IMPACT STATEMENT

Legislation title:	Amend Portland Tourism Improvement District to add Tourism and Hospitality Recovery Surcharge and revise the periodic sunset review requirement (Ordinance; amend Code Chapter 6.05)
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Presenter name:	Karl Lisle, Spectator Venues Program Manager

Purpose of proposed legislation and background information:

The code changes implemented through this Ordinance were proposed by representatives of the tourism and hospitality industry through Travel Portland, the comprehensive destination marketing organization operating in Portland selected as the TID Management Corporation. Beginning in early 2020 as the required sunset review approached, industry representatives were interested in modifying the code to make the existing 2% license fee permanent and eliminate the need for ongoing sunset review every 10 years.

As the impacts to the tourism and hospitality sectors from the global pandemic and the potential for "brand damage" to destination Portland increased over time, the industry representatives proposed that a 1% surcharge be added to provide a funding boost in the early years of economic recovery. The industry believes the additional funds – potentially as much as \$3.1 million in the first year – will be critical to recovery of sector jobs and related business activity. The promotion efforts funded by this surcharge will increase overnight stays which will increase transient lodging tax collections, including the 5% that goes directly to the City's General Fund.

A companion Resolution to this Ordinance completes the required sunset review for the existing 2% and continues it.

Financial and budgetary impacts:

The goal of these code changes is to improve the speed and degree of recovery in the tourism and hospitality industry which will have a direct and positive impact to the City's General Fund. The City's General Fund receives a 5% transient lodging tax based on the rental rate for each hotel and short term rental stay in Portland. In addition, business activity by hotels and from spending by visitors will generate jobs and business tax revenue. A direct estimate of the increases generated by this surcharge is not possible to make since there are so many unknown factors that can affect the recovery. However, industry representatives believe this additional fee will greatly enhance the chances of a quicker and fuller recovery.

There are minor costs to the Revenue Division to implement these code changes, including updating forms and software programing. However, these changes are being implemented to minimize those costs and the expenses are within the Division's current budget so no budget changes are required.

Finally, the City's contract with Travel Portland though which the TID funds are managed expires at the end of FY 2020-21. The new contracting process allows timely modification of the contract to assure oversight consistent with these code changes.

Community impacts and community involvement:

While the TID license fee is levied on hotels and short term rentals that book through platforms, the fee is typically passed on to guest so the direct financial impact from these code changes are to visitors to Portland who stay in a hotel or short term rental for less than 30 days. As noted above, the hospital industry is proposing these changes and has concluded that this 1% increase in fees and taxes paid by their guest will not adversely affect their competitiveness with other destinations.

As described in the companion Resolution, the existing TID has been very successful in increasing overnight stays through promotion of Portland and the positive impacts of increased occupancy and room rates have been documented in hotels throughout the City, not just in downtown.

Testimony on this item will include Travel Portland's CEO, Jeff Miller and Board Chair, Mike Daley and Martin Martinez, Owner of Orox.

100% Renewable Goal:

This action does not contribute to the City's goal of meeting 100 percent of community-wide energy needs with renewable energy by 2050.

Budgetary Impact Worksheet

Does this action change appropriations?

YES: Please complete the information below.

 \boxtimes **NO**: Skip this section

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