

MEMORANDUM



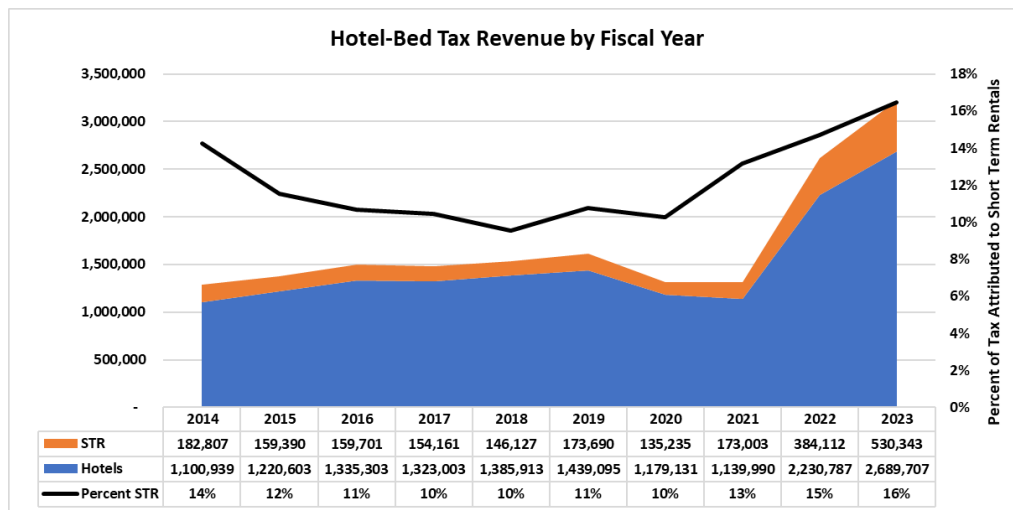
DATE: August 28, 2023
TO: Assembly Finance Committee
FROM: Angie Flick, Finance Director
SUBJECT: Hotel-Bed Tax Allocation

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The purpose of this memo is to provide additional information to the Assembly Finance Committee (AFC) in discussion of the 9% hotel-bed tax revenue allocation. Attached to this item you will find prior actions of the AFC regarding the Hotel-Bed Tax allocation; a memo from Jeff Rogers dated 7/7/2022; and a memo from me dated 7/27/2023.

Per direction from the AFC in August, the following actual and budget data has been prepared for the various options presented, first as summary data and then broken down by each option.

A historical look at the Hotel-Bed Tax collections along with the breakout by hotel vs. short-term rental (STR) revenue and the percent of this revenue attributable to STRs.



Summary of Dollar Allocation Based on FY24's Budget Values

	FY24 Budget Totals	Option 1 Status Quo	Option 2 AHF = STR Status Quo Rest	Option 3 New Split: 3+2+2+2	Option 4 Priorities to Manager
Total	3,420,000				
Centennial Hall Improvements (Temp)	760,000	760,000	760,000	760,000	229,200
Short-Term Rental Data Collection	20,000	20,000	20,000	20,000	20,000
Interdepartmental Charges	58,800	58,800	58,800	58,800	58,800
Remainder:	2,581,200				
Tourism Promotion		1,480,600	1,220,914	1,113,733	1,200,000
Centennial Hall Operations		1,100,600	915,686	733,733	670,500
Affordable Housing Fund		-	444,600	733,733	1,241,500 *
Total		3,420,000	3,420,000	3,420,000	3,420,000

* AHF amount derived from variances from status quo for illustration purposes only.

In practice, the Hotel-Bed Tax Fund is charged an Administrative Overhead (Interdepartmental Charges), and the Short-Term Rental Data Collection contract is funded here. The details for each option below include a reduction in available resources for those two costs.

Option 1 - Status Quo – allocate the 9% hotel-bed tax revenue to Tourism Promotion (4%), Centennial Hall Operations (3%), and Centennial Hall Improvements (2%) as described in the current resolution.

	FY24 Budget Totals	Status Quo	
Total	3,420,000		
Centennial Hall Improvements (Temp)	760,000	760,000	2%
Short-Term Rental Data Collection	20,000	20,000	
Interdepartmental Charges	58,800	58,800	
Remainder:	2,581,200		
Tourism Promotion		1,480,600	4% less 1/2 other charges
Centennial Hall Operations		1,100,600	3% less 1/2 other charges
Affordable Housing Fund		-	
Total		3,420,000	

Option 2 – Affordable Housing Fund receives the amount of tax attributed to Short Term Rentals. Transfer the amount of hotel-bed taxes received from short-term rentals to the Affordable Housing Fund by applying the historic percentage split only to the taxes received from typical hotels. Taxes received from short-term rentals would instead be transferred directly to the Affordable Housing fund.

	FY24 Budget Totals	AHF = STR Status Quo Rest
Total	3,420,000	
Centennial Hall Improvements (Temp)	760,000	760,000
Short-Term Rental Data Collection	20,000	20,000
Interdepartmental Charges	58,800	58,800
Remainder:	2,581,200	
Tourism Promotion		1,220,914
Centennial Hall Operations		915,686
Affordable Housing Fund		444,600
Total		3,420,000
Hotels	87%	2,975,400
Non-Hotels (STRs)	13%	444,600
	100%	3,420,000

Option 3 – Revise Split to Include 2% to Affordable Housing Fund. Redesign the historical percentage split of all hotel-bed tax receipts in recognition of the overall impact of short-term rentals. For example, instead of a 4% + 3% + 2% split, the Assembly could choose a 3% + 2% + 2% split and then direct 2% to the Affordable Housing fund. The percentages are at the discretion of the Assembly.

	FY24 Budget Totals	New Split: 3+2+2+2	
Total	3,420,000		
Centennial Hall Improvements (Temp)	760,000	760,000	2%
Short-Term Rental Data Collection	20,000	20,000	
Interdepartmental Charges	58,800	58,800	
Remainder:	2,581,200		
Tourism Promotion		1,113,733	3% less 1/3 other charges
Centennial Hall Operations		733,733	2% less 1/3 other charges
Affordable Housing Fund		733,733	2% less 1/3 other charges
Total		3,420,000	

Option 4 – Set Priorities Not Percentages. Move away from a formulaic split of the hotel-bed tax and provide the Manager with a set of priorities to include in their recommended budget based on the budgetary needs of tourism promotion, Centennial Hall, and the forecasted revenue. In illustrating this option, the FY24 Budgeted values are included as proxies for the priorities that could be given to the Manager with the remaining balance slotted into the Affordable Housing Fund for the purpose of illustration.. The Assembly can provide any set of direction to the Manager for the use of the remaining funding.

	FY24 Budget Totals	FY24 Budgeted Expenditures		Balance	Priorities to Manager
Total	3,420,000				
Centennial Hall Improvements (Temp)	760,000	229,200	530,800	229,200	229,200
Short-Term Rental Data Collection	-	20,000	(20,000)	20,000	20,000
Interdepartmental Charges	-	58,800	(58,800)	58,800	58,800
Remainder:	2,660,000				
Tourism Promotion	1,520,000	1,200,000	320,000	1,200,000	1,200,000
Centennial Hall Operations	1,140,000	670,500	469,500	670,500	670,500
Affordable Housing Fund		-	-	1,241,500	
Total		2,178,500	1,241,500		3,420,000

Staff Recommendation

Staff recommends the AFC provide funding priorities to the Manager, and for the Manager to then include the appropriate budget recommendation based on hotel-bed tax revenues and the needs of Centennial Hall, tourism promotion, and other priorities established by the AFC such as Affordable Housing. This scenario provides the greatest flexibility to the Assembly to meet community needs as well as addressing the volatility in the revenue stream. As stated in Mr. Roger’s memo, if the Assembly wishes to make a change, it should direct staff to prepare a new resolution modifying the future disposition of hotel bed tax receipts.