COUNCIL COMMITTEE OF THE WHOLE

The Council Committee of the Whole met on July 9, 2019 at 6:00 p.m., with Council President Hare presiding. Members of Council present were Mr. Anderson, Mr. Sudler (departed at 7:37 p.m.), Mr. Neil, Mr. Slavin (departed at 7:40 p.m.), Mr. Cole, Mr. Polce, Mr. Taylor, and Mr. Lindell. Mayor Christiansen was also present (departed at 7:34 p.m.). Civilian members present for their Committee meetings were Mrs. Doyle and Mrs. Haass *(Utility)*, Mr. Caldwell and Col. Dix, Retired, *(Parks, Recreation, and Community Enhancement)*, and Mr. Contant and Mr. Shevock *(Legislative, Finance, and Administration)*.

Mr. Neil moved to amend the agenda to change the order of the committees, as follows: Utility Committee; Parks, Recreation, and Community Enhancement Committee; and Legislative, Finance, and Administration Committee. The motion was seconded by Mr. Polce and unanimously carried.

UTILITY COMMITTEE

The Utility Committee met with Chairman Cole presiding.

ADOPTION OF AGENDA

Mr. Neil moved for approval of the agenda, seconded by Mr. Taylor and unanimously carried.

Presentation - Kent County Sewer Project

Ms. Debbie Pfeil, Senior Planner, KCI, reviewed a presentation entitled "Kent County Levy Court US 13 Sewer Rehabilitation Project, City of Dover Council Committee of the Whole, July 9, 2019" **(Attachment #1)**.

Mr. Sudler asked about the closed circuit television video (CCTV) inspection process and who would review the video. Responding, Mr. Dan Strang, Senior Project Manager, KCI, stated that they are doing the CCTV inspection as a pre-inspection because there is currently a 24-inch force main that runs down the median and it is beginning to fail. He explained that instead of cutting open the concrete pipe and installing new pipe, they will inspect strategic locations of the existing pipe using CCTV to ensure the new PVC pipe will fit through. Mr. Strang noted that they are not worried about the integrity of the existing pipe as much as whether they can install the new pipe without any problems.

Mr. Sudler noted his appreciation for the strategy adopted for letting the community know about this project, and stated that he thought it was a model that other organizations and agencies should adopt.

Mr. Anderson asked if there were particular time frames indicated on the websites and social media to let the public know how long particular disruptions would last. In response, Ms. Pfeil stated that when they met with those affected in particular areas, they talked about the anticipated window of time that it might take, and as the project progresses and they have more information they are releasing additional information. She explained that the first notification for Garden Lane said it is through the first week of August, noting that it is anticipated to be a four-week project, weather permitting. Ms. Pfeil advised that the problem they have with releasing too much information ahead of time is losing credibility, and they don't want people to feel that there will be a major delay in regard to the weather.

Responding to Mr. Taylor regarding the new materials, Mr. Strang stated that they would be installing a new PVC pipe. He explained that they looked at different alternatives and decided not to install a flexible sleeve

inside the pipe to line it because of concerns regarding the integrity of the existing pipe. Mr. Strang advised that they did not want to install a good liner in a bad pipe and have to do it again in five (5) years. He stated that the new PVC pipe is anticipated to last between 50 and 80 years and there is potential for it to last longer since it will be protected by the existing pipe. Mr. Strang noted that the selling point for the PVC was that it is brand-new infrastructure. He stated that the existing pipe is 40 years old and had a history of challenges related to the material and how it is installed, and they thought PVC piping would be less susceptible to some of the previous gas problems.

Mr. Taylor asked if this project was put out for bid and why George & Lynch was selected. In response, Mr. Strang stated that this was a publicly advertised project and they received three (3) bids. He advised that one (1) of the bidders withdrew their bid because of a substantial error on their part, and George & Lynch was the lowest responsive bidder remaining.

Dedication of Rights-of-Way and Public Infrastructure - Energy Lane and Stover Boulevard

Mrs. Donna Mitchell, City Manager, reviewed the background and analysis regarding the evaluation of proposal for the dedication of rights-of-way and public infrastructure for Energy Lane and Stover Boulevard. She noted that the pylon sign at the beginning of Stover Boulevard, along with the vegetation within the island will be owned and maintained by Chesapeake Utilities, and an agreement had been provided to the City stating this fact.

Staff recommended acceptance of dedication of rights-of-way and public infrastructure of Energy Lane and Stover Boulevard. Dedication is to include all of the referenced public improvements.

Mr. Neil moved to recommend acceptance of staff's recommendation. The motion was seconded by Mr. Taylor and unanimously carried.

Mr. Neil moved for adjournment of the Utility Committee meeting, seconded by Mr. Anderson and unanimously carried.

Meeting adjourned at 6:21 p.m.

PARKS, RECREATION, AND COMMUNITY ENHANCEMENT COMMITTEE

The Parks, Recreation, and Community Enhancement Committee met with Chairman Anderson presiding.

ADOPTION OF AGENDA

Mr. Sudler moved for approval of the agenda, seconded by Mr. Neil and unanimously carried.

Presentation - Opioid Community Response Team Efforts (Kristan McIntosh, Senior Consultant - Health Management Associates)

Ms. Kristan McIntosh, Senior Consultant, Health Management Associates, reviewed a presentation entitled "Opioid Overdose Community Response Teams (CRT)" **(Attachment #2)**.

Mr. Sudler asked if, other than identifying hotspots indicated as areas with very high rates of opioid overdose deaths in 2018 and possibly talking to some of the constituents in those areas, Ms. McIntosh had found that there is a need for any additional programs or activities separate from clinical treatment. Responding,

Ms. McIntosh stated that she had. She explained that clinical treatment and the need for more treatment was a theme that has come up. Ms. McIntosh stated that the whole effort is a component of a Centers for Disease Control and Prevention (CDC) funded grant project that the Division of Public Health (DPH) is working on and another component of the project was conducting community surveys and a gap analysis that focused very specifically on determining support services individuals who are living with opioid use disorder (OUD) need, other than treatment services. She noted that the services that rose to the top were peer support, stable housing for individuals with OUD in general and for individuals coming out of the criminal justice system specifically, as well as transportation. Ms. McIntosh noted that they are currently in the process of sending out another survey; however, those findings are anticipated to be released and she offered to share the results with members. Mr. Sudler stated that he would like to see the results as well as the survey questionnaire.

Mr. Lindell asked whether, in regard to community involvement, local schools and school districts had been considered. In response, Ms. McIntosh stated that involving the school districts as stakeholders had come up in a lot of conversations and they are concentrating on involving them. She noted that they had recent conversations with the kids' department related to services for children and families and how to strategically include the school districts without impinging on them. Ms. McIntosh welcomed any thoughts or recommendations Mr. Lindell may have in this regard. She explained the importance of involving schools, both in terms of children and youth who have or may develop addiction issues, as well as for children and youth who are living within families that are impacted by addiction overall, to help break that cycle.

Mr. Caldwell asked who would be providing the resources for the City of Dover. Responding, Ms. McIntosh explained that the DPH is leading this effort and they are working on distributing the resources, including Naloxone. She stated that they are also working to develop a resource card for distribution as well.

In response to Mr. Caldwell, Ms. McIntosh stated the CRT is specifically involved in responding to a specific type of crisis, a disruption in the supply of opioids. She explained that they had spoken to the Police and Fire Departments and EMS, so individuals who would like to get involved do not necessarily have to be from a crisis group; however, if there are individuals from crisis groups that he thinks should be involved, she would welcome them.

Responding to Col. Dix, Ms. McIntosh explained that fentanyl increases the potency of the substance to which it is added. She stated that some individuals seek out substances with fentanyl in them because they can use less of the substance, cut it with fentanyl and sell it at a higher potency so that they make more money. Ms. McIntosh advised that it is important for individuals to be aware of the presence of fentanyl in substances and to have resources available, because if an individual uses a substance and is not aware that it has fentanyl in it, it can increase their risk of overdose.

Mr. Taylor stated that, as a retired law enforcement officer in the City, he found that one of the biggest problems was dealing with “real time,” explaining that the HIPAA laws that govern law enforcement and first responders don’t allow them to tell people immediately not to use a certain substance because they can’t bring up someone else’s case. He asked how the CRT collaboration manages that issue. In response, Ms. McIntosh explained that none of their communications will impact ongoing enforcement investigations, so the real time nature might not actually be real time. She indicated that the communications that the CRT receive will be identified and the DPH will do communications regarding mass events, such as five (5) or more individuals who have overdosed within three (3) hours. Ms. McIntosh explained that HIPAA laws and confidentiality are something that the CRT stakeholders will need to receive training regarding. She stated

that DPH is very cognizant of that fact and is going to work on making sure that the communications that they share are very clearly identified and that the community response team stakeholders all know how to responsibly share that information with other stakeholders so that they can get the information without putting anyone at risk.

Mayor Christiansen recognized the efforts of Lieutenant Governor Bethany Hall-Long, Councilman Polce and others who took criticism when they went out on the streets with the initial distribution of Narcan. He stated that, as a volunteer firefighter, he had responded to a number of call regarding individuals who have overdosed on heroin and he cannot believe that the state is undertaking a program to address a health and public safety crisis in regard to the opioid crisis, while at they were on the verge of authorizing a gateway drug, which they will probably do in the next session of the legislature. Mayor Christiansen stated that he finds it very unconscionable because it will unravel all of the good work that Ms. McIntosh, the Lt. Governor, and others are trying to do. Responding, Ms. McIntosh indicated that this topic came up during their planning meetings and, although it is outside of the scope of the CRT, it is certainly related.

Mr. Taylor asked if consideration had been given to making this a health care crisis exclusively versus a criminal justice situation, explaining that those who are incarcerated are not getting the help they need, so when they get out, they pick up where they left off. He stated that he thought if this were made a health care issue versus a criminal justice issue, the professionals are already in place who can do what needs to be done immediately versus going through six (6) months to a year of incarceration with no rehabilitation. In response, Ms. McIntosh stated that there is a lot that goes into why it is not a standard health crisis including stigma regarding addiction; however, she noted that one of the benefits that the CRT project and the work of the Behavioral Health Consortium Addiction Action Committee is that they are under the DPH. She stated that the CRT is using a CDC public health response framework to respond to these types of events, and she thinks that people are recognizing that the status quo is not working, so the focus is moving into the health care space. Ms. McIntosh expressed her hope that it continues to move that way because having a criminal justice focus, while important in some respects, is not the way to treat people who have substance use disorders.

Mr. Slavin noted that there were individuals in the audience who he believed worked and lived with this issue on a daily basis and asked if it would be okay if the Chair invited members of the public to ask questions of Ms. McIntosh.

Mr. Sudler moved to suspend the rules to allow members of the audience to speak. The motion failed for lack of a second.

Mr. Anderson advised that the Chair can invite members of the public to speak.

Mr. Anderson stated that they had discussed overdose deaths, which are tragic and important, but one of the important things that they can do a lot about are the overdoses that don't result in death. He explained that with medications like Naloxone at least four (4) or five (5) times more individuals are surviving than are dying. Mr. Anderson stated that this shows the real extent of the problem and asked if Ms. McIntosh could elaborate on how that fits in with the CRT project. Responding, Ms. McIntosh informed members that the data they have used is specifically related to opioid overdose deaths, in an effort to target areas that are adversely affected, but the goal is that even if an individual does experience an overdose, that it does not result in death. She stated that the goal is to work themselves out of a job, so that individuals have the

resources that they need within the community to prevent an overdose if possible and to ensure that if an overdose does occur, it does not result in a fatality.

In response to Mr. Anderson, Ms. McIntosh advised that OpiRescue Delaware is a free overdose rescue application available for downloading. She explained that it provides real time training, information, and community resources for substance use disorder treatment and support. Ms. McIntosh stated that it contains detailed information on how to recognize signs of an overdose, and the steps for administering Naloxone.

Brother Peter-Joseph St. Mary Avitabile, CSC, Deacon, Saint Miriam Parish and Friary, stated that he is very invested in this topic because he has seen a great deal of hardship, loss and grief. He noted that he saw the word "volunteer" and asked if there would be funding coming into the community to help manage the project once it is brought to fruition. He stated that he thought faith-based organizations are the way to go because people feel more comfortable coming inside a safe environment that doesn't say mental health services or hospitals, and there are lots of things that they can do at that first stage when individuals are seeking help. Brother Peter-Joseph St. Mary Avitabile indicated that the Vines Project was doing similar work and would like to unify and direct their attention to the funding sources, noting that there is a grant in connection with Columbia Presbyterian Hospital. Responding, Ms. McIntosh stated that the CRT is hoping to engage faith-based communities of all types in these efforts because they know that a lot of individuals who are not accessing support elsewhere and the faith-based communities have a connection to the community and the ability to communicate and distribute resources unlike other entities and treatment providers. She noted that they are currently in the infrastructure development phase and trying to find ways to build and sustain the project which will require funding.

Reverend Theodore Henderson, Interdenominational Ministerial Alliance (IMA) of Dover and Vicinity (IMA) President, stated that he was glad they brought up faith-based communities, explaining that one of the topics they will discuss in the next presentation is a drug and alcohol prevention program, which he indicated is a faith-based program. He noted that when he was a kid, they locked individuals up, and he was glad they were getting away from that now that the issue was no longer just in his neighborhood. Reverend Henderson stated that there are many things that can be done to prevent individuals from getting involved with opioids and indicated that the IMA wants to establish another link. He stated that he saw his first death when he was in the fourth grade in Columbus, Ohio, in the inner city, and nobody cared, but now that it's a crisis, everybody cares, and he thinks there's something a little bit lopsided about that.

By unanimous consent, the meeting recessed at 6:59 p.m. and reconvened at 7:02 p.m.

Presentation by the Greater Dover IMA Social Action Committee

Reverend Rita Mishoe Paige, Social Action Chair, Interdenominational Ministerial Alliance (IMA) of Dover and Vicinity (IMA) and Reverend Theodore Henderson, IMA President, reviewed a presentation entitled "Social Action Committee of the Interdenominational Ministerial Alliance (IMA) of Dover and Vicinity, Dover Park Survey Presentation for City of Dover Parks, Recreational and Community Enhancement Committee, July 9, 2019" **(Attachment #3)**.

Mr. Slavin stated that he had the misfortune of being on Council when the building at Dover Park was demolished and, before it was demolished, the City was guilty of demolition by neglect because the building was closed, mold grew, and it deteriorated to the point where the only choice Council had was to knock it down. He recalled that he and former Councilman Sean Lynn voiced their concern that if they demolished

the building without a plan to replace it immediately, they would be here for years trying to replace it, and indicated that they are still trying.

Responding to Mr. Slavin, Rev. Paige stated that the IMA intends for the partnership they are pulling together to be a separate nonprofit entity. Mr. Slavin stated that he thought that was a wonderful thing to have happen. He noted that he did not know whether they were aware of the action taken by the legislature this year for the $1M that Dover had appropriated for a parking garage and read Section 36 of House Bill No. 260 of the 150th General Assembly, as follows: "The Section 1 Addendum of 81 Del. Laws c. 303 appropriated $1,000,000 to the Office of Management and Budget (10-02-00) for the City of Dover – Parking Garage. Said funding may be used by the City to implement initiatives associated with the Dover Park Master Plan and the Schutte Park Master Plan, provided the initiatives are minor and/or major capital improvements for said parks." Mr. Slavin advised that this gives the City the flexibility and authority to redirect money toward this kind of project. He stated that he would be willing to sponsor a motion to put some of that money out to the IMA's new partnership as a challenge to then go out and leverage that money from private foundations and givers, and see if they can double that money, noting that he thought they were a lot closer now than they have ever been with access to these funds.

Mr. Sudler stated that he would be willing to second the motion indicated by Mr. Slavin. He noted that he thought that he and Mr. Slavin had both had strong feelings regarding this matter and put forth a valid effort to put back what was promised. Mr. Sudler suggested that the more than 300 surveys submitted in 2014 by the Mt. Zion A.M.E. Church be included with the IMA results for comparison of the current and past data.

Mr. Taylor indicated that the IMA had his support from the beginning of their presentation and that he is willing to contribute as much as possible, such as recruiting local contractors who also understand the need and are willing to give above and beyond. He stated that he thought this is a doable project and, if the City and IMA collaborate and do it in excellence, it will get done. Mr. Taylor noted that when he was a Dover Police Officer they had youth week at Dover Park and used the building that was there, and he sees the pain and hurt that are a direct result of that building no longer being there.

Mr. Dix noted that when he was in high school he worked for the City of Milwaukee, WI as a floor walker in social centers and when people got disruptive, he would remove them from the facility. He indicated that when he was reading the presentation, he thought that they were describing something more like the Milwaukee, WI social center, rather than a park recreational center. Mr. Dix noted that he thought that the Capital School District was talking about abandoning certain schools on the east side of the city and suggested that the IMA try to get one of the schools, explaining that he thought it would be perfect for their use because they would have a cafeteria and meeting rooms. He stated that he thought they are required by state law to demolish the building but the IMA might be able to get one for their use. Responding, Rev. Henderson indicated that he and the IMA worked together with Mr. Taylor on the initiative to get the recent referendum passed, and it was his understanding that they are going to renovate, modernize, and innovate the schools, not tear them down. Col. Dix suggested that the IMA contact Dr. Dan Shelton, Capital School District Superintendent, to find out what the plan is because he knows they are talking about abandoning grade schools on the east side of Dover, which he thinks would fit perfectly with the IMA's plans.

Mr. Neil recalled that over the next four (4) years $500,000 is budgeted for improvements for Dover Park based on the plans designed to clean up and make that a very usable park, including the possibility of a

building. He indicated his approval of the IMA moving ahead on the suggestion of Mr. Slavin, noting that he thought that they could have an even larger area because this is in the 3rd Council District and it would be wonderful for the homeowners' associations to be able to utilize the building for their meetings which he and Mr. Cole currently attend in school buildings that aren't really set up for that purpose. Mr. Neil stated that there is great possibility if they use the building as a social center when people can meet. He noted that their sample of 102 people is a very small amount of the 7,000 voters in the 3rd District; however, he thought it's a worthwhile project and if it does come about he'll support it.

At the request of Mr. Anderson, Mrs. Donna Mitchell, City Manager, clarified that the allocation in the budget is an annual allocation to try to get some of the options included in the Master Plan implemented piecemeal over five (5) years, explaining that it was noted that the City was looking at fund-raising to get those options completed. She advised members that the Master Plan included a 1,440 sq. ft. building as one of the options and, since the park was purchased through grant funds from the U.S. Land and Water Conservation Fund and the Delaware Land and Water Conservation Trust Fund, the City is prohibited from using the land for anything other than public park land, except for where the old building was located. Mrs. Mitchell explained that, since the old building footprint can be used, she contacted the engineer to determine whether a 3,600 sq. ft. could be configured using the former building footprint and he said that with some tweaking it could be put in that space.

Col. Dix suggested that they could also consider two (2) floors.

Mr. Sudler stated that he thought that they serve the people, the people do not serve them, so they don't tell the people where they need to be, the people tell them where they need them to be, and throughout the years, the people had already told them they want another building in the same location, so he thought it was a little disrespectful to try and divert attention from what the constituents had already said. He indicated that although Dover Park is located in the 3rd District, people from elsewhere use the park and members have a responsibility to be friendly and good neighbors to all the districts. Mr. Sudler noted that he thought that members needed to get back to listening to the people and serving at the will of the people, not just doing what they think needs to be done for them. He stated that unless you have actually gone out and done the footwork and talked with these people, your thoughts are really not valid in regard to a placement. Mr. Sudler explained that he and the IMA had a pulse on the people because they had been out there and he thought it was disingenuous for members to divert the attention away from what the people had already said.

Rev. Paige stated that she thought that the location at Dover Park was perfect because it is right next to a public housing development, a State Housing Authority, tax credit, development, as well as low to moderate income developments. She noted, as someone who has worked in that area for more than 30 years, that people in those developments have a lot of transportation barriers, and if the center is in Dover Park, they would have easy access and be able to walk directly to the center without having to cross a highway or a street. Rev. Paige explained that her suggestion of a satellite police office in the building was based on her previously experience as the administrator for the public housing drug elimination program. She noted that the program no longer exists because the Department of Housing and Urban Development (HUD) cut the funds; however, she used to negotiate the contracts with all of the municipal police agencies throughout Kent and Sussex Counties for extra duty protection in all of the public housing developments and some of their sites. Rev. Paige stated that they had space dedicated for police officers and just the presence of a car being there was a deterrent to crime. She noted that a lot of shootings had been taking place on the east side of

Dover and at the Dover Housing Authority development next to Dover Park and, although she could not speak for the police, she suggested that a police presence would be a great thing for the east side.

Mr. Hare stated that he thought there were a lot of good ideas; however, he expressed concern that there were a lot of details that had not been addressed. He suggested that this matter be brought back at a separate meeting dedicated to this topic, so members could delve into it and get more details.

Mr. Slavin moved to recommend that the City explore a challenge grant to the newly formed nonprofit partnership for Dover Park that must receive 501(c)(3) designation from the IRS in order to receive any funding. The source of City funding is found in Section 36 of House Bill 260 of the 2019 legislative session, and the intent of the motion is simply to have the City begin that dialogue about funding. The motion was seconded by Mr. Sudler and unanimously carried.

Mr. Sudler moved to recommend acceptance of the report, seconded by Mr. Taylor and unanimously carried.

Presentation - Skate Park Advocates

Col. Dix informed members that he had discovered that Mr. Dave Hugg, Director of Planning and Community Development, was instrumental in installing a skate park in Smyrna approximately 15 years ago. He stated that he was looking at the company that supplied the equipment for that park, and in thinking about the plans that were previously proposed for concrete structures, he took photos of Smyrna Skate Park for members to review **(Attachment #4)**.

Mr. Anderson noted that the gentleman scheduled to make the presentation regarding the skate park had requested a delay due to childcare issues.

Mr. Lindell moved to defer this matter until the Council Committee of the Whole/Parks, Recreation, and Community Enhancement Committee meeting in August. The motion was seconded by Mr. Hare and unanimously carried.

Mr. Taylor moved for adjournment of the Parks, Recreation, and Community Enhancement Committee meeting. The motion was seconded by Mr. Neil and unanimously carried.

Meeting adjourned at 7:37 p.m.

LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee met with Chairman Lindell presiding.

ADOPTION OF AGENDA

Mr. Anderson moved for approval of the agenda, seconded by Mr. Neil and unanimously carried.

Proposed Ordinance #2019-16 Amending Chapter 102 - Taxation of the Dover Code by Inserting a New Article VII - Lodging Tax (Sponsors: Hare and Polce)

Mr. Polce reviewed Proposed Ordinance #2019-16, explaining that it proposes a suggested 3% tax rate for lodging establishments. He advised that the General Assembly vested the City the power to take this action on June 30, 2019.

Mr. Polce moved to recommend adoption of Ordinance #2019-16, seconded by Mr. Slavin.

Mr. Neil stated that he thought that this was long overdue, noting that he talked about it when he was first elected in 2015 and there was supposed to be some resistance from the tourism community. He advised that whatever the City uses these funds for, whether it's strictly for infrastructure, there is no reason why visitors should not help.

Mr. Anderson stated that he thought members needed to talk to Mr. Dave Hugg, Director of Planning and Community Development, because he has some ideas regarding this matter; however, he thought they could enable it and should then come back to discuss the details of how best to utilize the funds. He stated that with that caveat, it has his support, because if they don't do it, it's going to be done anyway and the money will not stay in the local community.

Responding to Mr. Shevock, Mr. Polce explained that the lodging tax is specifically for rooms in a hotel, motel or tourist home, as defined in 30 Del. C. §6101, and does not apply to event spaces.

Mr. Contant asked whether the City did an assessment regarding how the lodging tax would impact the average rates in the area, and the annual amount the City expects to receive. In response, Mr. Polce stated that the National Conference of State Legislatures (NCSL) did a full assessment of state lodging taxes from a national perspective **(Attachment #5)**, and even with a 3% increase by both the City and Kent County, the City is still at a marginal increase. Mr. Polce noted that an article titled "The Impact of the Hotel Room Tax: An Interrupted Time Series Approach," published in the National Tax Journal in December 1992, **(Attachment #6)**, when this debate first hit the national publications, clearly outlines what tax rate fear at the time was and showed that there was a non-marginal impact on both business development and rental in the demography that was outlined. He stated that an article titled "Tax Policy and US Hotel Industry Economic Impacts," published in Oxford Economics, in November 2017 **(Attachment #7)** also demonstrated that a small tax, such as 3%, when dealing with consumer behavior, i.e. hotel rentals, shows a non-varied impact. In regard to the question regarding average rates in the area, Mr. Polce reviewed information from Trivago.com for the top four (4) hotel rentals, including calculations regarding the total increase to consumers with the 3% City and County lodging tax **(Attachment #8)**, noting that it would equate to an approximate $12 increase on a room rental that was typically $198. He stated that he thought that consumers would continue to pay regardless of the marginal increase.

Responding to Mr. Anderson, Mrs. Donna Mitchell, City Manager, stated that she did not have the research with her; however, when this matter was discussed years ago, the prior administration had researched the potential annual revenue of a lodging tax and she believed it was between $600,000 and $800,000, although she did not recall what proposed rate that was based on. Mr. Anderson stated his belief that, at that time, 2% would raise approximately $700,000 and 3% would raise close to $1M, and newer projections showed between $900,000 and $1.2M.

Mr. Hare noted that the City of Dover was not a pioneer in this area, explaining that four (4) other municipalities had already established lodging taxes, including the cities of Milford and Wilmington.

At the request of Mr. Taylor, Mr. Polce explained that he thought Council would need to discuss where these funds will ultimately be dispensed and welcomed feedback regarding an amendment to the ordinance regarding this matter.

Mr. Hare stated that he agreed with Mr. Polce, and thought that was conversation for another time, perhaps during a workshop. He asked how the City would know if it was receiving the correct amount. In response, Mr. Polce provided an article titled "Bill Silva on the downside of the lodging tax," published in the Delaware Business Times on May 18, 2018, **(Attachment #9)**, noting that the 149th General Assembly passed House Bill 377, which was enabling legislation to allow the state, counties, and political subcommittees, i.e. municipalities, to start collecting lodging taxes up to 3% and, as a result, there is a system in place through the Department of Finance to ensure that accounts are reconciled. Mr. Cole noted that the process is outlined in 30 Del. C. §6104 - Payment of tax, as follows: "The amount of the tax collected for each month shall be reported and paid over to the Department of Finance not later than the fifteenth day of the month following the month of collection on forms to be prescribed by the Department of Finance. Interest at the rate of 1 percent per month, or fraction thereof, shall be charged on payments made after the prescribed due date."

Mr. Neil noted that each of the counties currently receives money from the state collection for tourism, so the process should be seamless.

Mr. Polce explained that this issue was brought to the attention of the General Assembly on June 30, 2019 by Representative Sean Lynn and Senator Trey Paradee in reaction to a legislative measure that was also introduced by Senator Paradee that allows the County to levy a lodging tax up to 3% with all of the funds to be diverted to DE Turf. Mr. Polce explained the significance of that is that monies that are generated in the City from individuals using City roads, infrastructure, and critical services if needed, are then diverted to DE Turf. He stated that this will give the City the ability to be on a level playing field with everyone else.

Mr. Lindell stated that he concurred with Mr. Polce sentiments regarding this matter. He informed members that he had recently traveled through South Carolina, Georgia, and Florida and everywhere he stopped, he was assessed a local and state lodging tax. He explained that he did not consider not going to Charleston because he might have to pay an additional $12. Mr. Lindell indicated that he thought people would still come to the City, and this would allow the City to divert some funding to critical needs and relieve some of the burden from the taxpayers. (City Clerk Office Note: Subsequent to the meeting, Mr. Polce provided an article titled "Top 10 cities with the highest travel taxes" published in Fortune, May 2012 **(Attachment #10)**).

The motion to recommend adoption of Ordinance #2019-16 was unanimously carried.

Mr. Neil moved for adjournment of the Legislative, Finance, and Administration Committee meeting, seconded by Mr. Shevock and unanimously carried.

Meeting adjourned at 7:59 p.m.

Mr. Neil moved for adjournment of the Council Committee of the Whole meeting. The motion was seconded by Mr. Taylor and unanimously carried.

Meeting adjourned at 8:00 p.m.

William F. Hare
Council President

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Attachments

Attachment #1 - Presentation entitled "Kent County Levy Court US 13 Sewer Rehabilitation Project, City of Dover Council Committee of the Whole, July 9, 2019"
Attachment #2 - Presentation entitled "Opioid Overdose Community Response Teams"
Attachment #3 - Presentation entitled "Social Action Committee of the Interdenominational Ministerial Alliance (IMA) of Dover and Vicinity, Dover Park Survey Presentation for City of Dover Parks, Recreational and Community Enhancement Committee, July 9, 2019"
Attachment #4 - Photos of Smyrna Skate Park, provided by Col. Dix
Attachment #5 - National Conference of State Legislatures (NCSL), Table of State Lodging Taxes, dated January 28, 2019, provided by Mr. Polce
Attachment #6 - An article titled "The Impact of the Hotel Room Tax: An Interrupted Time Series Approach," published in the National Tax Journal in December 1992, provided by Mr. Polce
Attachment #7 - An article titled "Tax Policy and US Hotel Industry Economic Impacts," published in Oxford Economics, in November 2017, provided by Mr. Polce
Attachment #8 - Information from Trivago.com, provided by Mr. Polce
Attachment #9 - An article titled "Bill Silva on the downside of the lodging tax," published in the Delaware Business Times on May 18, 2018, provided by Mr. Polce
Attachment #10 - An article titled "Top 10 cities with the highest travel taxes" published in Fortune, May 2012, provided by Mr. Polce



Kent County Levy Court
US 13 Sewer Rehabilitation Project

City of Dover Council Committee of the Whole
July 9, 2019

Project Owner

Kent County Levy Court
Department of Public Works

- Diana T. Golt, P.E.
  Director of Public Works
- Andy Riggi, P.E.
  Assistant Director, Engineering

Project Team

KCI TECHNOLOGIES

- Project Management
- Construction Management and Inspection
- Community Outreach

GEORGE & LYNCH
www.geolyn.com

- Project Contractor

Both Companies have local offices in Kent County

Project Partners



Located in the
City of Dover

USDA

DelDOT

DELAWARE DEPARTMENT OF NATURAL RESOURCES
AND ENVIRONMENTAL CONTROL

Project Scope

- The sewer project involves installing a small carrier pipe into a larger host pipe a.k.a. “sliplining” for 15,400 linear feet
- This method allows work to occur in the median with the existing pipe
- Pipe Install Includes:
  - Cleaning of the existing pipe
  - Closed Circuit Television Video (CCTV) inspection
  - Access points for future maintenance & Inspection
  - Jack & Bore US 13 crossing to avoid lane closure
  - Testing new pipe



Photo courtesy of Aegion-Underground Solutions-State Profile “Use of Fusible PVC pipe in Georgia surpasses 200 projects”

Project Scope

- Anticipating a 5 month project duration (weather permitting)
- No anticipated disruption of sewer service
- Starting last week of June
- **Limited** traffic disruptions, such as:
  - Temporary lane closures
  - Temporary turn lane closures



Project Scope

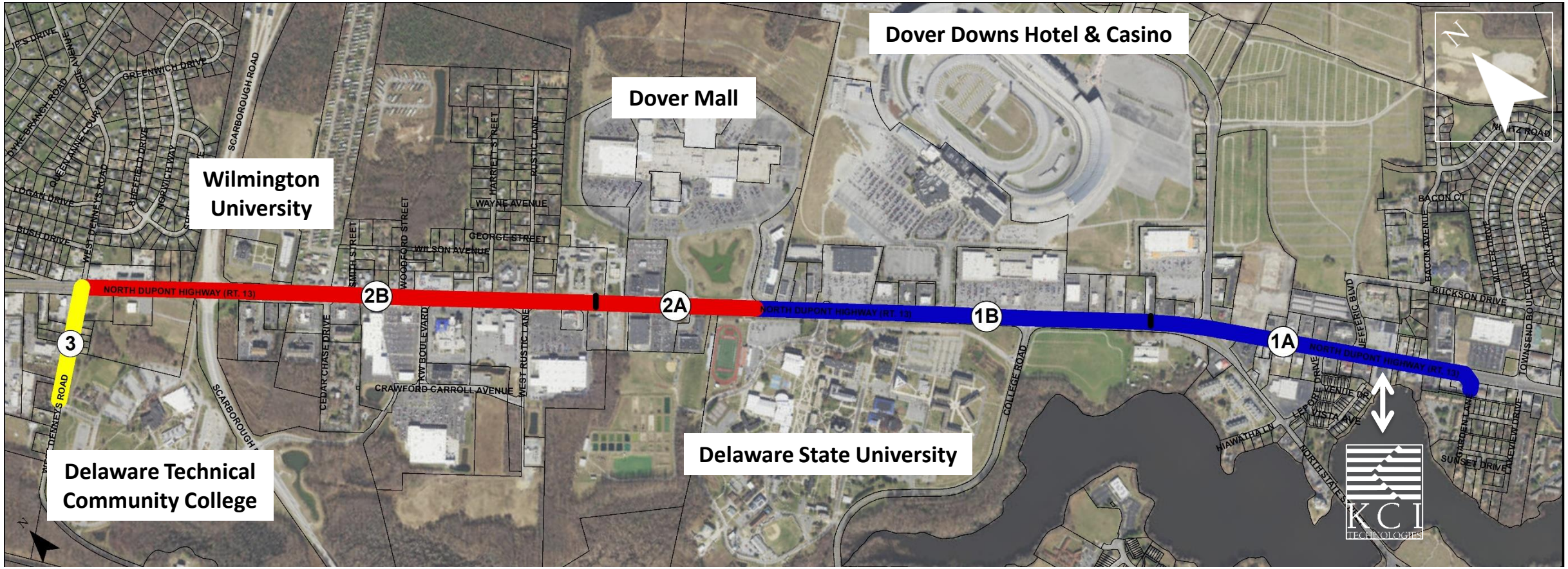


- Restricted by Peak Time / Events / Hours:
  - Holidays & Fall Race Weekend
  - Daytime work allowed
  - Specific work can only be done at Nighttime

Project Area

3 Phases

- Start south at Garden Lane and move north to West Denney's Road



Project Area – Phase 1A



T1 Garden Lane from DuPont Highway to Chatham Cove Entrance

T2 Northbound Left Travel Lane near Townsend Boulevard Intersection

T3 Southbound U-Turn South of Jefferic Boulevard

T4 Northbound left turn at Lepore Intersection

T5 Northbound U-Turn South of North State Street Intersection

Project Area – Phase 1B



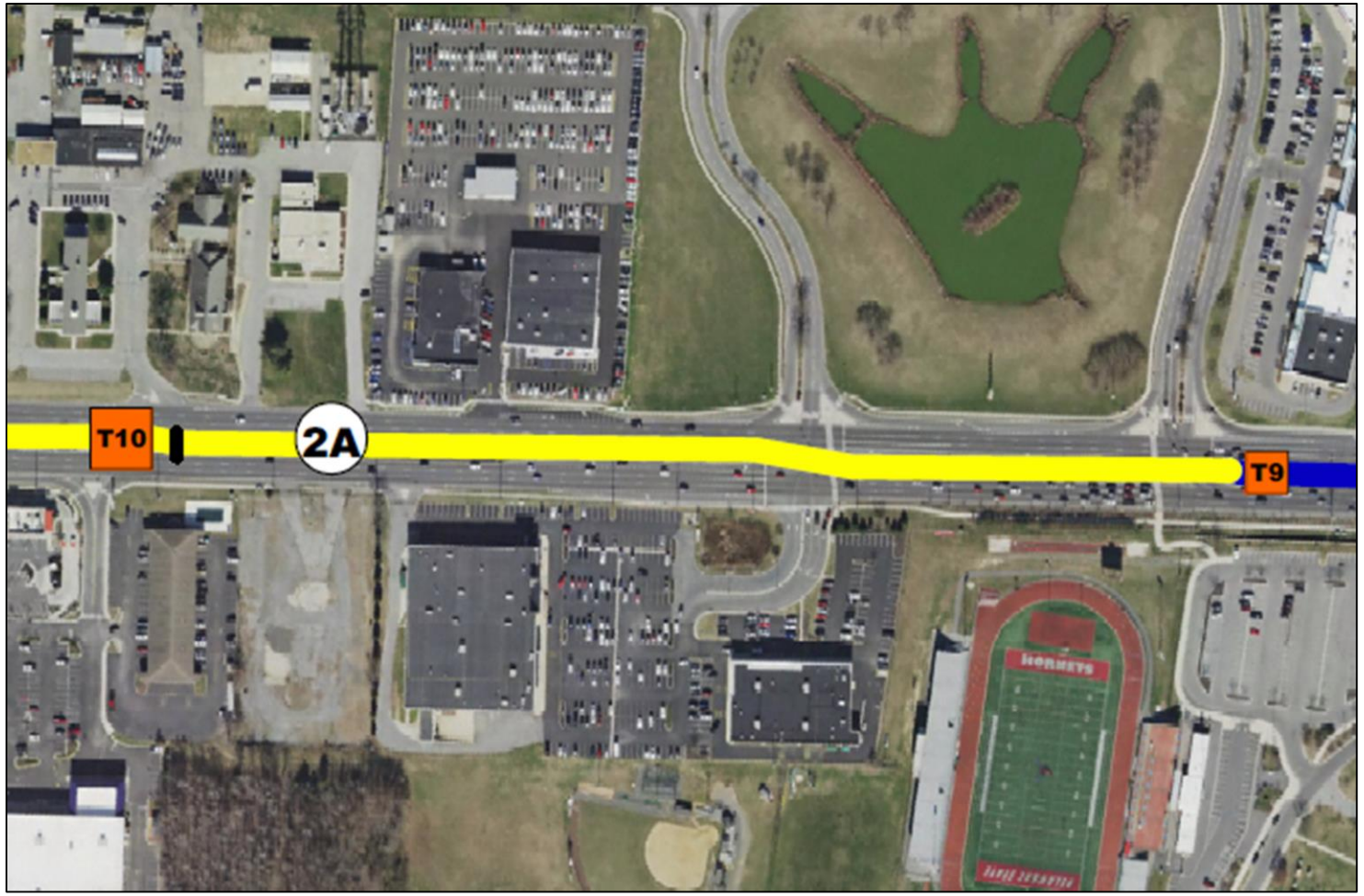
T6 Southbound U-Turn at McDonald's / Yukon

T7 College Road Intersection

T8 Southbound Turn Lane at College Road Intersection

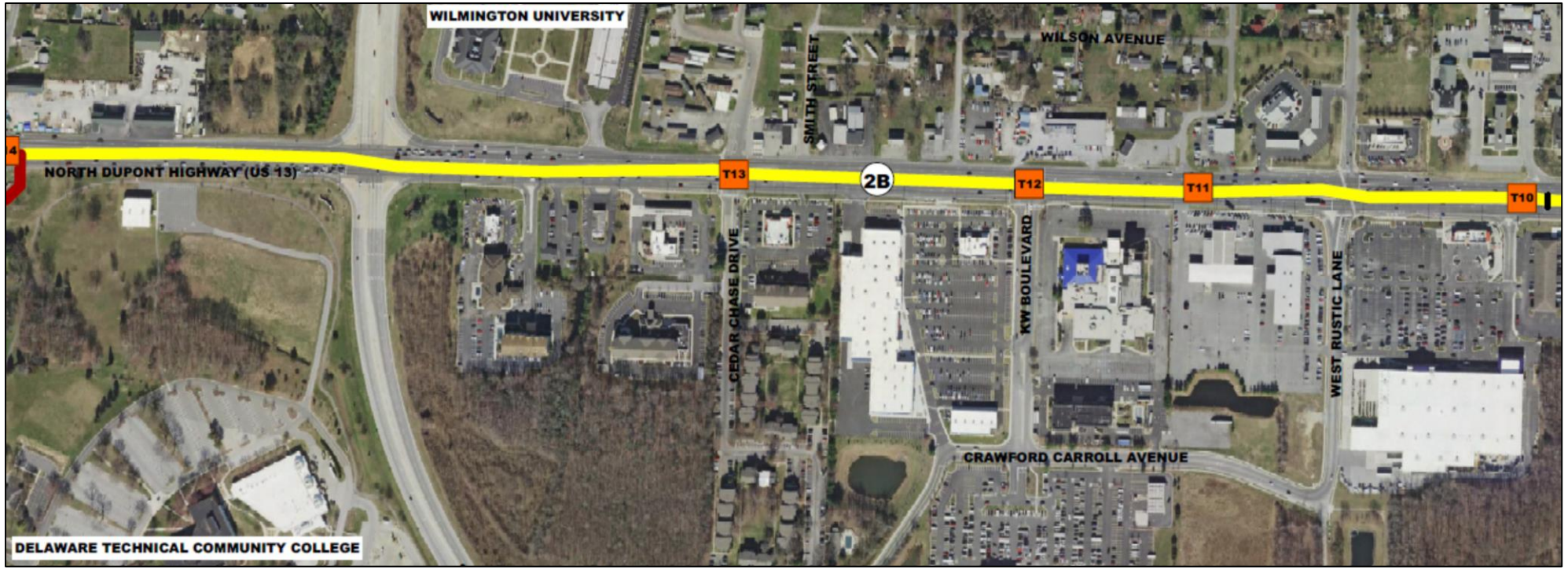
T9 Northbound U-Turn near South Mall Road Entrance

Project Area – Phase 2A



No anticipated traffic disruptions have been identified in this Phase; however, the end of Phase 1B (T9) and the beginning of Phase 2B (T10) have limited disruptions (see phasing maps).

Project Area – Phase 2B



T10 Southbound U-Turn across from Delaware State Police Headquarters

T11 Northbound U-Turn North of Wawa and across from C.F. Schwartz Toyota

T12 Northbound Left Turn into KW Boulevard (Dover Town Center, DSU Commons, Sam's Club, etc.)

T13 Cedar Chase Drive Intersection

Project Area – Phase 3



T14 **Northbound Turn Lanes at West Denney's Road Intersection**

T15 **West Denney's Road from DuPont Highway to Delaware Technical Community College**

T16 **Delaware Technical Community College Entrance Road of West Denney's Road**

Project Outreach - Meetings

- Kent County Levy Court Sewer Advisory Board (1)
- Kent County Levy Court Commissioners Meeting (1)
- City of Dover Management Meeting (1)
- Project Outreach Workshops (2)
- City of Dover Council Committee of the Whole (1)



Project Outreach - Notifications

- Kent County Levy Court Press Releases
- Kent County Levy Court Social Media
  - Facebook (2 accounts)
  - Twitter
  - Next Door
- US 13 Construction Project Coordination
  - DelDOT Sidewalk project
  - City of Dover Electric light upgrade project
  - Capital Station commercial development project
  - Commercial development project (Kings Highway & Maple Parkway)

Project Outreach - Notifications

- Advanced general project notices
  - Door to door – hand delivered
    - ❖Businesses (250)
    - ❖Residential (150)
- Direct management contact
  - Schools (4)
  - Churches (2)
  - Multi-Family Developments (5)
  - Hotels (14)
  - Businesses (12)



Project Outreach - Notifications

- **07-01-2019 Notification / Garden Lane Closure**
  - Advanced door to door notice – hand delivered in area
  - Email notification subscription group
  - City of Dover
    - City Manager
    - Public Works
    - Electric
    - Planning and Inspections
  - Kent County Department of Public Safety
  - State of Delaware Transportation Management Center (TMC)



Project Outreach - Notifications

- **07-08-2019 Notification / Project Start – Temporary Traffic Disruptions Phase 1A**
  - Email notification subscription group
  - Press release
  - City of Dover
    - City Manager
    - Public Works
    - Electric
    - Planning and Inspections
  - Kent County Department of Public Safety
  - State of Delaware Transportation Management Center (TMC)



Project Outreach - Services

- County Website Information Portal
  - New project page created
  - Direct link to information
    http://www.co.kent.de.us/sewerproject/
  - QR Code established

Project Outreach - Services

- Website Project Page
  - Project Information
  - Project Area/Map
  - **Notifications**
    - Up to date project notifications
    - Press Releases
    - Monthly Reports
  - DelDOT traffic camera link
  - Project Point of Contact

Project Outreach - Services

- Dedicated ongoing communication services
  - Email subscription notifications
  - Project phone line: (302) 318-1139
  - Project email address: **project.outreach@kci.com**



Questions / Comments



Debbie Pfeil

Outreach Project Manager

Sr. Project Manager/Planning Manager

(302) 318-1133

debbie.pfeil@kci.com



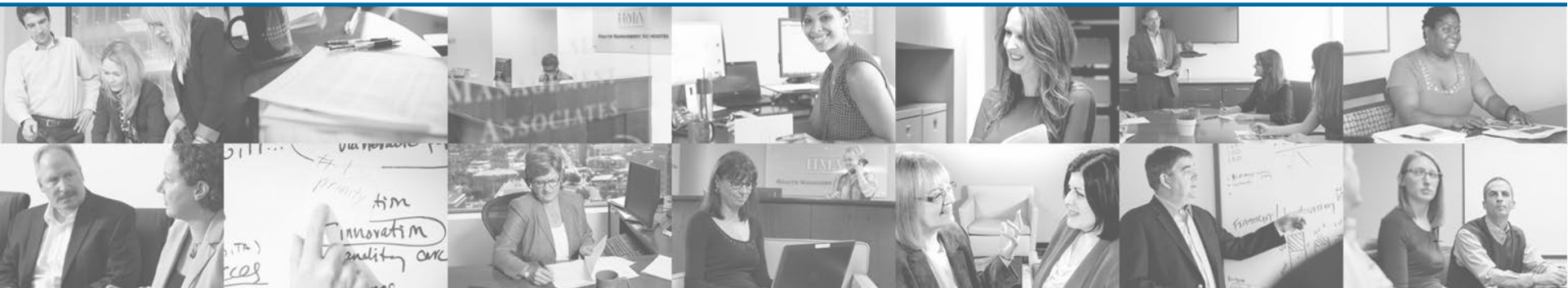
ATTACHMENT #2
Council Committee of the Whole Meeting of 07/09/2019

HEALTH MANAGEMENT ASSOCIATES

Kristan McIntosh

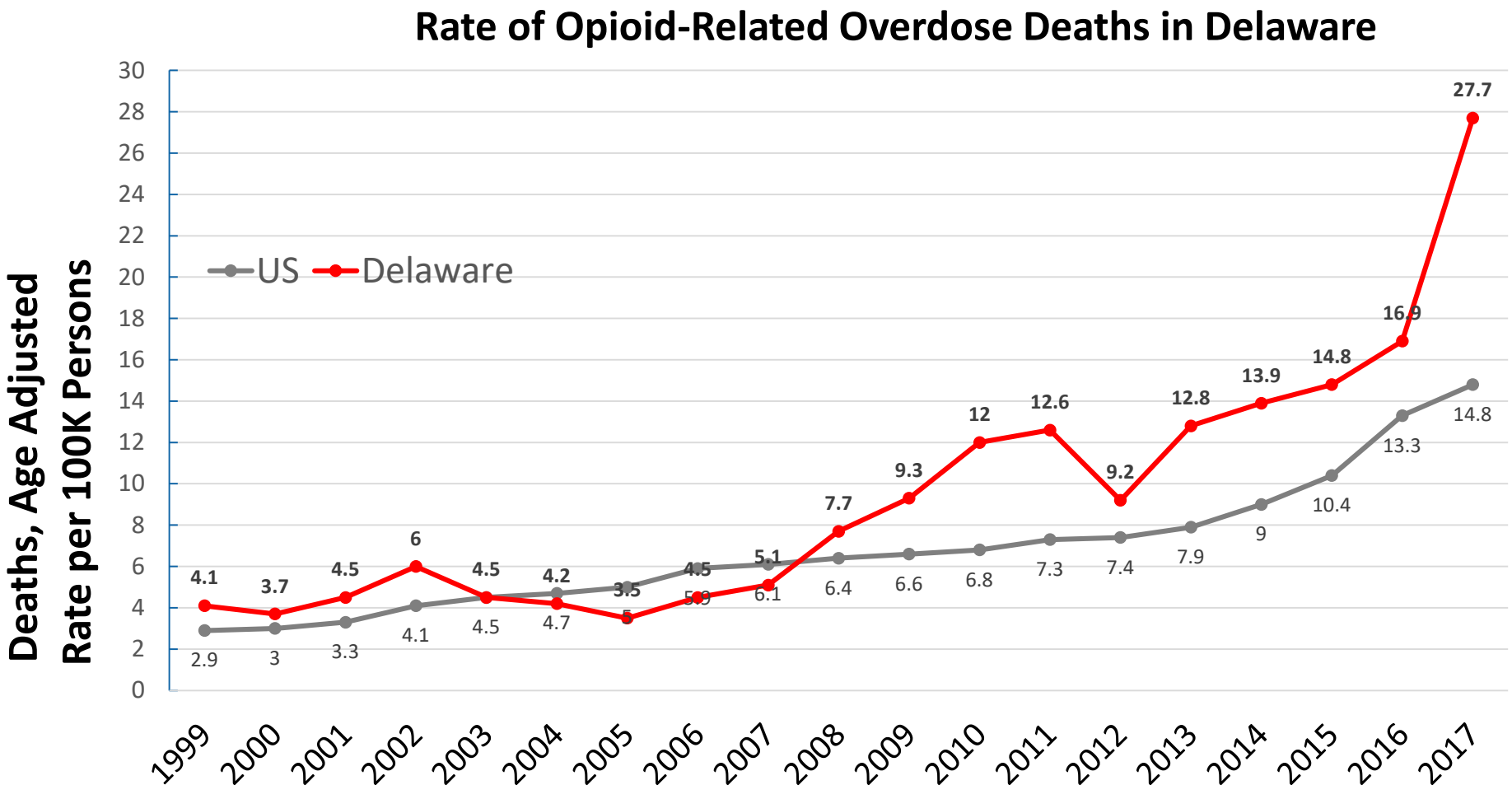
Parks, Recreation, and Community Enhancement Committee Meeting

Opioid Overdose Community Response Teams



- Review Opioid Overdose Crisis in Delaware
- Discuss Division of Public Health Opioid Overdose System of Care
- Review Opioid Overdose Crisis Response Team Structure in Kent County
- **WE NEED YOUR HELP!**

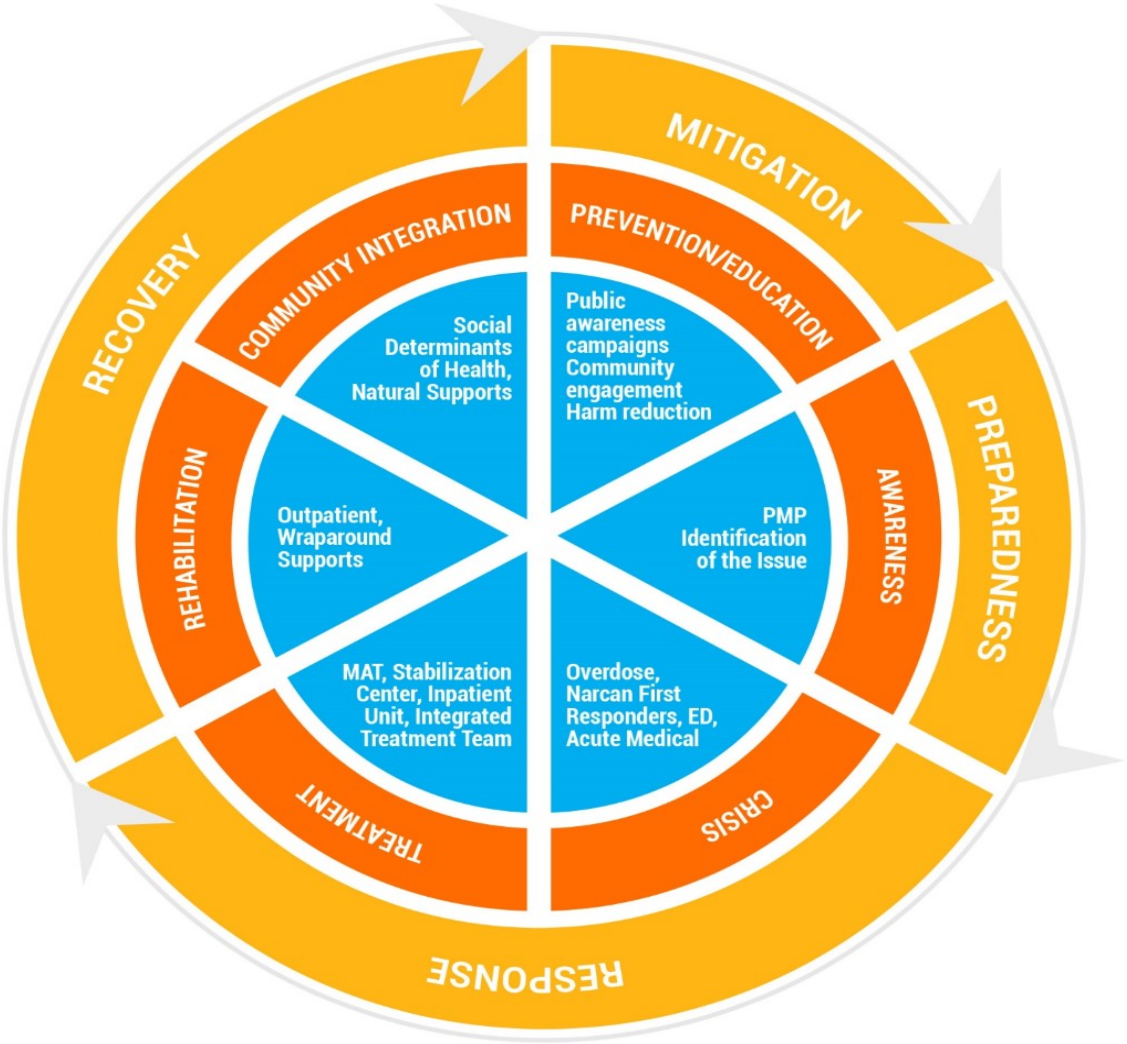
THE OPIOID OVERDOSE MORTALITY CRISIS IN DELAWARE



Source: CDC WONDER

THE OPIOID OVERDOSE MORTALITY CRISIS IN DELAWARE

State	2016 Rate	2017 Rate	% Change	2016 Rank	2017 Rank
WV	52	57.8	11.15%	1	1
OH	39.1	46.3	18.41%	2	2
PA	37.9	44.3	16.89%	5	3
DC	*38.8*	*44*	*13.40%*	*4*	*4*
KY	33.5	37.2	11.04%	6	5
DE	**30.8**	**37**	**20.13%**	**9**	**6**
NH	39	37	-5.13%	3	6
MD	33.2	36.3	9.34%	7	8
ME	28.7	34.4	19.86%	11	9
MA	33	31.8	-3.64%	8	10
RI	30.8	31	0.65%	9	11

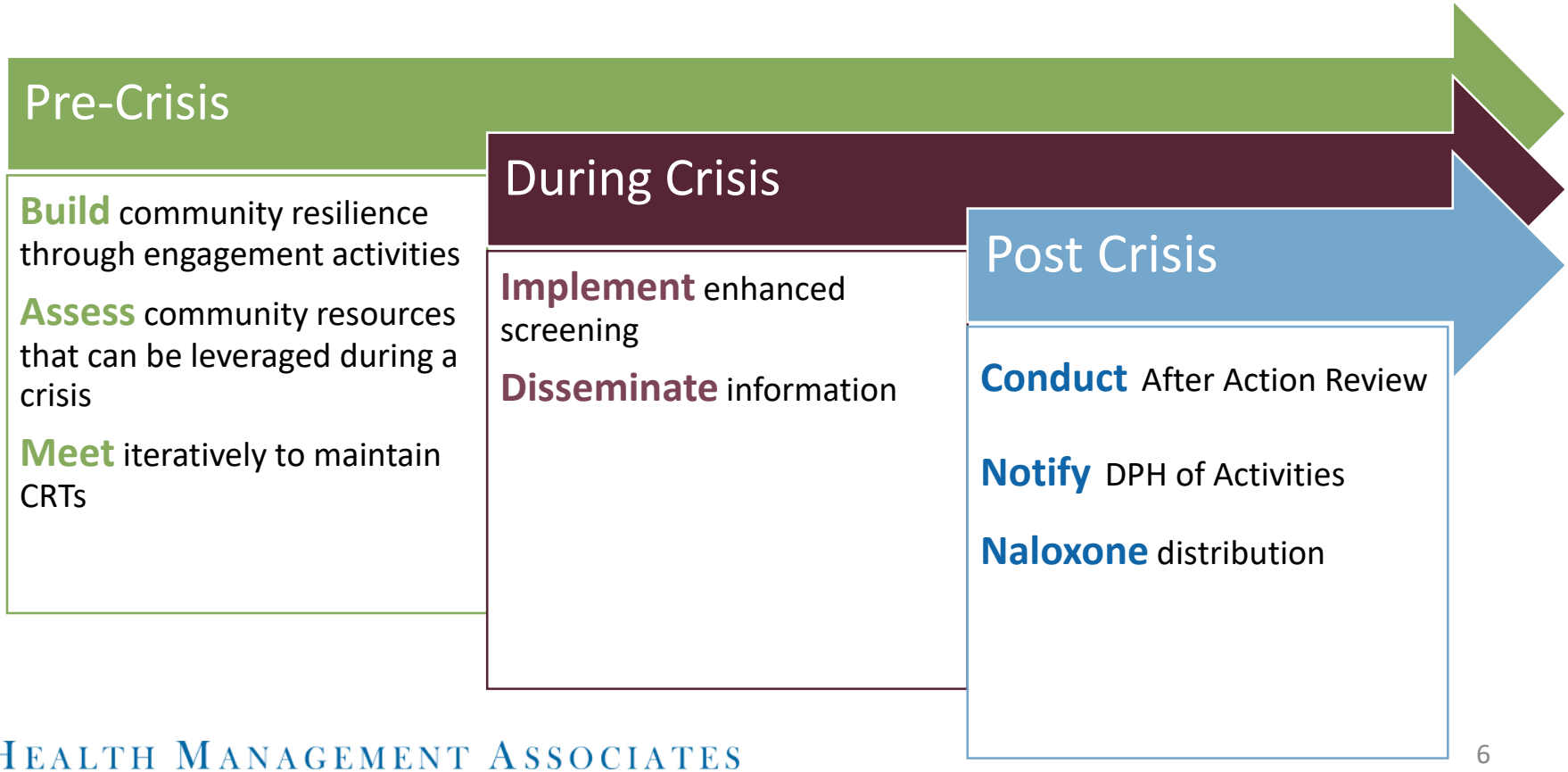


System of Care Goals

- Decrease the incidence and severity of opioid addiction.
- Ensure optimal, equitable, and accessible care for all.
- Prevent unnecessary deaths and disabilities.
- Contain costs while enhancing efficiency.
- Implement quality and performance improvement of opioid addiction care throughout the system.
- Ensure designated facilities have appropriate resources to meet the needs of patients

Definition: Grassroots hyper-local community advocates who marshal resources in real-time during an opioid overdose crisis

What is a crisis? A rapid increase in the number of opioid overdoses and/or a substantial disruption in the supply of illicit opioids



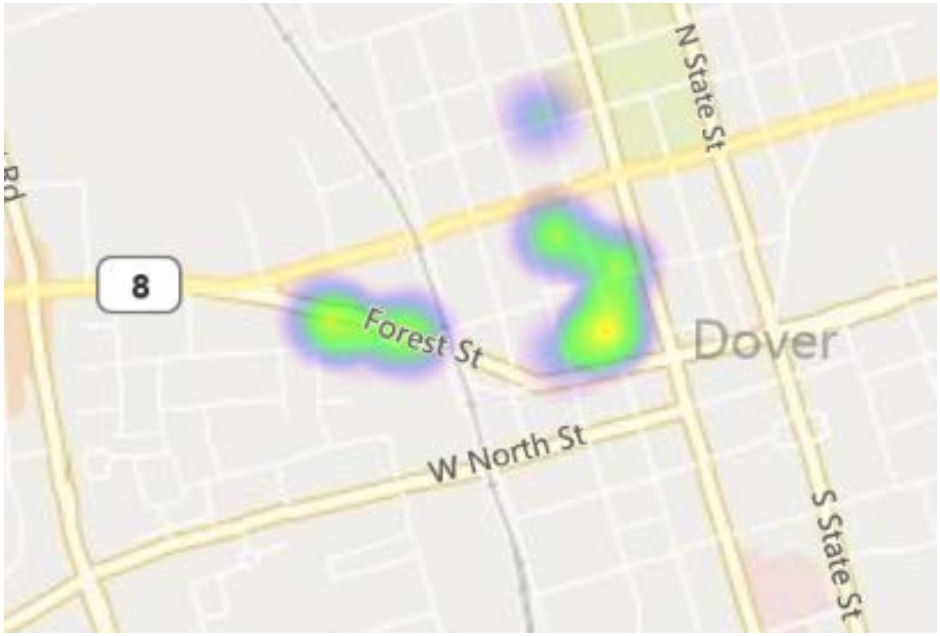
1. **Prevention:** The capabilities necessary to avoid an opioid overdose crisis.

2. **Protection:** The capabilities necessary to protect communities from the negative public health impact associated with an opioid overdose crisis.

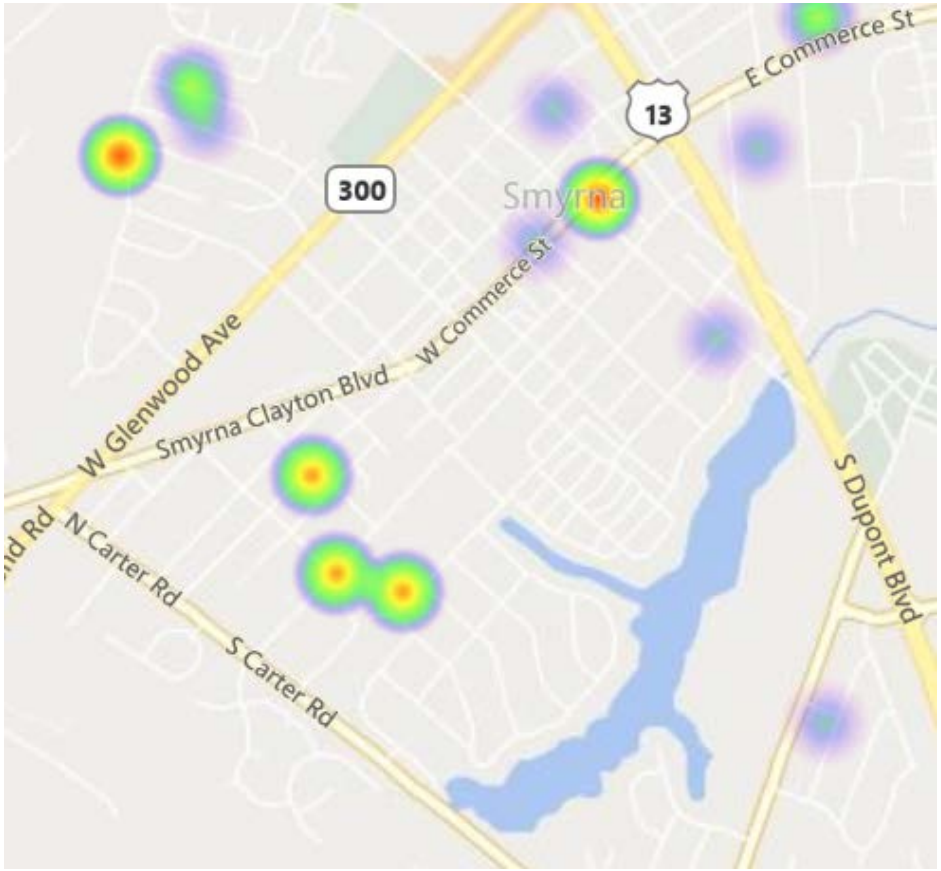
3. **Mitigation:** The capabilities necessary to reduce loss of life and property by lessening the impact of an overdose crisis.

4. **Response**: The capabilities necessary to save lives, protect property and the environment,
and meet basic human needs after an overdose crisis has occurred.

5. **Recovery:** The capabilities necessary to assist communities affected by an opioid overdose crisis to recover effectively.



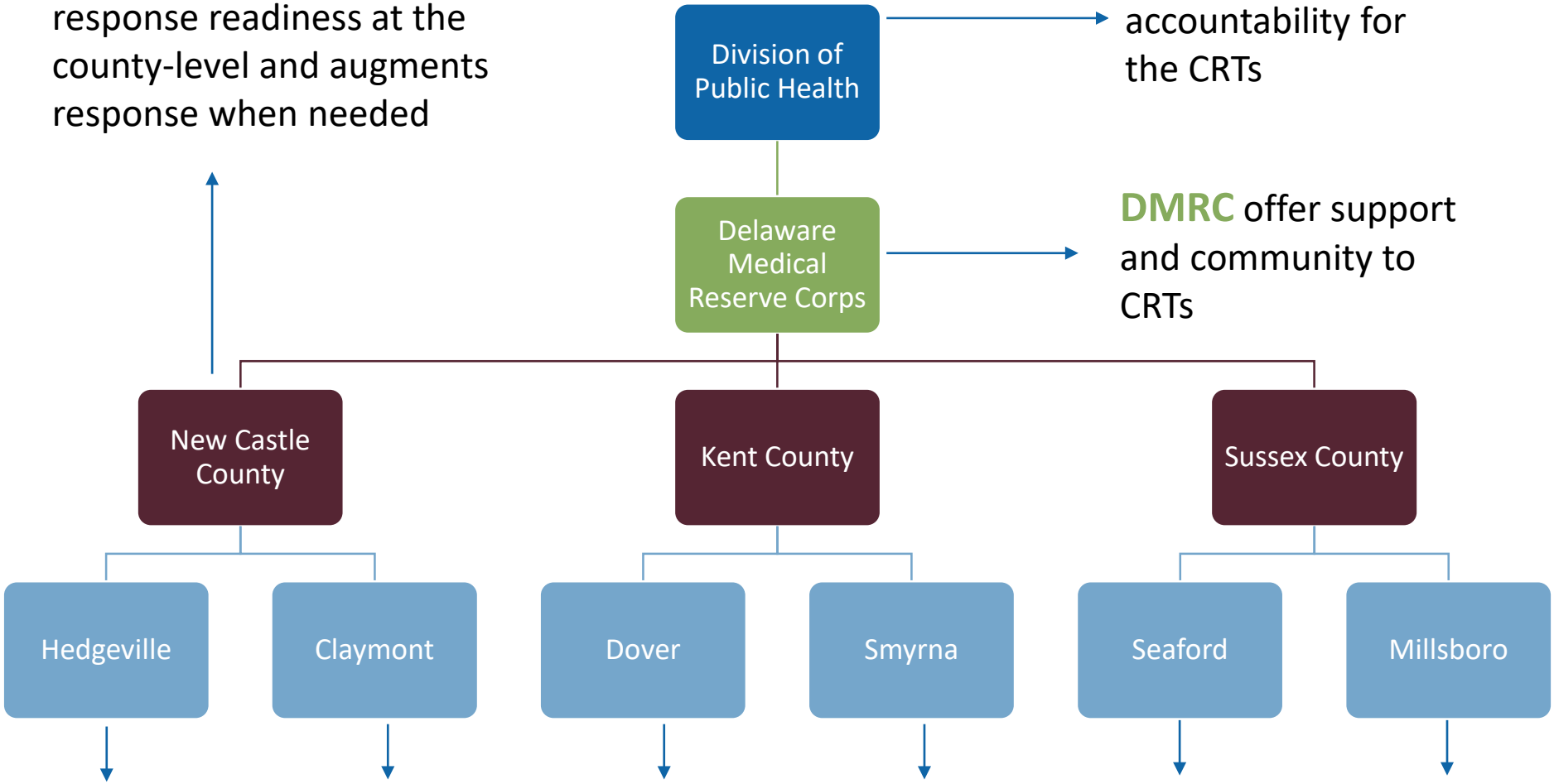
Dover Local CRT Boundaries
North of W. North St.
South of Division St.
East of Saulsbury Rd.
West of State St.



Smyrna Local CRT Boundaries
Northeast of Carter Rd.
Southeast of Glenwood Ave.
West of Dupont Blvd.

CRT INFRASTRUCTURE

Lead CRTs ensure response readiness at the county-level and augments response when needed



DPH has ultimate accountability for the CRTs

DMRC offer support and community to CRTs

Local CRTs conduct community engagement and marshal resources during a crisis

CRT INFRASTRUCTURE

Each entity who participates on the CRT will have a **defined role** that is outlined as part of the **Kent County CRT Response Plan**

Entity	Possible Role(s)
DPH	• Identify and validate each opioid-related sentinel event using data • Coordinate with CRT stakeholders to implement CRT Action Plan • Ensure sufficient resources are available to CRT stakeholders
First Responders	• Operate under standard protocols to prevent overdose fatalities • Carry additional Naloxone and resource cards during an overdose spike • Report unusual symptoms to DPH
Hospital EDs	• Identify staff that are responsible for educating patients who experienced an overdose at discharge • Deploy discharge protocols to expedite connections to treatment services
SUD Treatment Providers	• Communicate with existing and former clients during a spike through a variety of information sharing channels • If trained as a trainer in Naloxone Administration, provide Naloxone training and kits to patients and their families
Community Groups	• Use existing relationships and presence in the community to share information about the increased risk of overdoses and local resources • If trained as a trainer in Naloxone administration, train individuals who are at risk and their families to administer Naloxone

- First CRT Planning Meetings held with interested stakeholders in June
- In Kent County, 21 stakeholders attended making up a diverse range of entities
- Lots of key takeaways from the discussion, including:
  - A focus on acting immediately
  - Great interest in being trained to administer naloxone and/or become a train the trainer
  - Heavy focus on communication of opioid related sentinel events across the community



WE NEED YOUR HELP

DPH and HMA are seeking compassionate community-minded individuals to serve on our Local CRTs

Qualifications

- Live or work in- or adjacent to the local CRT boundaries
- Able to commit 8-12 hours of volunteer hours annually
- Oriented or willing to be trained on the status of opioid overdoses in the community
- Be a community ambassador for CRT efforts
- Attend virtual and in person trainings and meetings as needed

Contact us if you would like to join a CRT or if you have any questions!



Kristan McIntosh| Senior Consultant | New York, NY

- Kent County Lead, Crisis Response Team
- (646) 590-0238 | kmcintosh@healthmanagement.com



Liddy Garcia Bunuel | Principal | Washington, DC

- Sussex County Lead, Crisis Response Team
- (410) 924-9435 | lgarciabunuel@healthmanagement.com



Xavior Robinson | Senior Consultant | Washington, DC

- New Castle County Lead, Crisis Response Team
- (202) 516-4481 | xrobinson@healthmanagement.com

SOCIAL ACTION COMMITTEE
Of the
INTERDENOMINATIONAL
MINISTERIAL ALLIANCE
(IMA) Of
DOVER AND VICINITY
DOVER PARK SURVEY PRESENTATION
For
CITY OF DOVER PARKS, RECREATIONAL and
COMMUNITY
ENHANCEMENT COMITTEE
JULY 9, 2019

The Social Action Committee of the IMA of Dover and Vicinity administered Community Surveys from February 21 – May 22, 2019 for the purpose of determining the interest of the community in having a recreational facility built as well as the programs and services desired.

Four Formal Meetings Were Held in the East Dover Area:

1. **February 21- White Oak-Town Point Civic Association meeting. A total of 6 surveys were completed.**

2. **April 11- Dover Housing Authority (Afternoon and Evening) A total of 2 meetings were held, and 12 surveys were completed.**
3. **May 14- Transformation AME Zion Church/A total of 6 surveys were completed.**

Others Completing the Survey

Surveys were also administered to people at the Dover Park, employees at Head Start Telamon Corporation-Willis Road location and the Dover Educational and Community Center.

Also Completing surveys were people attending a Human Trafficking Workshop at Delaware State University, local clergy and individual residents throughout the community.

RESULTS OF

2019 Community Survey for White Oak/Dover Recreational Park and Facility

A total of 102 surveys were completed and returned to the IMA Social Action Committee.

- **40 completed had East Dover Addresses.**
- **2 had Capital Green Addresses**
- **1 had a Capitol Park Address**
- **43 were from residents throughout Dover with 19901 and 19904 zip codes.**
- **2 completed with no address**
- **4 were residents from Camden**
- **1 completed with a Houston, DE address**
- **1 completed with a Smyrna address**
- **3 had Felton addresses**
- **1 had a Frederica address**
- **4 had Magnolia addresses**

The Following are the Top Five Programs Those Surveyed Would Like to See Offered:

Alcohol & Drug Prevention
Family Counseling
Open Area for Community Meetings/Events
Gang Prevention
Domestic Violence

The Following are the Top 7 Activities Those Surveyed Would Like to See Offered:

Summer Camp
Fitness/Zumba
Learn to Swim
Day Trips
Teen Night
Dance Classes
Gymnasium

A total of 5 of the 14 non Dover residents completing the survey were utilizing the Dover Park and the remaining 9 were at the Human Trafficking Workshop at Delaware State University.

The 5 non Dover residents completing the survey in the Dover Park proves that the park services residents living in and outside of Dover.

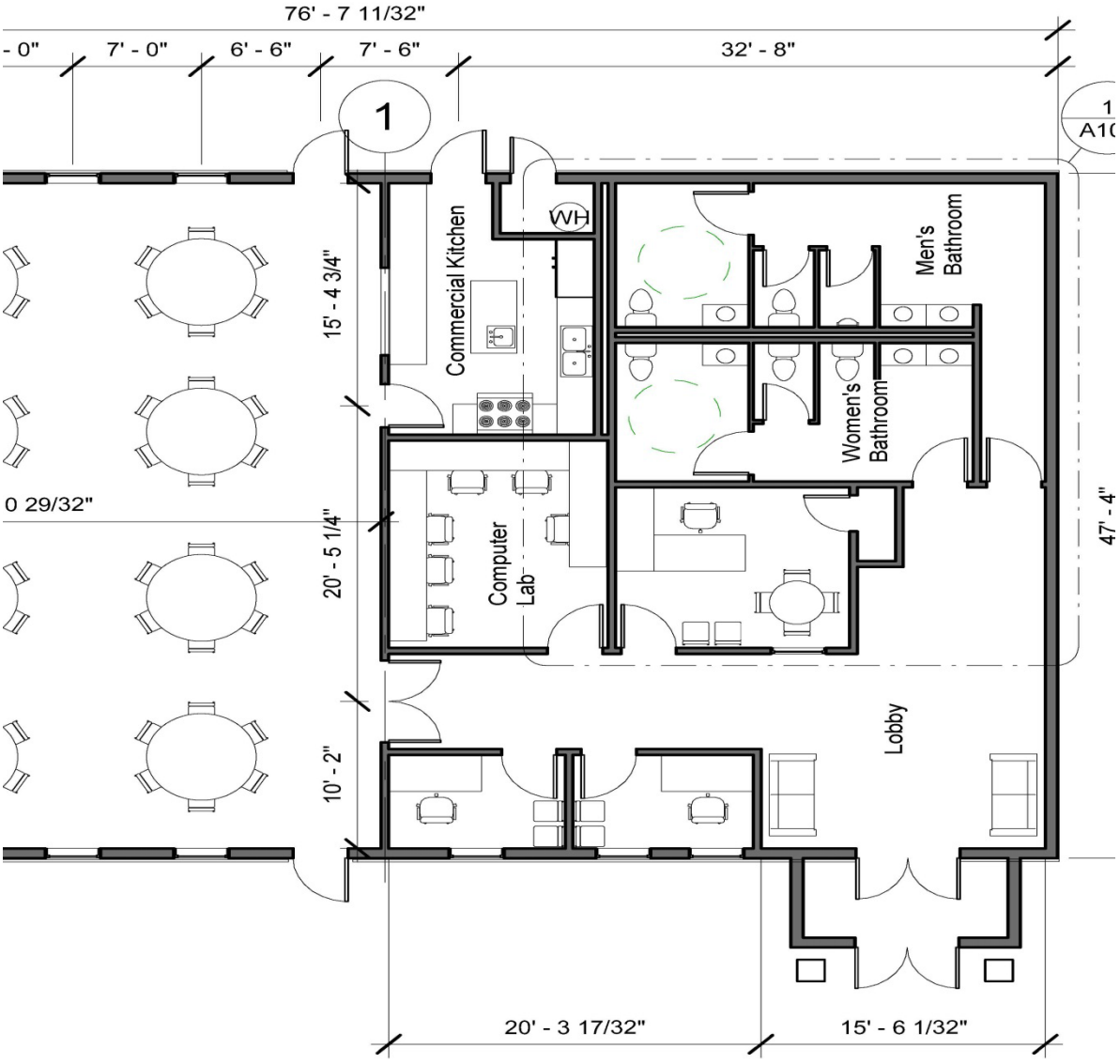
Other Program and Activity Interests Listed Were:

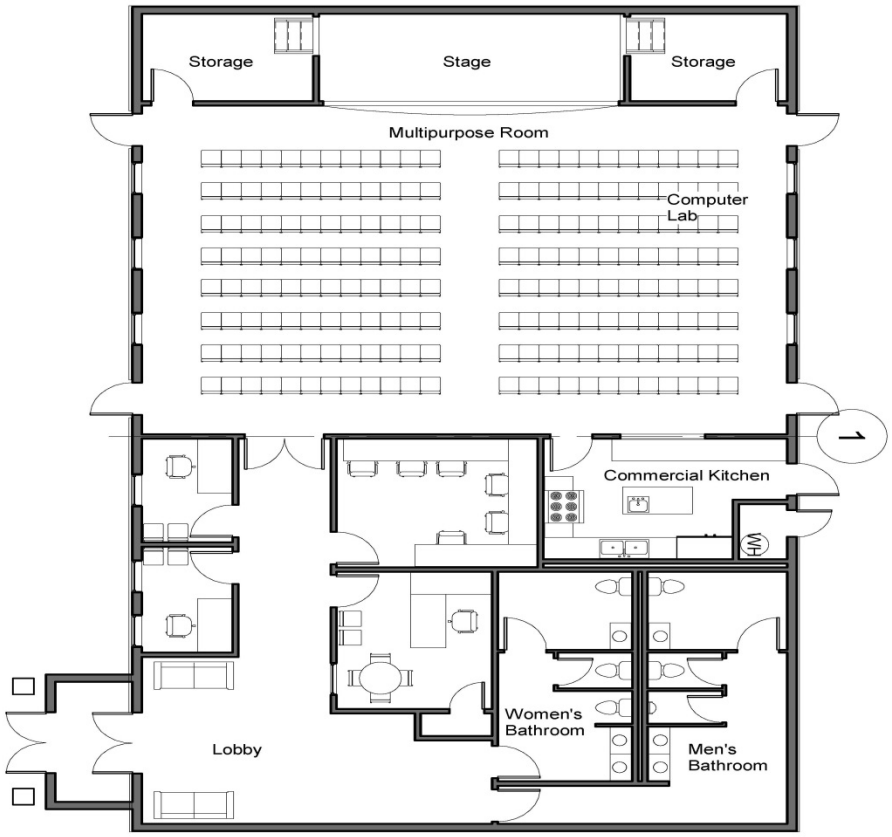
Basketball, Police satellite office, training for trades, cooking classes, women's workshops, mentoring, money management, family wellness, volleyball, voter registration, Boys & Girls Club, Play Ground, College Prep Information, Military Information, Pickle ball (singles &doubles), Adult Night, Arts & Crafts, board games, Black History programs, Legal Aid, building strong men and women workshops, building strong families, reading programs, bullying workshops, mental health, swimming classes, horseback riding, tennis, social skills, hospitality skills, soccer, football, swing sets, yoga and meditation for young people, tennis, child abuse workshops, sewing classes, cultural events, emotional intelligence, restorative justice, parents night out, programs to help immigrants filling out their VISS application and other court paperwork, etiquette and personal management for youth.

Recommendations

The IMA Social Action Committee recommends that a community partnership be organized by the Social Action Committee consisting of the faith based community, the City of Dover Police Department, and other appropriate representation from the City, the appropriate State of De representation, Major Rundle from the DAFB, Delaware State University and other educational institutions, young people, community residents, sororities, fraternities, the Masons, Links, other civic and community organizations and others desiring to be a part.

The purpose would be to collaboratively raise money to build a facility to house many of the programs and services desired by the community residents completing the survey. We are also proposing management to be the responsibility of the partnership.


76' - 7 11/32"
- 0"
7' - 0"
6' - 6"
7' - 6"
32' - 8"
1
A10
Commercial Kitchen
WH
Men's Bathroom
Women's Bathroom
Computer Lab
Lobby
15' - 4 3/4"
20' - 5 1/4"
10' - 2"
0 29/32"
47' - 4"
20' - 3 17/32"
15' - 6 1/32"



3600 Square Feet
Multipurpose Room
192 Chairs

AUTODESK.

WWW.REVRJCHANDLER.COM

Preliminary Schematic Drawings

Rev. Rita

Community

Plan with Chairs

Project number	GM 1
Date	7/1/2018
Drawn by	Dr. R.J. Chandler Sr.
Checked by	Dr. R.J. Chandler Sr.
Scale	1" = 10'-0"

A101.1

7/3/2019 4:17:30 PM



1 Wright Park



2 Wright Park



3 Wright Park



4 Wright Park



5 Wright Park



6 Wright Park



7 Wright Park



8 Wright Park

State Lodging Taxes

1/28/2019

Specific Statewide Taxes on Lodging – By State

The following table contains state lodging tax rates. Please keep in mind that these taxes are often levied in addition to local lodging and/or sales taxes.

Contact: Jackson Brainerd

State Lodging Tax Rates

State	Sales Tax	Lodging Tax	Total State Tax
Alabama	N/A	4.0% [1]	4.0%
Alaska	No state sales tax	N/A	None
Arizona	N/A	5.5%	5.5%
Arkansas	6.5%	2.0%	8.5%
California	N/A	N/A	None
Colorado	2.9%	N/A	2.9%
*Connecticut	N/A	15.0%	15.0%
*Delaware	No state sales tax	8.0%	8.0%
Florida	6.0%	N/A	6.0%
Georgia	4.0%	5$ fee per room	4.0%
*Hawaii	4.0%	10.25%	14.25%

State	Sales Tax	Lodging Tax	Total State Tax
Idaho	6.0%	2.0%	8.0%
Illinois	N/A	6.0%	6.0%
Indiana	7.0%	N/A	7.0%
Iowa	N/A	5.0%	5.0%
Kansas	6.5%	N/A [2]	6.5%
Kentucky	6.0%	1.0%	7.0%
Louisiana	4.45%	N/A	4.45%
*Maine	N/A	9.0%	9.0%
Maryland	6.0%	N/A	6.0%
Massachusetts	N/A	5.7%	5.7%
Michigan	6.0%	6.0% [3]	12.0%
Minnesota	6.875%	N/A	6.875%
Mississippi	7.0%	N/A	7.0%
Missouri	4.225%	N/A	4.225%
Montana	3.0% [4]	4.0%	7.0%
Nebraska	5.5%	1.0%	6.5%
Nevada	N/A	N/A [5]	None
*New Hampshire	No state sales tax	9.0%	9.0%
New Jersey	6.625%	5.0%	11.625%
New Mexico	5.125%	N/A	5.125%
New York	4.0%	N/A	4.0%
North Carolina	4.75%	N/A	4.75%
North Dakota	5.0%	N/A	5.0%
Ohio	5.75%	N/A	5.75%
Oklahoma	4.5%	N/A	4.5%

State	Sales Tax	Lodging Tax	Total State Tax
Oregon	No state sales tax	1.8% [6]	1.8%
Pennsylvania	N/A	6.0%	6.0%
Rhode Island	7.0%	5.0%	12.0%
South Carolina	5.0% [7]	2.0%	7.0%
South Dakota	4.5%	1.5% [8]	6.0%
Tennessee	7.0%	N/A	7.0%
Texas	N/A	6.0%	6.0%
Utah	4.7%	0.32%	5.02%
Vermont	N/A	9.0%	9.0%
Virginia	4.3% [9]	0.0%	4.3%
Washington	6.5%	N/A	6.5%
West Virginia	6%	N/A	6%
Wisconsin	5%	N/A	5%
Wyoming	4%	N/A	4%
District of Columbia	N/A	14.95%	14.95%
Puerto Rico	N/A	9%	9%
Virgin Islands	N/A	12.5%	12.5%

N/A = tax not levied on accommodations

* = no additional local tax on accommodations

[1] State lodging tax rate raised to 5.0% in mountain lakes area.

[2] A state lodging tax is only levied in special statutory designated redevelopment districts at 5.0%.

[3] State levied lodging tax varies. Convention hotels located within a qualified local government unit with 81-160 rooms rate is 3.0% and 6.0% for hotels with more than 160 rooms. All other hotels with 81-160 rooms is 1.5% and 5.0% for hotels with more than 160 rooms.

[4] Specific sales tax levied on accommodations. State has no general sales tax.

[5] Counties must levy a lodging tax of 1% or 2% based on population.

[6] The rate becomes 1.5% after 7/1/2020.

[7] State sales tax on lodging is lowered to 5.0%.

[8] Seasonal (June-September)

[9] An additional 0.7% may be included in the rate in certain planning districts.

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(December, 1992), pp. 433-41

THE IMPACT OF THE HOTEL ROOM TAX: AN INTERRUPTED TIME SERIES APPROACH**

CARL BONHAM, EDWIN FUJII, ERIC IM, AND JAMES MAK*

National Tax Association

ABSTRACT

Travel destinations commonly levy hotel room taxes to finance services demanded by tourists and residents. Evidence to date on the effects of a hotel room tax has centered on ex ante analyses of the incidence of a hotel room tax and its effect on the demand for travel and vacation goods. In this paper we employ interrupted time series analysis to estimate ex post the impact of a hotel room tax on real net hotel revenues by analyzing that time series before and after the imposition of the tax. We find that the tax had a negligible effect on real hotel revenues.

Introduction

TRAVEL destinations commonly levy special tourist taxes to finance public services demanded by tourists and residents. A popular tax is the *ad valorem* hotel room (transient accommodation) occupancy tax, typically assessed as a percentage of the rental price of an occupied hotel room. In 1990, 47 out of 50 states in the U.S. levied taxes on hotel room rentals [Hiemstra and Ismail, (April 1990, p. 4)]. Alaska, California, and Oregon do not levy state taxes on room rentals but permit localities to levy hotel room taxes.

In recent years, rising fiscal responsibilities combined with the growing reluctance of residents to pay higher taxes have induced many state and local governments to enact new taxes or increase rates on existing hotel room taxes. Since 1987, Atlanta raised its hotel room tax from 8 percent to 11 percent, Fort Lauderdale from 7 percent to 9 percent, Portland, Oregon from 6 percent to 9 percent, Dallas from 9 percent to 13 percent, and Columbus, Ohio from 11.5 percent to 15.5 percent.[1] In August 1984, the average hotel room tax rate in 45 U.S. cities with room taxes was about 7 percent (Mak, 1988). A similar survey of 242 U.S. visitor convention bureaus found that the average hotel room tax rate in January 1990 was nearly 10 percent [Hiemstra and Ismail, (1990, p. 4)]. With the enactment of a 5 percent hotel room tax by the State of New York in June 1990, New York City currently has the highest hotel room occupancy tax in the U.S. at 19.25 percent plus $2 on every room priced at $100 or more.[2]

The popularity of the hotel room tax stems from the widely held perception that its burden is largely borne by tourists rather than residents, with little negative impact on industry sales. For example, Combs and Elledge (1979, p. 203) argued, *without empirical evidence*, that the "demand for lodging in a resort [is] inelastic with respect to price," and concluded that "a small *ad valorem* tax imposed on motel rooms and other forms of temporary lodging would have very little impact on the industry and would generate substantial revenue for the local government." Hotel operators, by contrast, generally believe that a hotel room tax harms the industry.[3] However, empirical studies on the impact of the hotel room tax yield contradictory results.[4]

In a previous article in this *journal*, Fujii, Khaled and Mak (1985) estimated the *ex ante* incidence of a *proposed* hotel room tax in Hawaii.[5] We are unaware of any empirical studies that measure the *ex post* effect of the imposition of a hotel room tax. The purpose of this paper is to estimate the impact of the 1987 Hawaii hotel room tax by comparing the *real* net (after tax) rental receipts of hotel operators before and after the imposition of the tax. A novelty of this paper is the use of tax base rather than survey data to measure hotel receipts. We measure the impact of the tax on *real* net hotel rental receipts using in-

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terrupted time series analysis. Our empirical results indicate that the tax reduced *real* net rental receipts by about 1 percent. The coefficient, however, is not significantly different from zero. In sum, the State is able to raise substantial amounts of tax revenue from the new tax without imposing a significant burden on hotel operators.

Taxing Hotel Room Rentals in Hawaii

Act 340 passed by the 1986 Hawaii State Legislature imposes a 5 percent "transient accommodation" tax, commonly called the hotel room tax, on proceeds from the rental of "transient accommodations" beginning January 1, 1987.[6] The tax applies to the gross proceeds from room rentals and includes the hotel tax "visibly passed on and collected." Thus the tax base for the hotel room tax is equal to 1.0525 multiplied by the rental price of the hotel room. The effective tax rate is 5.25 percent of the rental price of the lodging.[7] With exceptions for very small hotel operators, monthly returns and payments are due by the end of the month following the transaction month. The new transient accommodation tax is in addition to the 4 percent sales (i.e., general excise) tax levied on the gross proceeds received by the sellers for all retail transactions, including hotel rentals. Hence, the combined tax on hotel room rentals rose from 4.16 percent to 9.41 percent. Tax collections under the two taxes are displayed in Table 1.

In fiscal year 1990, the State collected $82 million from the transient accommodation tax, making it the third largest source of state government revenues after the general excise tax and the state income tax. An additional $62 million was collected from the general excise tax levied on hotel room rentals.

The Model

The imposition of a hotel room tax creates a wedge between the price of hotel room rentals to consumers and the after-tax price received by hotel operators. Assuming demand and supply remained unchanged, economic theory predicts that the room tax must always increase the (after tax) price of hotel room rentals to consumers and reduce the net price received by hotel operators, except in cases where the elasticity of supply is infinite or the elasticity of demand is zero. Indeed, if the incidence of the room tax falls partly on consumers, higher after-tax prices are likely to decrease the quantity demanded for lodging and the net revenues of hotel operators.

Our model treats the imposition of the new transient accommodation tax as a quasi-experiment and measures its effect using an interrupted time series model.[8] The imposition of a transient accommodation tax in January 1987 breaks the time series for real after-tax hotel rental receipts into two discrete segments. The null hypothesis is that the new tax had no significant effect on real net hotel rental receipts. We use *monthly* data on the natural log of *real* after-tax hotel rental revenues (lnHR) constructed from the general excise tax base data on hotel receipts.[9] The data span the period from January 1980 to March 1990 (see Figure 1). We began the series in January 1980 to exclude the potential effects of the (1979) second oil crisis on travel and terminated the time series just prior to Iraq's invasion of Kuwait.

An additional exogenous event was relevant to the empirical analysis. In September 1985, the Group of Five Nations (the U.S., Great Britain, France, Germany, and Japan) agreed to intervene in foreign exchange markets to bring about a depreciation of the dollar relative to other currencies. The Plaza Agreement, as this intervention is referred to, attempted to correct for the appreciation of the dollar relative to other major currencies over the period 1981–1985 (see Yarbrough and Yarbrough, 1988, p. 437). Since demand for travel is highly sensitive to exchange rate fluctuations (see e.g., Gray 1966, and Loeb 1982), the depreciation of the dollar subsequent to the agreement is expected to have a significant impact on foreign travel to Hawaii. Japanese visitors, for example, comprise the second

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TABLE 1
TAX COLLECTIONS FROM HOTELS AND TRANSIENT ACCOMMODATIONS
(in thousands of dollars)

Fiscal Year	General Excise Tax	Hotel Room Tax	Total
1987	$49,919	$23,510	$ 73,429
1988	$56,612	$62,279	$123,951
1989	$57,608	$75,973	$133,581
1990	$61,931	$82,438	$144,369

Source: State of Hawaii, Department of Taxation, *Annual Report, 1987-1988, 1988-1989, and 1989-1990.*

Notes: The fiscal year runs from July 1 to June 30. Thus for fiscal year 1987, the transient accommodation tax was in effect for only 6 months. In that year transient accommodation tax collections were less than half of the general excise tax collections on hotel rentals; this is explained by the lag in getting operators to register for the new tax. As of June 1987, there were 8,619 filers for the transient accommodation tax. In June 1988, there were 10,770 filers.

largest group of Hawaii tourists. The yen/dollar exchange rate fell from 237 yen per dollar in August 1985 to 127 yen per dollar three years later, cutting almost in half the yen price of vacations in Hawaii. Between 1985 and 1990 the Japanese share of total Hawaii visitor traffic rose from 14.5 percent to 20.7 percent.[10] Similarly, the share of total foreign visitors rose from 29.5 percent to 36.4 percent.[11] To capture the separate effects of the Plaza Agreement in 1985 and the imposition of the hotel room tax in Hawaii in 1987 we used two policy dummies: one for the exchange rate adjustment and the other for the implementation of the hotel room tax.

Intuitively, intervention analysis can be thought of as a two-step process. First we identify an ARIMA noise model for the real revenue series prior to the Plaza Agreement and the imposition of the hotel room tax. This identified model is then reestimated using the full sample and the residuals are analyzed for systematic components. If the model identified for the pre-intervention sample produces random residuals when estimated over the full sample, there is no systematic effect from either policy change. Note that the validity of this approach requires a well-specified noise model for the preintervention period to eliminate systematic components in the residual series that might be mistaken for tax effects. The attraction of the time series approach is that it provides a parsimonious representation of the real revenue series in terms of its own past.

An alternative approach would be to estimate a reduced form equation for the real revenue series with the appropriate economic explanatory variables. A dummy variable would then be used to capture the effect of a policy change.[12] Such a model would, however, require deseasonalized-monthly data on a long list of variables (e.g., airfares, incomes, hotel room rates, prices of other vacation goods, competing destination prices, exchange rates, tourist taxes, etc.), not all of which are readily available.

While the time series approach does not offer a structural explanation for the behavior of the real revenue series, it does allow us to identify systematic changes in the stochastic process generating the revenue series before and after the imposition of the tax. The appropriateness of this approach is illustrated by the stability of the empirical results reported below. The noise model identified in the pre-intervention period fits the data remarkably well before and after the imposition of the tax.

Our model is described as follows:

$$\ln HR_t = N_t + \Sigma f_j(I_{j,t}) \quad (1)$$

where

$\ln HR_t$ = ln(real net after tax hotel receipts)

N_t = the "noise" component of the ARIMA structure

$f_j(I_{j,t})$ = the transfer function capturing the effect of the discrete interventions (j = 1,2)

$$I_{j,t} = \begin{cases} \text{j = 1: 1 since September 1985 (exchange rate adjustment)} \\ \quad\quad 0 \text{ otherwise} \\ \\ \text{j = 2: 1 since January 1987 (hotel room tax)} \\ \quad\quad 0 \text{ otherwise} \end{cases}$$

The *pre-intervention* series is driven entirely by N_t and is assumed to take the form of the following ARIMA model:

$$N_t = \mu + \frac{\theta_q(B) \cdot \Theta_Q(B^s)}{\phi_p(B) \cdot \Phi_P(B^s)(1 - B)^{\lambda_1}(1 - B^s)^{\lambda_2}} e_t \quad (2)$$

where

μ = mean of N_t

$\phi_p(B) = 1 - \Sigma \phi_i B^i$ (i = 1,2,...,p)

$\Phi_P(B^s) = 1 - \Sigma \Phi_{is} B^{is}$ (i = 1,2,...,P)

$\theta_q(B) = 1 - \Sigma \theta_i B^i$ (i = 1,2,...,q)

$\Theta_Q(B^s) = 1 - \Sigma \Theta_{is} B^{is}$ (i = 1,2,...,Q)

are the autoregressive, seasonal autoregressive, moving average, and seasonal moving average polynomials in the back shift operator B of order p, P, q, and Q, respectively. (1 -- B) and (1 − B^s) are the reverse difference and seasonal difference operators, respectively. The parameters λ_1 and λ_2 are binary variables. If the series is first order integrated, λ_1 = 1 and 0 otherwise; if the series is first order seasonally integrated, λ_2 = 1 and 0 otherwise. The innovation series e_t is independently and identically distributed with zero mean.

The transfer function for each intervention is described as:

$$f(I_t) = \frac{\omega_h(B)}{\delta_m(B)}(1 - B)^D B^k I_t \quad (3)$$

where

$\delta_m(B) = 1 - \Sigma \delta_i B^i$ (i = 1,2,...,m)

$$D = \begin{cases} 0 \text{ if the impact is permanent} \\ 1 \text{ if the impact is transitory} \end{cases}$$

$\omega_h(B) = \Sigma \omega_i B^i$ (i = 0,1,...,h)

k = number of periods by which the initial impact lags behind the intervention point.

The path of $f(I_t)$ is determined by $\delta_m(B)$. The permanent impact converges to $\omega_h(1)/\delta_m(1)$. The degrees of polynomials in B, m and h, are empirically determined.[13]

Empirical Results

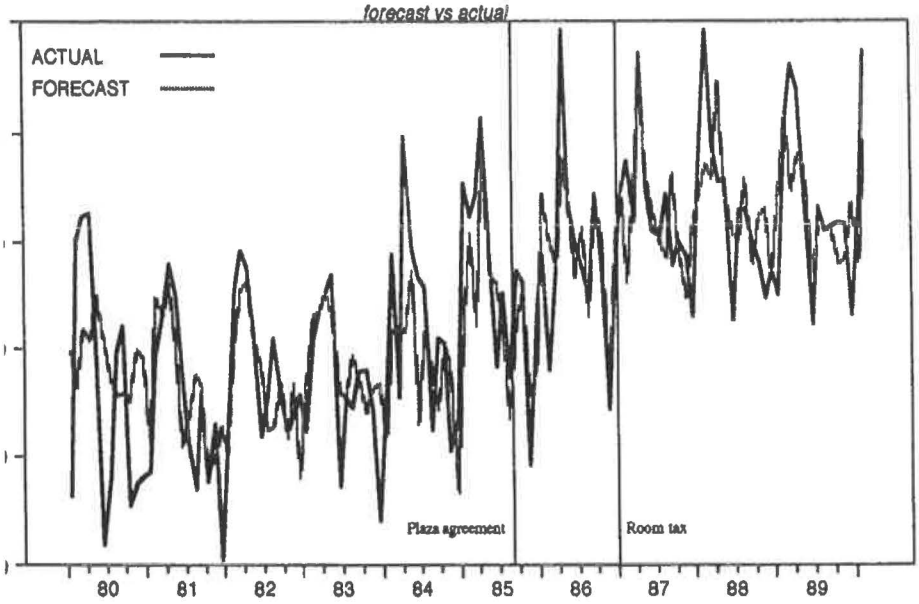
The model is initially fit over the pre-intervention series, 1980:1–1985:8 (i.e., before the Plaza Agreement (1985:9) and the hotel room tax (1987:1)) to identify the ARIMA structure underlying the time series. A series of diagnostic checks is performed using the estimated autocorrelation and partial autocorrelation functions. The appropriate ARIMA structure is selected using the rule of parsimony. The ARIMA structure identified from the *pre-intervention* sample is:

$$\ln HR_t = N_t = \mu + \frac{1 - \theta_9 B^9}{(1 - \phi_1 B)(1 - \Phi_{12})B^{12}} e_t \quad (4)$$

Parameter estimates are reported in the first column of Table 2.[14] The Q statistic fails to reject the null hypothesis that e_t is serially uncorrelated. Thus, we assume that the identified ARIMA structure is appropriate. It is noteworthy that the two sets of estimated parameters of the ARIMA structure in Table 2 are not statistically different from each other pairwise, with each parameter estimate within the other's 95 percent confidence interval. A comparison of forecast and actual real net hotel receipts generated by the model is displayed in Figure 1.

To estimate the impact of the imposition of the hotel room tax, we impose the pre-identified ARIMA structure on the entire sample along with transfer functions for the Plaza Accord and the hotel room tax. The *complete model* with the

FIGURE 1
REAL HOTEL RENTAL REVENUE IN LOGARITHMS



ntified transfer functions has the fol-
ing form:

$$HR_t = N_t + \frac{\omega_{1,0}}{(1 - \delta_{1,1}B)} I_{1,t-2} + \omega_{2,0} \cdot I_{2,t}. \quad (5)$$

The ARIMA model estimated for the full
nple with the two policy dummies in-
ded is reported in the last column of
ble 2. The ARIMA structure identified
r the *pre-intervention* period is very
ble throughout the full sample period,
licating that the two transfer functions
equately explain the change in the time
ies during the post-intervention pe-
d. Our results illustrate the separate
cts of the two dummy variables on real
er-tax hotel rental receipts.[15] Note that
coefficient of the Plaza Agreement, ω_{10}
0.021, is positive and significant (at 5
rcent one-tail test) as expected, indi-
ing that the depreciation of the dollar
bsequent to the Plaza Agreement had a
nificant positive impact on travel to
waii. Exchange rate adjustments in-
ased real hotel revenues in Hawaii by 2 percent initially, with a total long run increase of 28.5 percent.

More importantly, our results show that real after-tax hotel room receipts declined by approximately one percent as a result of the imposition of the room tax in 1987. However, the coefficient of the hotel tax dummy, $\omega_{2,0}$, is not significantly different from zero. In sum, the hotel room tax had a negligible impact on the real room receipts of hotel operators.[16]

Our results suggest that the hotel room tax is almost fully shifted forward to tourists (i.e., the price to buyers rose by the full amount of the tax) with no significant revenue loss to hotel operators. Thus, the demand for hotel lodging may be close to perfectly inelastic. This is further supported by examining data on real hotel room rates displayed in Figure 2.[17] Figure 2 shows no sharp decline in the trend of the room rate series before and after the room tax was imposed, indicating that hotel operators were able to shift virtually the entire tax on to consumers. The shifting is more extensive than predicted by the earlier work of Fujii, Khaled, and Mak (1985) for Hawaii which suggested

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TABLE 2
PARAMETER ESTIMATES

Parameters	Pre-Intervention Sample (80:1-85:8)	Full Sample (80:1 - 90:3)
μ	6.59611	6.59602
	(109.29)	(123.56)
θ_9	-0.25125	-0.25396
	(2.12)	(2.86)
ϕ_1	0.33921	0.24479
	(3.02)	(2.76)
$\phi_{1,2}$	0.59489	0.64330
	(5.72)	(8.91)
$\omega_{1,0}$		0.02105
		(1.78)
$\delta_{1,1}$		0.92623
		(16.47)
$\omega_{2,0}$		-0.00944
		(0.13)
Q(24)	21.90	24.98

Notes: Absolute t statistics are reported in parentheses below each coefficient.
Q(24) is the Ljung-Box Q statistic for the null hypothesis that the first 24 residual autocorrelations are equal to zero. The Q statistic is distributed as a chi-squared statistic with 24-k degrees of freedom, where k is the number of estimated parameters.

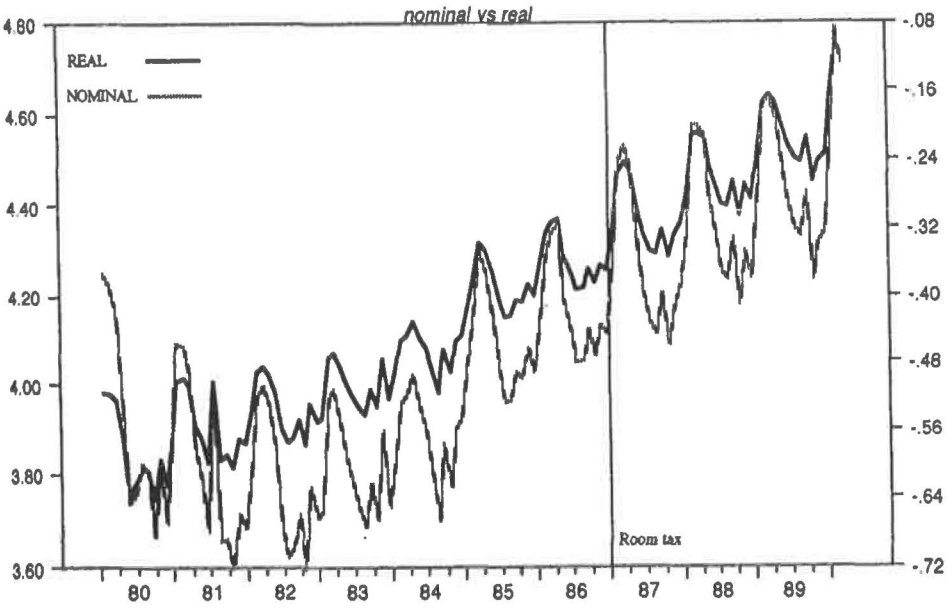
ex ante that about two-thirds of the tax would be shifted to tourists with a moderately large negative impact on hotel rental receipts. The results are closer to the predictions of Combs and Elledge (1979) who argued that because the demand for lodging is likely inelastic with respect to price, a small *ad valorem* tax on lodging would have little effect on net after tax hotel receipts and yield substantial revenue for the local jurisdiction.

One plausible explanation for the lack of a significant impact is that visitors did not know about the new tax. Since the room tax is typically paid by tourists when they check out, they may not have adequately anticipated or responded to the higher effective price of rooms. However, this does not apply to more than half of all tourists to Hawaii who purchase prepaid package tours that include at least round-trip airfare and lodging.[18] Another potential explanation for the absence of a significant tax impact is that other travel destinations in the U.S. have also increased their room taxes recently. However, it is difficult to imagine that various tax changes elsewhere, imposed in different amounts and at different times and places, exactly canceled out the new room tax in Hawaii.

Conclusion

In recent years many fiscally beleaguered state and local governments have either implemented new hotel occupancy taxes or substantially increased existing hotel taxes to finance public services. The popularity of the tax stems from the premise that the hotel room tax is largely exported to non-residents with little neg-

FIGURE 2
HOTEL RENTAL PRICE IN LOGARITHMS



ative impact on hotel operators.

Our analysis of the effects of the 1987 Hawaii hotel room tax indicates that the tax did not have a significant negative impact on hotel rental receipts. Our finding may not be entirely surprising since a 5 percent increase in lodging expenditures represents less than 1.5 percent of the total cost of a typical vacation in Hawaii inclusive of round-trip airfare. That may not be true of travel to other destinations. Therefore it is important to perform similar analyses for other travel destinations.

ENDNOTES

**The authors are indebted to Chung H. Lee, Ken White, three anonymous referees, and the editor for helpful comments.

[1]Wall Street Journal, *Tax Report*, March 8, 1989.

[2]See "New York's Hotel Tax Highest in the Nation," *The Sunday Honolulu Star Bulletin and Advertiser* (September 16, 1990), p. F4.

[3]See, for example, Schofield (1991), p. 1.

[4]See, for example, Fujii, Khaled and Mak (1985), Zuraski and Sanders (1989), and Hiemstra and Ismail (1991).

[5]This partial equilibrium model demonstrated that the burden of a hotel occupancy tax is approximately equal to the ratio of the supply and demand elasticities for lodging. Empirical estimates suggested a supply elasticity of 2 and a demand elasticity of 1, yielding the prediction that approximately two thirds of a hotel room tax would be passed on to visitors in the form of higher prices. This study, however, like other extant studies, predicts the incidence of the tax *ex ante*.

[6]Transient accommodations are defined as accommodations that are customarily occupied by a transient for less than 180 consecutive days. A transient is a person who does not have the intention of making the accommodation a permanent place of domicile. Exemptions are granted for health care facilities, school dormitories, nonprofit corporations, military personnel on permanent duty, and government-subsidized low-income renters. See Bock, Brilliant, and Gerding (1990).

[7]For example, since the tax base (B) is inclusive of the tax charged hotel guests, to net the same room revenue as before the tax, hotels must add on a tax to guests of 5.25%. That is:

$$B = 1.0525*R$$

After tax (= .05*B), hotels net (1-.05)*B = .95*B = .95*1.0525*R = R.

[8]Time series intervention analysis was first proposed by Campbell and Stanley (1966) and Cook and Campbell (1979) to assess the impact of a discrete intervention in a social process. The methodology is described in McDowell, McCleary, Meidinger, and Hay (1980). It has a broad range of applications. For example, Box and Tiao (1975) used it to examine the effectiveness of air pollution control laws. McPheters,

Mann, and Schlagenhauf (1984) analyzed the impact of more severe penalties for the use of firearms on property crime. More recently, Fomby and Hayes (1990) employed intervention analysis to examine the impact of the War on Poverty on families in the lowest quintile of the income distribution.

[9]The hotel revenue series is derived by dividing the general excise tax base data on hotel receipts (=total hotel rental receipts * 1.0416) by the U.S. consumer price index times 1.0416. Two adjustments were made to the series. First, since we are modeling consumption and not tax revenues *per se*, the data are lagged one period (e.g. January tax collections reflect December receipts). Therefore, the data used in the empirical analysis actually begin in December 1979. Moreover, since visitor lengths of stay can span two monthly reporting periods (and average length of stay is about 10 days), we weighted current and previous month receipts by 2/3 and 1/3, respectively.

[10]State of Hawaii, *The 1990 State of Hawaii Data Book*, (Honolulu: Department of Business, Economic Development and Tourism, 1991), p. 197.

[11]Hawaii Visitors Bureau, *1991 Annual Research Report* (Honolulu, 1992), p. 4.

[12]See Slemrod (1982) for an example of such an approach used to measure the impact of the Revenue Act of 1978 on the volume of stock transactions.

[13]A transfer function model is a multivariate ARIMA model where causal input variables determine the output variable, and the error term (capturing the combined effects of all other factors influencing the output series) is modeled as an ARIMA process. Here, the real revenue series is influenced by policy dummy inputs. In a more general model the revenue series could be determined by inputs such as the explanatory variables used in a reduced form model. The dynamic response of real revenues to the policy change is described by the general rational distributed lag, $f(I_t)$, called a transfer function, or an impulse response function. In contrast to the usual static-dummy variable approach using a reduced form model, the transfer function model allows for a dynamic response of real hotel revenues to policy changes. The path of $f(I_t)$ is determined empirically and provides information on the impact, transition, and long run effects of the policy change.

[14]The identified noise model reported in Table 2 contains a nine month moving average component included to whiten the residuals by capturing the significant autocorrelation in the hotel revenue series at lag nine. While some researchers have attributed significant autocorrelations at long lags to chance and thus elected to ignore them (e.g. Granger and Newbold (1986), pp. 107–114), others have chosen to model the observed correlation (e.g., Thompson and Tiao (1971), Fackler and Krieger (1986), Koch and Rasche (1988), and Hanssens and Vanden Abeele (1987)). We choose to model the observed correlation to eliminate all systematic fluctuations in the residuals of the preintervention model to avoid mistaking them for systematic effects of the hotel room tax. Furthermore, the seasonal and aseasonal behavior of the revenue series is complex enough to generate such correlations. There are a wide variety of factors affecting the seasonal pattern of the revenue series. Hotel room revenues exhibit annual peaks that typically occur in June and December and troughs in October and February (peaks and troughs are highly variable, changing from year to year). Visitors to Hawaii must negotiate a wide variety of factors in planning their vacations. When are airfares lowest? When does Golden Week or Spring Break fall? Note that school and work holidays fluctuate from year to year as do cold spells in both the East and West. Income is certainly not a smooth series either. The lumpiness of Japanese income due to significant bonuses in June and December may contribute to the observed behavior of our data. Finally, the conclusions of this paper are unchanged when our model is estimated without the moving average parameter.

[15]Notice that the dummy for the Plaza Agreement, I_1, is lagged one period, while the dummy for the hotel room tax, I_2, is not. The lagged impact of each policy change is determined empirically. The tax dummy is not significantly different from zero either contemporaneously or with a lag.

[16]We have treated the Plaza agreement as an exogenous policy change. An alternative would be to specify a transfer function for the real after-tax revenue series and extract the information in the yen/dollar exchange rate by including it as an independent variable. Using this alternative specification, the *pre-intervention* sample for the transfer function model ends immediately prior to the imposition of the hotel room tax, not prior to the Plaza agreement. Although the sample periods are different, we find that the noise model from this alternative specification is quite similar to that reported in Table 2, and the imposition of the hotel room tax had a very small negative impact on real hotel revenues. The hotel room tax dummy has a coefficient of -.0065 with a t-statistic of 0.04 as compared with a coefficient of -0.0094 with a t-statistic of (.13) as reported in Table 2. Thus, in both cases, the imposition of the hotel room tax had a negligible impact on real hotel room rental receipts.

[17]These are computed from data on average hotel room rates provided by the accounting firm of Pannell Kerr Forster based on their monthly surveys of individual hotel properties in Hawaii. The surveys cover approximately two thirds of all hotel rooms and is subject to measurement error. Thus we use the price series only as supporting evidence.

[18]Hawaii Visitors Bureau, *1990 Annual Research Report* (Honolulu, 1991), p. 50. In 1990, the percentage of Hawaii tourists purchasing package tours was 54%.

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OXFORD ECONOMICS

TAX POLICY AND US HOTEL INDUSTRY ECONOMIC IMPACTS

NOVEMBER 2017

EXECUTIVE SUMMARY

To quantify the potential impacts of tax policy changes on the hotel industry and the industry's valuable contributions to the US economy, Oxford Economics conducted a scenario analysis for the American Hotel & Lodging Association (AHLA). The analysis highlights a five-year period beginning in 2018, and focuses on tax policy changes under tax cuts of $1.5 trillion over a ten-year period, which we believe will cause real GDP growth to accelerate to 3.0% in 2018 before gradually slowing.

The results show that tax cuts provide a stimulus to the economy and are expected to generate a boost to hotel industry operations, cause additional guest spending at restaurants and stores in the travel destination, and increase hotel capital investment—all benefitting the broader national economy.

Specifically, the tax cut scenario analyzed in this study would support:

- $57.4 billion of additional hotel guest spending in the US (onsite at hotels and ancillary guest spending, such as at local restaurants and stores);
- $131.7 billion of additional sales at US businesses, including additional purchases by hotels of supplies and services;
- $22.3 billion of additional wages and salaries for US workers, equivalent to the annual compensation of 94,700 employees for five years; and
- $3.9 billion of additional state and local tax revenues.

With lower personal income taxes and broad increases in employment, wages and salaries, US consumers would have more discretionary income for travel. Meanwhile, increased business activity and investment would support stronger business travel. Employee training and meetings with customers would increase as businesses respond to the stronger economy.

Under this tax cut scenario, **direct hotel guest spending would be $57.4 billion higher** over the five-year period, compared to a scenario without tax cuts. More hotel guests means more spending in local communities, including stores, restaurants, and attractions. That would also contribute to higher state and local tax revenues, including occupancy and sales taxes.

This increased demand at hotels would support hiring new employees and additional shifts for existing ones, as well as additional capital investment in hotels. **All told, this investment would result in an estimated $11.0 billion in additional direct wages and salaries for employees at hotels and other business serving hotel guests or involved in hotel construction or renovation.**

Tax Policy Assumptions

This analysis is based on assumed characteristics of legislation that may be passed by Congress. In the scenario with tax policy change it is assumed that: (1) there is a reduction in personal income and corporate taxes that results in net tax cuts over ten years; (2) many, or all, of the tax cuts, sunset after ten years; and (3) the tax cuts disproportionately benefit higher-income households. Other assumptions were also made in performing the analysis.

The impacts of tax policy changes were quantified using Oxford Economics' Global Economic Model. In the framework of this model, tax reductions stimulate economic activity in the short-term, but moderating factors impact the positive effects, including, but not limited to, a reduction in tax revenue, increased government debt, and higher interest rates.

1. OVERVIEW

Tax policy changes have been a central part of the political dialogue over the past year and various proposals have been put forward to simplify the tax code. These proposals have also implied reductions in both corporate and personal tax rates. To quantify the potential impacts of tax policy changes on the hotel industry and the industry's valuable contributions to the US economy, Oxford Economics conducted a scenario analysis for the American Hotel & Lodging Association (AHLA).

As part of this analysis, we prepared two macroeconomic scenarios to analyze how tax policy changes would affect the broader economy:

- **No Tax Cut Scenario:** No tax policy changes.
- **$1.5 Trillion Tax Cut Scenario:** Tax policy changes that result in net tax cuts of $1.5 trillion over a ten-year period

Based on these scenarios and previous research Oxford Economics conducted for AHLA, we analyzed the impacts to the hotel industry and its broader contribution to the US economy over a five-year period beginning in 2018.

The results show that tax policy changes that provide a stimulus to US economic activity are expected to generate a boost to hotel industry operations, as well as cause additional guest ancillary spending (e.g. at restaurants and stores in the destination) and capital investment by hotels. This boost to the hotel industry would further benefit the broader economy.

In the **$1.5 Trillion Tax Cut Scenario**, we estimate real GDP growth would accelerate to 3.0% in 2018, before gradually slowing. Relative to the No Tax Cut Scenario (2.0% GDP growth in 2018), this short-term boost would lift personal income, employment, consumer spending and investment. These effects would result in increased hotel demand, spending by hotel guests, and hotel capital investments; thereby supporting increased earnings by hotel employees, purchases from suppliers, and indirect and induced economic impacts. As shown in Fig. 1, the economic impacts of the hotel industry in the $1.5 Trillion Tax Cut Scenario would support:

- $57.4 billion of additional hotel guest spending in the US (onsite at hotels and ancillary guest spending, such as at local restaurants and retail stores) over a five-year period (all estimates reported in real, 2015 dollars);
- $131.7 billion of additional economic output, representing sales at US businesses;
- $22.3 billion of additional wages, salaries and other labor income for US workers (equivalent to the annual compensation of 94,700 employees for five years), including $11.0 billion of direct labor income earned by employees at hotels, other businesses serving hotel guests or involved in hotel construction or renovation (equivalent to the annual compensation of 55,300 employees for five years); and,

- $3.9 billion of additional state and local tax revenues (e.g. occupancy, sales and property taxes).

Fig. 1 Impact summary: $1.5 Trillion Tax Cut Scenario

Difference relative to No Tax Cut Scenario	Cumulative impact (5-years, 2018 to 2022)	
	Direct	**Total**
Direct hotel guest spending (onsite at hotels and ancillary), real	**$57.4**	
Output (business sales), real (billions)	$61.1	**$131.7**
Wages, salaries and other labor income, real (billions)	$11.0	**$22.3**
State and local taxes, real (billions)	$2.5	**$3.9**

Note: Total hotel industry impacts include direct impacts (hotel guest spending onsite at hotels, ancillary guest spending, and capital investment) as well as indirect and induced impacts. Monetary amounts in billions of real 2015 dollars. Wages, salaries and other labor income are also referred to as labor income.
Source: Oxford Economics

2. ECONOMIC ANALYSIS

2.1 TAX POLICY ASSUMPTIONS

Tax policy proposals at this stage are initial blueprints, and are expected to change in the legislative process. These proposals give early, and likely rough indications of the tax legislation that may be ultimately passed by Congress.[1] For this analysis, we have assumed the following:

- In the $1.5 Trillion Tax Cut Scenario, there is a reduction in personal income and corporate taxes that results in net tax cuts over a ten-year period. These tax cut amounts are net of government spending reductions undertaken to help offset tax revenue reductions.
- No additional infrastructure spending is assumed as part of the $1.5 Trillion Tax Cut Scenario relative to the No Tax Cut Scenario.
- Many or all of the tax cuts are assumed to sunset after ten years to comply with the rules of budget reconciliation. Government spending cuts partly offset tax revenue reductions, but such cuts are back-loaded in the decade. Additionally, some offsetting revenue is raised through one-time tax holidays, such as on foreign earnings and/or carried interest income.
- The tax cuts disproportionately benefit higher-income households, which have a lower propensity to spend additional income.
- The legislation passes in 2017, and tax cuts are implemented at the start of 2018.

2.2 ANALYZING THE TAX POLICY SCENARIO

We quantified the impacts of tax policy changes within the framework of Oxford Economics' Global Economic Model. In this framework, tax reductions stimulate economic activity in the short-term because increased disposable (after-tax) income for households would increase private consumption (consumer spending); additionally, business investment and hiring would increase in anticipation of stronger economic activity and consumption growth, and higher after-tax returns on investment. Increased economic activity would support additional wages and salaries, further boosting consumption, and generating demand for additional production by domestic companies.

However, these positive effects would be moderated by several factors. Higher-income households are anticipated to spend only a portion of any direct tax cuts, limiting the short-term impacts on consumer spending. Similarly, only a portion of corporate tax cuts are anticipated to be channelled to domestic investment. Separately, lower tax rates would reduce tax revenues. The net reduction in tax revenue, only partly offset by government spending cuts and stronger economic growth, would increase the Federal deficit. Government borrowing to fund the larger deficit would increase interest rates, partly crowding out private investment.

[1] We conducted our macroeconomic analysis based on assumptions as of October 5, 2017.

Also, in anticipation of the effects of fiscal stimulus, the Federal Reserve would be expected to increase interest rates more quickly to manage inflation risks. Higher interest rates would cause the US dollar to strengthen, slowing exports and increasing imports, dampening domestic production.

2.3 IMPACTS TO US ECONOMY

The impacts to the US economy in the two scenarios are presented in Fig. 2 and summarized as follows.

- **No Tax Cut Scenario:** Assumes no change to existing tax policy. GDP growth moderates to 2.0% in 2018, before gradually slowing to 1.5% by 2022. GDP growth over these five years averages 1.7%, with inflation at 1.6%.
- **$1.5 Trillion Tax Cut Scenario:** Assumes $1.5 trillion of net tax cuts over ten years. GDP growth accelerates to 3.0% in 2018, and then slows. By 2020, GDP *growth* is slower than in the No Tax Cut Scenario; however, the *level* of GDP is higher throughout the period (0.7% higher on average relative to the No Tax Cut Scenario). On average during the five-year period, real personal disposable income in the $1.5 Trillion Tax Cut Scenario is 1.6% higher than in the No Tax Cut Scenario, and real consumer spending is 1.2% higher.

We have focused on the first five years following implementation of tax policy changes as the period during which the effects of such policy changes can be most accurately analyzed.

Fig. 2 Impact to US economy: $1.5 Trillion Tax Cut Scenario

	2018	2019	2020	2021	2022	Average
Growth rates						
GDP, real						
No Tax Cut	2.0%	1.7%	1.7%	1.6%	1.5%	1.7%
$1.5 Trillion Tax Cut	3.0%	2.0%	1.2%	1.3%	1.5%	1.8%
Inflation (price index growth)						
No Tax Cut	1.6%	1.6%	1.6%	1.6%	1.7%	1.6%
$1.5 Trillion Tax Cut	1.6%	1.7%	2.0%	2.2%	2.3%	2.0%
Difference in levels relative to No Tax Cut Scenario						
GDP, real	1.0%	1.2%	0.7%	0.4%	0.4%	0.7%
Personal income, disposable, real	1.5%	1.9%	1.7%	1.5%	1.4%	1.6%
Consumer spending, real	1.1%	1.5%	1.4%	1.1%	0.9%	1.2%
Fixed investment, real	1.8%	1.9%	0.4%	-0.2%	-0.2%	0.7%
Difference in level of interest rates relative to No Tax Cut Scenario (in basis points)						
Interest rate, 10-year gov. bonds	56	106	91	68	65	77
Interest rate, corporate borrowing	59	91	67	46	45	61

Note: Inflation is based on private consumption expenditure deflator.
Source: Oxford Economics

3. IMPACT ON THE LODGING SECTOR

Increased economic activity in the $1.5 Trillion Tax Cut Scenario would benefit hotels and the broader travel sector. Households would have more to spend on travel, not just because of lower personal income taxes, but also because of broader increases in employment, and wages and salaries, stemming from increased economic activity. As consumer spending increases, discretionary categories, such as travel, would benefit disproportionately relative to areas such as housing and utilities. In an environment of stronger economic growth, consumer and business confidence would improve. Meanwhile, increased business activity and investment would support stronger business travel, both in the transient segment and in the group segment. Many categories of business travel represent a form of business investment, such as employee training and meetings with customers, and would be expected to increase initially as businesses respond to the stronger economy.

We have analyzed the potential impacts to the lodging sector in a framework that includes hotel supply, demand (occupied room nights) and price effects linked to economic drivers. To report the results in a summary format, we have focused on demand, average daily rate (ADR), and room revenue in real dollars.

As shown in Fig. 3, we estimate hotel demand growth would accelerate to 3.1% in 2018 in the $1.5 Trillion Tax Cut Scenario, supporting a 3.0% increase in ADR (in nominal dollars), and a 4.5% increase in room revenue (in real dollars). Similar to the broader economy, the impact to the pace of growth would gradually slow, but overall, room revenue in the $1.5 Trillion Tax Cut Scenario would average 2.1% higher than in the No Tax Cut Scenario.

Fig. 3 Impact to US lodging industry: $1.5 Trillion Tax Cut Scenario

	2018	2019	2020	2021	2022	Average
Lodging industry, growth rates						
Demand						
No Tax Cut	1.7%	1.9%	2.1%	1.9%	1.9%	1.9%
$1.5 Trillion Tax Cut	3.1%	2.2%	1.5%	1.5%	1.8%	2.0%
ADR, nominal						
No Tax Cut	2.3%	2.2%	2.2%	2.2%	2.1%	2.2%
$1.5 Trillion Tax Cut	3.0%	3.0%	2.4%	2.5%	2.6%	2.7%
Room revenue, real						
No Tax Cut	2.4%	2.5%	2.7%	2.5%	2.2%	2.5%
$1.5 Trillion Tax Cut	4.5%	3.5%	1.9%	1.7%	2.1%	2.7%
Lodging industry, difference in levels relative to No Tax Cut Scenario						
Demand	1.5%	1.8%	1.2%	0.8%	0.7%	1.2%
ADR, nominal	0.7%	1.4%	1.6%	1.9%	2.5%	1.6%
Room revenue, real	2.1%	3.1%	2.3%	1.6%	1.4%	2.1%

Source: Oxford Economics

Increased demand at hotels would support hiring of new employees, and additional shifts for existing hourly employees. This would expand the wages and salaries paid by hotels. As a result, hotels and hotel employees would tend to pay higher levels of state and local taxes, including income and sales taxes. Also, increased volumes of hotel guests would generate increased spending in local communities, such as at local stores, restaurants, and attractions. Stronger demand would also tend to support moderate ADR increases in the short term, given the lags inherent in constructing new hotels. This would also contribute to higher occupancy tax revenues, as well as other local tax revenue, such as sales tax receipts.

Direct hotel industry impacts in the $1.5 Trillion Tax Cut Scenario are summarized in Fig. 4. We have provided two sections for direct spending.

- **Hotel guest spending:** represents the majority of the direct spending impact, and includes spending onsite at hotels as well as ancillary spending, such as at restaurants, retail stores and transportation providers.
- **Direct spending:** represents direct hotel guest spending plus capital investment in hotels, such as renovations and construction of new hotels.

Overall, in the $1.5 Trillion Tax Cut Scenario, cumulative direct hotel guest spending would be $57.4 billion higher than in the No Tax Cut Scenario over the five-year period. Direct wages, salaries and other labor income at hotels, the businesses benefiting from guest spending, and construction-sector firms, would be $11.0 billion higher than in the No Tax Cut Scenario over the five-year period. The wage, salary and other labor income impact, which would represent additional earnings by existing employees, as well as new hires, would be equivalent to the annual compensation of 55,300 employees for five years. Direct state and local

taxes would be $2.5 billion higher than in the No Tax Cut Scenario over the five-year period.

Fig. 4 Direct hotel industry economic impacts: $1.5 Trillion Tax Cut Scenario

Monetary amounts in billions of real 2015 dollars

	2018	2019	2020	2021	2022	Average	Cumulative
Direct impacts, difference relative to No Tax Cut Scenario							
Hotel guest spending (onsite at hotels and ancillary), real	$11.0	$16.7	$12.6	$8.8	$8.3	$11.5	$57.4
Direct spending (hotel guest spending and capital investment in hotels), real	$11.7	$17.8	$13.4	$9.4	$8.8	$12.2	$61.1
Wages, salaries and other labor income, real	$2.1	$3.2	$2.4	$1.7	$1.6	$2.2	$11.0
State and local taxes, real	$0.5	$0.7	$0.6	$0.4	$0.4	$0.5	$2.5

Note: Direct spending is also referred to as direct output (business sales). Direct wages, salaries and other income is also referrred to as direct labor income.

Source: Oxford Economics

Increased hotel guest spending and capital investment in hotels would support broader indirect and induced economic impacts (Fig. 5), such as through spending by hotel employees, and through purchases by hotels of inputs from suppliers. Overall, in the $1.5 Trillion Tax Cut Scenario, the increased total economic impacts of the hotel industry relative to the No Tax Cut Scenario would include $22.3 billion of cumulative labor income over the five-year period (equivalent to the annual compensation of 94,700 employees for five years), and $3.9 billion of additional state and local tax revenues.

Fig. 5 Total hotel industry economic impacts: $1.5 Trillion Tax Cut Scenario

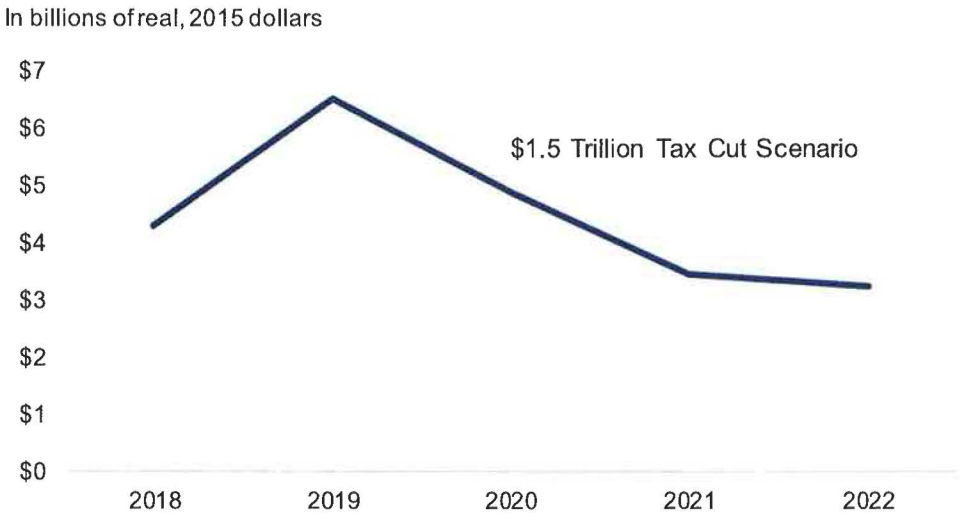
Monetary amounts in billions of real 2015 dollars
Total hotel industry impacts include direct impacts (hotel operations, guest ancillary spending, and capital investment) as well as indirect and induced impacts

	2018	2019	2020	2021	2022	Average	Cumulative
Total industry impacts, difference relative to No Tax Cut Scenario							
Output (business sales), real	$25.2	$38.4	$28.8	$20.2	$19.1	$26.3	$131.7
Wages, salaries and other labor income, real	$4.3	$6.5	$4.9	$3.4	$3.2	$4.5	$22.3
State and local taxes, real	$0.7	$1.1	$0.8	$0.6	$0.6	$0.8	$3.9

Note: Total wages, salaries and other income is also referrred to as total labor income.
Source: Oxford Economics

The total impact to labor income in the $1.5 Trillion Tax Cut Scenario by year is shown graphically in Fig. 6. The peak impact is anticipated in 2019, with $6.5 billion of additional labor income.

Fig. 6 Total hotel industry labor income impact relative to No Tax Cut Scenario



Source: Oxford Economics

Updated

November 9, 2017

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Bill Silva on the downside of the lodging tax

Alex Vuocolo May 18, 2018 Bill Silva, County Lodging Tax, Delaware Hotel and Lodging Association, Matthew Meyer



The hotel industry in New Castle County is facing a direct challenge, driven by New Castle County Executive Matthew Meyer's singling out our industry for a 38 percent tax increase. House Bill 377 is legislation that would allow counties to levy a lodging tax of 3 percent on top of the existing 8 percent in most of New Castle County, except for Wilmington, where the tax is 10 percent.

The members Delaware Hotel and Lodging Association oppose this bill for the following business reasons:

1. The 38 percent increase in the County Lodging Tax will impact the competitiveness of the hotel industry and cost much-needed hotel business, as the tax will be higher than surrounding areas. Guests have already asked about this proposed extreme tax.

2. Loss of tourism business will impact our ability to create and maintain jobs, many at entry level positions, in hotels and related tourism venues. Hotels already pay our fair share of property taxes, school taxes and other employment taxes.

3. New hotel development will slow down, meaning fewer new jobs and less property taxes for the county and possibility our state. Anti-business legislation is never for the good of our community.

4. Meyer and the New Castle County Council are pushing for the maximum tax increase of 3 percent, with no mention of any allocation for tourism marketing. In the more progressive counties, the lodging tax increases are allocated to add marketing dollars to tourism. New Castle County is taking all the money.

5. There is no mention of addressing AirBnB, the operator of illegal hotels in Delaware, which pay zero lodging tax, and take hotel business and jobs. Legislation should be passed to tax them like we tax our hotels.

6. Last year, the state of Delaware was about to take all the tourism marketing dollars for the three counties, despite existing law. The lodging industry needs assurance that will never happen again. Only at the last minute was that funding restored. It would have seriously impeded our ability to compete.

7. An overall lack of trust of the word of government has really hurt our relations in the state, and now County Executive and Council.

Hotels currently pay the 8 percent lodging tax with 5 of that 8 percent going to the State of Delaware general fund, 1 of the 8 percent to beach replenishment in Sussex County, 1 of the 8 percent to fund the State Tourism Office and prorated share of the last 1 percent to support the marketing of the county via the Greater Wilmington Convention and Visitors Bureau.

The industry is urging all hoteliers, associates, tourism industry partners and the public to oppose this tax, and reach out the chair of the House Administration Committee, Rep. Valerie Longhurst, to express opposition.

Bill Silva is Chairman of the Board of the Delaware Hotel and Lodging Association.

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Tourists take pictures in Boston's Beacon Hill neighborhood.
Photograph by Getty Images

Don't look now, but taxes on travel are rising.

In some cities, visitors shoulder tax burdens that can add 30% to the cost of a trip, and the number is expected to continue to rise, according to a new study by the National Center for Policy Analysis (NCPA).

Although many states have anti-tax sentiment, taxes on travel — including hotel occupancy and rental car fees — are an increasingly popular way to add to state coffers. Mississippi just passed legislation will allow cities to increase their occupancy and rental car taxes. And Georgia adopted a law to assess a $5 a night room tax to pay for repairing crumbling infrastructure, it noted.

"States and cities raise travel taxes because they are looking for more revenue without raising the taxes that the local electorates hate – sales taxes and property taxes," says NCPA Senior Fellow Pam Villarreal. "It is much easier to tax out-of-towners that are not using city and state services year round and don't have as much skin in the game."

Top city for travel taxes

of Roses pays $22 a day in taxes, the research found. It's closely followed by Boston ($19) and Indianapolis ($18).

And the lowest areas? That would be Burbank, Calif. ($2), Orange County, Calif. ($3), and Ontario, Calif. ($4).

Fees tacked on to airport car rentals and hotels are the main culprits, says Jacob Kohlhepp, a research associate with NCPA.

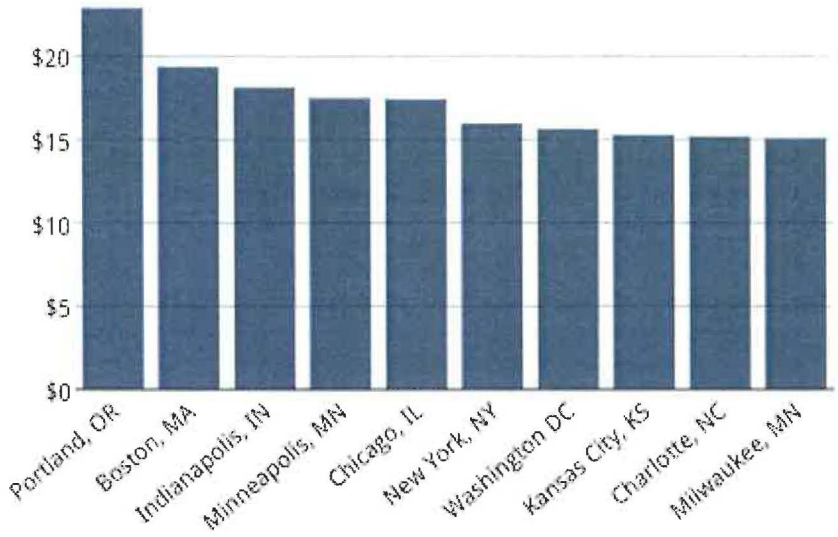
"Renting cars and hotel rooms near the airport is expensive due to extra fees levied by the airport authority," he says. "Travelers should consider renting a car at a location farther away from the airport."

Specifically:

- About 22 states levy a specific statewide tax on lodging, ranging from as low as 3% to as high as 13% of the price of a night's stay at a hotel or motel.
- At last count, 38 states levied a car rental tax. But the tax burden is often higher when the car is rented at an airport, where a surcharge is added by the local airport authority.
- Taken together, airline taxes can amount to a 30% surcharge on some domestic flights. They include a 7.5% excise tax on every ticket purchased, a segment tax of $3.70 charged per takeoff and landing, and a "September 11 Security Fee," which last year doubled from $2.50 to $5.60 per leg of each flight.

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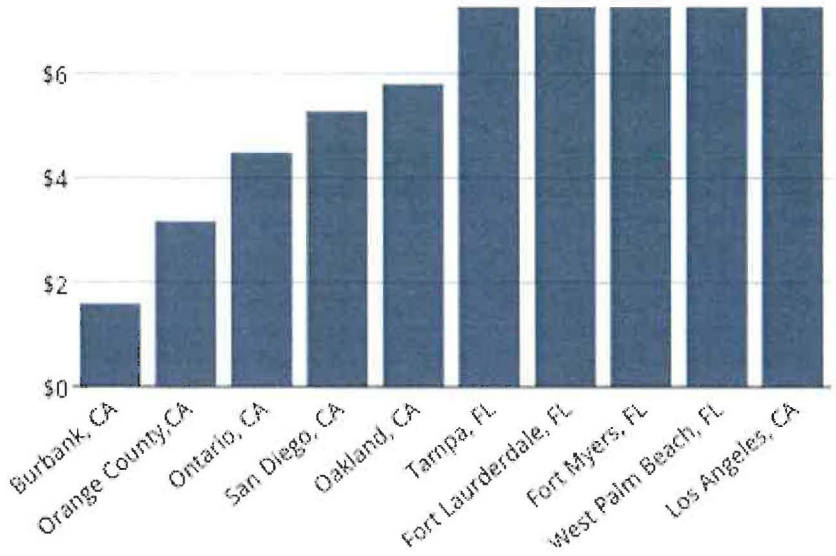


Cities like New York and Washington are easily explained, says Kohlhepp.

"No other place in the continental United States has the same monuments and history as Washington, D.C., and no other city has the same iconic attractions as New York," he says. "New York City and D.C. are centers of business and politics. Due to this competitive advantage, they can tax tourists more without fear that tourism will decline so much as to offset the hoped-for increase in revenue."

Others, not so much. In Portland, travelers have to deal with steep hotel occupancy taxes that are charged by both the city (6 percent) and the county (5.5 percent). These, plus a 2 percent tax paid by the hotels themselves, means that hotels and travelers share a 13.5 percent effective tax rate, according to the study. Rental car taxes are also 17 percent.

"The only saving grace of the city is the lack of a sales tax," says Kohlhepp.



The cities with low travel taxes benefit

The study doesn't cite reasons for the low taxes, but there are obvious benefits. Burbank, for example, is a favorite Southern California airport for frequent travelers, and its numbers have been on the rise, thanks in part to lower travel taxes.

Four Florida destinations — Tampa, Fort Lauderdale, Fort Myers and West Palm Beach — also made the low-tax list, which may explain why they're so attractive to travelers, says Kohlhepp.

The National Center for Policy Analysis study echoes a 2013 study by the GBTA Foundation, the education and research arm of the Global Business Travel Association which, not surprisingly, found that travel taxes were out of control. High travel taxes remain a huge concern for large corporations and specifically the executives who manage their travel