariel Development has announced plans for a 150-room Hyatt Place in SeaTac. The hotel will be located near the southwest corner of Angle Lake, replacing an existing office building. At least two other sites near the airport have been proposed for hotel development. In addition, the Port of Seattle is studying the potential for a new hotel on the airport grounds, adjacent to the terminal.

### East King County

A 128-room Hampton Inn & Suites opened in December 2014 on a site just east of I-405 and the Bellevue CBD. A few blocks to the west, completion of a 378-room full service Marriott Hotel is scheduled for March 2015.

A 245-room upscale hotel is proposed as part of Lincoln Square Two, a mixed-use project with lodging, office, and residential components. The complex broke ground in late 2014 and is scheduled for completion in 2017. The same developer may construct a luxury boutique hotel at the southeast corner of Bellevue Square. Several blocks to the east, the developers of Washington Square hope to include a hotel as one component of that project.

A 122-room Homewood Suites is under construction at the I-90/SR-900 interchange in Issaquah, adjacent to an existing Hilton Garden Inn. A 145-room SpringHill Suites is proposed nearer Downtown Issaquah. The Snoqualmie Tribe is considering development of a 20-story hotel near their popular casino. An 85-room limited service hotel is proposed for a commercial site in North Bend.

### Snohomish County

Three new Snohomish County hotels were completed in 2014. The 100-room Best Western Plus, located in a commercial district of Arlington, opened in April. The following month, the 165-room Homewood Suites opened in Lynnwood on a site just north of Alderwood Mall. In July, a 100-room Hampton Inn & Suites opened in Downtown Everett.



[kiddermathews.com](http://kiddermathews.com)

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**Hotel Transactions**

Property Name	Location	Year Built	Sale Date	Sale Price	Rooms	\$/Room
Motif Seattle	Seattle	1973	Jun-14	\$130,700,000	319	\$409,718
Hotel 1000	Seattle	2006	Jul-14	\$62,000,000	120	\$516,667
Residence Inn	Redmond	1998	Aug-14	\$49,326,595	180	\$274,037
Quality Inn	Seattle	1959	Nov-14	\$19,000,000	159	\$119,497
Ramada Hotel	Tukwila	1986	Feb-14	\$12,000,000	146	\$82,192
Red Lion Hotel	Renton	1966	Jul-14	\$8,872,500	224	\$39,609
Holiday Inn (dba Ramada)	Kent	1987	May-14	\$8,100,000	125	\$64,800
Comfort Inn	Federal Way	1998	Jul-14	\$7,300,000	117	\$62,393
Liberty Inn	Dupont	2004	Oct-14	\$6,950,000	72	\$96,528
King Oscar Motel (dba Quality)	Pacific	1998	Oct-14	\$6,220,000	120	\$51,833
King Oscar Motel	Tacoma	1992	Jun-14	\$5,800,000	221	\$26,244
Super 8 Motel (dba Red Lion)	Federal Way	1982	Oct-14	\$4,415,000	90	\$49,056
Travelodge	Tukwila	1979	Oct-14	\$4,200,000	72	\$58,333
Best Western	Lakewood	1965	Mar-14	\$4,000,000	78	\$51,282
Econo Lodge	Federal Way	1998	Jul-14	\$2,350,000	45	\$52,222

A 156-room Courtyard by Marriott is under construction in the Everett CBD. In Downtown Bothell, the conversion of the former Anderson School to a McMenamin’s hotel and restaurant is awaiting completion of the financing package. Several parcels in Arlington and Marysville have recently been considered for hotel development.

**Pierce County**

The most recent additions to the lodging supply in Pierce County were the 116-room Hampton Inn & Suites in Dupont and the 163-room Holiday Inn Express in Downtown Tacoma, both of which opened during 2013.

In November 2014, the Tacoma City Council authorized execution of a development agreement for a proposed mixed-use project near the convention center, to include a 300-room hotel, apartments, and retail space.

The planned conversion of the former Elks Lodge to a McMenamin’s hotel is expected to proceed when financing is secured. Two hotels have been proposed as part of a comprehensive mixed-use development along the Thea Foss Waterway. The mixed-use Point Ruston development likely will include a 175-room Silver Cloud Inn.

**HOTEL TRANSACTIONS**

During the first eleven months of 2014, and excluding national portfolios, there were 15 sales of hotels in King, Pierce, and Snohomish Counties at prices exceeding \$2MM. By comparison, there were 11 such sales in 2008, 3 in 2009, 5 in 2010, 9 in 2011, 15 in 2012, and 9 in 2013.

Two sales of luxury hotels in Downtown Seattle set new records for this region. Motif Seattle, a 319-room full

service property, was purchased in June for \$130.7MM, the highest price ever paid for a Pacific Northwest hotel. In July, the 120-room Hotel 1000 sold for \$62.0MM; its price per guestroom, \$517,000, was by far the highest on record.

The Residence Inn at Redmond Town Center sold in August for \$49.3MM, or \$274,000/room. The 180-room hotel caters to upscale guests on extended stays. A similar Residence Inn in Downtown Bellevue was purchased in 2013 for \$73.2MM, or \$317,000/room.

There were six mid-market transactions during the year. The 159-room Quality Inn near Seattle Center was purchased for \$19.0MM. The Ramada Hotel in Tukwila, a 146-room property with a vacant restaurant shell, sold for \$12.0MM. Sales in the \$7MM to \$9MM range included the Red Lion Hotel in Renton, the Holiday Inn (now a Ramada Inn) in Kent, the Comfort Inn in Federal Way, and the Liberty Inn in Dupont.

There also were six significant sales of budget properties. Two Pierce County hotels carrying the King Oscar brand were sold for about \$6MM apiece; one subsequently was reflagged as a Quality Inn. The Super 8 Motel in Federal Way was purchased for \$4.4MM and rebranded as a Red Lion. Other budget sales included the Travelodge in Tukwila, the Best Western in Lakewood, and the Econo Lodge in Federal Way.

Among the budget hotels, sale prices ranged from \$26,000/room to \$58,000/room, and from \$53/s.f. to \$224/s.f. For transactions involving midscale properties, the ranges were \$40,000/room to \$120,000/room, and \$50/s.f. to \$269/s.f. For the three sales at the top of the market, prices ranged from \$274,000/room to \$517,000/room, and from \$309/s.f. to \$479/s.f.

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.

# PARTNER PROGRESS PROSPER

"THE WHOLE IS GREATER THAN  
THE SUM OF ITS PARTS" - Aristotle



2015 Annual Report

SEATTLE  
**SOUTHSIDE** 



# WELCOME

## Dear Seattle Southside Supporters,

Travel is a primary driver of our economy and adds jobs faster than other industries. According to U.S. Travel Association's travel industry research, projections point to continued good news and better trends ahead.

Following a landmark year in nearly every sector of the local travel and tourism industry, Seattle Southside advanced notable momentum for the local economy in 2014. Last year we experienced nearly 80 percent hotel occupancy.

Hotel development is accelerating in Seattle Southside. With more than 500 additional hotel rooms being added to the local market, it will add an estimated \$15.5 million in hotel revenue, produce nearly half a million dollars in local hotel tax revenue and assessments and generate an additional \$57 million in economic impact.

In Seattle Southside, 2014 marked the creation of our Tourism Promotion Area. Unanimously ratified by all three city councils late last year, this long-awaited tourism marketing fund will, finally, allow the region to readily compete for increased visitation with an emphasis on the weekend shoulder season.

Our appreciation and gratitude go to the 39 Seattle Southside hotels that stepped forward and agreed to impose a \$2 per occupied room night assessment and pool these resources to aggressively market our destination.

With funding and partnership support, Seattle Southside Regional Tourism Authority will continue to build on the success of 2014 as we head into a year teeming with opportunities for everyone to prosper.

Sincerely,

Katherine Kertzman

Executive Director  
*Seattle Southside Regional Tourism Authority*

“The City of Des Moines is an enormous supporter of Seattle Southside’s mission to promote tourism to our region. We believe it is a great economic development supporter that enhances the lives of our residents.”

- Mayor Dave Kaplan  
*City of Des Moines*



“Tukwila strives to create a balance in addressing the needs of its residential community and the environment with the challenges of maintaining and enhancing a vibrant development climate. Working with Seattle Southside makes this balance more attainable.”

- Mayor Jim Haggerton  
*City of Tukwila*



“Tourism is vital to our City’s economic well-being. It provides jobs, tax revenues and supports many of our small businesses. As a partner of Seattle Southside, we understand the importance and strength of a coordinated and professional regional effort.”

- Mayor Mia Gregerson  
*City of SeaTac*





# PARTNER

## SEATTLE SOUTHSIDE MISSION STATEMENT

To position Seattle Southside as a destination of choice for leisure, group and business travelers while enhancing the image, confidence and economic strength of the community.

As the official destination marketing organization of the cities of SeaTac, Tukwila and Des Moines, Seattle Southside provides leadership and services to competitively market the destination. This function helps create jobs, grow tax revenue and improve quality of life for residents and businesses.

### The Value of Partnership

#### Statewide Partnerships

In 2011, Washington State lost the state tourism office. However, the statewide industry coalesced to create the Washington Tourism Alliance (WTA), which now assumes the critical role of destination marketer.

WTA procured the state marketing assets, deployed a statewide marketing team and is now working to develop a long-term funding solution. Continued support of WTA will be critical in 2015 and 2016.

#### Regional Partnerships

In June 2015, more than 235,000 people will visit the Pacific Northwest for the U.S. Open Championship. This is the USGA's largest of the 13 championship series events. The estimated economic impact to the region is \$150 million. In addition, 4,500 volunteers will work tirelessly to help make this event truly impeccable.



### **Associate Partnerships**

Recognizing that overnight visitors in paid accommodations stay longer and spend more than day trippers, Seattle Southside works in partnership with hoteliers and other businesses to target key markets with no costly membership dues.

Working closely with travel and tourism related businesses and the media, Seattle Southside continues to grow new business from the dynamic growth in the meetings and conventions segment as a result of the improving economy.

Partnership with Seattle Southside provides a connection to the lucrative business, group and leisure travel markets.

Opportunities are readily available to network with other businesses, make contact with and advertise directly to visitors and groups to help build awareness for your business.





# PROGRESS

## TOURISM DEVELOPMENT

Seattle Southside provides key leadership and helps build integrated marketing initiatives and resources critical in connecting and motivating key visitor segments.

### Planning & Funding

Due to the efforts of many individuals, the Seattle Southside Tourism Promotion Area (TPA) was created in 2014.

SeaTac City Council members voted on October 14, 2014, to establish the Seattle Southside TPA and charter the newly created Seattle Southside Regional Tourism Authority (RTA), a public corporation and separate legal entity, which will manage increased funding and tourism promotion activities for the cities of Des Moines, SeaTac and Tukwila.

With \$2 collected per occupied room night, this assessment will increase Seattle Southside's budget by an estimated 3 million additional dollars.

With these additional funds, as well as lodging tax dollars, Seattle Southside will be able to increase tourism promotion, expand product development, increase its focus on advocacy and support for statewide tourism marketing, enhance destination development and awareness and expand a heightened level of sales and visitor services.

The Seattle Southside RTA is governed by a board of directors appointed by the City of SeaTac.



## Seattle Southside Regional Tourism Authority

### **Board Chair:**

Maureen Huffman  
General Manager  
*Embassy Suites Seattle-  
Tacoma International  
Airport*

### **Vice Chair:**

Sanjay Mahajan  
General Manager  
*Radisson Hotel Seattle  
Airport*

### **Secretary:**

David Sullivan  
General Manager  
*Cedarbrook Lodge*

### **Treasurer:**

Barbara Brunetti  
General Manager  
*Ramada Tukwila*

### **Members:**

Barry Baxter  
General Manager  
*Home2 Suites by Hilton*

Ken Stockdale  
General Manager  
*Crowne Plaza Seattle  
Airport*

Frank Welton  
Area General Manager  
Seattle/Northwest  
*Hilton Worldwide*

### **Sales & Marketing**

#### **Committee Co-Chairs:**

Ken Stockdale *Crowne  
Plaza Seattle Airport*

David Sullivan  
*Cedarbrook Lodge*

## Research & Reporting Economic Impact

### **Seattle Southside Conversion Study**

In partnership with H2R Market Research, Seattle Southside completed a conversion study to determine the overall reach of Seattle Southside in its ability to attract leisure visitors to the region.



**Key takeaways:** Over the past three years, 60 percent of those who inquired to Seattle Southside ultimately visited. The H2R Industry Norm is 33 percent for destinations across the U.S.

These visitors who inquired stay longer when they visit and spend more than the average visitor to Seattle Southside.





# PROGRESS

## Research Continued

### Smith Travel Research

In 2014, additional reports were purchased from STR and cross-referenced with other data to provide objective, trend-based analysis and empirical data about the local lodging industry.

*Key takeaways:* Shoulder season weekends offer the best opportunity to increase visitation and economic impact.

Sundays generate the lowest occupancy and average daily rate with revenue per available room averaging only \$60.30 by year end.

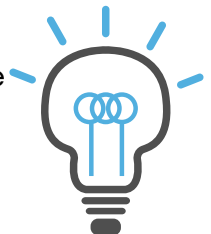
Based on this evidence, the Seattle Southside Regional Tourism Authority is dedicated to creating new campaigns to stimulate growth and encourage leisure travelers to stay one more day and business travelers to arrive one day earlier.

## Staff Development

Today's destination leaders are charged with collaboratively defining a community vision for tourism in a high-stakes, hyper-competitive, constantly changing global marketplace. To better prepare Seattle Southside's leaders for the evolving marketplace and emerging business trends, staff set a strategic goal of enhancing knowledge and leadership skills to add value to the organization.

In 2014, Katherine Kertzman earned a Certification in Destination Management Executive (CDME) from Destination Marketing Association International (DMAI).

Ashley Comar, Meagan McGuire and Kristina Thorne earned certifications as Professionals in Destination Management (PDM) from DMAI.



## New Supply

With market performance improving and debt financing more readily available, hotel development is accelerating in Seattle Southside.

The 260-room Crowne Plaza Seattle Airport, formerly Holiday Inn Seattle Airport, underwent a significant \$9 million renovation.

A \$16 million expansion at Cedarbrook Lodge increased capacity by 60 percent. Also included in the expansion is a new 3,350-square-foot spa, an outdoor heated whirlpool and additional parking spaces.

Ariel Development announced plans for a 150-room Hyatt Place in SeaTac. Located near Angle Lake, this



\$25 million development is expected to be completed in 2016.

Home2 Suites by Hilton is slated to open in Tukwila in June 2015 with 139 rooms.

A 140-room Residence Inn by Marriott will be developed on Angle Lake, likely in 2017.

The \$45 million, eight-story Artemis Hotel is wrapping up construction in Des Moines. The 238-room hotel complex, hospitality and entertainment facility is expected to be open in 2015 and carry a Sheraton flag.

A 19-story Washington Place hotel and residential tower will be constructed in Tukwila. The 418,000-square-foot, \$120 million tower will include 370 market-rate apartments, a 189-room business-class hotel and a 90-seat restaurant.



# PROGRESS

## MARKETING & COMMUNICATIONS

The marketing and communications department promotes Seattle Southside as the perfect destination for practical travelers through implementation of consistent, targeted, proactive, cost-effective marketing and media programs.

### Key Focus

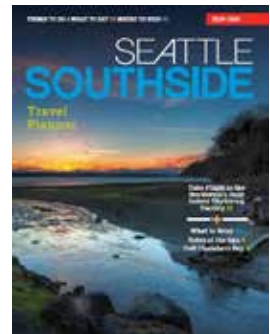
- 1. Demand Generation**—Increase hotel occupancy through compelling domestic marketing programs. Attract more groups, leisure travelers and business travelers.
- 2. Perception**—Continue heightening awareness about Seattle Southside as a destination and generate positive perceptions.
- 3. Interaction**—Enhance engagement on Seattle Southside website and social networks.

### Compelling Marketing Collateral

Redesign of the Seattle Southside Travel Planner resulted in a visually stunning magazine promoting Seattle Southside as an ideal tourist destination.

With many lifestyle articles and vivacious photography showcasing the region, this updated marketing piece will be an even stronger call to action for potential visitors.

The Travel Planner is distributed through requests received online, over the phone, at trade shows, partner locations and Visitor Centers.



## Creating Quality Perceptions

Seattle Southside conducted a scaled back branding campaign and focused heavily on introducing the Seattle Southside Visitor Center at Westfield Southcenter. This campaign significantly increased awareness about the Visitor Center and directed thousands of visitors to the new location.

Through outreach, interviews and media coordination, including a cover story in the Puget Sound Business

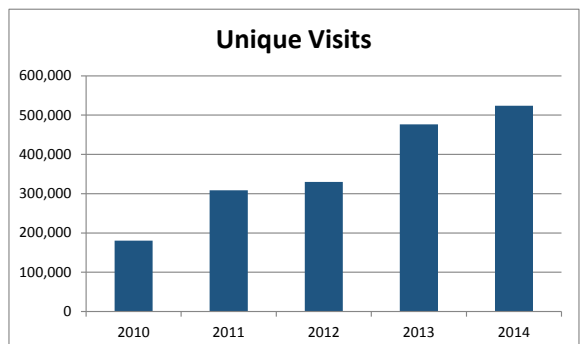
Journal, more than 90 million impressions were received, resulting in thousands of dollars' worth of positive press coverage.



## Digital Interactions

SeattleSouthside.com received the most web visits ever in 2014. Unique visits to the website increased 8.5 percent. Currently a digital conversion study is underway to evaluate the effectiveness of the website.

Social media continues to be an important communication facet and, in 2014, Seattle Southside's engagement increased more than 5 percent.





# PROGRESS

## BUSINESS DEVELOPMENT

Seattle Southside provides key leadership and helps build integrated marketing initiatives and resources critical in connecting and motivating key visitor segments.

### Key Focus

- 1. Prospecting Opportunities & Acquiring Business**—Establish Seattle Southside as a value-driven, quality destination for groups hosting events for 10 to 200 people, with an emphasis on increasing off-peak bookings.
- 2. Support Sales at Businesses and Hotels**—Support the marketing and sales needs of Seattle Southside tourism businesses and hotel sales teams to convert opportunities to booked business.
- 3. Build Community with Similar Organizations**—Build relationships with the regional tourism network to create awareness about Seattle Southside and take advantage of partnership opportunities.

### Acquired Business

Business development efforts contributed to room nights and meetings booked for 2014 and beyond.

This was accomplished through sales efforts that included attending sales missions with 246 total appointments, including: Washington Society of Association Executives, National Tour Association, MPI Cascadia, Connect Marketplace, Collaborate Marketplace, Reunion Friendly Network, Go West Summit.



Other activities included coordinating four familiarization trips with 43 tour operators and meeting planners and participating in 17 client site inspections.

## Business Support

In 2014, Seattle Southside implemented Simpleview, a new customer relationship management (CRM) tool to better serve associates and clients, which is also used by other destination marketing organizations.

This tool will allow better tracking for client leads, visitor requests, marketing and public relations activities and reports on ROI.



It will eventually enable hotels and associates to go online to an extranet to add promotions, photos, respond to leads, etc.

## Community Partnerships

Go West Summit brought record-breaking numbers to the Seattle-Tacoma region with more than 600 attendees, 10,000 meetings and international exposure for the state. The triumph of regional partnership hosting Go West Summit put the Northwest on the international stage—preparing the region for the upcoming 2015 U.S. Open Championship.



Seattle Southside participated in a delegation of 30 travel partners from around the state at the National Tour Association tradeshow in New Orleans. Staff took appointments with top-producing travel professionals at the show, which attracted tour operators and suppliers from all over the world.



# PROGRESS

## VISITOR SERVICES

Seattle Southside strives to increase visitor spending through enhanced concierge services and engaging customer experience. Maintaining relationships with local community and stakeholders is important for increased cross-promotion opportunities.

### Key Focus:

**1. Visitor Centers**—Operation of two Visitor Centers providing personalized concierge assistance to visitors requesting services of Seattle Southside in person, by phone or email.

**2. Local Businesses and Residents**—Work with local industry businesses to promote and increase tourism spending. Build awareness within the local community.

**3. Interns and Volunteers**—Continue to build and nurture relationships with local community through universities and community colleges.

**4. Seattle Southside Shuttle**—Manage service and partnership.

### Visitor Centers

Funded by the Tukwila lodging tax, the new Westfield Southcenter Visitor Center continues to engage travelers and local residents alike. In 2014, point-of-purchase ticket sales increased by 33 percent.

Seattle Southside maintains its sustained focus on promoting the area as an ideal home base for travelers to explore the Pacific Northwest and being a tourist in your own backyard.



## Seattle Southside Express

Funded by SeaTac lodging dollars, the Seattle Southside Express shuttle offers free transport for SeaTac hotel guests to Westfield Southcenter Mall. This service has proven critical to building brand awareness and showcasing Seattle Southside as a remarkable home to many dining and shopping options.

Dedicated to enhancing the guest experience and increasing visitor spending, a customer survey was implemented to capture customer expectations and spending. More than 27,000 hotel guests ride the shuttle annually.

## Interns and Volunteers

Seattle Southside continues to work with local and state educational institutions to facilitate student learning opportunities outside the classroom.

Students interested in an exciting career in the field of travel and tourism, and looking to gain practical experience while developing relationships with leaders in the field, are offered paid internships that provide real-world work experience.



Seattle Southside values investing in industry leaders of the future.

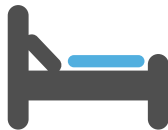




# PROSPER



**3.7 MILLION** OVERNIGHT VISITORS



**75,000** HOTEL NIGHTS DIRECTLY ATTRIBUTED TO SEATTLE SOUTHSIDE EFFORTS



**\$620.3 MILLION** IN TRAVEL SPENDING



**4,840** HOSPITALITY EMPLOYEES



**\$65.8 MILLION** IN STATE & LOCAL TAXES



TOURISM SAVES THE AVERAGE HOUSEHOLD **\$1,093** IN TAXES ANNUALLY

## SEATTLE SOUTHSIDE TRAVEL TRENDS

The preliminary 2014 impact estimates for Seattle Southside released from Dean Runyan and Associates documents the economic significance of the travel industry in the Seattle Southside.

The research reveals travel spending in Seattle Southside increased by 9.5 percent.

Earnings, employment and travel-generated tax receipts also increased significantly.

This was the fourth consecutive year of strong growth in the Seattle Southside travel industry.

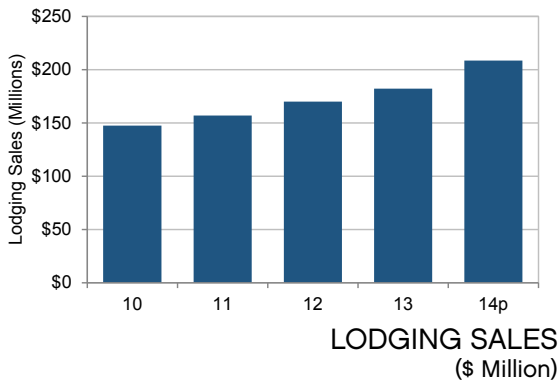
				<b>Tax Receipts \$ Millions</b>		
	<b>Spending \$ Millions</b>	<b>Earnings \$ Millions</b>	<b>Employment</b>	<b>Local</b>	<b>State</b>	<b>Total</b>
<b>2013</b>	566.6	169.8	4,650	27.3	32.5	59.8
<b>2014</b>	620.3	184.1	4,840	30.3	35.5	65.8
<b>% Change</b>	+9.5	+8.4	+4.1	+11.0	+9.3	+10.0



# PROSPER

## Lodging Sales

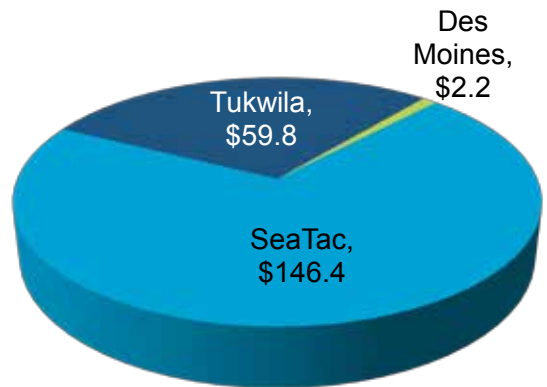
Lodging sales (in current dollars) exceeded \$200 million in 2014, the highest seen since Dean Runyan and Associates have been reporting for Seattle Southside.



## Travel Spending

The charts below break out lodging sales and travel spending by city in Seattle Southside. Although Tukwila has the greatest estimated visitor spending, SeaTac has 70 percent of all lodging sales. However, its share of visitor-related sales in food services, entertainment and retail are comparatively smaller.

Therefore Seattle Southside survives and thrives because of the regional partnerships working in conjunction between each city's strengths.

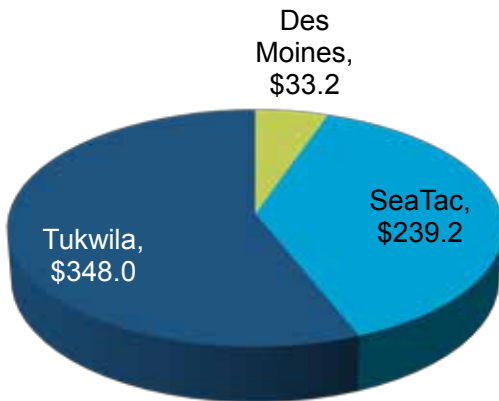


LODGING SALES BY CITY

## Paid Accommodations

Travelers who come to Seattle Southside tend to stay overnight in paid accommodations. And travelers who stay in commercial lodging typically spend more and have the greatest economic impact.

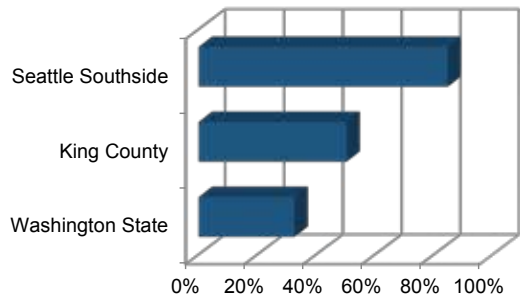
	Travel Party		Party Size	Length of Stay
	Day	Trip		
Hotel, Motel	\$390	\$922	2.1	2.4
Other Overnight	\$72	\$266	2.0	3.7
All Overnight	\$339	\$851	2.1	2.5



TRAVEL SPENDING BY CITY

## Overnight Stays

Eighty percent of all visitor nights in Seattle Southside are attributable to hotel/motel stays. This percentage is much greater than for King County and Washington State.



HOTEL/MOTEL VISITOR NIGHTS 2014p  
(Percentage of All Overnight)



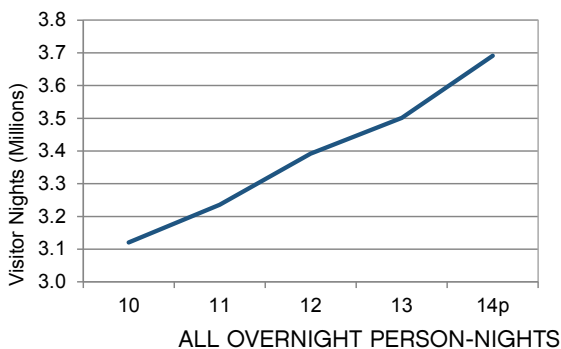
# PROSPER

## Overnight Travelers

The estimate of all overnight visitor-nights (the number of nights that all individual visitors stayed in Seattle Southside) is shown below.

The overall trend in visitor volume corresponds to the trends in travel spending and related impacts.

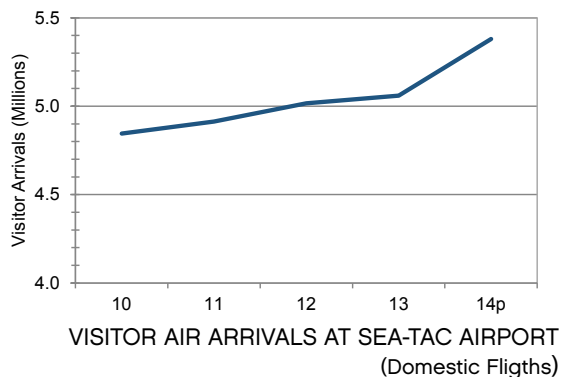
Visitor air arrivals (domestic only) to Seattle-Tacoma International Airport have also increased for the fifth year in a row.



## Market Performance

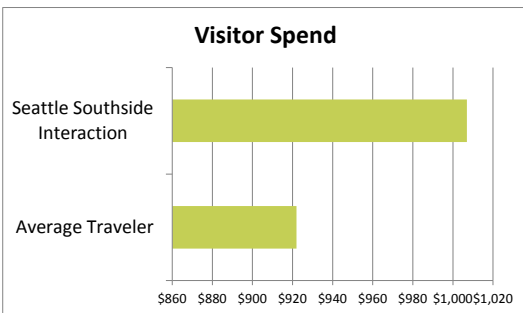
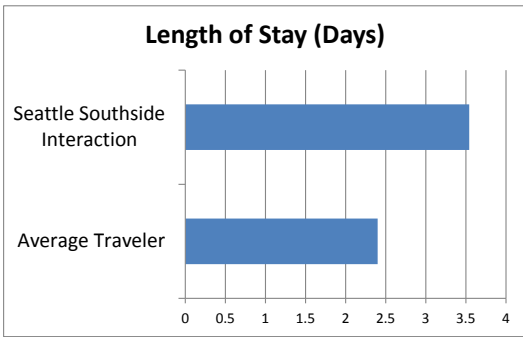
Just five years ago the Seattle Southside hotel market lay in the depths of recession, with low rates of occupancy and declining revenue. The contrast with current market performance could not be more striking, as room prices rise and occupancy rates approach 80 percent.

Seattle Southside is at the peak of what is typically an eight-to-ten-year cycle characterized by steady growth in demand and occasional surges in supply. Depending on the pace of construction, occupancy rates could reach a trough in 2017 or 2018, with the next peak expected around 2022.



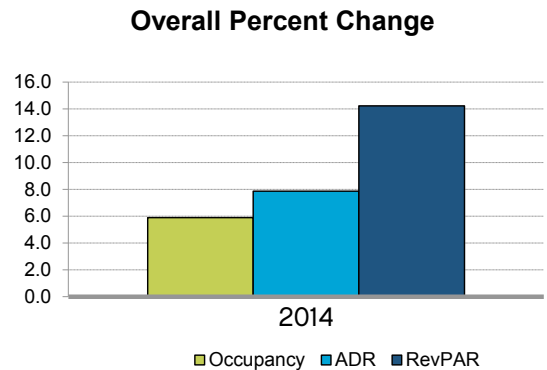
## Conversion Study

As referenced earlier in the H2R Market Research Conversion Study, those travelers who receive information from Seattle Southside stay longer and spend more within the destination. They typically stay 3.54 nights and spend \$1,007.



## Occupancy Rates

Occupancy rates also are influenced by room process. During the recession, many hotels offered significant discounts, drawing guests away from what had been more affordable alternatives. With occupancy now above pre-recession levels, property managers have become more aggressive, raising rack rates and limiting discounts.





# PROSPER

## TOURISM RETURN ON INVESTMENT

<b>2014 Year Performance</b>	<b>Direct Spend</b>
Groups	\$1,997,486
Website Hotel/Packages Conversions	\$9,228,114
Visitor Center Fulfilment	\$12,662,018
Website Booking Engine	\$195,832
Visitor Center Reservations	\$153,235
Shuttle Riders Spend	\$4,074,300
<b>TOTAL</b>	<b>\$28,310,985</b>

\*Note: Stats from Dean Runyan & Associates Travel Impact Report  
February 2015, 2002 Shuttle Survey and H2R Conversion Study 2014

Seattle Southside's 2014 budget: \$1,524,154

**Return on Investment: \$1 : \$18.57**

## LODGING TAX ADVISORY COMMITTEES

### City of Des Moines

Shamsur Bhuiyan - Marina Inn  
Tajinder Chahal - SeaTac Valu Inn  
Jill Andrews - Destination Des Moines  
To Be Appointed - Representing Des Moines City Council

### City of Tukwila

Kate Kruller - City Council President & Committee Chair  
Maureen Huffman - Embassy Suites Seattle Tacoma Intl. Airport  
Jim Davis - DoubleTree Guest Suites  
Miesa Berry - Homewood Suites by Hilton  
Kelly McMeekin - Albert Lee Appliances  
Ben Oliver - Starfire Sports Complex  
Carol Kolson - Southwest King County Chamber of Commerce

### City of SeaTac

Tony Anderson - City of SeaTac Deputy Mayor  
Jeff Bauknecht - The Museum of Flight  
Roger McCracken - McCracken & Associates  
Cathy Heiberg - Boysen & Boysen, LLC  
Frank Welton - DoubleTree & Hilton Hotels  
Wendy Morgan - Highline SeaTac Botanical Garden  
Tom Zett - Super 8  
Caroline Curtis - Hotel Concepts BMI Hospitality Management



SEATTLE  
**SOUTHSIDE**

The logo icon is a square divided into four quadrants by a white cross. Each quadrant contains a white arrow pointing towards the center of the square.

206.575.2489 | 3100 S. 176th St. Seattle, WA 98188 | [SeattleSouthside.com](http://SeattleSouthside.com)

## Regional Tourism Authority Smith Travel Research April 2015

### Overall Percent Change

