

Date: April 12, 2017  
To: House Committee on Revenue  
From: The Association of Oregon Counties  
Subject: House Bill 3260

Please add to the records of the House Committee on Revenue these comments related to House Bill 3260, which is on the committee's agenda for public hearing on April 12, 2017.

### **AOC strongly supports House Bill 3260**

Fifteen counties have local transient lodging taxes (TLT). Until 2003, the transient lodging tax had always been local, managed by locally elected officials. Local communities had been perfectly able to shape and approve the TLT that best fit local circumstances. All county TLTs used at least a share of proceeds for economic development and tourism.

House Bill 2267 (2003) imposed a new 1% state TLT continuously appropriated to the Oregon Tourism Commission. But the bill did not stop there. It imposed requirements and limitations on local TLTs, under rigid definitions, directing specific purposes of the local tax for the benefit of a particular industry. In spite of the effort of supporters of the bill to seize 100% of any increased or new local TLT for its own purposes, cities and counties were able to retain traditional local control over a mere 30%.

The result was that after July 1, 2003, a county may increase its existing TLT or adopt a new one only under the following limitations.

- An increased TLT may not decrease the percentage of revenues actually expended to fund "tourism promotion" or "tourism-related facilities".
- At least 70% of net revenue shall be used to fund "tourism promotion" or "tourism-related facilities"; or to finance/refinance debt of "tourism-related facilities" and pay administrative costs incurred.
- Not more than 30% of net revenue shall be used to fund general county services.
- "Tourism promotion" means:
  - Advertising, publishing, or distributing information to attract "tourists". A "tourist" travels more than 50 miles for the community of residence or stays overnight.
  - Strategic planning and research.
  - Operating "tourism promotion agencies", which includes a nonprofit organization or governmental unit responsible for year-round promotion; a nonprofit entity that

manages tourism-related economic development plans, programs, and projects; and a regional or statewide tourism-related business association.

- Marketing special events and festivals designed to attract tourists.
- “Tourism-related facility” means:
  - “Conference center”, which meets the membership criteria of the International Association of Conference Centers.
  - “Convention center” with statutorily specified rooms, spaces, and ownership.
  - “Visitor information center”, a building or portion of a building for the main purpose of distributing information to tourists.
  - “Other improved real property that has a useful life of 10 or more years and has a substantial purpose of supporting tourism or accommodating tourist activities.”

### House Bill 3260

HB 3260 addresses the growing imbalance created since 2003 of the increasing major investment in promotion of the tourism industry – for CY 2015, nearly \$18 million statewide (Transient Lodging Tax Work Group Report, pg. 5) – versus the communities means to manage the impacts of the industry. For example, according to the Transient Lodging Tax Work Group Report (December 2016), at page 6: “Although the industry generates a large number of jobs that are geographically dispersed around the state, the *wages are relatively low in that industry*” (emphasis added). If you look at the means at hand of some of the communities to provide public services needed as a result of the industry, the imbalance can be striking: Lincoln City property tax revenue, including bonds, \$7.3 million, versus restricted revenue from lodging taxes, \$5 million (Work Group Report, pg. 6). To put this imbalance in real-life terms, particularly with respect to housing appropriate for employees of the tourism industry, Lincoln County Commissioner Bill Hall, President of the Association of Oregon Counties, has provided comments to your committee.

HB 3260 would permit the voters of a coastal county to impose a local TLT on residential short-term vacation rental property of up to five percent of the consideration rendered, strictly for the purpose of funding affordable housing within the county’s coastal communities. Affordable housing – the type of housing needed by employees of the tourism industry.

AOC asks the tourism industry and its supporters to relax their rigid stance and acknowledge that they have a very real role to play in the grander picture of tourism as an industry and the communities it affects. HB 3260 is a positive tool to round out the overall benefits provided by the industry.