

## 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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### **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 programming. 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.

