



## Legislation Text

**File #:** 21-0616R (C), **Version:** 1

RESOLUTION AUTHORIZING CITY OFFICIALS TO NEGOTIATE A CONTRACT FOR TOURISM AND PROMOTION FOR 2022, WITH OPTIONS FOR 2023 & 2024

### CITY PROPOSAL:

WHEREAS, tourism is a vital part of Duluth's economy, and while economic indicators vary, more than 15,000 people in the region (and 7,000 Duluthians) are employed in tourism-related positions, bringing millions of visitors to Duluth each year, resulting in hundreds of millions of dollars of impact on the region's economy; and

WHEREAS, Duluth has world class destinations and attractions throughout the city, which contribute to residential quality of life and have special meaning for people living outside of Duluth; and

WHEREAS, Duluth is a resilient city on a trajectory of growth, with strong neighborhood economic development corridors that bring tourists to all parts of the city; and

WHEREAS, Section 54 (D) of the Duluth City Charter provides for a three percent (3%) hotel and lodging tax; five percent of such tax collected shall be paid to the general fund of the City of Duluth to cover cost of administration and collection. Sixty-five percent (65%) of tax collected over and above the sums hereinbefore shall be paid into the general fund of the City to be used for the support and maintenance of the arena-auditorium of Duluth, and thirty-five percent (35%) shall be paid into an advertising and publicity fund, which shall be maintained in the City treasury, and which shall be used for advertising and promoting the City as a tourist and convention center;

WHEREAS, Laws of Minnesota for 1980, Chapter 11 authorizes a one percent (1%) hotel and lodging tax; said tax revenue shall be used to pay for activities conducted by the City or by other organizations which promote tourism in the City, and to subsidize the Duluth Arena- Auditorium and the Spirit Mountain Recreation Area Authority, and

WHEREAS, Laws of Minnesota for 1998, Chapter 389, Article 8, Section 25, as amended by Laws of Minnesota for 2014, Chapter 308, Article 3, Section 21 and Laws of Minnesota for 2017, 1st Special Session, Article 5, Section 1 provides for a one-half percent (0.5%) hotel and lodging tax and a one-half percent (0.5%) food and beverage tax; said tax revenue shall be used on activities conducted by the City or other organizations which promote tourism, including capital improvements of tourism facilities and to subsidize the Duluth Entertainment and Convention Center and Spirit Mountain Recreation Area Authority and

\$18,000,000 for tourism and recreation activities west of 34th avenue west in the City.

WHEREAS, certain of the proceeds of such taxes collected are to be placed in Fund 0258; and

WHEREAS, the City is authorized to spend public funds for advertising and promoting the City of Duluth as a visitor, tourist and convention destination; and

WHEREAS, the City has previously led a Tourism Tax Task Force, establishing best practices; and

WHEREAS, tourism taxes typically total approximately \$12,000,000 in public funds; and

WHEREAS, in the interest of transparency the City has previously instituted a public process for requesting, reporting and allocating tourism tax expenditures; and

WHEREAS, historically the City has allocated approximately \$2,000,000 to advertising and promotion of Duluth as a visitor, tourist and convention destination;

WHEREAS, this funding for tourism and promotion has been historically awarded to a single vendor, to be overseen by a private board; and

WHEREAS, in the interest of transparency around the use of public funds the City has completed an extensive, months long process, which included an open request for qualification process, interviews with qualified vendors, a request for proposal process, interviews with selected vendors, and;

WHEREAS, the City's goal is to elevate Duluth as a tourism destination, expand our audiences, leverage our investments using data, and engage new and existing voices from throughout the community

THEREFORE BE IT RESOLVED, that City officials are authorized to begin implementation of a tourism, arts and culture full time position, to be paid for from tourism tax collections, designed to manage the relationships, outcomes and goals for tourism and the arts in the community.

STATEMENT OF PURPOSE: Duluth has long prided itself on being a national leader in tourism and events. During 2020, as the pandemic's impact on the tourism industry and tourism taxes became clear, City Administration led discussions with tourism and promotion entities about possible cost saving measures.

As part of those discussions, it became clear that the lack of transparency around City-funded tourism expenditures was part of a larger question - was there a way to further maximize Duluth's substantial, publicly-funded investment in tourism and conventions.

City Administration takes seriously our responsibility for an open and competitive purchasing process and maximizing expenditures of public funds. Tourism and promotion - a \$2,000,000 expenditure - is the only expenditure of public funds that is done without competition and then overseen by a private board that the City has no role in appointing.

The City of Duluth's extensive, months-long process included an open request for qualification process (yielding 28 applications), interviews with qualified vendors, a request for proposal process from local, regional and national vendors (we requested six proposals and received five), interviews with selected vendors. This public process, done via the City of Duluth's public purchasing process yielded national leaders in tourism and promotion who are excited to work with this community.

Minnesota-based Bellmont Partners is a national leader in tourism and promotion. Bellmont (along with their collaborative partners at Lawrence & Schiller) has a proven story-telling approach to tourism and hospitality rooted in data, a live dashboard of visitor interface, media reach including local, state and national outlets, and marketing accounting, extensive target audience research and tangible, specific outcomes. Previous and existing clients include South Dakota Tourism, Uptown Art Fair, Mall of America, Explore Minnesota and Public Art St. Paul.

This community is proud of tourism and events and our place in the state and the nation's heart - Bellmont Partners is the right choice to grow, to elevate our brand, to expand audiences and represent the whole community and all of the city's neighborhoods.