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CITY RECORDER USE ONLY:

AGENDA ITEM #: _____

MEETING DATE: _____

FINAL ACTION: _____

CITY COUNCIL STAFF REPORT

WORK SESSION:

TO: *City Council*

FROM: *Jesse VanderZanden, City Manager*

MEETING DATE: *October 9, 2017*

PROJECT TEAM: *Jeffrey King, Economic Development Manager*

SUBJECT TITLE: *Follow Up Recommendations of the Transient Lodging Tax Ad-Hoc Advisory Group*

ACTION REQUESTED:

☐	Ordinance	☐	Order	☐	Resolution	☐	Motion	☒	Informational
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X all that apply

BACKGROUND:

The state of Oregon and its cities, counties and regional governments have the authority to impose and collect taxes on paid overnight stays at lodging properties such as hotels, motels, resorts, inns, bed & breakfasts or short-term home rentals. These taxes are known as transient lodging taxes (TLT) and are a combination of state and locally assessed taxes.

As of July 1, 2017, there is a state-wide tax rate of 1.8 percent; this rate will reduce to 1.5% on July 1, 2020. In addition to the state wide tax, 15 counties and over 90 cities levy a local TLT. These local taxes range from 1 percent to 13.5 percent. In July, 2016, Washington County amended their TLT ordinance to allow local municipalities to keep 100% of a locally levied TLT above the existing County and State TLT.

In a work session and presentation to City Council on October 10th and 24th respectively, consensus was attained on the composition, purpose, timeline and scope of a temporary TLT Ad-Hoc Advisory Group (Group) which was established in November 14th by resolution. The Group held seven meetings; analyzing collateral marketing materials, web searches, existing tourism goals and objectives, the Forest Grove Branding Guide, hotel operations and needs, regional competitor hotel pricing, and alternative organizations for a potential tourism coordinator.

The Group presented their initial recommendations to City Council during an April 24th, 2017 Work Session. The recommendations included a 2% TLT to be used in four program areas: 1) Part-Time Tourism Coordinator, 2) Capital Projects, 3) Promotion and Marketing, and 4) Innovation and Events. Council requested the Group to offer further guidance on how to structure and implement the programs, including management and administration of the Tourism Coordinator.

The Group met four additional times between May and September, however, a quorum was reached only two of the four meetings. The Group inquired if the Washington County Visitors

Association (WCVA) would be interesting in a contract to hire a part-time Tourism Coordinator and assist with implementation of the program areas. The WCVA declined largely in part to concerns about precedent and structure. The Group made some additional recommendations regarding the establishment of a Tourism Committee, Executive Committee, and TLT rates which are included in the attached PowerPoint and will be focused on during the Work Session.

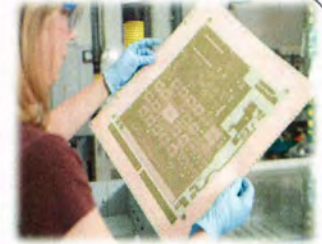
Since the April 24th work session meeting with City Council, Hillsboro and Tigard passed 3% and 2.5% TLT's respectively. Beaverton had already passed a 4% TLT.

STAFF RECOMMENDATION:

The Work Session will be 1.25 hours long which should allow sufficient time to consider potential next steps such as affirming the TLT program areas, establishing a TLT, and establishing an initial framework in which to manage and administer the program.

ATTACHMENTS:

- 1) TLT October 9 Work Session Power point



Transient Lodging Tax

Jesse VanderZanden, City Manager
Steve Vuylsteke, Chair, TLT Ad-Hoc Committee
Jeff King, Economic Development
October 9, 2017

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Purpose of Work Session

- Recap the TLT Ad-Hoc Group Recommendations
- Review other city comparisons
- Discuss TLT program elements
- Seek Council Input
- Define next steps

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TLT –Recap

- Local governments are required to spend 70% of net revenue for specified tourism related purposes. Not more than 30% can be used for municipal services.
- ORS 320.300 and 320.350 define tourism related purposes as:
 - Tourism-Related facility and/or the finance or refinance of debt for a tourism-related facility
 - Tourism Promotion
 - Advertising or publicizing information
 - Strategic planning or research
 - Operating tourism promotion agencies
 - Marketing special events and festivals

TLT –Recap

- In 2016 Washington County amended their TLT ordinance to allow local municipalities to establish and keep 100% of a local TLT.
- Washington County imposes a 9% TLT. The State imposes a 1.8% TLT bringing the total for Washington County to 10.8%.
- Each 1% increase in TLT in Forest Grove generates approximately \$40,000 in annual revenue.

TLT –City Council Recap

- TLT consideration supports City Council Goal 3.24 to establish a public-private working (advisory) group for tourism promotion in collaboration with the Forest Grove Chamber of Commerce
- City Council held Work Session on TLT Work Plan on October 10th
- Presentation to City Council on revised Work Plan on October 24th. Work Plan revised further.
- City Council passed Resolution 2016-62 on November 14th, 2016, establishing a Temporary TLT Ad-Hoc Advisory Group and defining scope and purpose of group.

TLT –City Council Recap

Purpose: to determine if implementation of a TLT will enhance tourism in Forest Grove.

Scope: to consider programs and/or projects that may enhance tourism in Forest Grove and to consider establishing a TLT in support of those programs and/or projects. Make recommendations to City Council within 120 days.

Membership of TLT Ad-Hoc Advisory Group (13 members)

- 3 Hotel/Lodging
- 2 Chamber of Commerce including 1 from downtown
- 1 Local Independent Restaurant
- 1 Local Winery
- 1 Combination Wine Store/Restaurant
- 2 Outdoor Recreation including 1 Bicycling representative
- 1 Arts & Culture
- 1 Tourism at-large

TLT –City Council Recap

- The Ad-Hoc Committee presented their findings at an April 24, 2017 Work Session. The Committee recommended the following:
 - To establish a 2% TLT.
 - 100% of proceeds go towards tourism
 - To establish four program areas:
 - Part-Time Tourism Coordinator (approach WCVA)
 - Capital Projects Fund
 - Promotion and Marketing Fund
 - Innovative Projects and Events Development Fund
 - Council requested the Ad-Hoc Committee to offer further guidance on how to structure and administer the program(s).

TLT AD-Hoc New Recommendations

The Ad-Hoc Committee met 4 times between May and September. A quorum was not attained for every meeting. Developments include:

- Tourism Coordinator: The Committee approached WCVA about hiring a PT Tourism Coordinator. After discussion with WCVA, option deemed not viable.
- Ad-Hoc Committee discussed three options to hire a Tourism Coordinator. No consensus was reached. Options included: 1) city employee located at Chamber of Commerce 2) independent contractor located at Chamber of Commerce 3) Chamber of Commerce employee located at Chamber of Commerce.
- **NEW:** Implement a 2.5% TLT. This is an increase from the initial recommendation of 2%. This was founded on an assumption a non-WCVA Tourism Coordinator would cost more.
- **NEW:** Establish a 9-11 member Tourism Stakeholders Committee.
- **NEW:** Establish a 3 member Executive Committee.

Recap of TLT AD-Hoc Recommendations

Program Area #1: Hire a PT Tourism Coordinator

MAJOR DUTIES:

- Approximately 20 hours per week
- Single point of contact for all tourism related matters.
- Establish and implement a tourism capital grants program.
- Establish and implement a promotion and marketing program.
- Establish and implement an innovative projects and events development program.
- Manage and update local tourism website.
- Attend tourism trade shows and represent Forest Grove.
- Coordinate all Stakeholder and Executive Committee meetings and work with partners (WCVA) to advance tourism.
- Present report(s) to City Council and other parties.

Recap of TLT AD-Hoc Recommendations

Program Area #2: Capital Projects

- Funds are for investment in physical assets that support and promote tourism.
- Process administered by Tourism Coordinator.
- Funds held in City Tourism Fund.

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Recap of TLT AD-Hoc Recommendations

Program Area #3: Promotion and Marketing

- Supports new and existing marketing and promotion initiatives that support growth of tourist visits and overnight stays.
- Supports collateral materials, advertising programs, branding.
- Funds administered by Tourism Coordinator.
- Funds held in City Tourism Fund.
- Promotion and Marketing Programs approved by Tourism Committee.

Recap of TLT AD-Hoc Recommendations

Program Area #4: Innovative Projects/Events Development

- Provide gap funds for innovative public or private events, ideas or projects that are open to the public and support or promote tourism. Provide matching funds to leverage other grants.
- Funds administered by Tourism Coordinator.
- Funds held in City Tourism Fund.
- Projects and Events approved by Tourism Committee.

Recap of TLT AD-Hoc Recommendations

Establish a 9-11 Member Tourism Stakeholders Committee:

- Meet quarterly or semi-annually. Responsible for overall program and policy oversight.
- 2 from Hotel/Motel
- 1 from City Club
- 1 from Chamber of Commerce
- 1 from City of Forest Grove
- 1 from WCVA
- 2 from Outdoor Recreation
- 1 from Wine/Beverage
- 1 from Restaurant

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Recap of TLT AD-Hoc Recommendations

Establish a 3 Person Executive Committee:

- Prioritize and recommend programs to Stakeholders Committee. Meet more frequently.
- Assure compliance with potential contract obligations.
- Serve as Hiring Panel for Tourism Coordinator.
- 1 from Chamber of Commerce
- 1 from City of Forest Grove
- 1 chosen from other members of Tourism Committee

City Comparisons

Portland: 15.8% toward multiple program and project areas

Tigard: 2.5% (13.3% total) toward Capital Projects (parks and trails), Marketing Programs and Events Development

Beaverton: 4% (14.8% total) toward Performing Arts Center and Community Arts Program

Hillsboro: 3% (13.8% total) toward Convention Center, Marketing Programs, Parks and Trails, Art, Chamber of Commerce, and Signage.

McMinnville: 10% toward Visit McMinnville (Destination Marketing Organization) which can be used for a variety of programs.

Discussion Points

- Review each recommendation and obtain feedback from Council.

Ad-Hoc Recommendation: 3 Program Areas

Ad-Hoc recommendation: establish three programs, 1) Capital Projects Fund, 2) Promotion and Marketing Fund, and 3) Innovative Projects and Events Development Fund

Considerations:

- Simplify administration by creating two programs, i.e., 1) Capital Projects Fund and 2) Marketing and Events Fund.
- Capital Projects could be recommended by Tourism Committee and approved by City Council. Projects could include tourism-related art, parks, wayfinding, trails, etc.
- Promotion and Events Development programs could be approved by Tourism Committee.
- Funds for both programs could be held in a City administered Tourism Fund and go through annual budgeting process.

Ad-Hoc Recommendation: Tourism Committee

Ad-Hoc Recommendation: Establish a 9-11 Member Tourism Committee

Considerations:

- Ad-Hoc recommended it not be a City Commission.
- How many members ? A 7 member body could be:
 - 1 from Hotel/Motel
 - 1 from City Club/Downtown Business
 - 1 from Chamber of Commerce
 - 1 from City of Forest Grove
 - 1 from WCVA
 - 1 from Outdoor Recreation
 - 1 from Wine/Beverage
- Who chooses the members? Self-selection, appointment, and/or ratification?
- Could establish overall policy direction and program development.
- Could recommend Capital Projects to City Council and approve Marketing and Events.
- Could serve as hiring approval for Tourism Coordinator.
- Ad-Hoc recommended it be sole committee on tourism related matters.

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Ad-Hoc Recommendation: Executive Committee

Ad-Hoc recommendation: Establish a 3-Person Executive Committee:

Considerations:

- Should it serve as hiring panel for Tourism Coordinator?
- Should it assure compliance with contractual obligations?
- Consist of 3 Members?
 - 1 from Chamber of Commerce
 - 1 from City of Forest Grove
 - 1 selected from Tourism Committee

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Ad-Hoc Recommendation: TLT

Ad-Hoc recommendation: Increase TLT from 2% to 2.5%

Considerations:

- 2% raises approximately \$80k/year
- 2.5% raises approximately \$100/year
- PT Tourism Coordinator estimated cost of \$30k/year. This leaves approximately \$50-70k/year for capital projects, marketing and events.
- Discuss potential long-term capital projects and revenue bonding.

Ad-Hoc Recommendation: PT Tourism Coordinator

Ad-Hoc Recommendation: Hire a PT Tourism Coordinator to serve as a single point of contact for all tourism related issues and to establish, implement, and administer all local tourism programs.

Considerations:

- Affirm/add to the Duties and Responsibilities
- Discuss hiring options: 1) City Contract, 2) City Employee
 - Cost
 - Flexibility
 - Oversight and Management
 - Have Tourism Committee decide best approach

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Potential Next Steps

- Ordinance to establish a TLT.
- IGA with Washington County to collect TLT funds.
- Resolution to establish the following:
 - Program Areas: Capital Projects and Marketing and Events Fund.
 - Tourism Committee: number and business sectors.
 - A City Tourism Fund to allow for TLT collection and expenditure.