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Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Dovilla and Santucci

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SUMMARY

- Authorizes a local government to create a tourism promotion district and to levy within the district an assessment on hotels to pay for improvements that benefit those hotels and services designed to increase overnight stays.
- Authorizes the issuance of revenue bonds, backed by assessment revenue, to fund improvements to benefit the hotels.
- Requires assessment revenue to be spent and managed by a nonprofit organization designated by the authorizing local government.

DETAILED ANALYSIS

Tourism promotion districts

Summary

The bill authorizes a county, township, or municipal corporation to create a tourism promotion district (TPD). Once created, special assessments can be levied against lodging businesses – a hotel with five or more rooms – within the district. Funds from the assessments must be used to fund supplemental services designed to increase overnight stays and improvements that benefit the lodging businesses in the districts.

The "supplemental" requirement means the services and improvements must be in addition to any services and improvements the county, township, or municipal corporation creating the district already provides. In other words, these assessments are not supposed to be used to fund existing services or improvements.[1]

[1] R.C. 1787.01 and 1787.06(C)(12).

Creation

Creation of a TPD is a multistep process that begins with a request to the appropriate county, township, or municipal corporation legislative body from one or more lodging business owners in the proposed district. The request must include both a plan for the district and a summary of the plan, and, to proceed, the legislative body must adopt a resolution or ordinance declaring its intent to consider creating a TPD. Notice to and an opportunity for lodging business owners to object must be provided, and the legislative body must hold a public hearing on the matter before adopting an ordinance or resolution creating the district. If lodging business owners representing 40% or more of the proposed benefit assessment revenue object, a district may not be created (see "**Benefit assessments**," below).

A TPD may be created by a municipal corporation in its territory, or by a township or county in its unincorporated territory. A TPD may extend beyond those boundaries with the consent of the relevant local government to which the district extends, but its territory must be contiguous in any case. The term of a district must be for a specific term of years, initially three to five, unless revenue bonds are proposed, in which case the term equals the maturity of the bonds (see "**Revenue bonds**," below). TPDs may be renewed for a specific term, up to ten years, unless bonds are issued, in which case renewal districts also extend to the maturity of any bonds.[2]

Benefit assessments

As part of creating a TPD, the local government may set the terms under which a special assessment (referred to as a "benefit assessment" in the bill) may be levied on hotels within the TPD. The assessments may be computed on any reasonable method based on benefit received by the lodging business, including a percentage of gross lodging business revenue or a fixed dollar amount per transaction. They may also differ by the type or class of lodging business involved. The validity of an assessment may only be challenged by a lodging business on the basis that the business will not benefit from the TPD and must be filed within 30 days after the assessment is first imposed.

TPD benefit assessments are collected on a schedule and in a manner designated in the TPD plan adopted when the district was created. The county, township, or county that created the TPD must create a special fund in its treasury in which to deposit the funds. Aside from 2% of the funds, which the local government may retain to offset the costs of collection if so provided in the district plan, all the assessments collected must be paid to the district management association, on its request, and used to fund supplemental services and improvements (see "**District management association**," below). Interest and penalties may be charged on delinquent payments.

Any lodging businesses that open in a TPD after its creation and that fit within the type or class of lodging business subject to a TPD benefit assessment become subject to the assessment.[3]

[2] R.C. 1787.02 to 1787.06.

[3] R.C. 1787.07 and 1787.09.

Revenue bonds

If TPD benefit assessment funds are to be used to fund improvements, i.e., tangible property with a useful life of five or more years, the TPD district management association or a port authority that encompasses the entire territory of the TPD may issue revenue bonds backed by the benefit assessment revenue. Benefit assessments levied in two or more TPDs can be pledged to secure a single bond issuance, and the benefit assessment is the only permissible source with which to back the bonds.[4]

District management association

Under the bill, any county, township, or municipal corporation that forms a TPD must contract with a nonprofit corporation to serve as the TPD's district management association, which is authorized to select the specific supplemental services and improvements that will be funded with proceeds from the benefit assessment within the parameters established when the TPD was created.

The nonprofit corporation can preexist the TPD or be formed specifically to manage it. If preexisting, the corporation's board of directors must create a committee of directors, at least $^{2}/_{3}$ of whom are lodging business owners subject to the TPD's benefit assessment, or their agents. If the corporation is formed for the purpose of being the district management association, the certificate of incorporation or bylaws must require at least $^{2}/_{3}$ of board members to be such lodging business owners or their agents.

The bill includes detailed provisions regarding the status of a district management association, and its members, under various laws governing the status and privileges of public officials. Notably, the district management association is subject to the public records and open meetings laws whenever it deals with TPD business.[5]

Reporting requirements

The bill requires a district management association to submit an annual report of its expenditures of benefit assessment revenue and other financial information to the Auditor of State and the local government that created the TPD.[6]

Dissolution

The local authority that created a TPD may dissolve it prematurely if there are no outstanding revenue bonds and the authority finds that the TPD has misappropriated funds or has otherwise violated the law. It may do this on its own volition or, after the first two years of the TPD's operation, upon the request of a majority of lodging businesses subject to the benefit assessment.

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[4] R.C. 1787.01 and 1787.08.

[5] R.C. 1787.10 and 1787.12.

[6] R.C. 1787.11.

After a TPD is dissolved, whether prematurely or because its term has expired, any remaining TPD revenues may either be spent in accordance with the district's plan or refunded to assessed lodging businesses.[7]

HISTORY

Action	Date
Introduced	02-26-25

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[7] R.C. 1787.13.