



## **Accommodations Tax Advisory Committee**

This meeting was held on April 14, 2022, via Zoom **Conference Call: 929-205-6099, Meeting ID: 824 5507 8363.**

Members and Staff present: Councilmember Gregorie, Chair, Ben D'Allesandro, Edward Condon, Jami Dewitt, Casey Lavin, Kathy Mercer, Cherrie-Ann Caton, Amy Wharton, Matt Frohlich, Romaine Heyward, Councilmember Seekings, Scott Watson, Andrew Jones, Rick Jerue, and Andrea Derungs.

### **1. Moment of Silence**

The meeting was called to order at 3:02 p.m. by the Chairman, Councilmember Gregorie, and led with a moment of silence.

### **2. Introduction of Members and Staff**

Ms. Mercer recognized the members present.

### **3. Orientation for Committee Members**

Ms. Mercer said the Advisory Committee was required by State Law, appointed by City Council, and must consist of seven members. Four of the members must be from the Hospitality Industry; two from the Lodging Sector (Casey Lavin and Paul Multani), two from other areas of hospitality (Ben D'Allesandro and Edward Condon), one member represents cultural interests of the City (Mamie Bush), and two members at-large (Jamison Dewitt and Councilmember Gregorie).

The function of the Advisory Committee was to advise the City of Charleston on the expenditure of revenue generated from the State Accommodations Tax and submit written recommendations to municipality at least once a year. Ms. Mercer said there would always be a letter signed by the Chairman and attached to the amended or draft budget. The letter was then submitted to the Committee on Ways and Means and recommended for approval by City Council. The Committee was also tasked to review applications received by the municipality for spending of Accommodations Tax. Not everything was done by an application process, only the grants portion, but anyone that applied through that portion must go through the review process.

Ms. Mercer said the Committee would usually meet in November, but the pandemic threw the schedule off. For those not familiar with the State Accommodations Tax, it was the 2 % statewide tax collected on transient lodging sales. Transient was defined as less than 30 days. For example, if someone rented a beach house for a week at a time, they would fall into transient, and Accommodations Tax must be collected. If someone had a rental property that rented for a semester to a college student, that would not require collection of Accommodations Tax. Accommodations Tax was collected by the State of South Carolina and shared with the counties and municipalities based on where the sale or lodging occurred. The State kept a portion of the revenue to support parks, recreation, tourism, and other organizations that were designated by the State's multi-county tourism and tourism as a whole for the State.

The Robin Hood Clause ensures that each county in the State received at least \$50,000 per year in Accommodations Tax. Several counties with interstates that ran through them and the only hotels they had could be the ones located at those interstate exits, so those areas may not get \$50,000, since it could be their only lodging industry. The counties that collected more than \$400,000 a year of which, Charleston County was one of them, and the City of Charleston fell into that donor category. Those counties collected more money and had to donate funds to the State and the State withheld a portion of it at the beginning of each year out of the first payment. By the end of the year, they reconciled the whole thing sent everyone their \$50,000. Ms. Mercer said the State usually gave back what they didn't need because normally they would hold more than what they needed because they would never get it from the Counties later if not received upfront.

Other City Revenues that may be discussed at City Council meetings or read in the newspaper had similar rules to State Accommodations Tax. Charleston also had Municipal Accommodations Tax, a 2% local tax on transient lodging sales collected monthly for the City by the County in conjunction with their local accommodations tax. Then there was the Hospitality Fee, 2% local sales tax on prepared food and beverages collected monthly by City of Charleston Revenue Collections Division.

Ms. Mercer said the law set out how Accommodations Tax had to be allocated by the Municipalities. The first \$25,000 plus 5% of the balance was allocated to the General Fund of the Municipality and was exempt from all of the requirements. This meant it was unrestricted and just becomes general revenues in the General Fund. 30% of the balance was allocated to a special fund and was only to be used for advertising and promotion of tourism. The law required municipalities to select an organization that was currently in existence to manage and direct spending of those funds. If there was not already an entity in existence, then the City would establish its own. The City's designated marketing organization was the Charleston Area Convention and Visitors Bureau, who did a great job. The balance of the remaining 65% plus interest earned was allocated to a special fund used for tourism-related expenditures and must be spent within 2 years of receipt. The City was required to promote tourism and make tourism-related expenditures primarily in the geographical areas of the City in which the proceeds were collected. In Counties with high concentration of tourism, funds may be used to provide additional

county and municipal services required to serve/provide for tourists. For example, if extra police protection was needed because of festivals or other events. This usually applied to the counties that collected more than \$400,000, which was how high concentration of tourism was defined. The 65% remaining balance could be allocated and used for advertising and promotion of tourism, promotion of arts and cultural events, and construction, maintenance and operation of facilities for civic and cultural activities including access roads and utilities. Facilities for the criminal justice system, law enforcement, fire protection, solid waste collections, and health facilities that directly served tourist and those were based on the actual percentage of cost directly attributed. It could not be used to provide for what the municipality tax already covered. Things directly attribute to tourists were public facilities such as restrooms, parks, parking lots, shuttle transportation. The City used the DASH Shuttle, which was free, so the money was used to support CARTA. Other things like waterfront erosion and beach re-nourishment were not related to Charleston, but it was there, and operation of Visitors Centers.

Accommodations Tax Grants were funded from the 65% portion and generally fell into three categories: Advertising and promotion of tourism, promotion of the arts and cultural events, and construction, maintenance, and operation of facilities for civic and cultural activities. Those funds were only awarded to eligible entities. Eligible organizations must be a non-profit as designated by IRS, 501(c)(3) charitable organization, government entity and not for profit. The law also provided for the State of South Carolina Tourism Expenditure Review Committee, which operated through the Department of Revenue to oversee responsibility for spending of a tax funds. A report must be filed with them annually detailing how much money was received, how it was spent, and which organizations were funded. The list also included which organizations applied and how much funding was requested. The Committee also operated a website, by State law that was available to show guidance and interpretations of resources.

Interpretation of Tourism Related Expenditures – Tourism was defined as the activities of people taking trips outside their home communities for any purpose, except daily commuting to and from work. “Home Community” – was commonly accepted definition of travel as being 50 miles or more, one way, from the traveler’s origin or home. In addition to considering the 50-mile test, took into consideration the following guiding principles; the expenditure must be used to attract or provide for tourists. The expenditure cannot be used for an item that would normally be provided by the county of municipality.

Things that were not eligible for A-Tax funding was salaries, statues or monuments, educational based outreach programs, welcome signs/banners, services to benefit the employees of the tourism industry, and local advertising. Salaries were not funded with grant awards. Regarding municipal employees, id the employee was someone that would have to be employed anyway (even if they dealt with promotion of tourism), such as the Mayor, their salary could not be funded at all. Statues dedicated to a local figure were not considered to be tourism draw, but if there was a monument of a national figure or to a national historic event, such as a World War II Memorial, it would qualify for tourism

funding. Educational/school-based outreach programs like music festivals that went into schools to expose children to jazz and blues were not eligible because that event did not attract tourist. Signs were ineligible because you'd already be in Charleston when you saw one. Services that benefited tourism employees were not eligible unless for example, there was as a health clinic located near a large tourist attraction similar to an amusement park would be eligible.

Ms. Mercer said the Committee would review and evaluate applications related to the following: Was the applicant eligible? Planned expenditure falls into eligible category? Related tourism impact – return on investment? Ability to carry out planned events/activities? Is advertising effort sufficiently out-of-market? Large events/festivals/attractions vs. smaller ones? Ms. Mercer went over an evaluation example of four events.

#### **4. Approval of Minutes**

November 17, 2020  
December 2, 2021

On a motion of Casey Lavin, seconded by Jami Dewitt, the Committee unanimously approved the minutes from November 17, 2020, and December 2, 2021.

#### **5. Update on State Accommodations Tax Revenue Projections**

Ms. Mercer said as a refresher on Revenue Projections, in 2019, the revenue received was \$7,729,132. In 2020, revenue received was \$4,434,878. In 2021, revenue received was \$8,340,979. At the December 2, 2021, the Committee had not received the 4<sup>th</sup> quarter payment, but it was higher than expected. 2021 was now closed out, but excess revenue rolls to fund balance and could be spent in 2022 and future years. They had to remember to not hold on to too much and watch the 2-year spending receipt requirement. She said it was possible to hold on to more of it, but permission needed to be granted by the Tourism Expenditure Review Committee ahead of time. The goal was to look at the funds available. There was not a normal grant process in 2020 or 2021 for 2022 because there were other obligations and other things committed. Ms. Wharton said the process would be reviewed in July 2021 and at that point, there was no indication where the City was financially and that's why the City did not do the application process during 2021.

Ms. Mercer said today's proposal was to amend the 2022 budget to give out awards for the applications that the City collected. Due to revenue decline, there was not a normal grant application process for 2021 or 2022. Other obligations and uncertainty of revenue did not leave enough funding to award grants at that time. Now was the time to amend the 2022 budget for the application process that was just completed. They would be adding grant awards expenditures, fund balance (excess from 2021) to cover grant awards, and the need to spend 2021 revenue first because of requirements to spend funds within 2 years of receipt.

## **6. Discussion of 2022 Applications**

Ms. Mercer led the group into review of the proposed list of recommended awards. Mr. Condon asked if it was known if the applicants received other special funding, such as PPP loans. Ms. Mercer said they were not prompted to ask that on the application. Councilmember Gregorie said if the applicants received funds prior to the application, it would have to be on the application. Ms. Wharton said it would be included in their total but would not be spelled out specifically. Since it was a tax and not ARPA funding, it would not affect anything the organization did. Mr. D'Allesandro said in the past, he did not recall funds being granted over \$150,000. He asked why some of the organization amounts got bumped up to \$300,000 this time. Councilmember Gregorie said there were a few grants that have been higher than \$150,000 in the past. Ms. Mercer said the amounts listed, that were proposed to go out this year were from leftover money in 2021 and to help organizations who struggled through the pandemic. There was an extra \$25,000 unallocated and the Committee could use it to increase or give out awards to different groups that were not included.

Councilmember Gregorie said the grant funds could not be used for operating purposes, like salaries. When he looked at the organizations, the recommendations were less than the organization's request. Most of them seemed to be advertising specific and wondered if the same provisions could be used for the smaller organizations to make them stronger, that 20 % of their funds could be used for artistic and production costs, venue rentals, and equipment rentals. Ms. Mercer said on page 4 of the application funding request for budget year 2022, broken down followed the things touched on during the orientation about the typed of things that the State Law said were eligible; the first one being advertising and promotion – the easiest to document and then the maintenance and operation of tourism related, etc. Under 'Other', the applicant could request equipment and production costs.

The group continued to review the applicants and the recommended grant awards extensively, noting any changes, with explanations to recommended amounts vs. requested amounts. By motion of Casey Lavin, seconded by Edward Condon, the Committee recommended unanimous approval of Items #1-11 and #13-33. On further motion, the Committee recommended the following amendment: to award the Charleston Food and Wine Festival \$50,000 less than their requested amount (\$150,000) for Out of Market Advertisement/Promotions (#12). The Committee also recommended a \$2,500 increase from the recommended amount of \$2,500 to the Sophia Institute (#25) for Out of Market Advertisement and Promotions. Their total was now \$5,000 in grant awards. The vote was not unanimous. Councilmember Gregorie opposed.

## **7. Presentation, discussion, and approval of 2022 Amended Budget (to include 2022 Awards)**

The Committee amended amounts from the proposed budget. There was not surplus funding. On a motion of Edward Condon, seconded by Jami Dewitt, the Committee voted

unanimously to amend the 2022 Amended Budget to include 2022 Awards and recommended to send the report to the Committee on Ways and Means.

**8. Other Business**

Ms. Mercer said regarding the 2023 Budget Process, the City would return to the normal grant application process schedule. Applications were usually due in August, and the Advisory Committee meeting would be held in November.

There being no further business to come before the Committee, the meeting adjourned at 4:38 p.m.

Velvett Simmons  
Assistant Clerk of Council