



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: March 17, 2016

Staff Contact: Joel Dunn

Agenda Title: For Possible Action: Action on a motion finding the proposed increase of 1% to the Carson City Transient Occupancy Tax does NOT impose a direct and significant economic burden on a Carson City lodging property or directly restrict formation, operations or expansion of a lodging property, that a business impact statement has been prepared, accepted and is on file with the Board of Supervisors and that the requirements of the act have been met.

Staff Summary: The Carson City Visitors Bureau Board of Directors approved a recommendation to the Carson City Board of Supervisors for a 1% increase in transient occupancy tax dedicated to the required funding for the CCVB to diversify its current offerings in an effort to allow Carson City to compete in the cultural tourism market. Additionally, the funds will allow the bureau to hire an Arts and Culture Coordinator and cover operational costs associated with the implementation of Carson City Arts and Culture Master Plan.

The 1 percent increase in room tax is estimated to bring \$160,000 annually and will sunset after five years unless approved for continuation by the CCVB Board of Directors, with a majority support of the Carson City Lodging Properties and ratification by the Board of Supervisors.

Joel Dunn, CCVB Executive Director, conducted site visits with all 24 properties (Owners and/or General Managers) that contribute more than .01 percent to TOT. During these meetings the CCVB received support for the increase in TOT from 23 of the properties. The 24th property took a no-position as the property was in escrow. Other interested persons may obtain a copy of this summary from the Executive Director's office of the Carson City Visitors Bureau.

Agenda Action: Formal Action/Motion

Time Requested: 15 minutes

Proposed Motion

I move to find the proposed increase of 1% to the Carson City Transient Occupancy Tax does NOT impose a direct economic burden on a Carson City lodging property or directly restrict formation, operations or expansion of a lodging property, that a business impact statement has been prepared, accepted and is on file with the Board of Supervisors and that the requirement to conduct a business impact statement has been met.

Board's Strategic Goal

Economic Development

Previous Action

The Carson City Visitors Bureau Board of Directors approved recommending to the Board of Supervisors to increase TOT by 1 percent by a vote of 4 ayes, 0 nays and 1 absent. Joel Dunn, CCVB Executive Director, conducted site visits with all 24 properties (Owners and/or General Managers) that contribute more than .01 percent to TOT. During these meetings the CCVB received support for the increase in TOT from 23 of the properties. The 24th property took a no-position as the property was in escrow.

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

Move to find the proposed increase of 1% to the Carson City Transient Occupancy Tax does impose a direct economic burden on a Carson City lodging property or directly restrict formation, operations or expansion of a lodging property, that a business impact statement has been prepared, accepted and is on file with the Board of Supervisors and that the requirement to conduct a business impact statement has been met.

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)

BUSINESS IMPACT STATEMENT

The following business impact statement was prepared pursuant to NRS 237.090 to address the impact of the proposed increase to the current Carson City Transient Occupancy Tax (TOT) from 10 percent to 11 percent, effective May 1, 2016, and other matters properly related thereto.

1. The following constitutes a description of the manner in which comment was solicited from affected businesses, a summary of their response and an explanation of the manner in which other interested persons may obtain a copy of the summary:

The Carson City Visitors Bureau invited all properties to attend a CCVB Lodging Property meeting where one of the topics to discuss was a possible 1 percent room tax increase – scheduled for December 10, 2015 (1 p.m.) in the Ball Room of the Brewery Arts Center. The invitation to attend went out (email, phone, website & fax) November 23, 2015, to all 34 Carson City properties. There were 6 of the 34 properties invited in attendance at the meeting (Plaza, Gold Dust, Marriott, Hampton, Comstock and Wyndham) representing roughly 63 percent of all transient occupancy tax collections. There was no action taken at this meeting in regard to support of the room tax increase – discussion only.

The Carson City Visitors Bureau invited all properties to attend a Special CCVB Lodging Property meeting to discuss a possible 1 percent room tax increase – scheduled for January 11, 2016 (4 p.m.) in the Sierra Room of the Carson City Community Center. An invitation reminder went out (email, phone, website & fax) January 5, 2016, to all 34 Carson City properties. We had 6 of the 34 properties invited attend the meeting (Plaza, Gold Dust, Marriott, Hampton, City Center and Wyndham) representing roughly 60 percent of all transient occupancy tax collections. During discussion of the room tax, the properties collectively addressed their concern that the room tax increase would leave the purview of the CCVB Board/Bureau and be administered by the City Manager's Office. The properties advised they would only support the room tax increase if the CCVB had fiscal responsibility for tax and its use based on the return on investment to the properties.

The Executive Director of the CCVB, Joel Dunn, contacted (site visits, phone calls) 5 of the top 6 revenue generating properties (Marriott, Hampton, Holiday, Gold Dust, Plaza) on January 12, 2016, to inform the properties the CCVB would move forward with their advice and support a room tax increase of 1 percent if the fiscal purview remained with the CCVB. The 6th property (Wyndham) was the property that suggested the

change in approach during the property meeting on 1/11/16. The six properties represent roughly 70 percent of all transient occupancy tax collections.

The Carson City Visitors Bureau Board of Directors took action and supported a recommendation to the Carson City Board of Supervisors to increase room tax 1 percent during their January 19, 2016, board meeting. The CCVB Board meeting notice was posted on Wednesday, January 13, 2016, at these locations: Office of the Carson City Visitors Bureau, 716 N. Carson St.; Carson City Hall, 201 N. Carson St.; Carson City Community Center, 851 E. William St.; Carson City Library, 900 North Rook St. and on the Carson City Visitors Bureau website www.visitcarsoncity.com. The CCVB Board supported the proposed TOT increase in an effort to advance the programs, policies and initiatives outlined in the Carson City Arts and Culture Master Plan, in addition to assisting in the development of a cultural tourism campaign. The recommendation was with the CCVB Board/Bureau maintaining fiscal responsibility for the revenue generated from the room tax increase and associated staff required. Public comment during the meeting raised concern as to the support of the remaining properties that chose not to attend the previous meetings that provided the forum to address any of the concerns. The CCVB Board advised the Director to contact all properties contributing to TOT and address any of their concerns.

The Carson City Visitors Bureau invited all 34 properties to attend a Special CCVB Lodging Property meeting to discuss the CCVB Board's approval and define the change in direction with the proposed 1 percent room tax increase – scheduled for January 28, 2016 (5:30 p.m.) at the Brewery Arts Center. A request to attend was sent (email, phone, website & fax) January 20, 2016, to all 34 Carson City properties. On January 27, 2016 all 34 properties received a phone call from the CCVB Director requesting their attendance with a change of location to the Carson City Visitors Bureau. We had 7 of the 34 properties invited attend the meeting (Hardman House, Holiday, Gold Dust, Marriott, Hampton, Carson City Inn and Wyndham) with all but one voicing support and one property taking a no-position as it was in escrow. The seven properties represent roughly 65 percent of all transient occupancy tax collections.

During the first week of February 2016, the CCVB Director conducted site visits to all 24 of the properties that contribute more than .01 percent to TOT. The site visits were conducted with property owners and/or general managers providing an opportunity to discuss the proposed room tax increase and address any of their concerns. During each visit, discussion included the pros and cons of the bureau's

calculated risk in investing in an emerging cultural tourism market. Properties received a detailed breakdown of how the new revenue would be managed with the intent of creating a measurable return on investment over the course of the five year project. We received support for the increase in TOT and its proposed use from 23 of the 24 properties with one taking a no-position as it was in escrow. The 23 properties represent roughly 87 percent of all transient occupancy tax collections.

2. The estimated economic effect of the increased TOT on the lodging properties, including, without limitation:

a. Adverse effects:

Visitors to Carson City will be required to pay an additional 31 to 89 cents per room night based on our current average daily rate. There is no anticipated adverse effect on the properties as our surrounding communities have an average TOT ranging from 13 percent to 13.5 percent.

b. Beneficial effects:

It is estimated the increase in TOT will generate \$160,000 in dedicated funding to be used in an effort to advance the programs, policies and initiatives outlined in the Carson City Arts and Culture Master Plan in addition to assisting in the development of a cultural tourism campaign. The development of a cultural tourism market will create additional visitation to Carson City and increase property revenue

c. Direct effects:

The Carson City lodging properties will be required to collect 11 percent TOT rather than the current 10 percent, increasing revenues collected by an estimated \$160,000.

d. Indirect effects:

There will be positive indirect (or secondary) effects on the local economy as a whole and, by extension, on Carson City tax revenues. Additional tax receipts will come from two types of secondary impacts due to increased tourism. The first derives from the non-hotel spending of tourists. The second will be from the additional

purchases made by lodging properties and other City businesses serving tourists, and by these firms' employees.

3. The following constitutes a description of the methods that the CCVB considered to reduce the impact of the proposed rule on businesses and a statement regarding whether the governing body or its designee actually used any of those methods.

The CCVB's current budget does not allow for the investment in the arts & cultural implementation and cultural tourism campaign. The CCVB's operations are funded solely through the collection of transient occupancy tax (TOT). This tax is a percentage of the room rate charged by lodging properties. It is levied by the Carson City Board of Supervisors and is allowed pursuant to NRS 244.645A. The Consolidated Municipality of Carson City levies the charge via Carson City Municipal Code Chapter 4, Section 8 and, in the same code, delegates the collection and use of the tax to the CCVB. The room tax rate is 10 percent, with 2 percent designated for debt service associated with the reconstruction of the V&T Railroad; 2 percent dedicated for capital costs, including construction, administration and the retirement of bonds; 0.75 percent to Carson City to offset direct costs associated with the interlocal agreement; 0.375 percent for the promotion of tourism through the Nevada State Commission on Tourism; 0.1875 percent to Carson City Parks for the Youth Sports Association; and 4.6875 percent for operations of the CCVB. These rates can only be changed by the Carson City Board of Supervisors, which can also designate their use within the confines of Nevada Revised Statutes. For Fiscal Year 2016, total budgeted room tax is \$1,507,693.39, of which \$706,731.28 is designated for CCVB operations. A total of \$603,077.36 is allocated to the V&T Railroad Funds (bond debt sunsets in 2023).

4. The CCVB estimates the cost for enforcement of the proposed TOT increase:

There should be no increase in the cost, as lodging properties normally collects TOT for payment to the CCVB.

5. The proposed TOT increase raises the annual amount the CCVB expects to collect and the manner in which the money will be used is:

The TOT increase will bring an estimated additional \$160,000 and will be used in an effort to advance the programs, policies and initiatives outlined in the Carson City Arts and Culture Master Plan in addition to assisting in the development of a cultural tourism campaign. The

development of a cultural tourism market will create additional visits to Carson City and increase property revenue.

- 6. If the proposed rule includes provisions which duplicate or are more stringent than federal, state or local standards regulating the same activity, an explanation of why such duplicative or more stringent provisions are necessary.

The proposed change to the TOT is not duplicative, or more stringent, than existing federal, state or local standards.

- 7. The reasons for the conclusions regarding the impact of the TOT increase on businesses.

The Carson City lodging properties are a representative for the CCVB in the collection of the TOT. The TOT increase will not adversely affect the net revenue for the properties. The TOT will not put Carson City in a competitive disadvantage as the surrounding communities' TOT is 13 percent or more.

To the best of my knowledge or belief, the information contained in the statement was prepared properly and is accurate.

_____ Date _____
(City Manager)

_____ Date _____
(CCVB Executive Director)