

The importance of Transient Lodging Tax on the Provision of City Services

SHORT TERM RENTAL COMMITTEE

JANUARY 19, 2023

Outcomes

Answer question of the committee.

Provide factual data for consideration.

Understand the critical importance of this funding source to the city and the services we provide and that the community expects.

Understand the impact of what a change to the current cap could mean.

Questions from the Committee

What is the projected growth in STR tax revenue for the next three years? Would you explain the basis?

	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Projected STR Revenue	\$ 1,300,000	\$ 1,378,000	\$ 1,460,680	\$ 1,548,321

Questions from the Committee

What is the projected growth in STR tax revenue for the next three years? **Would you explain the basis?**

Calculate average rate of growth for pre COVID years (FY 2013-2014 through FY 2018-2019) =11%

<u>FY</u>	<u>Total Actual TLT</u>	<u>Percent Change</u>
13/14	\$ 599,126	
14/15	\$ 678,788	13%
15/16	\$ 720,840	6%
16/17	\$ 811,090	10%
17/18	\$ 893,329	13%
18/19	\$ 1,026,517	15%
Average Rate of Growth		11%

Questions from the Committee

What is the projected growth in STR tax revenue for the next three years? **Would you explain the basis?**

Starting with FY 2018-2019 increase revenue by 10% (a little less than the average) to current fiscal year = reduced to 1.3M to be conservative – then budget to that number.

<u>FY</u>	<u>Projected TLT</u>
18/19	\$ 867,303
19/20	\$ 954,033
20/21	\$ 1,049,436
21/22	\$ 1,154,380
22/23	\$ 1,269,818
23/24	\$ 1,396,799
23/24 Budget Est	\$1,300,000

Why?

An attempt to smooth out anomalies created by COVID. Still trying to figure out the new post COVID normal....

Questions from the Committee

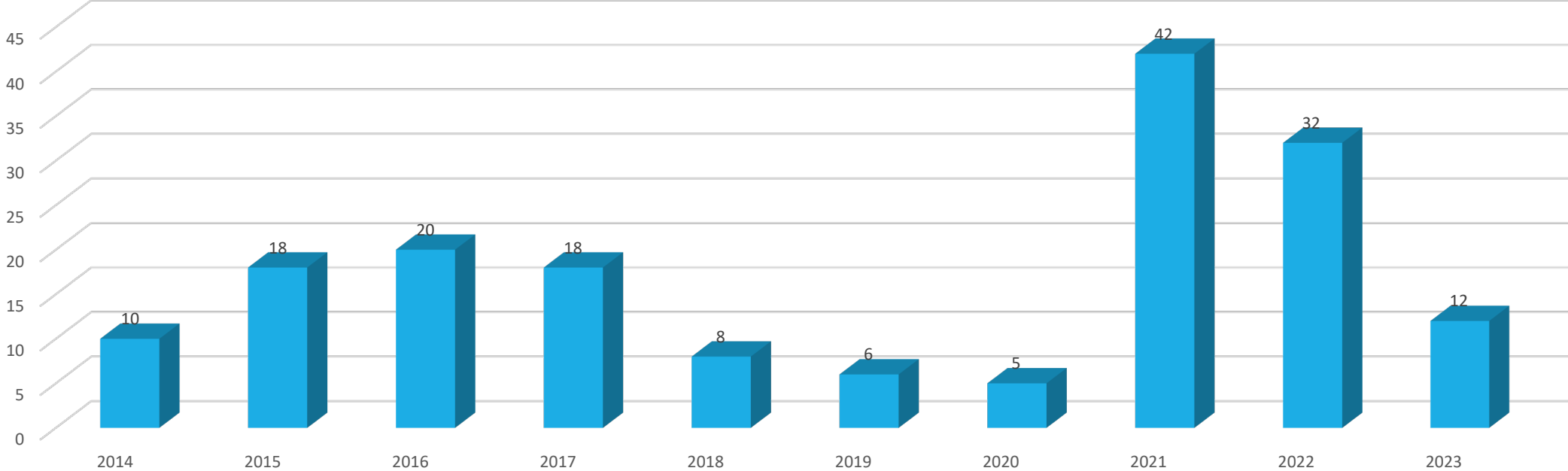
What is the projected growth in STR tax revenue for the next three years? **Would you explain the basis?**

Forecast- Increase revenue by 6% for future years

	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Projected STR Revenue	\$ 1,300,000	\$ 1,378,000	\$ 1,460,680	\$ 1,548,321

TLT declined 2% between FY's 2021-2022 and 2022-2023. With freeze and potential for new methodology for limiting new permits (thus decreasing potential new revenue) a conservative approach is advisable.

New Homes



Questions from the Committee

WHAT HAS BEEN THE GROWTH IN NUMBER OF HOMES IN THE LAST 10 YEARS (BY YEAR)?

Questions from the Committee

What is the number of buildable lots in Manzanita proper (not including the UGB)?

Don't know exactly. All we have is the 2019 buildable lands inventory (on the city's website) However it should be noted that the BLI will be updated once the state has finalized the rules for conducting a housing needs assessments. Our capacity will also change for vacant land, and developed land, depending on how SB 406 (Middle Housing) is implemented in Manzanita. (example: Parking reductions for Oregon's middle housing rules and requirements for STRs may be in conflict.)

Questions from the Committee

What was total housing stock on 12/31/23, and on the freeze date? (April 2022)

How many houses were in C1 & R4 on 12/31/23 & April 2022? (only buildings that could be STRs)

How many houses were outside C1 & R4 on 12/31/23 & April 2022?

We guessed 1315 housing stock outside C1 & R4 in 4/2022 (i.e., 230 STRs/0.175 cap). Are we close?

How many more lots/houses are under construction and/or have a submitted permit to build a home?

- At the time of the freeze there were 1319 homes in the capped zones.
- There are now 1363 homes in the capped zones
- 44 homes have been permitted since April of 2022 through December 2023

Questions from the Committee

Can you give us the breakdown of the last 10 years' tax revenue (annual) for STRs and hotels (divided by those categories)?

We don't collect the data split out that way. We can share the annual TLT that includes the resources for the General Fund and the restricted Tourism Dollars.

FY	Actual GF	Actual TLT	Total Actual
13/14	505,291	93,835	599,126
14/15	573,007	105,781	678,788
15/16	609,353	111,487	720,840
16/17	668,539	142,551	811,090
17/18	754,421	138,908	893,329
18/19	867,303	159,214	1,026,517
19/20	902,786	164,947	1,067,733
20/21	1,142,056	208,822	1,350,878
21/22	1,628,971	261,260	1,890,231
22/23	1,589,891	289,983	1,879,874

Questions from the Committee

What is the incremental cost to the City of adding a newly built home?

We don't have an answer to this.

Questions from the Committee

What is the City's position on additional hotels in the City, ie, do you see an increase in this? Are there restrictions (height, # of rooms, etc)?

Currently hotels are allowed BY RIGHT in C1 (Commercial), the LC (Limited Commercial), and SRR (Seasonal Recreation) Zones. Yes there are specific guidelines for form in each zone which are outlined in the Manzanita Zoning Ordinance (Ord. 95-4)

Questions from the Committee

We get room tax for STRs. Is there an opportunity to get other user fees? For instance, and just as a hypothetical example, if a home has more than 4 bedrooms, charge a user fee of \$10 per additional bedroom.

It is possible that we can add another fee but there are administrative costs associated with collecting it.

The City raised the fees on STR renewals from \$150 to \$850 this fiscal year. We expect to see an increase in revenue from that change.

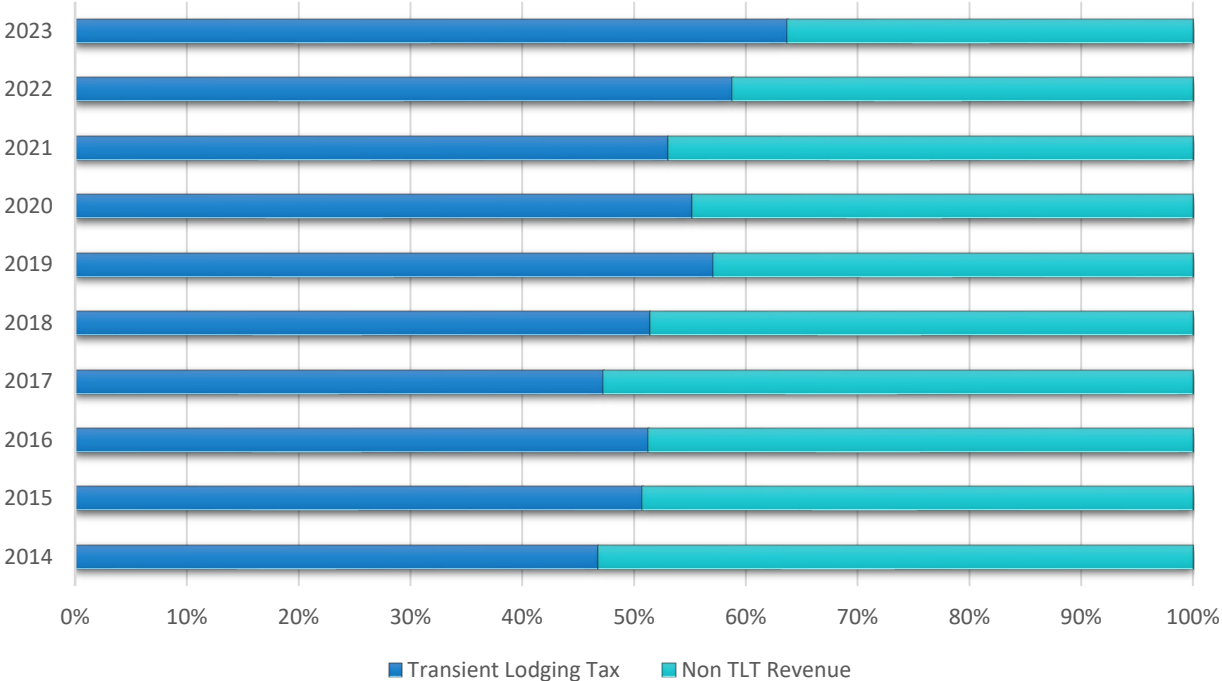
Questions from the Committee

- What was STR revenue as a percentage of the General Fund in the 2023-24 fiscal year?
- What was STR revenue in the 2023-24 fiscal year as a percentage of all incoming revenue, excluding Transfers In/Out and draws/changes in the General Fund balance?

We are still in FY 2023-2024 so data not available yet – this will be ready in December 2024 when the audit is complete.

How important is TLT to the city's Budget?

TLT is the single greatest revenue source for the General Fund. TLT exceeds all other revenue sources combined. It is THE MOST IMPORTANT revenue source we have for most of our services



Where do General Fund Resources come from?

Resources	FY 22/23
Property Taxes	10%
Intergovernmental	3%
Licenses, fees and permits	8%
Franchise fees	3%
State Liquor Taxes	0%
State Cigarette Taxes	0%
State Revenue Sharing	1%
Grants and Contributions	3%
Excise Taxes	0%
Short Term Rental Tax	64%
Fines and Forfeitures	1%
Rents and Leases	0%
Investment Earnings	5%
Other	1%
Transfers	6%
Total	100%

Where does the General Fund Pay for?

Everything. Every service provided by the city is in some way either fully, or partially funded by the General Fund or by staff who are paid through the GF who provide service directly or indirectly to the city's enterprise funds (Water Utility and Building) The General Fund has also historically funded the majority of road or storm projects.

	Admin	Building	Court	Police	TLT Tourism	Parks	Water Dist	Roads	Total
City Manager	100								100
Assistant City Recorder	60		40						100
Accounting Manager	100								100
Development Services Manager	30	70							100
Planning/Permit Tech	50	50							100
STR Program Manager	100								100
Police Chief				100					100
Police Sergeant				100					100
Police Officer				100					100
Police Officer				100					100
Code Enforcement Officer	20	5			75				100
Public Works Director					4	1	90	5	100
Senior Utility Worker					8	2	65	25	100
Utility Worker					8	2	65	25	100
Utility Worker					8	2	65	25	100
Utility Worker (PT)					45	5	5	5	60
Utility Clerk							95	5	100
	4.6	1.25	0.4	4	1.48	0.12	3.85	0.90	16.6

69% of all Staff

Department Budgets Supported by the General Fund

Administration

- Planning Program
- Short Term Rental Program
- City Attorney
- Information Technology
- Professional Services (Finance, Planning)

Court

- Judge

Police

Parks

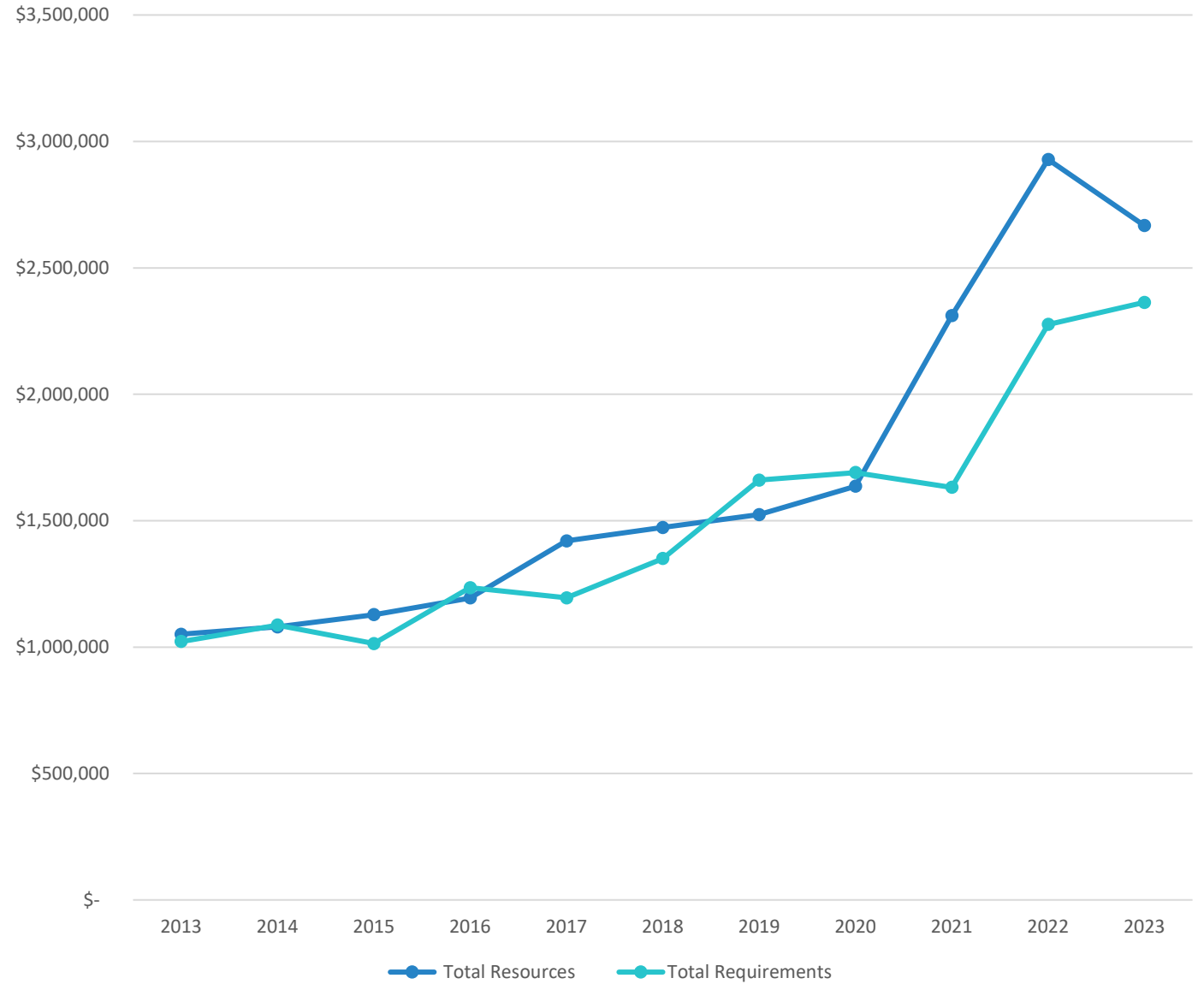
Non Department

- Emergency Management

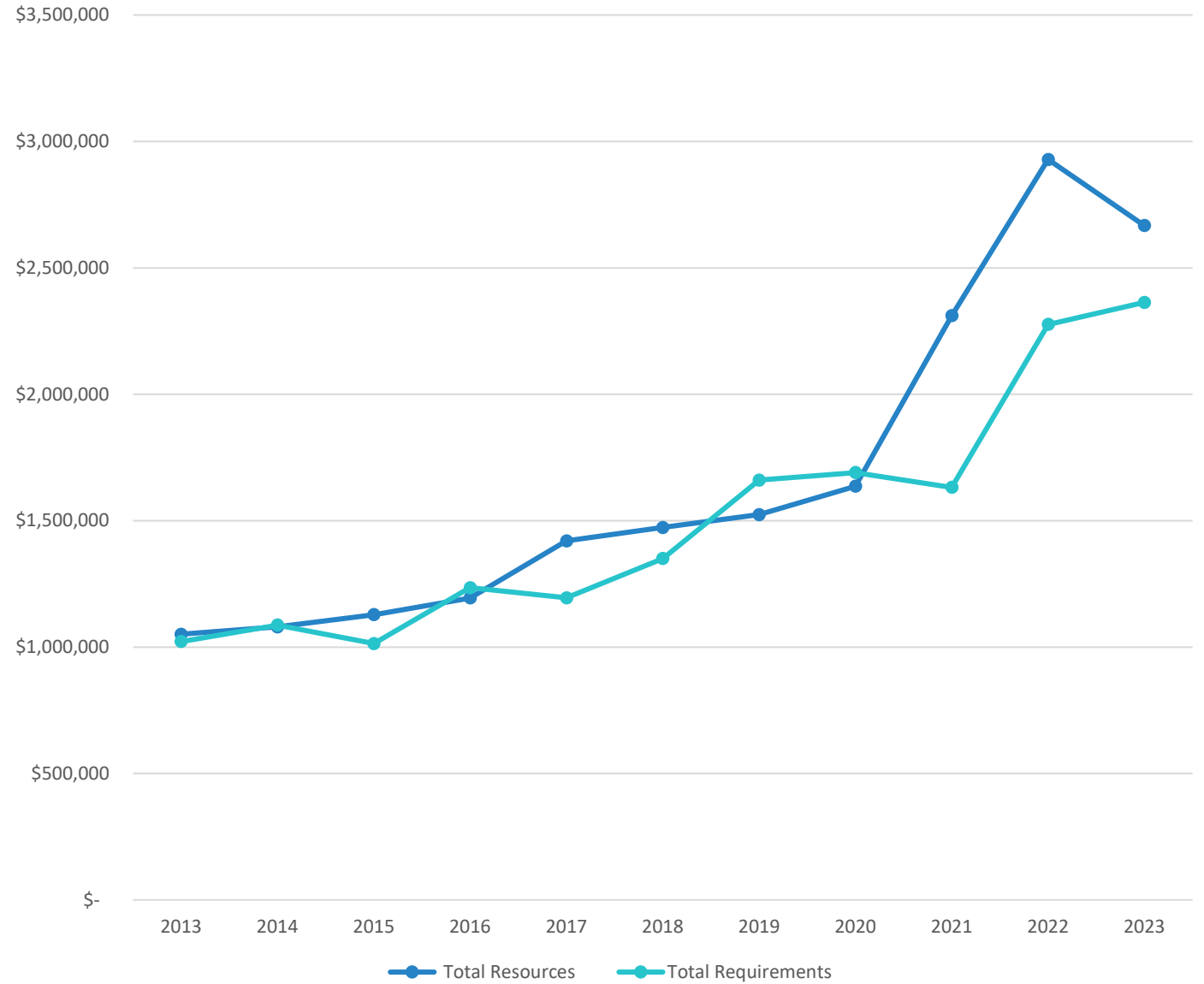
Road Fund (Staff and Infrastructure)

Storm Water Fund (Staff and Infrastructure)

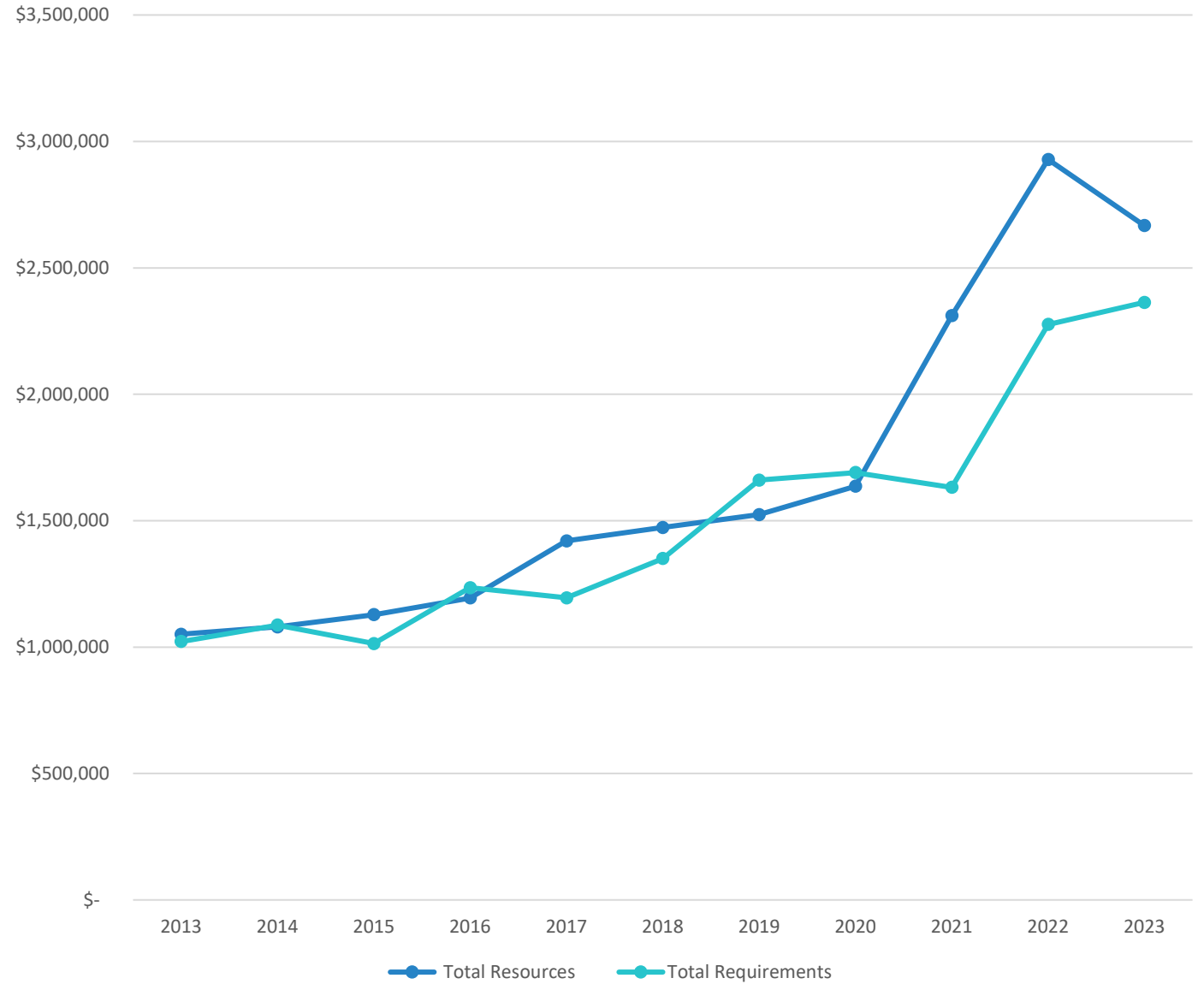
Annual Resources vs. Requirements



Annual Resources vs. Requirements



Annual Resources vs. Requirements



Conclusions

- TLT represents the single most important funding source for the majority of city services and infrastructure.
- The cap has resulted in modest growth of permits over time but those increases have contributed to the city's overall financial health.
- The city needs to diversify its revenue streams and this fiscal year, and next fiscal year will show some improvements with increases to development related fees and STR fees.
- Limits on the TLT will have impacts and should be back filled in some way to ensure that at a minimum annual growth in revenue keeps pace with inflation.
- Alternative funding sources for infrastructure become even more necessary.