



INFORMATIONAL MEMORANDUM

TO: Planning and Economic Development

FROM: Brandon Miles, Business Relations Manager

CC: Mayor Ekberg

DATE: February 25, 2020

**SUBJECT: 2020 Lodging Tax Funding Requests
Virtual Sports**

ISSUE

Review of a lodging tax funding request from Virtual Sports (VS) in the amount of \$30,000.

BACKGROUND

The City collects a 1% lodging tax on certain qualifying overnight stays in paid accommodations (hotels/motels/Airbnb) in the City. State law limits the use of these funds to tourism promotion¹. There is currently just over \$1 million in lodging tax funds available for use.

The City's Lodging Tax Advisory Committee (LTAC) reviews all requests, even by the City, for use of lodging tax funds. LTAC then forwards a list of recommended applications to the City Council for its review and consideration. If LTAC does not recommend an application be funded, that application is not forwarded to the City Council. The City Council may approve or deny any of the applications recommended by the LTAC. The City Council may also approve an application and increase or decrease the dollar amount awarded².

The City accepts applications on a rolling basis, with the LTAC reviewing requests monthly.

Pending Applications

Following its February 14, 2020 meeting, LTAC has forward the following application from VS to the City Council for final action. LTAC and staff recommends the application be funded.

¹ RCW 67.28.080 (6) defines "tourism promotion" as "...activities, operations, and expenditures designed to increase tourism, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists; developing strategies to expand tourism; operating tourism promotion agencies; and funding the marketing of or the operation of special events and festivals designed to attract tourists."

² On August 17, 2016, the Washington State Attorney General's Office issued an informal opinion regarding whether a municipality could change the dollar amounts recommended by the local lodging tax advisory committee. Specifically, the informal opinion states:

"When awarding lodging tax revenues pursuant to RCW 67.28.1816(2)(b)(ii), a municipality may award amounts different from the local lodging tax advisory committee's recommended amounts, but only after satisfying the procedural requirements of RCW 67.28.1817(2), according to which the municipality must submit its proposed change to the advisory committee for review and comment at least forty-five days before final action on the proposal."

1. Virtual Sports (VS), (\$30,000)

VS is requesting funding to launch a "Tukwila Esports Initiative." The Initiative would bring in over 200 esports tournaments in 2020 at VS Tukwila location. E-sports is a growing amateur and professional sport seeing major growth, both in participants and viewers. VS would host both local (Greater Seattle area) and national events. These events will bring people into the City and thus increase the "feet on the street" and "heads in beds." VS has extensive experience hosting and producing events. A draft scope of work is attached with this memo.

E-Sports is a growing industry and this sponsorship helps Tukwila establish a small foothold as E-Sports grows. These events are also consistent with the growing entertainment experience the City see establishing in the Southcenter District. Other entertainment experience businesses include i-Fly, Defy, and Sycart Racing. These businesses offer a compelling reason for people to come to the City and help to create a true live, work, play, stay district.

FINANCIAL IMPACT

The total amount of funding requested from the lodging tax fund is \$30,000. There are sufficient funds available in the lodging tax fund to pay the expenditures.

RECOMMENDATION

Staff recommends that the City Council approve the funding request, as recommended by LTAC. Staff has placed this on the March 2 consent agenda (same night at P.E.D meeting).

ATTACHMENTS

- A. Virtual Sports LTAC Application, Tukwila E-Sports Initiative



2020 Lodging Tax Application	
Event or Activity Name (if applicable):	Tukwila Esports Initiative
Amount of Lodging Tax Requested:	\$30,000
Applicant Organization:	Virtual Sports Tukwila WA LLC
Federal Tax ID Number:	465252232
Mailing Address:	17600 W Valley Hwy, Tukwila 98188
Primary Contact Name:	Brian Deller
Primary Contact Phone:	425-359-5280
Primary Contact Email Address:	Brian@virtualsports.net

Mark all the service categories that apply to this application:

- - Tourism promotion or marketing.
- - Operation of a special event or festival designed to attract tourists.
- - Operation of a tourism-related facility owned or operated by a non-profit organization.
- - Operation and/or capital costs of a tourism-related facility owned by a municipality or a public facilities district.

Check which one of the following applies to your agency:

- - Non-Profit (Note: Attach a copy of your current non-profit corporate registration from the Washington Secretary of State Office)
- - Municipality
- - For Profit Business

I am an authorized agent of the organization/agency applying for funding. I understand that:

- I am proposing a tourism-related service for 2020. If awarded, my organization intends to enter into a services contract with the City; provide liability insurance for the duration of the contract naming the City as additional insured and in an amount determined by the City; and file for a permit for use of City property, if applicable.
- My agency will be required to submit a report documenting economic impact results in a format determined by the City.

Brian Deller

02 / 10 / 2020

Signature: _____

Date: _____

City of Tukwila
6200 Southcenter Blvd.
Tukwila, WA 98188



Applications are considered on a rolling basis. Please contact staff to discuss the process for having the application reviewed by the City's Lodging Tax Advisory Committee.

Completed applications should be submitted to:

Lodging Tax Advisory Committee
c/o Brandon Miles
City of Tukwila
6200 Southcenter Blvd
Tukwila, WA 98188

Or,

Brandon.Miles@Tukwilawa.gov

Questions?

LTAC Contact:
Brandon J. Miles
(206) 431-3684
Brandon.Miles@Tukwilawa.gov.

Updated: December 31, 2019

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- 1) Describe your tourism related activity or event.
 - a) Featuring over 200 esports tournaments in 2020 on-site at Virtual Sports in leading titles.
 - b) Virtual Sports is launching an esports initiative targeting beginner, advanced, semi pro, and pro-am style competitions ranging in size from 20-500 participants and attendees.
- 2) If an event, list the event name, dates, and projected overall attendance
 - a) VS Esports
 - b) Smaller scale weekly tournaments with projected attendance of 20-50 people will be happening for different game titles on different days of the week, every week. The purpose of the weekly events will be to drive awareness, attendance, and building out the brackets for the larger, monthly events.
 - c) Monthly events will host an expected 100-200 participants.
- 3) Is your event, activity, facility focusing on attracting overnight tourists, day tourists, or both
 - a) Both
 - b) Weekly events will host regional participants traveling within a 50 mile radius.
 - c) Monthly events will be primarily hosted on weekends and will drive participants both from within the 50 mile radius as well as outside of it.
- 4) Describe why visitors will travel to Tukwila to attend your event/activity/facility.
 - a) Compete in the largest and most consistent esports tournaments in our region that both offer prize pools as well as exposure to professional organizations allowing for opportunities to earn pro contracts.
- 5) Describe the geographic target of the visitors you hope to attract (locally, regionally, nationally, and/or internationally).
 - a) Weekday events will mostly draw participants within a 50 mile radius.
 - b) The larger monthly events will be hosted on weekends and will primarily draw participants from the following regions: Washington, Oregon, Vancouver BC, Alaska, Idaho, Montana, and Northern California.
- 6) Describe the prior success of your event/activity/facility in attracting tourists.



- a) We have hosted a number of gaming events throughout the region in a variety of formats with the most notable being GE2 which was hosted in 2017 and 2018 at CenturyLink Event Center drawing roughly 6,500 attendees both years. We had attendees travel from roughly 20 different states and visit from all over the state of Washington. We had room blocks of over 100 rooms sell out each year in addition to the undocumented hotel nights throughout the region. The estimated economic impact was roughly \$1m for the region each year.
 - b) Members of our team have also hosted dozens of smaller regional tournaments that have rotated locations.
 - c) Additionally, our company has been in operation as a permanent entertainment facility for over five years in the City of Tukwila.
- 7) If this is your first time holding the event/activity/facility provide background on why you think it will be successful.
- a) This is not our first time hosting these types of events. The experience of our team hosting the aforementioned types of events at rotating locations led us to the decision that hosting events in the proposed structure will not only increase attendance to our events and our facility, it will drive awareness to within the greater esports community that the City of Tukwila is receptive and offers a number of other facilities to host different levels of esports events.
- 8) Describe the media strategy you employ to promote your event/activity/facility to attract overnight and/or day tourists? Please list any digital or print media (newsletters, e-blasts, social media, eetc.) your agency uses or intends to use to promote your event/activity/facility.
- a) The media strategy will include printed material, social media marketing, text message marketing, email marketing, groupon and social media experience platforms.
 - i) Printed material will be limited and offered in store or at targeted events only as ROI is minimal and environmental impact is significant
 - ii) Advertising through our list of roughly 100,000 subscribers will be frequent and variable based on specific levels of engagement of each subscriber

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- iii) A number of social media platforms will be used for a variety of different purposes ranging from community engagement/development, advertising, and communication.
 - (1) Discord, Facebook, Instagram, Snapchat, Alt Space (Microsoft VR Social Hub), Tik Tok, Mixer, Twitch, YouTube
 - (2) We can elaborate on the strategies for each of these platforms upon request
- 9) Describe how you will promote lodging establishments, restaurants, retailers, and entertainment establishments in the City of Tukwila.
 - a) Each of the larger events will require multiple room nights and will need a hotel partner. We intend to rotate the hotel partner for each event through the hotels within the city focusing on the hotels that are within close proximity for each event.
 - b) Our vision is to partner with hotels, restaurants, retailers, and business establishments to provide our competitors and attendees places to eat, buy, and lodge.
- 10) Is the City able to use your digital and print media for collaborative marketing?
 - a) We absolutely encourage the City to use any of our assets in future promotions.
- 11) Describe how you will use the name, "Tukwila" in publications, promotions, and for your event?
 - a) We will include Tukwila in any generated media as the destination for competitive gaming in our region. If specific wording or positioning is requested or preferred, please let us know.
 - b) It is our understanding the the City of Tukwila is actively working to position itself as a "Live, Work, Play" City for the Millenial and Gen Z demographics. We feel that structured messaging portraying that would be prudent.
- 12) Measurements and Metrics (Note: You will be required to report these metrics as part of the clouse out of the agreement between your organization and the City.)
 - a) Overall attendance at your proposed event/activity/facility.
 - i. Weekly Tournaments (Annual)
 - 1. Onsite Visitors - 7,000-10,000
 - 2. Live Stream Viewers - 50,000-75,000

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- ii. Monthly Tournaments
 - 1. 5,000-10,000
 - 2. Live Stream Viewers - 100,000+
 - b. Number of people who will travel fewer than 50 miles for your event/activity
 - i. 75% of our participants and viewers will travel fewer than 50 miles
 - 1. 7,500 (Estimate)
 - c. Number of people who will travel more than 50 miles for your event/activity.
 - i. 25% of our participants and viewers will travel more than 50 miles.
 - 1. 2,500 (Estimate)
 - d. Of the people who travel more than 50 miles, the number of people who will stay overnight in Tukwila.
 - i. Of the people who travel more than 50 miles, we estimate 50% of them will stay in Tukwila.
 - 1. 1,250 (Estimate)
 - e. Of the people staying overnight, the number of people who will stay in PAID accommodations (hotel/motel/bed-breakfast) in Tukwila.
 - i. 99% will stay in paid accomodations
 - f. Number of paid lodging room nights resulting from your proposed event/activity/facility?
 - i. 500+
- 13) What methodologies did you use to calculate the estimates and what methodologies will you use to track outcomes, such as total participants, estimated visitor spending, etc.
- a. Our estimate was based off of the average number of participants for the tier of events we will be producing and the frequency which they will be held.
 - b. Ticketing, social media engagement, competitor demographics, surveys.
14. Are you applying for lodging tax funds from another community? If, so, which communities and in what amounts?
- a. None
15. Are you applying funding from Seattle Southside Regional Tourism Authority (SSRTA)? If so, in what amount?
- a. None

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16. What is the overall budget for your event/activity/facility? What percent of the budget are you requesting from the City of Tukwila?
- a. \$150,000
 - b. 20%
17. What will you cut from your proposal or do differently if full funding for your request is not available or recommended?
- a. Advertising and frequency

Exhibit "A"

Scope of Services

As part of this Agreement, the City and the Contractor agree to the following scope of services for this partnership. The goal of this partnership to help increase tourism promotion in the City by helping bring visitors to the City and to help with the overall brand image of the City.

Intellectual Property and Use of Marks

1. Contractor grants the City a non-exclusive license to use of Virtual Sports marks and images for tourism promotion activities.
2. City grants Contractor a non-exclusive license to use the City's tourism promotion marks. Use of the City Seal is not authorized under this Agreement. The City shall have the sole discretion to determine the content and extent of the City's tourism promotion marks.

Presenting Sponsorships

1. Weekly Mixed Reality Concerts
 - The sponsorship will include six months of our Thursday Night mixed reality concerts hosted every Thursday and are being produced in partnership with Microsoft. Concerts feature a virtual reality DJ that is broadcast to:
 - Our video walls in the store viewable by our guests
 - Microsofts "Alt Space" which is a VR "world" that can be accessed using VR headsets from anywhere in the world.
 - Microsoft Mixer which is a live streaming platform viewable from any device including cell phones, computers, and Xbox consoles.
 - Unique impressions are estimated to be in the 1,000's per event.
 - As part of the presenting sponsor benefits, the City shall receive the following:
 - Promotion for events shall state, "Presented by" including the City's name and tourism mark exposure.
 - The above referenced marks will be overlaid onto the production making the sponsorship visible to anyone viewing the broadcast whether they are onsite or online.
2. Esports Initiative
 - Spring and Summer Seasons esports initiatives where we will be hosting tournaments Monday, Tuesday, and Wednesday of every week (schedule permitting) as well as monthly tournaments on rotating Saturdays in the primary competitive game titles:
 - Over 75 tournaments with attendance on site ranging between 25-75 competitors and 250 regular viewers on the live stream.

- 6 monthly tournaments scheduled with average attendance over 200 onsite and viewership over 1,500 through digital broadcasting channels
 - Broadcasts to Virtual Sports Twitch.tv and Mixer channels including digital marketing capability
- Esports Summer Camps to include educational and competitive development practices
 - Personal development classes surrounding digital broadcasting technology
 - Education opportunities both in actively competing or tournament organization and administration
- As part of the presenting sponsor benefits, the City shall receive the following:
 - Promotion for events shall state, "Presented by" including the City's name and tourism mark exposure.
 - The above referenced marks will be overlaid onto the production making the sponsorship visible to anyone viewing the broadcast whether they are onsite or online.
 - Decals on all of the gaming PC's
 - Logos on all of the desktops for the gaming PC's

General Marketing and Branding Activities

1. The location of all esports and music events shall be listed as "Tukwila" and not referenced as "Seattle". This shall include social media posts and tags, as well as media alerts, press releases and announcements if the actual location is mentioned outside of posting the address which would inherently be Tukwila.
2. City shall receive at least one 15-second commercial spot during each broadcast which will be pushed both onsite and online.
3. Virtual Sports will be available for the filming of any promotional videos that the City would like to create in an effort to drive awareness by the target demographics.

Economic Development

For economic development promotion and marketing purposes, Contractor shall provide the City the following:

1. A free to play gaming tournament for members of the community. Details are to be determined between the City and Contractor.
2. A different lodging establishment within the City, chosen by Contractor and rotating monthly, shall serve as the official hotel for all visiting teams and their guests throughout the term of the agreement.

VIRTUALSPORTS

POWERED BY:
FIERO 

Team



Brian Deller - CEO

10 years experience in LBE facility design and operations.

Designed and co-managed the software platform development.

12 years experience in CRE focused on site selection, permitting, and upzoning.



Scott McCraw - CTO

22 years enterprise software development at Microsoft

Two years at Amazon R&D Group

Two years in Silicon Valley at a gaming startup focused on children

Built 8 full stack mobile games focused on puzzles, poker, and black jack



Jake Greene - Community Development

10 years network engineering experience

20 years in competitive esports both as a competitor and organizer

5 years of live stream production ranging from small frequent streams, to full broadcast viewed by thousands.

Our Company

The “Top Golf” of Gaming



Virtual Sports is our Brick and Mortar “LBE” Facility

Most people under 50 years old grew up with a Nintendo in their house. Our business caters to them and their kids by creating an adult oriented, kid friendly experience. Positioned to be the intersection of digital and physical experiences. We host corporate events, birthday parties, concerts, esports tournaments, and more.



Fiero is our Software Development Division of the Company

The proprietary tool connects disparate systems such as the POS and entertainment systems to users and the player accounts they create. Data is tracked and experiences are “gamified” driving repeat business through leader boards and valuable business intelligence is generated as a by product.

69%



The amount of adults in America who regularly play video games.



Gaming - A form of play or sport, especially a competitive one played according to rules and decided by skill, strength, or luck.

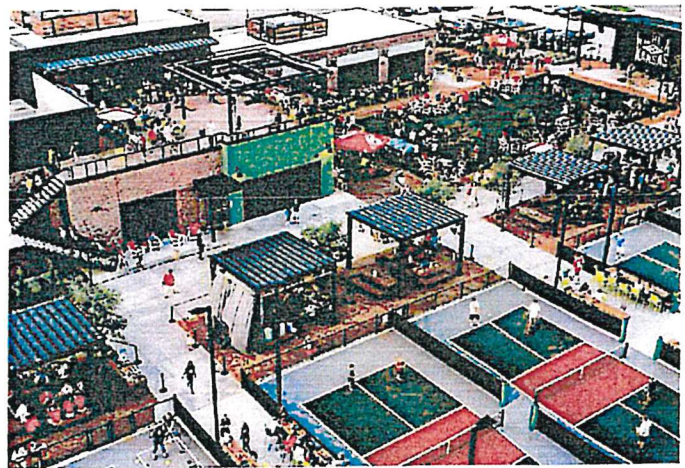
Problem

The ADHD Generation



Before Millenials

The overwhelming majority of people from developed countries, 40 and under, grew up with an Xbox, Nintendo, or Playstation in their house.

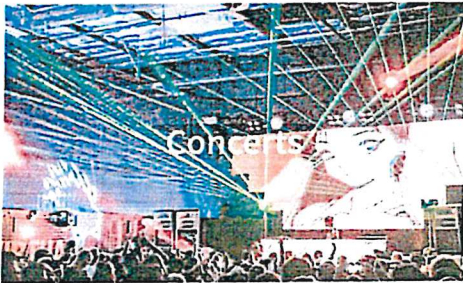


After Millenials

Their discretionary dollars are spent on experiential entertainment. They want activities, craft beverages, good food, and constant stimulation.

Solution

Facilities That Drive Attendance and Engagement Through Integrated Events and Experiences



Objective

Build a Sustainable Esports Program in the City of Tukwila



How

Community Development



Tournament Frequency

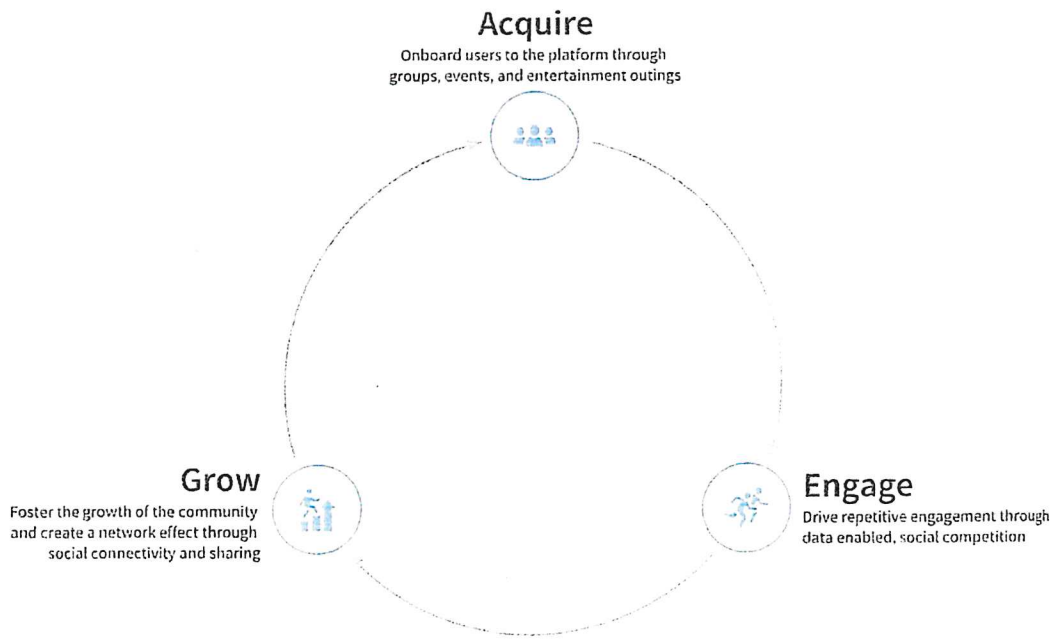


Spectator Friendly Events



Influencer Activations

Our Model



Why



High Loyalty

Millenials and Gen Z dont support big brands because they feel big brands have never done anything for them but they wont hesitate to donate money to their favorite live streamer that they watch DAILY.



Trending

Esports, Gaming, Millenials, and Gen Z are top of mind right now. They are the most difficult generations to reach through traditional advertising and they are the future. Gaming is the conduit for the messaging.



Connected

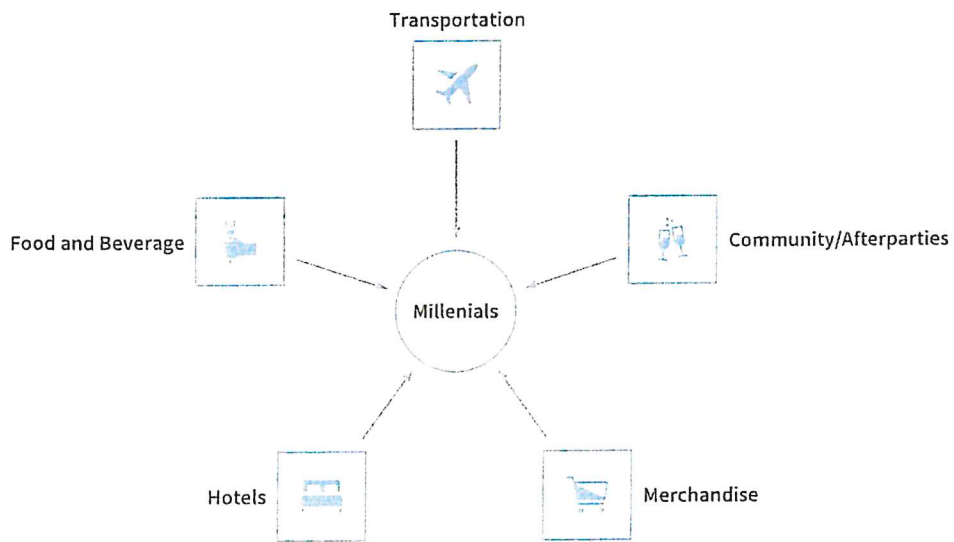
Hands down the most connected and digitally influential generations of all time. Earn their loyalty and they will spread your message for you organically. Which is the only type of messaging they listen to.



Proven Spenders

Experiences not things. Between their \$3,000 PC's, XBOX's and Iphone 11's, they've got everything they need. They drink, eat, and create memorable socialize experiences. Then they post pictures about it on Instagram.

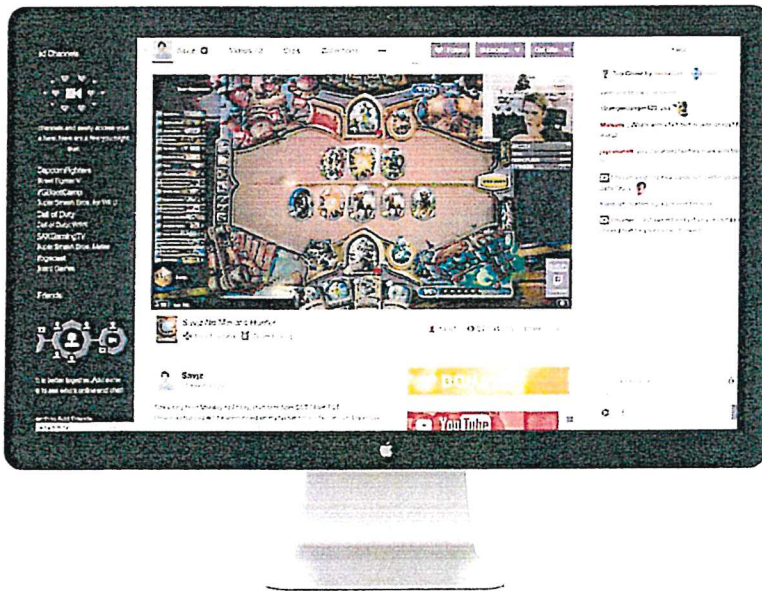
Spending Habits



Esports is growing on average 15% YOY projecting to hit 1.8 Billion by 2022.

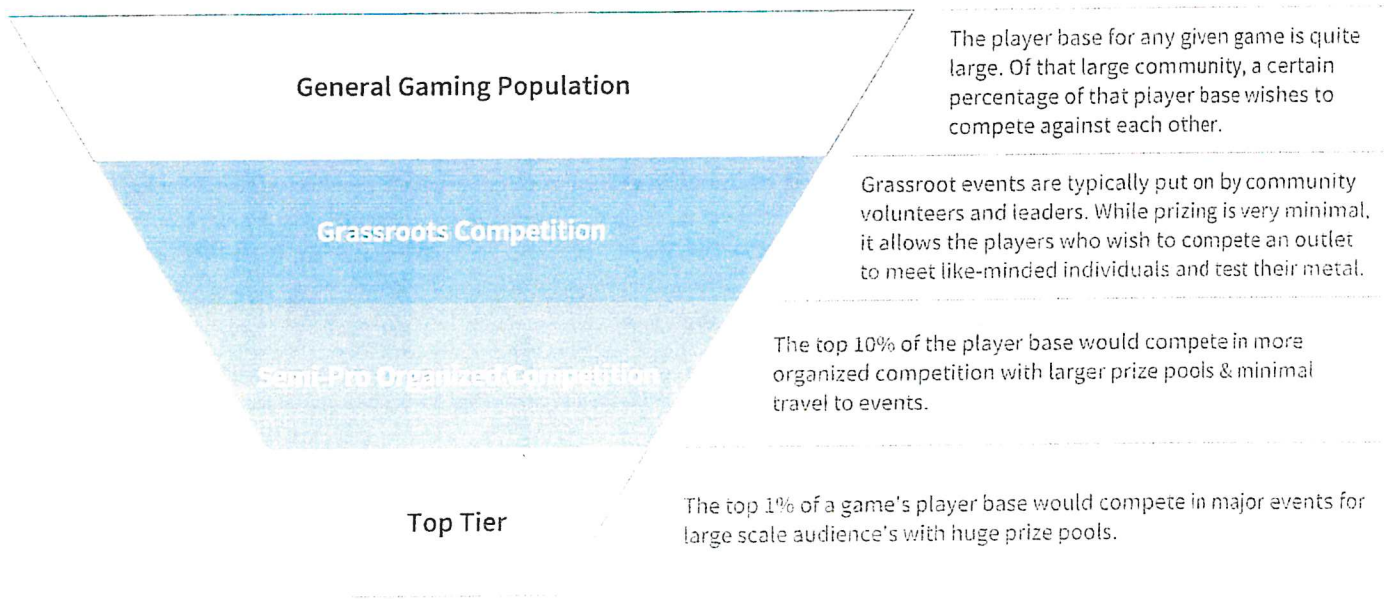


The Audience



- Player's and fans alike watch and consume Esports content primarily on Twitch, Mixer & Youtube
- Because of the digital format of Esports, player & fan bases' are global in nature
- Esports content is streamed online and for free, with most esport fans not owning a cable subscription at all (cord cutters)

The Esports Funnel



Esports Strategy

Our Customers Both Create and Consume Esports Content

Regional Esports Franchises

This concept will continue to grow and these teams only fill stadiums roughly 1-2 times a year in their home city. This is what we show on the screens and host watch party events for.

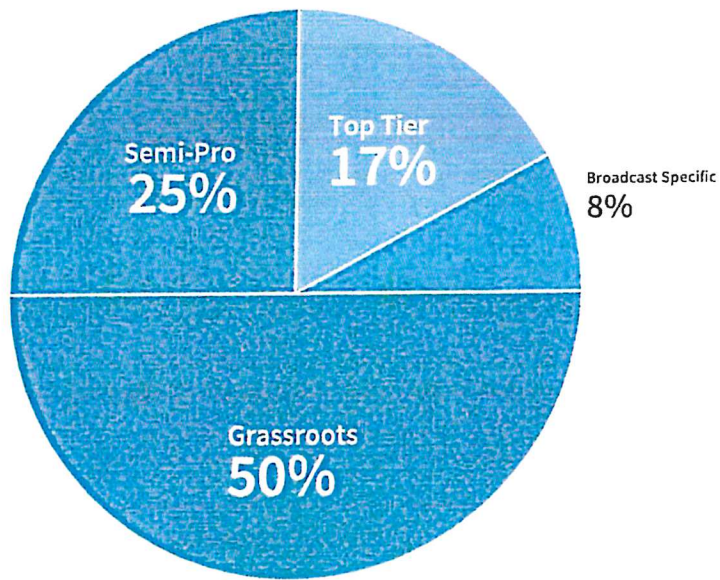
Competitive "Amateurs"

A large, under-served, and critically important component to success. The "Farm Teams" are top of mind for the industry right now and there isn't a venue infrastructure in place to accommodate these spectator friendly events.

Grass Roots and Online Players

These people play at home or in LAN centers where crowds can't assemble. We drive engagement through online tournaments allowing for larger qualifying events in store.

Event Type Frequency





Fiero Software Platform



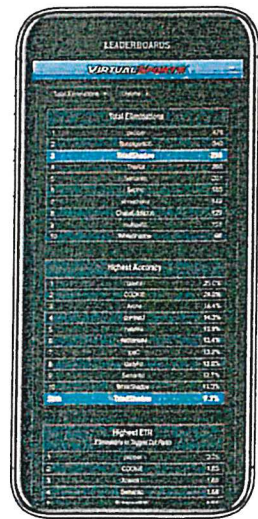
Choose your Experience



Analyze your Gameplay



Identify your Rivals



Follow the Leader