

Submitter: Erik Ostrander
On Behalf Of:
Committee: House Committee On Emergency Management, General Government, and Veterans
Measure, Appointment or Topic: HB3556

Good afternoon,

I wanted to reach out and give my perspective and opposition on the legislative session and the proposed bill HB 3556 to modify the transient lodging tax.

I am a hotelier, volunteer firefighter, chamber board member and a city councilor in Cannon Beach, so I see the city from multiple unique perspectives. Our city has both the highest per capita lodging tax collections and the lowest property tax rate for any coastal community. The reason for such a low property tax collection is due almost exclusively to high visitor taxes that cover the expenses of both large projects and city operations. For example, when the city wanted to build a new city hall and police station they sought to institute a Prepared Food Tax (PFT) which was marketed as visitors covering the majority of the cost, when that tax was implemented, it did not have large enough collections to accomplish the project so a 1.5% lodging tax increase was put into place as well.

Cannon Beach's budget is funded primarily by visitors to Cannon Beach. Recently the city council was presented a housing study which showed that approximately 69% of our residential units are considered 'vacant' without a full-time resident living in it, the property taxes for these homes are paid for by what would, realistically, be considered a visitor to our community. The City of Cannon Beach's general fund has two main sources of revenue: lodging tax is the largest contributor, last year it contributed an estimated \$5.2 million of the \$7.1 million annual general fund budget; the second largest contributing revenue source is property tax, which again is funded primarily by non-residents as stated above, 69% of all residential property tax is paid for by non-residents. Property tax brought in just under \$800,000 last year. Visitors and non-residents of Cannon Beach have paid for nearly the entire budget for the city for years.

Permitting local jurisdictions to broaden the use of the restricted TLT funds to pay for services like water and wastewater is disingenuous as those are enterprise funds which are paid for by the user fees. Cannon Beach pays for its police force through the general fund which is again funded almost entirely by visitors currently. The proceeds from the PFT also went to cover the needed expansion of our local fire district to provide the funds to cover the shortfall that the fire chief and the fire board had identified. Other jurisdictions should seek these types of creative solutions to diversify the financing of their services instead of continuing to burden the same

industry over and over.

Overall there needs to be guardrails put in place to protect this revenue source from exploitation. A maximum total realized revenue or percent of a jurisdictions budget should be set to ensure that visitors to a community are not paying more than their share of the resources that they use while visiting. I cannot support a change to the restrictions on lodging tax without additional guardrails in place to protect visitors and businesses from exploitation.

I write this letter as a member of the Cannon Beach Community and small business operator.

Thank you,
Erik Ostrander