

Minutes of the December 2, 2020 meeting of the
Tax Rate Committee,
An Ad Hoc committee of the Door County Tourism Zone Commission
Meeting conducted via Zoom.

Members present: Meredith Coulson, Rachel Willems, Fred Anderson, Bryan Nelson.
Also present: Bill Weddig, Myles Dannhausen.

Meeting called to order by acting Chair, Bryan Nelson, at 4:03 p.m.

Posting of agenda and agenda order confirmed by consensus.

There are no minutes to approve as this is the inaugural meeting of this committee.

Nelson offered to act as Chair unless another member wished to Chair the committee. The other members agreed, by consensus, that Nelson should act as Chair. Nelson stated that he would make another offer to have the Committee elect a Chair at a future meeting once it has selected all of its members. He also stated that he hoped that this Committee would meet only for a total of about 6 times. Anderson offered that he would prefer a goal of deciding after 5 meetings whether we need to meet any more.

Coulson asked if someone needed to keep minutes. Nelson offered to keep minutes, at least for this initial meeting, based on the recording of the Zoom meeting and stated his opinion that the Committee did not need to have an official secretary for its short projected life. The other members offered their consent to this general outlook.

The size and make-up of the committee was discussed with the general consensus being that it is an important goal to get representation from other municipalities within the TZC as well as other types of lodging businesses. Anderson said he thinks that a size of 7-9 members would be ideal and this received agreement from the others. Some specific names were discussed as potential committee members and Willems offered to make some exploratory calls to Sturgeon Bay and Sister Bay contacts. Willems then stated that several other Ephraim business owner asked about participating in meetings and wondered if they were welcome to attend. Nelson answered that these are public meetings and all are welcome. Any interested parties should be referred to the TZC website (doorcountytourismzone.com) where they can find the meeting postings and join via Zoom. Nelson said he will let in anyone to a Zoom meeting, although they may or may not be given the floor for comment at the discretion of the Chair.

At around 4:25 Dr. Russ Kashian and his colleague, Choton Basu, joined the meeting. Russ is the Director of UW Whitewater's Fiscal and Economic Research Center (FERC). The TZC had discussions with FERC last spring at the beginning of the pandemic during which the TZC explored having FERC conduct economic research into the effects of the pandemic on Door County's tourism economy. Introductions were made and the scenario leading to the formation of the committee was explained. Russ made some general opening comments to the effect that it is his belief, backed by a lot of evidence, that an established tourism destination such as Door County or Wisconsin Dells will not be impacted negatively by a marginal increase in the room tax rate and that, in fact, a jump to 8% will put Door County in line with the more popular destinations in the rest of the State. He also questioned whether DC municipalities had considered implementing a Premier Resort Tax. This was then briefly discussed with the conclusion that it obviously is not an answer for the entire Tourism Zone as it applies only to

concentrate areas, such as the “main streets” of Sister Bay or Sturgeon Bay, in which tourism is the main economic driver.

Russ said that, in economics jargon, the price elasticity of demand for room tax is inelastic – meaning that a rate hike doesn’t chase away buyers. He elaborated that there is lots of evidence to suggest that increases in room taxes do not decrease demand. There is also plenty of evidence to support the importance of the increased revenue being reinvested into the attraction of more tourists and the improvement of the tourist experience. If it’s just a “money grab” then it’s inefficient. But if it’s reinvested, then basically this year’s tourism income is subsidizing next year’s growth. Willem asked if it might not be bad timing or bad optics to be raising taxes during Covid. Russ responded that, because of Covid, the name of the game, at least for the next couple of years, is “go local”. People are going to be reluctant to get on a plane and travel internationally for some time to come. But it’s a no-brainer to get in the car and drive to a destination like Door County.

Choton added that this is the time to do it. This is the time to raise more and spend more to grab a disproportionate number of those who are taking their vacation to a destination that is a few hours away by car. This is the time to re-brand Door County to take advantage of this change in tourism behavior. Russ elaborated that this is the time to think of additional taxes as “seed corn” to be planted toward next year’s crop. He thinks Door County needs to “double down the bet”.

Nelson explained that this committee has been authorized to commission a study from FERC as to the advantages or disadvantages of raising the rate of room tax. It has also been given a budget to do so. Russ said that FERC has access to 30 years of data in Wisconsin and felt that they could mine this as the basis of a report rather than conduct a new study.

Choton told a parable about how Disney built Disney World in Orlando after their less than glorious initial experience with Disneyland in Anaheim. In California they simply built a fabulous theme park in the middle of urban decay and were then stuck for decades with the inability to realize the park’s full potential because of the tawdry surrounding area. Learning from their mistakes, in Orlando they convened all the stakeholders and developed a grand plan with local government, businesses and education to coordinate the success. The first thing they built was the castle, which could be seen from miles in every direction. This constantly reminded all of the stakeholders in their various roles of the ultimate goal. Choton summarized that the lesson here is to get everyone to decide on what the goal is for the additional revenue in advance of the implementation of the expanded tax. If everyone is pulling in the same direction it cannot help but benefit the community.

Bill Weddig was given the floor and asked about the wisdom of raising the tax rate by 1.0 – 1.5% to 6.5 – 7.0% total rather than all the way to 8.0 %. Russ responded by saying that “you only get one bite at the apple”. In other words, since the evidence suggests that the rise to the State Statute allowable 8.0% will not decrease demand, we should raise it all the way to that point since we’re not going to come back for probably many years to raise it again.

A discussion ensued as to the fact that Destination Door County (DDC) is transitioning from destination marketing to destination management in an effort to keep the vacation experience in Door County a high quality one. Both Willems, who is the Vice Chair of the Destination Door County Board of directors and Coulson, who sits on the same Board, talked about how this is a pivotal time in DDC’s evolution and how it would be crucial to get that organization’s buy-in prior to dumping a pile of new money on it and then letting them figure out what to do with it. DDC has been clear in stating that it

has not asked for this tax hike. The impetus is coming from the municipalities, led by Baileys Harbor and its Town Board Chair, Dave Eliot, who also sits on the TZC Board.

To illustrate Russ's point about reinvesting wisely to keep up with the times, he referred to the movie Dirty Dancing which was set in a Catskills summer resort in the 1960s. In that plot, all the longtime members pushed the young adults to take ballroom dancing lessons because they considered that an essential skill, regardless of the fact that none of the youngsters were interested in ballroom dancing nor would they ever have need of those skills. It was a classic example of not keeping up with the times and losing the potential new members the resort would need to sustain itself into the future. Choton expanded on this by saying that, if DDC would like them to conduct focus groups among either those who've been coming for years or the new guests we all saw show up during this past Covid summer, FERC is happy to facilitate this research to determine which direction our marketing and infrastructure reinvestment should go.

Choton talked a bit about developing "personas" to target the marketing of our destination. This led to a discussion of the distinction between the TZC, to which this committee reports, and the DDC. Since Willems and Coulson are on the DDC Board they talked a bit with the two academics about what they could offer their organization. Russ had to leave the meeting at about 5:20 but Choton stayed on for a few more minutes to talk about his anecdotal observations of what Door County has to offer the younger tech-savvy vacationer. He has some insights into this because of a former student, now a client, who has started a coffee shop in Sturgeon Bay after founding 2 other startups in California and on the East Coast. The fact that this student and his fiancée have chosen to base themselves in Door County tells him that we should expect an influx of similar younger people who find that we have what they're looking for in terms of quality of life and infrastructure.

After Choton departed the meeting Willems brought up the comments from some lodging acquaintances regarding how the collection of the room tax imposes a cost in credit card fees. This was discussed at some length with the realization that reimbursement of these fees is a subject that is reasonable to include in any upcoming discussions of how the room tax is allocated.

Anderson offered his opinion that if this process can bring the various stakeholders a little closer to agreement about how room tax is collected and used it will have served its purpose well.

Willems and Coulson agreed to inform DDC about this committee's discussion at the DDC Board meeting next week.

It was agreed that any names for additional committee member should be emailed to Nelson by next week and that this committee would try to meet again before Christmas to consider those potential members and to discuss whatever proposal the FERC submits.

Anderson moved and Coulson seconded to adjourn. Meeting was adjourned at 5:43 p.m.

Respectfully submitted,
Bryan Nelson