

## REPORT TO THE BOARD OF MAYOR AND ALDERMEN

**PREPARED BY:** Karen Tindal, Tourism Coordinator, and Sue Stuhl, Parks & Recreation Director

**SUBJECT:** Tourism Workshop/Public Meeting

**DISCUSSION:** This packet includes information about the Town of Farragut tourism program and other pertinent information for your upcoming workshop. This information includes:

- **Visit Farragut Highlights:** Includes high points of the work and accomplishments of the program beginning with the hiring of the tourism coordinator in early 2018.
- **Visit Farragut Snapshot:** Includes a quick look at specific numbers and program highlights for the first quarter of FY20 (July-Sept 2019).
- **Farragut Hotel Occupancy, ADR and RevPar:** Includes a chart of the reporting Farragut hotel occupancy rate, average daily rate and revenue per available room. This chart represents the time period from April 2018 to October 2019. This information is available by subscription as part of the STR Destination Report.
- **Visit Farragut Vision/Mission and Budget:** Includes draft of recommended vision and mission statements, top priorities for year one after implementation of tax, current, minimum, recommended budgets and capital budgets and tax rate table.
- **TVAC Committee Minutes:** Minutes from the Sept. 10 meeting of the Tourist/Visitor Advisory Committee during which the committee approved a recommendation of a hotel/motel tax at the rate of 3%.
- **Memorandum in Support of Hotel Tax Proposal:** Memo from Michael Bellamy, TVAC Chair, in support of a Farragut hotel tax – with background research.
- **Hotel Tax Information Charts:** Includes charts regarding proposed Farragut hotel tax rates and what this looks like to a hotel visitor, combined lodging tax rates in surrounding area, state tax rates in surrounding states and tax rate considerations for Farragut.

If you have any questions about the packet of information, please call Karen Tindal at 218-3373 or Sue Stuhl at 218-3374.



## **Visit Farragut Highlights**

### **January - March 2018**

- Tourism Coordinator hired (Feb 2018)
- Reviewed NorthStar and Girl on the Roof reports
- Worked with Girl on the Roof and PR/Marketing Coordinator on Visit Farragut microsite
- Researched local, state and regional occupancy tax information
- Connected with Greater Knoxville Hospitality Association and local hotels
- Connected with local businesses to assess needs

### **April - June 2018**

- Met with Dave Jones, TN Department of Tourism, East Division Director
- Researched charter and by-laws for tourism committee
- Researched local hotel markets and subscribed to STR reports
- Launched Visit Farragut website
- Completed 1<sup>st</sup> year of Southeast Tourism Society Marketing College
- Launched Shop and Dine directories on Visit Farragut
- Conducted hotel parking lot license plate research
- Completed Google Analytics training

### **July - September 2018**

- Drafted advisory committee charter
- Facilitated local hotel meeting
- Joined Middle East TN Tourism Council and East TN Economic Council
- Developed Weekend Download from feedback from hotel meetings
- Drafted tourism committee application
- Attended Oak Ridge Sports Tourism presentation; met with Explore Oak Ridge Director
- Presented charter and by-laws at BOMA meeting
- Revised charter and established T/VAC Committee
- 6 month analysis of STR reports
- Attended Governor's Conference on Tourism
- Expanded Weekend Download to Weekly Download and created a downloadable PDF for website

### **October - December 2018**

- Submitted proposal to participate in TN Songwriters Week

- Organized T/VAC committee meeting dates through 2019
- Supported Farragut 13.1 race as Visit Farragut
- Worked with Farragut/West Knoxville Chamber to secure Children's Defense Fund booking for May/June 2019
- Began banner advertising through Visit Knoxville
- Planned and executed 1<sup>st</sup> T/VAC meeting
- Contracted with P38 for aerial/drone photography of Town and events for tourism advertising purposes
- Secured talent and venue for 1<sup>st</sup> Songwriters event

#### January – March 2019

- Updates to Visit Farragut website, including expanded community event calendar
- Planned and Executed FAM tour with T/VAC members and local stakeholders.
- Researched use of video for tourism promotion
- Completed analysis of 2018 hotel data from STR
- TV and radio promotion for Songwriters event
- Held 2 Songwriters events in Town
- Coordinated with FBA and Chamber for Children's Defense Fund conference
- Planned for Dogwood Arts luncheon
- Launched This Week videos for weekly Town information

#### April – June 2019

- Established a recurring TV interview spot on WATE Living East TN monthly
- Farragut patio campaign on social media to promote dining in Farragut
- Completed 2<sup>nd</sup> year of Southeast Tourism Society Marketing College
- Worked with PR/Marketing Coordinator on area map showcasing Farragut shopping and dining options for Children's Defense Fund conference
- Worked with Design Sensory on development of tourism plan
- Coordinated stuffing and distribution at hotels of 1200 goody bags for Children's Defense Fund conference
- Coordinated with GKHA and FBA on Farragut luncheon at Cotton Eyed Joe
- Recruited Fleet Feet Knoxville to launch of Veteran's Day race to replace Farragut 13.1

#### July – September 2019

- Worked with Design Sensory on tourism plan presentation for T/VAC committee
- Studied for and attended STR Hotel Analytics training; passed exam; certified CHIA
- Negotiated discounted rate for TN State Vacation Guide
- Worked with PR/Marketing Coordinator on 2020 advertising in TN State Vacation Guide and Visit Knoxville Visitors Guide
- Worked with PR/Marketing Coordinator on update to Visit Farragut logo
- Secured a monthly TV interview segment on WBIR Live at 5 at 4
- Launched Farragut Business Spotlight video series to promote local shopping, dining and attractions in Farragut; 13 businesses; video reach 30K

- Worked with team at Children's Defense Fund on 2020 bookings
- Coordinated with TN Hospitality Association on BOMA tourism workshop
- Facilitated T/VAC meeting to discuss hotel tax; provided supporting documentation
- Paid digital marketing campaign promoting staying in Farragut during UT football weekends
- Paid digital marketing campaign promoting staying for Garth Brooks concert weekend
- Worked with Media Assistant to write and produce 34 videos promoting events and businesses to residents and visitors

## Social Media Platform Growth

- Visit Farragut Facebook launched July 1 attaining 739 followers by Sept. 30
- Visit Farragut Insta transitioned July 1 with 1600 followers - by Sept. 30 there were 1779 an 11.2% increase
- 34 videos uploaded to Visit Farragut YouTube



## FARRAGUT EVENTS SUPPORTED

4th of July Parade - Freedom Run  
Music Fest at West End  
Lawn Chair Concert Series  
Sounds of Summer Concert Series  
Dog Daze III  
Farragut Treasure Hunt  
Fun with the Fleet  
Free Putt Putt Day  
Q, Crafts & Brew



## Local Media Outreach



- 4 appearances on WATE Living East TN
- 2 appearances on WBIR Live at 5 at 4
- arranged live WBIR weather forecast from Dog Daze III

## Hotel Rooms Sold/Occupancy Rates



July 2019 - 14,127 rooms  
74.1% occupancy/\$97.00 ADR  
August 2019 - 13,593 rooms  
71.3% occupancy/\$97.68 ADR  
Sept 2019 - 12,269 rooms  
66.5% occupancy/\$98.34 ADR

Visit   
Farragut  
1st Quarter  
Snapshot  
July-Sept 2019

## FARRAGUT BUSINESS SPOTLIGHTS

- Jet's Pizza
- Sweet Retreat
- Shrimp Dock
- BW James Jewelers
- Ricki's Pet Depot
- International Flair Jewelers
- Clean Eatz
- Lace & Glam Bridal Boutique
- McEntire & Mayes Interiors
- Putt-Putt Golf & Games
- The Shoppes at Homespun
- Apple Cake Tea Room
- Elliott's Boots Total

**Spotlight  
video reach**

**28K**



## DIGITAL MARKETING PAID CAMPAIGNS



### Football Shuttle Campaign

**6881 views; markets included TN, GA, VA MS, AL, KY, OH, FL; targeted @ UT alumni within driving distance**

### Garth Brooks Concert Weekend

**6205 views; markets included TN, GA, KY, NC, SC; targeted @ country music fans, Garth Brooks fans**



## Staff Highlights

### Tourism Coordinator

**28 hours/week; obtained Certification in Hotel Industry Analytics through STR/AHLA**

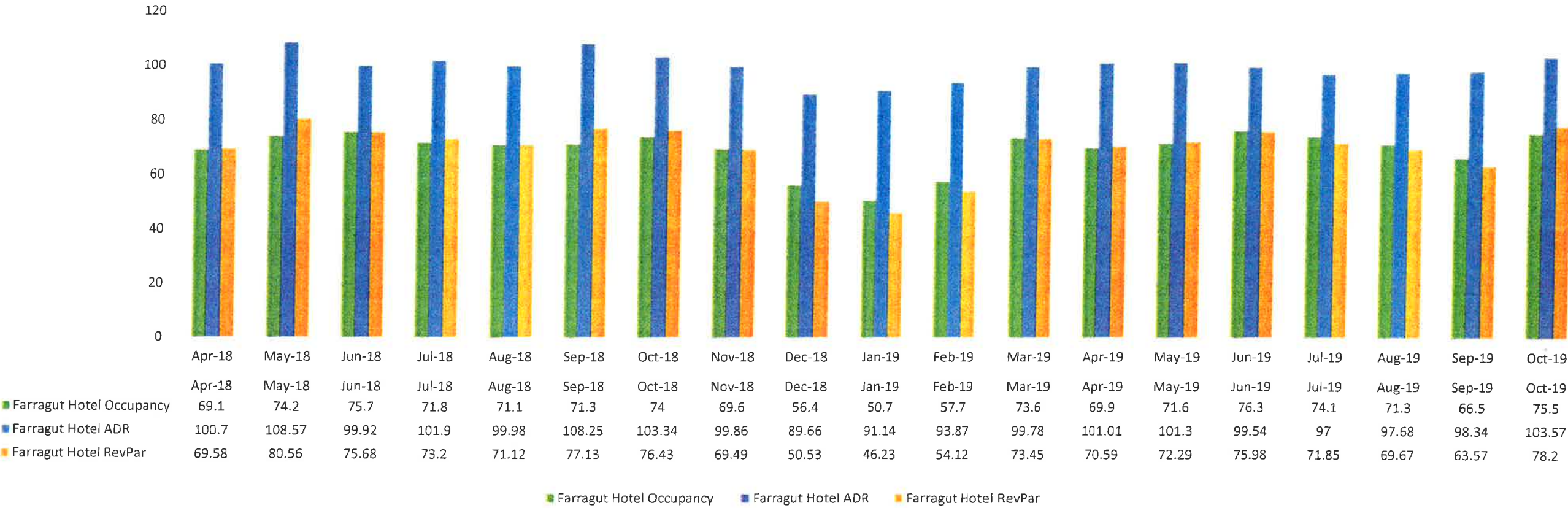
### Media Assistant

**20 hours/week; attended Search Engine Optimization training and Social Media and Email Marketing webinar**



**Teamed up to write and produce 34 Town videos promoting events and businesses to residents and visitors**

Farragut Hotel Occupancy, ADR and RevPar  
April 2018 - October 2019



Source: STR Destination Reports for Town of Farragut

|                       |                                                      |                           |
|-----------------------|------------------------------------------------------|---------------------------|
| Reporting Hotel Data: | Comfort Suites Knoxville West Farragut               | 85 rooms                  |
|                       | Country Inn & Suites Knoxville West                  | 57 Rooms                  |
|                       | Fairfield Inn & Suites Knoxville West                | 90 Rooms                  |
|                       | Holiday Inn Express & Suites Knoxville Farragut      | 79 Rooms                  |
|                       | Clarion West Knoxville                               | 98 Rooms                  |
|                       | Hampton Inn & suites Knoxville Turkey Creek Farragut | 105 Rooms                 |
|                       | Staybridge Suites Knoxville West                     | 101 Rooms                 |
|                       |                                                      | 615 Rooms Total Reporting |

## Visit Farragut Vision, Mission and Budget

**Vision:** With beautiful community amenities, a wide variety of family-focused attractions and a multitude of retail and dining options convenient to two major interstates, Visit Farragut engages with visitors by making them feel right at home.

**Mission:** Visit Farragut is dedicated to marketing and promoting our high-quality community by supporting the sales tax-producing businesses within Farragut to both visitors and residents, enhancing the economic impact on the community.

### Top Priorities:

- Create a rack card/brochure that captures our feel-at-home hospitality and establish distribution channels throughout the state and Southeast region.
- Create a print, digital and mobile-friendly map to enhance visitor experience.
- Enhance the Visit Farragut website to make this touch point an engaging experience that highlights all our offerings in an easy-to-navigate way while capturing user data to improve our visitor snapshot. Website needs search ability as well as booking/ordering abilities.
- Establish a team of Visit Farragut volunteer ambassadors to support bi-monthly meet-and-greets at Farragut hotels, attractions and events.
- Paid and intercept research on current visitors to create brand identity and targeted marketing campaigns.

| Expenditures                                                   | Current Operating Budget | Minimum Operating Budget | Recommended Operating Budget | Capital Expenditures 5+ years |
|----------------------------------------------------------------|--------------------------|--------------------------|------------------------------|-------------------------------|
| Personnel                                                      | \$65,500.00              | \$69,000.00              | \$90,000.00                  |                               |
| Advertising/Marketing                                          | \$20,150.00              | \$58,500.00              | \$156,900.00                 |                               |
| IT                                                             | \$1,500.00               | \$11,000.00              | \$53,500.00                  |                               |
| Professional Support                                           | \$8,400.00               | \$43,500.00              | \$10,000.00                  | \$10,000.00                   |
| Memberships/DMO                                                | \$2,900.00               | \$4,400.00               | \$4,400.00                   |                               |
| Events                                                         | \$5,500.00               | \$19,500.00              | \$24,100.00                  |                               |
| Trainings/Travel                                               | \$4,500.00               | \$5,000.00               | \$6,500.00                   |                               |
| Promotional/Ambassador Program                                 | \$3,000.00               | \$15,200.00              | \$23,700.00                  |                               |
| Visitors Center                                                |                          |                          | \$7,500.00                   | \$375,000.00                  |
| Gas/Mileage/Supplies                                           | \$1,900.00               | \$4,000.00               | \$4,500.00                   |                               |
| Wayfinding plan/signage                                        |                          |                          |                              | \$550,000.00                  |
| Reconstruction of diamond field to synthetic rectangular field |                          |                          |                              | 1,200,000.00                  |
| <b>Totals</b>                                                  | <b>\$113,350.00</b>      | <b>\$230,100.00</b>      | <b>\$381,100.00</b>          | <b>\$2,135,000.00</b>         |

| 50% Occupancy | 69% Occupancy | Proposed Tax Rate |
|---------------|---------------|-------------------|
| \$113,270     | \$156,313     | 1%                |
| \$169,905     | \$234,469     | 1.50%             |
| \$226,540     | \$312,625     | 2%                |
| \$283,175     | \$415,782     | 2.50%             |
| \$339,810     | \$468,938     | 3%                |
| \$396,445     | \$547,094     | 3.50%             |
| \$453,080     | \$625,251     | 4%                |

Committee members in attendance:

Akshay Hira  
Michael Bellamy  
Jeanie Stow  
Wendy Robinson  
Angela Sanders  
Julie Blaylock  
Alderman, Ron Pinchok  
Lincoln Murr  
Sue Stuhl  
Karen Tindal

- Michael Bellamy called the meeting to order at 8:15 a.m.
- Approval of last meetings minutes
  - Michael - motion
  - Alderman Pinchok – first
  - Jeanie Stow – second
  - Passed
- Tourism Coordinator report presented by Karen Tindal
  - Emailed out prior to the meeting to committee members
  - CHIA certification at STAR
    - Scored 96%
    - Gained a more comprehensive understanding of hotel analytics
    - Learned how to connect with the area hotel industry
  - Striving for more TV appearances
    - Working relationship with local TV for promotion of Farragut events and happenings
    - Arranged live broadcast with Todd Howell (WBIR) for Dog Daze III
  - Working with the media assistant
    - Strong focus on Business Spotlights premiering every Tuesday
      - Angela Sanders thought this had brought in new customers to Jet's Pizza
      - Overall good response on social media
  - Attended the Greater Knoxville Hospitality Lunch
    - They discussed an economic impact report that had been conducted for the state of Tennessee
    - Tourism is the second largest industry in the state
    - All 95 counties saw growth in tourism
    - Hotel tax was brought up
      - See a need especially with small, rural towns to help fund their tourism program
  - Visit Farragut website and social media
    - Working on increasing social media followers and driving them to the website
    - Continually growing and seeing larger reach on social media
    - Conducting paid advertising campaigns
      - Promotional video for the University of Tennessee football games and Farragut shuttle service
        - Will be hosting events at the Clarion Inn and Hampton Inn during football season; volunteers are needed for this event
        - Striving to make visitors want to come here to experience UT sports
- Hotel/Motel Tax Memorandum and Discussion
  - Michael introduced by stating that the General Assembly requires money to go into tourism
    - This clearly defined plan is why he supports it now
    - After this ruling, it is difficult to see how it couldn't help the hotels

- Opened for committee discussion to create the memorandum for the Hotel/Motel tax
  - Michael moved TVAC to approve
    - Angela – second
- Committee Discussion
  - Alderman Pinchok's comments:
    - Kim Bumpas visited and discussed points on this tax
      - Visit Knoxville has a \$4.2 million budget and most comes from the tax
        - The hotels saw an 11-13% increase after this money was added to the tourism budget
    - Attended the November 2017 Charlotte Convention
      - Mike Butts from Visit Charlotte presented
        - They contracted Longwood International to conduct a study and this study showed that for every \$1 there was a \$115 return on investment from the tax
    - Money to be made in using this as a funding outlet
    - Continually studied, researched and discussed at these conferences that it is necessary to have to go after visitors
      - Not just new visitors, but family and friends already coming to visit; targeting current visitors as well
    - This is part of the reason that Outlet Drive was designated as an entertainment corridor
    - He wants to see it go before the Board again for approval; Something they have been looking at for awhile
  - Julia Blaylock's comments:
    - As part of the Chamber, she supports anything that will bring more traffic into the area and help the businesses
    - Difference in percentage didn't matter when she chooses where to stay in her travels
  - Akshay Hira's comments:
    - In favor for the tax, as long as there is a plan, which there seems to be
    - Especially looking forward to it bringing in more tourism to the area
  - Angela's comments:
    - Can't hurt to bring the tax in because it is working to increase tourism to the area
  - Wendy Robinson's comments:
    - Part of why they are on the committee is to bring in more tourism, and this tax would help with that
  - Jeanie's comments:
    - In favor for it, especially from the perspective of helping to bring in entertainment for when her family and friends come to visit
  - Lincoln Murr's comments:
    - In favor of the tax; agrees with prior comments made
- Floor Comments
  - Vice-Mayor Louise Povlin comments:
    - Agreed with Ron, this is something the Board has been at for awhile
    - Believes more education is needed after she attended Governor's Conference last week
      - A workshop would be beneficial
      - Tax percentage does matter, especially with group rates
        - Concerned with Top Golf and not knowing what that will bring in tourism wise
    - Wants the hotels to be able to compete with group rates in the area
      - Hopes the committee is thoughtful in their decision when selecting a percentage
    - Alderman Pinchok questions for her:

- What happens when there is more money needed and the likelihood of it being able to increase?
  - Vice-Mayor Povlin: vote for what she thinks is needed as the current board; just like they have taken on projects, like McFee Park, from prior boards, they will pass this tax onto the next board to adjust as they see fit
- She wants ensure a specific targeted goal with this tax
  - Demonstrate integrity with the hotels
  - Target unique stores and experiences because that is what residents and tourist want
- Steve Krempasky, Shop Farragut
  - Has witnessed throughout his career how the tax helps tourism industry
  - Something to consider is organizations already doing this work and how they fit in, like Dogwood Arts, Shop Farragut, the Chamber
  - Backs up Vice-Mayor Povlin about caution with the percentage
  - Seeing how it works when Top Golf comes in
- Roll-call vote called by Karen in favor of Hotel/Motel tax
  - All voted yes
- Sue Stuhl wanted Karen to go over information in the packets in light of the discussion prior to the percentage being discussed
- Discussion prior to tax percentage motion
  - Michael stated that Design Sensory had recommended a 4% tax
    - This is based on the need for the tourism program to grow
    - He did share the concern of not taking corporate businesses away and still competing with close areas, like Cedar Bluff
  - Angela
    - Traveled a lot when her kids played sports and never paid attention to the hotel tax; focused on the amenities of the area and safety, not how much more the taxes were
  - Akshay
    - Asked where the visitors center discussed by Karen would be going
      - Sue answered: It is undecided; the Campbell Station Inn has been discussed
      - Alderman Pinchok added: discussed refurbishing the Inn for the Farragut Museum to move there and build additional buildings on the property that could be used as a visitors center
- Michael motioned to recommend a 3% Hotel/Motel Tax to the Board of Mayor and Alderman
  - Angela – second
- Discussion opened after motion for the tax percentage
  - Akshay's comments:
    - Good budget, but would like more data behind it
    - More comfortable with a 1.5-2% tax
    - Knowledge of what else draws visitors to the area and a more detailed plan
  - Julia's comments:
    - Agrees with tax
    - Thinks Karen has done a great job with a very small budget and short period of time
    - More you have the more you can do
    - Would like to see more data involving group rates like Children's Defense Fund
      - Akshay did comment that CDF is tax free
      - Julia wanted more data and case studies on groups
    - Would like to stay competitive with Knoxville and would prefer a 2% tax
  - Jeanie's comments:
    - Felt that going for 3% right out of the gate would be too strong; more comfortable with 2%
    - Felt 2% would be more reasonable
    - Does want to ensure entertainment comes in and diverse entertainment like a music venue

- Wendy's comments:
  - Agrees with the percentage; more comfortable with this to ensure future funding
  - Feels that access funds will help when it is time for wayfinding and visitor's center
  - Thinks the visitors center, especially to make it interactive, will have a large technology cost
- Angie's comments:
  - Agrees with 3%
  - Doesn't feel anyone would notice the tax because it is something people are just used to having to pay when booking hotel rooms
- Alderman Pinchok's comments:
  - Board needs 4/5 majority vote for it to pass
  - Believes it is better to go higher and reduce it later than vice versa
- Floor discussion on the percentage motion:
  - Steve, Shop Farragut, comments:
    - Need to think about up front cost that will eat up budget quickly, like wayfinding
    - Time sensitive issues that will be expensive in the initial tourism budget
    - Need the pool of money to help with growing expenses
  - Vice-Mayor Povlin's comments:
    - Wants committee to understand this is a marketing fund; not revenue
      - You set marketing funds based on budget
    - Wayfinding will come much later on; there will have to be case studies done before it is even started
    - Nothing planned for Campbell Station Inn for the next five years
    - Doesn't want the tax rate based on surround; wants it based on budget
    - Thinks 2% is a great place to start.
    - Michael added that he did base the 3% on Design Sensory's recommendation and budget
  - Mayor Ron Williams's comments:
    - Wants tourism to support itself
      - Set budget based on its operating expense
    - The point of having reserves to do the upcoming large expenses is important so the tourism doesn't have to keep coming around to the Town for large projects
    - Visitors center makes sense
      - It is important for each town to have one
      - Something he always uses when he is traveling
  - Vice-Mayor Povlin's response to Mayor Williams comments
    - Agree with Mayor that reserves are good
    - Wants it to be a targeted focus with a specific purpose and budget
- Michael made the motion for 3% to vote on it
  - Roll call vote for the 3% tax
    - Yes: Michael Bellamy, Wendy Robinson, Angela Sanders and Alderman Ron Pinchok
    - No: Akshay Hira, Jeanine Stow and Julie Blaylock
- Undetermined when it will go to the Board
- Karen asked for volunteers to email her if they were available to work one of the football events
  - First event: October 4 or 5
  - Second event: November 1 or 2
- Next meeting (Tuesday, November 19) they will vote on new vice chair
  - Christine stepped down due to time conflict with her job
- Michael moved to adjourn the meeting
  - Angela seconded

**MEMORANDUM IN SUPPORT OF HOTEL TAX PROPOSAL**

## STATEMENT OF FACTS

Tennessee State House Bill 1492 and Tennessee Senate Bill 1503, collectively allowing Farragut to levy a Hotel Tax, was passed by the Tennessee General Assembly in 2018.<sup>1</sup> Governor Haslam signed the Bill into law on April 18th, 2018.<sup>2</sup> If approved by the Farragut Board of Mayor and Alderman, the bill would allow a tax to be levied on hotel/motel patrons not to exceed four (4) percent.<sup>3</sup> Mayor Ron Williams, Vice Mayor Louise Povlin, and Alderman Ron Pinchok have all supported approving the tax.<sup>4</sup> Louise Povlin summarized the bill in 2018 by stating,

"One area we have not capitalized on in the past is with regard to the nine hotels in our Town. Hotel visitors produce secondary economic effects on the broader economy. We have started a tourism program and have hired a coordinator to work directly with the hotels. The intention is to gain a better understanding of the reasons visitors stay in Farragut and put into place programs and infrastructure to support attracting visitors to our hotels. Traditionally, a hotel/motel tax is used to fund that effort. The option to adopt a hotel/motel tax in the Town of Farragut is now available to us."<sup>5</sup>

In recent years, the General Assembly has reduced Farragut's revenue stream by phasing out the Hall Tax and reducing the tax on food.<sup>6</sup> Town Administrator David Smoak has also suggested a hotel tax as an avenue for closing this gap.<sup>7</sup> The hotel tax has a long history with the Farragut Board of Mayor and Alderman. An ordinance to add a three (3) percent hotel/motel tax passed first reading with the Board in a 4 to 1 vote on April 25, 2013.<sup>8</sup> The second reading resulted in tabling of the ordinance until more discussion about how the tax revenue would be used.<sup>9</sup> Jill Thomas, executive director of the Greater Knoxville Hospitality Association at that time, stated the real issue with implementing a hotel tax should *not* be based on how the revenue is used, but rather, if the tax will result in a net gain for the town or result in a net loss to local restaurants and shops.<sup>10</sup>

<sup>1</sup> <https://www.farragutpress.com/articles/2018/04/7246>

<sup>2</sup> Report to the Board of Mayor and Alderman, May 10, 2018 (by David Smoak)

<sup>3</sup> <https://www.farragutpress.com/articles/2018/04/7246>

<sup>4</sup> <https://www.farragutpress.com/articles/2018/04/7246>

<sup>5</sup> <https://www.farragutpress.com/articles/2018/04/7246>

<sup>6</sup> <https://www.farragutpress.com/articles/2017/08/6513>

<sup>7</sup> <https://www.farragutpress.com/articles/2017/08/6513>

<sup>8</sup> <http://archive.knoxnews.com/business/vote-on-farragut-hotel-tax-canceled-ep-358228624-355822311.html/>

<sup>9</sup> <http://archive.knoxnews.com/business/vote-on-farragut-hotel-tax-canceled-ep-358228624-355822311.html/>

<sup>10</sup> <http://archive.knoxnews.com/business/vote-on-farragut-hotel-tax-canceled-ep-358228624-355822311.html/>  
(emphasis added)

The hotel tax was revisited again on April 26, 2018. At first reading, Louise Povlin motioned for the Board to approve Ordinance 2018-04 setting a hotel tax rate of 2.5%, the motion was seconded by Ron Williams and passed with a 4 to 1 margin.<sup>11</sup> The published Agenda for the Board of Mayor and Alderman meeting on May 10, 2018 stated a second reading and vote on 18-04 was set to take place. Ordinance 18-04 ultimately failed passage by the Board.

## ISSUES PRESENTED

- **Expenditures increasing with a budget that is decreasing.** In recent years Farragut has experienced decreasing revenue from legislative acts of the General Assembly. In 2019, this revenue reduction has been exacerbated by the acute diversion of budget money to make emergency storm water drain repairs. Given the decreasing budget, can Farragut provide its vision of growth without additional revenue?
- **Reaping the rewards.** The Township provides many amenities that entice patrons to stay at Farragut hotels. In addition, Farragut provides a tourism coordinator, tourism marketing, and a tourism committee dedicated to increasing tourism and the occupancy rate of local hotels. Is it reasonable for hotel owners to argue against a nominal tax that would fund programs and infrastructure to support attracting visitors to Farragut hotels?

## DISCUSSION

### 1. Expenditures increasing with a budget that is decreasing

The Board of Mayor and Alderman is now in a position of making very difficult decisions between growth and budgeting for unknown emergency storm water repairs.<sup>12</sup> Amenities desired by Farragut residents are being placed on hold or downsized due to unknown future budget demands. In addition, the General Assembly recently passed legislation to phase out the Hall Tax which is a large part of Farragut's budget.<sup>13</sup>

Farragut recently hired Karen Tindal as a part time tourism coordinator to increase tourism and ultimately revenue to Farragut. This demonstrates the current Board's leadership by anticipating and finding new revenue sources before considering alternatives such as a property

<sup>11</sup> Farragut Board of Mayor and Alderman Minutes, April 26, 2018

<sup>12</sup> <https://www.farragutpress.com/articles/2019/04/8322>

<sup>13</sup> <https://www.farragutpress.com/articles/2017/08/6513>

tax. Mrs. Tindal has already increased tourism in Farragut by focusing on music and song writing venues. All of her accomplishments, however, have occurred with a very small budget and part time hours. Farragut's current tourism efforts do not include many common marketing strategies due to being cost prohibitive. A hotel tax would allow tourism advertising about Farragut venues that may increase overnight stays in our local hotels. Former Visit Knoxville Vice President and Design Sensory representative Mary Blair strongly supports a Farragut Hotel Tax giving Farragut the ability to invest in tourism.<sup>14</sup>

## **2. Reaping the rewards**

Recent data shows a portion of local hotel occupancy comes from corporate customers working or visiting Oak Ridge Laboratory. The amenities offered by Farragut such as Turkey Creek shopping, restaurants and parks are "asset drivers" corporate visitors prefer.<sup>15</sup> This closely correlates with data obtained by Ron Pinchok in 2017 suggesting Farragut hotels actually enjoy a premium daily rate 15% to 18% higher than surrounding hotels due to location.<sup>16</sup> It also demonstrates how strong patron demand accommodates nine hotels in Farragut.

## **CONCLUSION**

The Tourism and Visitor Committee should support a hotel tax proposal to the Board of Mayor and Alderman that would enable funding for Farragut to study and market tourism. It is illogical for hotel owners to argue against a small tax that may increase occupancy rates that more than offset an increase in average daily rates. Especially if Farragut's hotel tax is kept lower than hotel taxes at Cedar Bluff road and Lenoir City hotels.

Respectfully submitted,

Michael Bellamy, Tourism and Visitor Committee Chair

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<sup>14</sup> Design Sensory Presentation 7/16/2019

<sup>15</sup> Design Sensory Presentation 7/16/2019

<sup>16</sup> <https://www.farragutpress.com/articles/2017/08/6513>



# Hotel Tax Information Charts

2018 Average Farragut Hotel Occupancy = 69.86%  
 2018 Average Daily Rate at Farragut Hotels = \$100.92  
 ADR X 365 days per year = \$36,835 X 615 hotel rooms reported above =  
 \$22,654,017 X Average Occupancy of 69% = \$15,631,271  
 ADR X 365 days per year = \$36,835 X 615 hotel rooms reported above =  
 \$22,654,017 X Average Occupancy of 50% = \$11,327,008  
 If a hotel tax was implemented by Town of Farragut hotel tax revenue could be:

| Proposed Tax Rate | 69% Occupancy (\$15,631,271) | 50% Occupancy (\$11,327,008) |
|-------------------|------------------------------|------------------------------|
| 1%                | \$156,312.71                 | \$113,270.08                 |
| 1.5%              | \$234,469.06                 | \$169,905.12                 |
| 2%                | \$312,625.42                 | \$226,540.16                 |
| 2.5%              | \$415,781.78                 | \$283,175.20                 |
| 3%                | \$468,938.13                 | \$339,810.24                 |
| 3.5%              | \$547,094.49                 | \$396,445.28                 |
| 4%                | \$625,250.84                 | \$453,080.32                 |

What does this look like to the hotel visitor?

| Proposed Tax Rate | @ADR \$100.92                               | @ADR \$89 (lowest ADR in 2018)              |
|-------------------|---------------------------------------------|---------------------------------------------|
| 1%                | \$1 added to their bill per room/per day    | \$0.89 added to their bill per room/per day |
| 1.5%              | \$1.50 added to their bill per room/per day | \$1.33 added to their bill per room/per day |
| 2%                | \$2 added to their bill per room/per day    | \$1.78 added to their bill per room/per day |
| 2.5%              | \$2.50 added to their bill per room/per day | \$2.25 added to their bill per room/per day |
| 3%                | \$3 added to their bill per room/per day    | \$2.67 added to their bill per room/per day |
| 3.5%              | \$3.50 added to their bill per room/per day | \$3.12 added to their bill per room/per day |
| 4%                | \$4 added to their bill per room/per day    | \$3.56 added to their bill per room/per day |

\*based on monthly STR Destination reports for Farragut, TN 2018



# Surrounding Area Combined Lodging Tax Rates

| County   | City                                                   | Sales Tax | County Tax | City Rate | Lodging Tax | Rate | Total Tax Rate |
|----------|--------------------------------------------------------|-----------|------------|-----------|-------------|------|----------------|
| Anderson | (except Clinton, Oak Ridge, Oliver Springs, Rocky Top) | 7%        | 2.75%      |           | 5%          |      | 14.75%         |
| Anderson | Clinton                                                | 7%        | 2.75%      |           | 5%          | 3%   | 17.75%         |
| Anderson | Oak Ridge                                              | 7%        | 2.75%      |           |             | 5%   | 14.75%         |
| Blount   | (except Alcoa, Maryville)                              | 7%        | 2.75%      |           | 5%          |      | 14.75%         |
| Blount   | Alcoa                                                  | 7%        | 2.75%      |           | 5%          | 1%   | 15.75%         |
| Blount   | Maryville                                              | 7%        | 2.75%      |           | 5%          | 1%   | 15.75%         |
| Hamilton | Chattanooga                                            | 7%        | 2.25%      |           | 4%          | 4%   | 17.25%         |
| Knox     | (Except Knoxville)                                     | 7%        | 2.25%      |           | 5%          |      | 14.25%         |
| Knox     | Knoxville                                              | 7%        | 2.25%      |           | 5%          | 3%   | 17.25%         |
| Loudon   | (Except Lenoir City, Loudon)                           | 7%        | 2.00%      |           | 5%          |      | 14.00%         |
| Loudon   | Lenoir City                                            | 7%        | 2.00%      |           | 5%          | 5%   | 19.00%         |
| Loudon   | Loudon                                                 | 7%        | 2.00%      | 0.50%     | 5%          |      | 14.50%         |
| Roane    | (except Kingston, Oak Ridge, Oliver Springs)           | 7%        | 2.50%      |           | 5%          |      | 14.50%         |
| Roane    | Kingston                                               | 7%        | 2.50%      |           | 5%          | 5%   | 19.50%         |
| Roane    | Oak Ridge                                              | 7%        | 2.50%      | 0.25%     | 5%          |      | 14.75%         |
| Roane    | Oliver Springs                                         | 7%        | 2.50%      | 0.25%     | 5%          |      | 14.75%         |
| Roane    | Harriman                                               | 7%        | 2.00%      | 0.50%     |             | 7%   | 16.50%         |

\*source: <https://www.tn.gov/content/dam/tn/tacir/commission-meetings/2015-october/2015OctoberTab6HotelMotelTaxAppC.pdf>



Sound by the Sea

# Tax Rate Considerations for Farragut

| Tax rate considered | Resulting Total Tax Rate |
|---------------------|--------------------------|
| 1%                  | 15.25%                   |
| 1.5%                | 15.75%                   |
| 2%                  | 16.25%                   |
| 2.5%                | 16.75%                   |
| 3%                  | 17.25%                   |
| 3.5%                | 17.75%                   |
| 4%                  | 18.25%                   |

City of Knoxville Tax Rate 17.25%

Lenoir City Tax Rate 19%

Oak Ridge Tax Rate 14.75%

Knox County (except for Knoxville) 14.25%



## Surrounding State Tax Rates

| City or County                 | Lodging Tax Rate |
|--------------------------------|------------------|
| AL-Montgomery                  | 14.00%           |
| AL-Mobile                      | 14.00%           |
| AL-Birmingham                  | 17.50%           |
| AL-Huntsville                  | 13.00%           |
| AL-Tuscaloosa                  | 15.00%           |
| GA-Atlanta                     | 16.00%           |
| GA-Savannah                    | 13.00%           |
| GA-Gwinnett County             | 13.00%           |
| KY-Lexington/Fayette County    | 13.00%           |
| KY-Louisville/Jefferson County | 15.50%           |
| NC-Charlotte                   | 15.25%           |
| NC-Asheville                   | 13.00%           |
| NC-Raleigh                     | 12.75%           |
| NC-Greensboro                  | 12.75%           |
| VA-Virginia Beach              | 14.00%           |
| VA-Chesapeake                  | 14.00%           |
| VA-Newport News                | 13.50%           |
| VA-Arlington                   | 13.00%           |
| VA-Norfolk                     | 14.00%           |