

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Matthew Grumm		2. Telephone No. 503-823-3027	3. Bureau/Office/Dept. Revenue
4a. To be filed (date): June 13 th , 2012	4b. Calendar (Check One) Regular Consent 4/5ths X <input type="checkbox"/> <input type="checkbox"/>		5. Date Submitted to Commissioner's office and FPD Budget Analyst: June 7, 2012
6a. Financial Impact Section: X Financial impact section completed		6b. Public Involvement Section: X Public involvement section completed	

1) Legislation Title: Establish the Portland Tourism Improvement District to enhance promotion of Portland as a preferred destination for meetings, conventions and leisure travel. (Ordinance; add Code Chapter 6.05)

2) Purpose of the Proposed Legislation: To provide a stable source of funding for destination marketing organizations to support sales, marketing and promotion efforts, with the ultimate goal of increasing occupancy and room rates for lodging businesses, and increasing transient lodging tax revenues to local jurisdictions.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|------------------------------------------------------------|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |
| <input type="checkbox"/> Internal City Government Services | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

This legislation would bring in revenue of approximately \$6.6 million per year. This estimate is based on recent transient lodgings taxable receipts figures multiplied by the 2% tax rate. Approximately \$330 million in taxable rents was reported for the 2011 tax year by hotels in Portland with 50 or more rooms.

5) Expense: What are the costs to the City related to this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the *level of confidence*.)

Expenses should not exceed 1% of the amount received. 1% of 6.6 million would be an annual expense of \$66,000.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

No.

- **Will positions be created or eliminated in future years as a result of this legislation?**

No.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

☒ **YES:** Please proceed to Question #9.

☐ **NO:** Please, explain why below; and proceed to Question #10.

9) If “YES,” please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item? Increased hotel room night usage throughout the city of Portland along with additional spending in all ancillary hospitality businesses, retail, restaurants, taxis, etc. Advertising outside of market to influence travel decisions also increase value of Portland as a business relocation destination.

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

5 hotel rate payer outreach sessions held between March 5th, 2012 and March 16th, 2012. Sessions were held in 4 geographically diverse locations in the city, Jantzen Beach, Airport, East Side and Downtown. For hotels with 200 or more rooms, 86.9% by revenue attended a session. For hotels with rooms between 50 and 199, 46.1% by revenue attended a session. Additional outreach was made to the Asian American Hotel Owners Association (AAHOA). Mr. Jatin Patel, a member of that organization, will join the board which will oversee the expenditures of these funds.

c) How did public involvement shape the outcome of this Council item?

The original proposal was for a 10 year life of the district and included hotel's 20 rooms and over. Based on feedback from the hotel community and the AAHOA, the new district will need to be reviewed in 5 years and hotels with more than 50 rooms are the beginning point.

d) Who designed and implemented the public involvement related to this Council item? Travel Portland Board of Directors and Staff

e) Primary contact for more information on this public involvement process (name, title, phone, email): Jeff Miller, President, Travel Portland, 503-275-9797, jmiller@travelportland.com

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not. Hotels paying the fee will be invited to sessions as the marketing plan is created and twice yearly updates from Travel Portland on the programs, successes and challenges will be communicated. A section will be created on the Travel Portland website, www.travelportland.com, where all documents and minutes of meetings will be kept for public review.

BUREAU DIRECTOR (Typed name and signature)



CITY OF

PORTLAND, OREGON

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City Council
Agenda Item

TO: City Council
THROUGH: Travel Portland Board of Directors

FROM: Commissioner Dan Saltzman

DATE: June 7, 2012

RE: Creation of Tourism Improvement District

Requested Council hearing Date: June 13 and June 20, 2012

I. RECOMMENDATION

Commissioner Saltzman recommends passage of the proposed Code.

II. BACKGROUND

The travel industry is a major economic driver in the nation and the Portland region. Travel is among the largest traded sector employers in the United States and in Oregon. Visitors to the Portland region spent \$3.8-billion directly in the region in 2011, generating 29,200 jobs and \$153-million in state and local tax revenues.

Cities in competition with Portland are increasing their investment, often through Tourism Improvement Districts, in marketing and promoting their destinations. To remain competitive and not lose market share, Portland must increase the funding available to promote the city as a premiere travel destination.

A Tourism Improvement District provides a mechanism for the businesses that most directly benefit from increased visitation to raise revenues for marketing and promotion to generate additional business.

III. FINANCIAL IMPACT

None to City.

Approximately \$6-million in revenue to destination marketing organization to enhance the promotion of Portland as a premiere travel destination.

IV. LEGAL ISSUES

None anticipated

V. CONTROVERSIAL ISSUES

None anticipated. Robust hotelier outreach process was conducted and their input was incorporated into current ordinance language.

VI. LINK TO CURRENT CITY POLICIES

N/A

VII. CITIZEN PARTICIPATION

Five hotel rate payer outreach sessions were held between March 5th, 2012 and March 16th, 2012.

Sessions were held in four geographically diverse locations in the city: Jantzen Beach, Airport, East Side

and Downtown. For hotels with 200 or more rooms, 86.9% by revenue attended a session. For hotels with rooms between 50 and 199, 46.1% by revenue attended a session. Very early discussions were held with Steve McCoid, President of the Oregon Restaurant and Lodging Association. They are supportive if their members are supportive. These conversations helped craft the outreach program to ensure strong hotelier support. Additional outreach was made to the Asian American Hotel Owners Association (AAHOA). Mr. Jatin Patel, a member of that organization, will join the board which will oversee the expenditures of these funds.

OTHER GOVERNMENT PARTICIPATION

N/A

VIII. FINANCIAL IMPACT ON LOCAL ECONOMY

Goal is to increase hotel room nights and occupancy, lodging tax revenues and direct spending in local businesses leading to increase in employment.

IX. IF THIS IS A CONTRACT, DOES CONTRACTOR HAVE A CURRENT BUSINESS LICENSE? ____ IS THEIR BUSINESS LICENSE NUMBER? ____ IS THEIR ACCOUNT WITH THE CITY CURRENT? ____ IF NOT, HOW MUCH IS OWING?

N/A

EXHIBIT A

Chapter 6.05

(Tourism Improvement District)

6.05.010 Portland Tourism Improvement District

The Portland Tourism Improvement District includes all hotels, as defined in Section 6.05.020, with fifty or more rooms within the Portland City limits.

6.05.020 Definitions

- A. "Bureau" means the Revenue Bureau of the City of Portland, along with its employees and agents;
- B. "Bureau Director" and "Director" mean the Director of the Revenue Bureau of the City of Portland, or his or her designee;
- C. "District" means the Portland Tourism Improvement District as described in this Chapter;
- D. "Notice" means a written document mailed by the Bureau by first class mail to the last known address of a hotel as provided to the Bureau in the latest application or return on file at the Bureau; or, if mailed to a hotel who is not a licensee, then to the last known address of the hotel as provided to the Portland Water Bureau or, if that Bureau has no address record, as provided to the Revenue Bureau in the latest business license tax return on file at the Bureau or, if none, then to such address as may be determined following reasonable investigation;
- E. "Hotel" means any structure, or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging, or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, public or private dormitory, fraternity, sorority, public or private club, and also means space or portion thereof so occupied, provided such occupancy is for less than a 30-day period.
- F. "City Council" means the City Council of the City of Portland, Oregon.
- G. "Rent" means the consideration charged by the hotel, whether or not received by the hotel, for the occupancy of space in a hotel, valued in money, goods, labor, credits, property or other consideration valued in money, without any deduction.
- H. "Management Corporation" means an incorporated nonprofit organization that is responsible for the promotion of Portland on a year-round basis; manages tourism-related economic development plans, programs, and projects; and represents tourism-related businesses.

6.05.030 Portland Tourism Improvement District Assessment Rate

The assessment established by this Chapter for operation of a hotel in the Portland Tourism Improvement District for a license year shall be the sum of the following amounts:

- A. Gross rent;
- B. Minus rent received from any occupant for a stay of more than 30 successive calendar days (rent derived from stays by a person who pays for lodging on a monthly basis, irrespective of the number of days in such a month, shall also be subtracted);
- C. Minus rent received from stays by any person housed through an emergency shelter or disaster program where the rent is paid with government assistance funds; and
- D. Minus rent received from stays by any Federal Government employee traveling on official government business, who presents an official Government Exemption Certificate or official travel authorization.
- E. Multiplied by .02 (two percent).

6.05.040 Collection

- A. The assessment shall be collected by the City at the same time and in the same manner as are Transient Lodging Taxes pursuant to Chapter 6.04.
- B. The City shall forward net assessments collected, minus any amount withheld pursuant to Subsection 6.05.070 F., to the Management Corporation, which shall manage funds pursuant to Section 6.05.100.

6.05.050 Authority of Director to Adopt Rules, Procedures, and Forms.

- A. The Director may adopt rules, procedures, and forms to implement the provisions of this Chapter.
- B. Adoption of Rules.
 - 1. Prior to the adoption of any rule by the Director pursuant to this Section, a public hearing shall be conducted. The Director shall give reasonable public notice of his or her proposal to adopt rules not less than 10 nor more than 30 days before such public hearing. Such notice shall include the place, time, and purpose of the public hearing, a brief description of the proposed rules, and the location at which copies of the full text of the proposed rules may be obtained.
 - 2. During the public hearing, the Director shall hear statements or receive written comment concerning the proposed rules. The Director shall either adopt the proposed rule, modify it, or reject it, taking into consideration the comments received during the public hearing.

If a substantial modification is made, additional public review shall be conducted, but no additional public notice shall be required if an announcement is made at the hearing of a future hearing for a date, time and place certain at which the modification will be discussed. Unless otherwise stated, all rules shall be effective upon adoption by the Director. All rules adopted by the Director shall be filed in the Bureau's office. Copies of all current rules shall be made available to the public upon request.

3. The Director may adopt an interim rule without prior public notice upon a finding that failure to act promptly will result in serious prejudice to the public interest or the interest of the affected parties, including the specific reasons for such prejudice. Any rule adopted pursuant to this paragraph shall be effective for a period of no longer than 180 days.

6.05.060 Registration of Hotels

A. Every hotel registered with the City pursuant to Section 6.04.060 with more than 50 rooms shall be subject to the Portland Tourism Improvement District assessment.

B. The amount of assessment, if passed on to each transient, shall be disclosed in advance and stated separately from the amount of rent, transient lodging tax and any other applicable charges. The assessment shall be identified as the "Portland TID Assessment."

6.05.070 Due Date; Returns and Payments

A. The assessment imposed by this Chapter shall be paid by the hotel at the time that transient lodging tax is submitted to the Bureau. All amounts of the assessment are due and payable on the 15th day of the following month for the preceding three months; and are delinquent on the last day of the month in which they are due. If the last day of the month falls on a holiday or weekend, amounts are delinquent on the first business day that follows. The Bureau has the authority to classify and/or direct the hotels for determination of applicable collection periods, and shall notify each hotel of the due and delinquent dates for the hotel's returns. The initial return under this Chapter may be for less than three months preceding the due date; thereafter returns shall be made for the applicable quarterly period, unless other reporting periods are required by the Bureau for transient lodging tax reporting.

B. On or before the 15th day of the month following each quarter of collection, a return for the preceding quarter assessment shall be filed with the Bureau. The return shall be filed in such form as the Bureau may prescribe by every hotel liable for payment of the assessment.

C. Returns shall show the amount of assessment owed for the related period. The Bureau may require returns to show the total rentals upon which the assessment was calculated, gross receipts of the hotel for such period and an explanation in detail of any discrepancy between such amounts, and the amount of rents exempt, if any.

D. The hotel required to file the return shall cause to be delivered the return, together with the remittance of the amount of assessment due, to the Bureau at its office, either by personal delivery or by mail. If the return is mailed, the postmark shall be considered the day of delivery for determining delinquencies.

E. For good cause, the Bureau may extended, for not to exceed one month, the time for making any return or payment of the assessment. No further extension shall be granted, except by the Bureau Director. Any hotel which is granted an extension shall pay interest at the rate of 1.25 percent per month on the amount of assessment due without proration for a portion of a month. If a return is not filed, and the assessment and interest due is not paid by the end of the extension granted, then the interest shall be added to the assessment due for computation of penalties and additional interest designed elsewhere in this Chapter.

F. The Bureau, if deemed necessary in order to ensure payment or facilitate collection by the City of the amount of assessments in any individual case, may require returns and payment of the amount of assessments for other than quarterly periods.

G. To cover its cost of collecting the assessment, the Bureau may retain up to one percent of the amount collected.

6.06.080 Supplemental Funding

The Portland Tourism Improvement District is intended to provide supplemental funding for marketing programs above and beyond those currently provided. TID funds shall supplement the existing funding of 1 percent of transient lodging tax dedicated to promotion, solicitation, procurement and service of convention business and tourism in the City.

6.05.090 Penalties and Interest

A. Original Delinquency. Any hotel which has not been granted an extension of time for remittance of the assessment due and which fails to remit any assessment imposed by this Chapter prior to the delinquency date shall pay a penalty of 10 percent of the amount of the assessment due in addition to the amount of the assessment.

B. Continued Delinquency. Any hotel which has not been granted an extension of time for remittance of assessments due, and which failed to pay any delinquent remittance on or before a period of 30 days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of 15 percent of the amount of the assessment due plus the amount of the 10 percent penalty first imposed and any interest assessed.

C. Fraud. If the City determines that the nonpayment of any remittance due under this Chapter is due to fraud or intent to evade the provisions thereof, a penalty of 25 percent of the amount of the assessment shall be added thereto in addition to the penalties stated in Subsections A. and B. of this Section.

D. Interest. In addition to the penalties imposed, any hotel which fails to remit any assessment imposed by this Chapter shall pay interest at the rate of 1 percent per month or fraction thereof without proration for portions of a month, on the amount of the assessment due from the date on which the remittance first became delinquent until paid. Interest shall be compounded monthly.

E. Penalties and interest merged with assessment. Every penalty imposed and such interest as accrues under the provisions of this Section shall be merged with and become a part of the assessment herein required to be paid. If delinquency continues, requiring additional penalty and interest calculations, previously assessed penalty and interest are added to the assessment due. This amount becomes the new base for calculating new penalty and interest amounts.

F. Petition for Waiver. Any hotel which fails to remit the assessment herein levied within the time herein stated shall pay the penalties herein stated, provided, however, the hotel may petition the City for waiver of the penalty or any portion thereof and the City may, if a good and sufficient reason is shown, waive and refund or credit to another period the penalty or any portion thereof.

6.05.100 Revenues and Programs

A. Revenues shall be used only for programs which promote overnight tourism and improve the lodging business environment. Programs shall be designed to benefit hotels paying the assessment. Programs may include:

1. Internet, radio, television, and print advertising;
2. Branding efforts;
3. Sales promotions;
4. Sponsorship of special events which attract out-of-town visitors; and
5. Other programs designed to increase overnight stays at hotels.

B. Revenues shall be forwarded to and managed by a comprehensive destination marketing organization operating in Portland, which shall be the Management Corporation. The Management Corporation shall:

1. Prepare and submit to the City, and make available to lodging businesses, an annual report on expenditures and activities;
2. Manage funds in accordance with the provisions of this Chapter;
3. Not be considered a public entity for any purpose; nor shall its Board members be considered public officials for any purpose; and

4. Enter into an Agreement with the City relative to management of district funds.

6.05.110 Portland Tourism Improvement District Periodic Sunset Review

During 2017 and each 5th year thereafter, the City Council shall conduct a public hearing or hearings to determine whether the Portland Tourism Improvement District assessment should be terminated. Prior to the first such hearing in 2017 and each 5th year thereafter, the City shall mail notice of the hearing to the then current Portland Tourism Improvement District hotels under this Chapter.

6.05.120 Civil Penalties

- A. The Director may impose a civil penalty of up to \$500 for failure to pay any assessment installment within 90 days of the Bureau's original written request for payment.
- B. The Director may only impose a civil penalty under this Section if the Bureau gives notice of the potential for assessment of civil penalties for failure to comply in the original written request.
- C. The determination of a violation and imposition of a civil penalty under this Section shall be subject to appeal to the Code Hearings Officer under the provisions of Chapter 22.10 of this Code.

6.05.130 Severability

If any portion, clause, or phrase of this Chapter is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, and if such portion, clause, or phrase is not so substantial that the City Council would not have adopted this Chapter without it, then the remaining portions, clauses, and phrases shall not be affected but shall remain in full force and effect.

ORDINANCE No.

Establish the Portland Tourism Improvement District to enhance promotion of Portland as a preferred destination for meetings, conventions and leisure travel.
(Ordinance; add Code Chapter 6.05)

The City of Portland ordains:

Section 1. The Council finds:

1. The travel industry is a major economic driver in the nation and the Portland region. Travel is among the largest traded sector employers in the United States and in Oregon. Visitors to the Portland region spent \$3.8-billion directly in the region in 2011, generating 29,200 jobs and \$153-million in state and local tax revenues.
2. Cities in competition with Portland are increasing their investment, often through Tourism Improvement Districts, in marketing and promoting their destinations. To remain competitive and not lose market share, Portland must increase the funding available to promote the city as a premiere travel destination.
3. A Tourism Improvement District (TID) provides a stable source of funding for destination marketing organizations to support sales, marketing and promotion efforts, with the ultimate goal of increasing occupancy and room rates for lodging businesses, and increasing transient lodging tax revenues to local jurisdictions.
4. A Tourism Improvement District is governed by those who pay the assessment and benefit from it. A committee comprised of a majority of rate payers will be formed by the Management Corporation to approve the yearly program of work.
5. A 2% TID assessment keeps Portland's lodging taxes and fees in a competitive range with other cities.

NOW, THEREFORE, the Council directs:

- a. Code Chapter **6.05** is established as shown in Exhibit A to create a Portland Tourism Improvement District

Passed by the Council,
Dan Saltzman
PORTLAND
Commissioner of Public Affairs

LaVonne Griffin-Valade
AUDITOR OF THE CITY OF

By

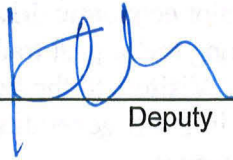

Deputy


**Agenda No.
ORDINANCE NO.**

Title

✓140
See Substitute
Ordinance No. 185443

Establish the Portland Tourism Improvement District to enhance promotion of Portland as a preferred destination for meetings, conventions and leisure travel.
(Ordinance; add Code Chapter 6.05)

<p>INTRODUCED BY Commissioner/Auditor: Saltzman</p>	<p>CLERK USE: DATE FILED <u>JUN 08 2012</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard</p>	<p align="center">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By:  Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: Revenue Bureau Head: Lannom</p> <p>Prepared by: Matt Grumm Date Prepared: June 5, 2012</p>	<p>ACTION TAKEN:</p>
<p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>Council Meeting Date June 13, 2012</p>	
<p>City Attorney Approval </p>	

AGENDA
<p>TIME CERTAIN X Start time: 10:00</p> <p>Total amount of time needed: 30 min (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR X Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p>Part 2 of 2 </p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz		
2. Fish	2. Fish		
3. Saltzman	3. Saltzman		
4. Leonard	4. Leonard		
Adams	Adams		