LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee meeting was held on August 22, 2011 at 6:00 p.m. with Chairman McGlumphy presiding. Members present were Mr. Anderson (arrived at 6:08 p.m.), Dr. Jones, and Mr. Shevock. Mr. Hare was absent. Members of Council present were Mr. Bonar, Mr. Hutchison, Mrs. Russell (arrived at 6:29 p.m.), Mrs. Williams, and Council President Leary. Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

Dr. Jones moved for approval of the agenda, as presented, seconded by Mr. Shevock and unanimously carried.

Review and Recommendation - Filling of Critical Positions

During their meeting of February 23, 2009, members recommended approval of a Hiring Freeze for Fiscal Year 2008-2009, but to allow the hiring of critical positions through the review and approval of the Legislative, Finance, and Administration Committee and City Council. It was suggested that there be a "standing" agenda item to consider the filling of critical positions and, if there were no positions to consider, the item could be removed.

Dr. McGlumphy noted that there were no critical positions to consider.

Review of Draft Analysis of Impediments to Fair Housing Choice

Members were advised that the Delaware State Housing Authority, the City of Wilmington, the City of Dover, and New Castle County have collaborated to prepare an Analysis of Impediments to Fair Housing Choice. As a federal entitlement community that receives Community Development Block Grant (CDBG) funding from the Department of Housing and Urban Development (HUD), the City is required to certify that funds will be carried out and administered according to the Fair Housing Act, and that due diligence is made to affirmatively further fair housing. It was noted that HUD defines an impediment to fair housing choice as any actions, omissions, or decisions that restrict, or have the effect of restricting, the availability of housing choices based on race, color, religion, sex, disability, familial status, or national origin.

Mrs. Ann Marie Townshend, Director of Planning and Community Development, advised members that the consulting firm of Mullin & Lonergan Associates (M&L) was contracted to conduct the Analysis of Impediments. The analysis included a review of each entitlement community's laws, regulations, and administrative policies and procedures affecting the location, availability, and accessibility of housing. She stated that M&L has developed a Fair Housing Action Plan which outlines the impediments for Dover and provides recommendations and strategies in order for the City to meet fair housing goals. Mrs. Townshend explained that although Dover Housing Authority is a separate entity from the City, they have been included in this study because they are a federal entitlement community located within the City's jurisdiction and will ultimately be responsible for addressing their impediments. Approval and implementation of the Fair Housing Action Plan will preserve the City's eligibility for funding from HUD and protect the City in the event of litigation relating to fair housing.

Mrs. Townshend and Mrs. Tracy Harvey, Community Development Director, reviewed a Presentation of the Analysis of Impediments to Fair Housing Choice ***(Attachment #1)***. Staff recommended approval of the report recommendations.

In response to Mr. Anderson, Mrs. Townshend stated that the current definition of family, in this context, is "not more than five (5) unrelated people functioning as a household, not including a butler." She explained that the difficulty is determining whether or not people are functioning as a household. Mrs. Townshend indicated that staff plans to conduct research on this topic and will submit an ordinance to redefine "family." Mr. Anderson felt that there should not be any amendment that would hinder college students who are residing together from obtaining affordable housing, noting this is a very important industry for the City.

Responding to Dr. Jones, Mrs. Harvey advised members that 2012 timelines were provided for some of the Strategies to Address Impediments since the consultants felt that these measures could be implemented within one (1) year; however, others were assigned a later date for completion since the Comprehensive Plan will not be released until 2014. She noted that the consultants suggested a five (5) year timeframe for implementation of many of the strategies. Mrs. Townshend explained that she and Mrs. Harvey plan to set annual goals for achievement of the objectives listed.

Dr. Jones moved to recommend approval of the report recommendations, seconded by Mr. Anderson and unanimously carried.

Discussion - Hotel/Motel Tax

Mr. Scott Koenig, Interim City Manager, stated that staff is beginning the preparation of the FY2013 Budget, which will begin July 1, 2012. As part of the process, staff will review potential revenue sources and expenses. Mr. Koenig noted that there was discussion during several Council Retreats regarding the possibility of instituting a hotel/motel tax for the City of Dover. As a result, staff conducted research on this topic.

Mr. Koenig advised members that the State of Delaware, Rehoboth Beach, Lewes, Wilmington, Fenwick Island, Bethany Beach, and Dewey Beach have implemented some form of hotel/lodging tax. Title 30, Chapter 61, Lodging Tax, of the Delaware Code imposes an excise tax at the rate of 8% of the rent upon every occupancy of a room or rooms in a hotel, motel, or tourist home within the State. The proceeds from this tax are distributed as follows: 5% to the State General Fund, 1% to the Beach Preservation Program of the State Department of Natural Resources and Environmental Control, 1% annually is designated in the proportion in which it was collected to the duly established convention and visitors bureau in each county, and 1% to the Delaware Tourism Office.

Mr. Koenig advised members that, in accordance with Title 22, Chapter 9 - Municipal User Tax, the State authorizes any municipality with a population greater than 50,000 to impose a lodging tax of no more than 3% of the rent, in addition to the amount imposed by the State, for any room or rooms in a hotel, motel, or tourist home (as defined in SS6101 of Title 30) located within the boundaries of the municipality. He stated that Wilmington uses this statute to levy a 2% tax. According to discussions with Mr. Robert Greco, Budget Director in Wilmington, he stated that the implementation of the tax did not have an impact on occupancy rates in the five (5) hotels in Wilmington. Mr. Greco stated that occupancy rates actually increased after the tax was implemented and revenue from this tax is approximately $500,000 per year. He noted that other municipalities recover the tax through a gross receipts business license tax.

Mr. Koenig indicated that there are 22 hotels/motels within Dover corporate limits and complete information pertaining to the number of rooms and rates was obtained for 16 hotels/motels. In order to estimate the revenue that would be generated from a 1% or 2% hotel tax, staff polled the internet for room rates of the hotels/motels known to be in Dover's corporate limits. Mr. Koenig noted that staff averaged the room rates for each hotel/motel and full occupancy for one (1) day was calculated. According to information from Pricewaterhouse Coopers LLP (1958 to 1986) and Smith Travel Research (1987 to 2007), the average hotel occupancy rate in 2009 was projected to be over 58 %. Staff prepared estimates based on both a 50% and 25% occupancy rate for the city's hotels/motels. Based on a 50% occupancy rate for the 16 hotels/motels, a 1% tax could yield approximately $426,000 in revenue for the City. A 2% tax could yield approximately $853,000. Based on a 25% occupancy rate, the estimated revenue is as follows: a 1% tax could yield approximately $213,000; a 2% tax could yield approximately $426,000.

Mr. Koenig reviewed potential options for implementing a proposed tax, as follows:

> OPTION 1: Adopt the fee through ordinance as the beach area municipalities have. It appears that this may be considered a business license based on gross receipts. An option to consider may be changing the way Dover charges for hotel business licenses. Under the current method, the City of Dover charges a flat fee of $7 per room and $9 per suite. Based on our current revenue method, we receive approximately $15,869.90 annually. As stated above, our revenue estimates using a gross receipts tax method and depending on occupancy and a percentage of tax, would be between approximately $853,000 and $213,000. Adopting this method would not allow taxable entities to pass this charge onto lodgers without raising advertised fees.
>
> OPTION 2: Seek a change under State Code Title 22 through state legislation by removing the population requirement of 50,000. This would allow the tax for all municipalities in the State. The charge could be passed on to lodgers without raising hotel rates. This option would need to be pursued though our State representatives.

In addition, Mr. Koenig stated that staff would recommend that a certain percentage of revenues received be dedicated to the Kent County Tourism Office. The percentage should be proportional to the reservation of revenue to the Delaware Tourism Office under the state excise tax.

Dr. McGlumphy noted the receipt of correspondence regarding the issue of a hotel/motel tax ***(Attachment #2)***.

Mr. Scott Kidner, Delaware Hotel Lodging Association, stated that there were several individuals present wishing to address members to explain why the Hotel Lodging Association, local businesses, and the hotel and lodging industries are opposed to a proposal to institute a hotel/motel tax in the City.

Mr. George Fiorile, Chairman of the Delaware Hotel Lodging Association and Vice-President/General Manager of Dover Downs Hotel/Casino, advised members that Wilmington's hotel/motel tax was enacted approximately six (6) years ago, at the height of the economic boom and before the recession. He also noted that the City of Wilmington regularly hosts many major Fortune 500 companies. Mr. Fiorile read a statement and provided members with an analysis conducted in 2008, as well as The Tax Institute Travel Report from April 2011 ***(Attachment #3)***.

Mr. Gordon Basht, Director of Hotel Sales at Dover Downs Hotel and Casino, read a statement into the record ***(Attachment #4)***.

Mr. Victor Schimp, General Manager of the Sheraton Dover Hotel and Chairman of the Board of Directors for the Central Delaware Chamber of Commerce, advised members that the hotel/motel tax issue is a critical issue to the industry and read a statement into the record ***(Attachment #5)***.

Ms. Cindy Small, Executive Director of Kent County Tourism, noted that a letter has been submitted from the Board of Directors in opposition to the proposed tax (*see Attachment #2*). Referring to the amount of revenue projected for Rehoboth Beach ($720,000) and Bethany Beach ($892,000), she stated that these figures include taxes imposed on short-term rental units, which are completely different from hotels/motels; therefore, the data does not reflect an accurate comparison. Ms. Small noted that, according to the most recent data on visitation in Sussex County (beach resorts), only 30% of visitors actually stay in hotels and 70% in short-term rental units. In addition, she stated that for Fiscal Year 2010 and 2011, the 1% lodging tax for all of Kent County (not just the City of Dover) amounted to $254,862. She reminded members that during these difficult economic times, the hotel community is struggling to make ends meet and keep people employed. She urged members to consider all the information provided.

Mr. Kishor Sheth, Owner of Super 8 and Fairfield Inn Hotels, explained the difficulty and costs associated with the hotel/motel business. He noted that many owners are leaving the hotel business and and that the closing of hotels in the City affects property taxes collected. In addition, Mr. Sheth reminded members that the Capital School District recently imposed a tax increase. He advised members of the many steps taken by owners in an attempt to save money. Mr. Sheth questioned where hotel/motel business owners are to obtain additional money to pay for the additional fees and cautioned members that many owners will be forced to leave the business. He requested that members reconsider the proposed action, noting that instituting such a tax may discourage entrepreneurs from considering Dover as a place to conduct business, and warned members of the ripple affect this could create in the community.

Ms. Judy Diogo, President of the Central Delaware Chamber of Commerce, noted that members have heard from the hotel community regarding the impact the proposal could have on them; however, she relayed concern with the impact the proposal could have on the City of Dover. She advised members that the Chamber feels that the proposal would provide a short-term gain with a long-term loss, explaining that many hotels/motels are already in financial trouble, which could affect the City's property tax revenue, as well as gross sales tax. Ms. Diogo noted that the City is

attempting to become an "A-Rated Community," which will create a need to meet certain criteria and require a marketing campaign to change attitudes. She stated that it is the Chamber's suggestion that the City partner with the hotel industry, which already has huge marketing budgets and does a good job in this regard. She felt that such a partnership would assist the City in achieving the desired "A" rating.

Mr. Tom Smith, owner of Delaware Made, read a statement into the record ***(Attachment #6)***.

Noting that there was no one else wishing to speak, Dr. McGlumphy suggested that anyone wishing to submit correspondence or further information do so.

Mr. Bonar questioned the amount of funds brought into the City from the fees for hotel/motel licenses. Responding, Mr. Koenig stated that, currently, approximately $15,000 is collected from 22 hotels.

Mr. Bonar explained that the principal functions of City Council are to balance the budget and provide the best services possible. He indicated that one of Council's additional purposes is to provide dialogue and new ideas, and that this suggestion was brought forward for this reason. Mr. Bonar requested that the members of the hotel/motel association consider that the City has a $5M deficit. He stated his feeling that raising hotel/motel taxes a minimal amount would be reasonable, versus having to increase property taxes by 15% to 20%. Although he understood the dilemma which has been created by the economic decline, City Council has the responsibility to balance the City's budget, which will not be accomplished by cutting and laying off employees. Mr. Bonar stated that it would take a concerted citizen and business effort to assist in the balancing of the City's budget. He stated that the proposed hotel/motel tax is just one possible means of raising additional revenue.

Mr. Hutchison stated his strong opposition to a hotel/motel tax. He acknowledged that Council has critical issues that need to be addressed; however, it was his opinion that were other means to address the issues and that the City should "clean house" first. He felt that the hotel/motel industry has contributed greatly to the City's success. Mr. Hutchison agreed that Council will have difficult decisions to make in the near future; however, he did not feel that an additional burden on the hotel/motel industry should be considered.

Dr. Jones relayed her concurrence with Mr. Hutchison and suggested that City staff look within for possible savings. She thanked those individuals who addressed members and stated that, based on information provided, the City should conduct additional research into this matter.

There was no recommendation submitted by the Committee.

City Clerk's Office Note: Due to time constraints, the remainder of the agenda items were deferred for consideration by the Committee during their next meeting.

Mr. Shevock moved for adjournment, seconded by Mr. Anderson and unanimously carried.

Meeting Adjourned at 7:12 P.M.

Respectfully submitted,

William P. McGlumphy
Chairman

WPM/AC/jg/js/tm
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Attachments
Attachment #1 - Presentation of the Analysis of Impediments to Fair Housing Choice
Attachment #2 - Correspondence - Hotel/Motel Tax
Attachment #3 - Statement read by Mr. George Fiorile and Attachments: 2008 Analysis and The Tax Institute Travel Report dated April 2011
Attachment #4 - Statement Read by Mr. Gordon Basht
Attachment #5 - Statement Read by Mr. Victor Schimp
Attachment #6 - Statement read by Mr. Tom Smith

Analysis of Impediments to Fair Housing Choice

August 22, 2011

Legislative, Finance & Administration Committee

ATTACHMENT #1
LF&A Committee Meeting of 08/22/2011

Background

- Dover is an “entitlement” community that receives Community Development Block Grant (CDBG) funds from the Department of Housing and Urban Development (HUD)
- Required to administer funds in accordance with the Fair Housing Act and certify our commitment to Affirmatively Further Fair Housing (AFFH)

Obligations to AFFH

- Conduct an Analysis of Impediments to Fair Housing Choice
- Develop actions to address the impediments identified
- Maintain records of actions in this regard

2011 Analysis of Impediments

- City of Dover joined with other entitlement communities
  - State of Delaware
  - New Castle County
  - City of Wilmington
- Statewide Analysis of Impediments
- Review of codes, regulations, policies, etc.

Fair Housing Choice

- Federal law
  - ability of persons, regardless of race, color, religion, sex, disability, familial status, or national origin, of similar income levels to have available to them the same housing choices.

Strategies

- Enforce the City's Section 3 policy to ensure that employment opportunities generated by HUD assistance are directed towards public housing residents and LMI residents.
- Strengthen partnerships with local lenders that will offer homebuyer education and other incentives to purchase a home in the City.
- Identify effective ways to increase homeownership among minorities, residents of low/mod census tracts, and low/mod residents.
- Map the location (impacted areas vs. non impacted areas) of all new CDBG assisted housing projects as part of the Consolidated Plan process.

Strategies

- Expand incentives for property owners and investors to build new affordable rental and owner units in the non-concentrated areas of the City.
- Facilitate and promote land use policies and regulations that enable an increase in the supply of affordable rental housing in areas with adequate infrastructure.
- Encourage landlords that are registered through the City's Rental Dwelling Housing Inspections Program to attend fair housing training. Work collaboratively with other jurisdictions to facilitate, coordinate, and market fair housing trainings.

Strategies

- Amend the City's FY 2010-2014 Consolidated Plan and FY 2010 Annual Plan to include a definition of racially and ethnically concentrated areas that is consistent with the definition provided in the AI.
- Inclusion of responsibility and commitment to Affirmatively Further Fair Housing in 2013 Comprehensive Plan

Strategies

- Amend the City's zoning ordinance to include a more modern definition for the term "family."
- Amend the City's zoning ordinance to remove undue restrictions on group homes.
- Obtain information from current board members to document race, gender, ethnicity, disability status, and familial status.
- Conduct a more in-depth analysis of HMDA data to determine if discrimination is occurring against minority applicant households.

Central Delaware Chamber of Commerce

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Honorable John C. Still, III

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Honorable Pamela Thornburg
Dr. Harry L. Williams

Honorary Board Members
Honorable Bradley S. Eaby
Col. Mark Camerer

President
Judy Diogo, CFRE, IOM

Staff
Gina Aurora
Cristal Brenneman
Sandy Dale
John R. Ennis

August 17, 2011

William P. McGlumphy, Chairman
City of Dover
15 E. Loockerman Street
Dover, DE 19903

Dear Councilman McGlumphy:

I am writing on behalf of the members of the Central Delaware Chamber of Commerce (CDCC) to voice our opposition to the proposed occupancy or gross receipts tax on the hotels within the City of Dover.

As a Chamber, we have a number of concerns with additional taxes being implemented on the business community, especially in this economy. To start, this industry is already taxed at a premium. In reviewing their occupancy numbers, it is clear to see that they are down and that the industry as a whole is struggling to maintain their properties, their staff, and their very existence.

We also have a great deal of concern for the City of Dover with this proposal. We see this as a short-term gain with long-term losses. By implementing another tax on this industry, we believe the City will see a decrease in their property taxes due to the closure of hotels, and we definitely foresee a decrease coming in your overall gross receipts tax. From the information that has been shared with us, gross receipts for the City are at $1.5M. We firmly believe this is in large part due to the visitors coming to our area. According to the State Tourism Office, a day visitor spends $100.00 during their visit and over-night visitors spend $200.00 per day. These visitors come to Dover in large part due to the marketing and outreach done by our hotel industry.

It is also our understanding that the City would like to become an "A" rated community. The CDCC proposes that instead of taxing the hotel industry, the City create a partnership with them to help achieve this goal by capitalizing on their already established marketing campaigns.

We believe by working together, we can achieve far more for our City and our residents.

Judy Diogo
President

United States Chamber of Commerce ACCREDITED ★ ★ ★

"The Central Delaware Chamber of Commerce is the network of choice for Premier Businesses in Central Delaware"

435 N. DuPont Hwy. • Dover, Delaware 19901
302.734.7513 • fax 302.678.0189
www.cdcc.net • email: info@cdcc.net

Kent County & Greater Dover
DELAWARE
Convention and Visitors Bureau

August 16, 2011

Councilman William McGlumphy, Chairman
Legislative and Finance Committee
City of Dover
P.O. Box 475
Dover, DE 19903

Dear Councilman McGlumphy:

On behalf of the Board of Directors for Kent County Tourism and the hotel community in the City of Dover, we would like to go on record as opposing the proposed occupancy or gross receipts tax on hotels within the City.

Enclosed is a chart demonstrating the decrease in occupancy, room rates and revenue per available room (gross profit per room) between 2006 and June 2011. At a time when our hotels are not doing well financially, another tax puts them at a greater disadvantage. Here are some points to consider:

- Hotels are already paying the City taxes, business license fees and electric fees.
- In Delaware, the only other municipalities charging a room tax in addition to the state's 8% is Wilmington and Fenwick Island (which may have been grandfathered in). Other municipalities, such as Rehoboth Beach and Dewey Beach, collect taxes on short-term rental units (apartments, condos, etc.) but not on hotels.
- One percent of the lodging tax collected in all of Kent County in the year 2010 was $248,210; therefore, the amount projected by the City is nearly twice as much.
- By adding a lodging tax to City hotels, they are now at a disadvantage to other properties in Kent County and almost all other parts of the state.
- When attracting convention and group tour business, Kent County's competitive lodging tax is one of our strongest incentives for bringing business to Dover.
- At a national level, data shows that two percent addition to room taxes would cost the nation 327,000 jobs, $10,000 million in wages, $33 million in sales, while gaining net revenue only about one-half of the tax increase, according to the National Hotel & Lodging Association.

These are just a few reasons why a short-term gain for the city will result in a long-term loss, not only for the City for but our hotel community. I hope that the Legislative and Finance Committee carefully weighs the consequences that such a tax can incur.

I am certain that, should the city wish to explore other opportunities, members of Dover's hotel community would be more than happy to serve. Please let me know if you have any questions; otherwise we plan to attend the Committee meeting on August 22.

Respectfully Yours,

Cindy

Cynthia S. Small
Executive Director

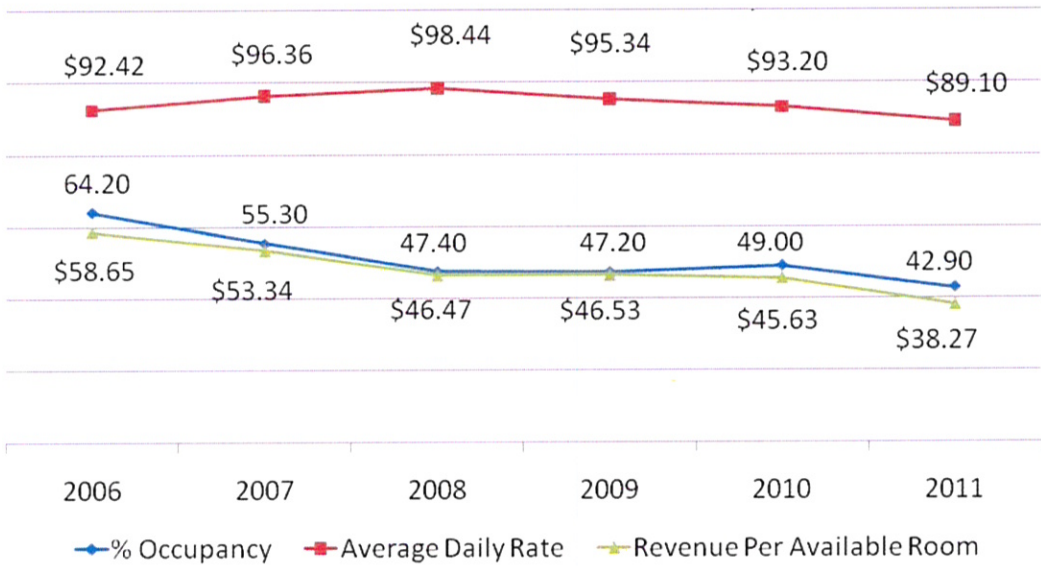
cc: Acting City Manager Scott Koenig; Councilman David Anderson; Councilman William Hare; Daniel Shevock, Bobby C. Jones

Kent County Lodging Report 2006-2011

Calendar Year	Occupancy Percentage	Average Daily Rate	Revenue Per Available Room
2006	64.2	$92.42	$58.65
2007	55.3	$96.36	$53.34
2008	47.4	$98.44	$46.47
2009	47.2	$95.34	$46.53
2010	49	$93.20	$45.63
2011 (January through June)	42.9	$89.10	$38.27

Kent County Lodging Report

Percentage of Occupancy, Average Daily Rate and Revenue Per Available Room, 2006-2011



Source: Smith Travel Report. 2011 is January-June data.

Kent County & Greater Dover
DELAWARE
Convention and Visitors Bureau

McDowell, Traci

From: Clendaniel, Amber
Sent: Monday, June 06, 2011 5:01 PM
Cc: City Clerks Office
Subject: FYI - City tax on Hotels/Motels in Dover

This email was sent to members of City Council.

From: Victor Schimp [mailto:v.schimp@sheratondover.com]
Sent: Monday, June 06, 2011 4:45 PM
To: City Clerks Office
Cc: gfiorile@doverdowns.com
Subject: City tax on Hotels/Motels in Dover

Dear Councilman Bonar,

I read with great interest your statement in the Delaware State News' Friday edition about the possibility of a city tax on hotels/motels in Dover. Our lodging community is and has been going through the severest economic downturn in decades. The past four years have seen an increase of rooms inventory in the City go from 1700 to 2900. At the same time demand for rooms and travel have plummeted. Occupancies are at all time lows and competition for whatever rooms are coming to the market have reduced rates to where profitability are major concerns. It has been the "perfect storm" in a negative way for our industry in recent years. Increased supply and decreased demand is a tough way to do business and stay in business. A proposed tax is only throwing gasoline on the fire. I urge you, on behalf of our lodging community, to not propose this city tax on us.

Please feel free to call me to discuss this matter further.

Sincerely,

VICTOR SCHIMP

General Manager, Sheraton Dover Hotel
t - 302.678.8500 x4245 f - 302.678.0107

SHERATON DOVER HOTEL
1570 N. DuPont Highway, Dover, DE 19901
vschimp@sheratondover.com
www.sheratondover.com

DOVER DOWNS
HOTEL & CASINO

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June 3, 2011

Councilwoman Beverly C. Williams
City of Dover
City Hall
15 Loockerman Plaza
Dover, DE 19901

Dear Councilwoman Williams:

It is our understanding that you have been, or soon will be, considering a proposal to increase the hotel occupancy tax in Dover. I would ask you to keep in mind the impact such an increase would have on Dover's ability to remain competitive for transient and equally important meetings and convention business.

Dover is already at a disadvantage due to its relatively remote location and lack of airline service. The only notable advantage for our local industry is a hotel tax rate that is at least no higher and, in some cases, lower than surrounding markets.

As you know, in this current economic cycle, the meetings and convention business is extremely soft. Those meeting planners who are still active are very conscious of expense controls and will competitively shop every opportunity to seek the lowest cost.

Considering the variety of attractions and the travel convenience associated with meetings held in Philadelphia or Baltimore for example, compared to Dover, it's imperative that our local hospitality industry be competitively priced in order to remain a viable consideration.

Last year through its group meetings and tour & travel segments, Dover Downs Hotel & Casino accounted for approximately 10,000 room nights bringing 20,000 visitors to Dover. This business is generated at great effort and expense entirely borne by us.

There is also no doubt our lower hotel tax rate has helped us secure contracts for some significant regional and national conferences (Arson Investigators and Studebakers). These two conferences alone will generate over 3,000 room nights for Kent County and bring over 5,000 visitors who will buy gas, visit local attractions and contribute to the Dover economy.

As you can see from the enclosed comparison of hotel taxes, Dover's rate is currently in line with surrounding markets; and we urge Council to maintain the current rate and give Dover a chance to compete on even footing within the region.

Respectfully,

Denis McGlynn
Chairman
Dover Downs Hotel & Casino

HOTEL TAX COMPETITIVE ANALYSIS

LOCATION	TOTAL TAX RATE
Baltimore, MD	13.5%
Cecil County, MD	8.0%
Chester Co. PA	8.0%
Delaware Co. PA	8.0%
Hershey/Harrisburg, PA	9.0%
Bucks Co. PA	9.0%
Valley Forge, PA	8.0%
Philadelphia, PA	14.0%
Dover	8.0%

Delaware Hotel & Lodging Association

9 East Loockerman St., Dover, DE 19901 (302) 734-4935

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June 7, 2011

Councilwoman Beverly C. Williams
City of Dover
City Hall
15 Loockerman Plaza
Dover, DE 19901

Dear Councilwoman Williams,

The Delaware Hotel & Lodging Association represents 5,000 hotel rooms in the State with 45 member hotels. In the City of Dover, our membership consists of a majority of hotels that would not be in favor of any increase in the occupancy tax. While we understand the position the City of Dover is in, raising the hotel tax will only cause a new problem - a decrease in travelers to Dover.

Dover hotels have suffered during the recession with occupancy rates less than 50%. Hotels need occupancy in the mid-60% range to stay healthy. Our hoteliers in the city hear directly from their customers when it comes to having a low occupancy tax. Even though our hotel tax is low, customers often complain due to the perception that Delaware is a tax-free state. Any increase in this tax will place our hotel members in a competitive disadvantage and jeopardize the jobs of those employees who depend on the tourism industry to survive.

We would kindly appreciate your support in not proceeding with any increase in the hotel tax for the City of Dover. We would be happy to meet with you to further discuss this matter at your convenience. I can be reached at (302) 857-2100.

Respectfully,

George Fiorile
Chairman - Delaware Hotel & Lodging Association

Delaware Hotel & Lodging Association
9 East Loockerman St., Dover, DE 19901 (302) 734-4935

August 22, 2011

Good evening,

I am George Fiorile, Chairman of the Delaware Hotel & Lodging Association and Vice President and General Manager of the Dover Downs Hotel.

Over the years, the Delaware Hotel & Lodging Association, representing 42 hotels, 5000 hotel rooms and over 4,000 employees, has worked with government agencies to keep our industry strong. In more recent years, it has become a matter of survival as many of our members have suffered through this historical recession with the lowest occupancy rates in decades and lower room rates. Some hotels were even given back to the banks by their owners because they just could not make it.

Most recently the DHLA educated former New Castle County Executive and current US Senator Chris Coons about the dangers of imposing additional hotel taxes on our visitors. We all know the value that tourists provide to a community. After reviewing the data, New Castle County left their tax rate as is and today boasts the best occupancy rates in the State.

Imposing additional taxes on the "golden goose" - our tourists - will only drive them to jurisdictions with lower tax rates. In 2008, The American Hotel Association released an analysis regarding the full impact on hotel tax increases. The study revealed that a 2% hotel tax increase would cost the industry over 300,000 jobs and $10 million dollars in wages across the nation, while netting about "one half of the tax increase". See attached.

We believe the impact in Dover as a percentage could be even greater given our poor geographic location when it comes to drawing big conventions and leisure travelers. Larger groups prefer cities with airports and rail service. We as an industry have been successful in bringing those groups to Dover because of tax free shopping and lower hotel taxes.

Consumer Reaction to higher taxes survey:

The Tax Institute Travel Report from April 2011 shows how consumers react to higher taxes. Notably, the hotel accommodations tax is ranked at 68%, second only to gasoline tax for the consumers surveyed.

This report also shows how travelers changed their travel behavior due to higher levels of taxation. Raising taxes for our tourists will not only damage hotel bookings, but will also have a negative impact on our restaurants, retail shopping and will reduce the number of leisure and business trips they take each year.

It is clear that Dover is considered a third tier city when it comes to a travel destination. We do not share that opinion, but we are challenged due to not having air and rail service. Our only advantage is to offer great hospitality and a more affordable experience.

Having a tax rate lower than our competitors makes a difference when consumers choose a destination. For example, over the past two years we have solicited the National Studebakers Car Club to host the International Studebakers Car Show in Dover. This show is a collection of 700 of the world's classic Studebakers which compete in 9 regional events across the US and Australia. They have chosen the City of Dover to host their 2014 show which incidentally will be their 50th Anniversary. I can tell you that tax free shopping and low hotel tax were contributing factors in this decision. This group will occupy over 700 rooms nights in a five day period. Our gas stations, restaurants, retail stores and tourist attractions will see a number of new visitors during this period.

You will also hear first hand accounts from local hotel sales managers who tell us the reason conventions come to Dover is to get a great experience at an "affordable price"

Following me tonight will be someone who works directly with those planners and knows first hand about our competitive advantage.

In closing, I thank for your time and hope you allow us to remain competitive and continue to work on making the City of Dover a first tier city and the top choice for travelers and conventioneers.

Thank you.

AH&LA's information center
virtually any hospitality-related question answered - free of charge!

AmEx Business Services

press release

2008 STUDY ON HOTEL ROOM TAXES QUANTIFIES ECONOMIC IMPACT

AH&LA Study Identifies Average Room Tax of $12.39 per Night Nationwide

Washington, June 19, 2008 – The American Hotel & Lodging Association (AH&LA) releases its *2008 Room Taxes and the Economic Impact on the Industry*, analyzing the full impact on hotel tax changes on sales, jobs, and government revenue. Funded by the American Hotel & Lodging Educational Foundation (AH&LEF) and conducted with assistance from Smith Travel Research, Charles W. de Seve, Ph.D., conducted this study as a follow up to similar projects in 1997 and 2003.

Among the major findings of the survey, the survey revealed:

- Room taxes average 12.62 percent, about $12.39 per night nationwide, in addition to the average room rate of about $94.69 for 2008. The national average of these combined bed taxes is up from an average of 12.4 percent in 2003;
- A two percent addition to room taxes would cost the nation 327,000 jobs, $10,000 million in wages, $33,000 million in sales, while gaining net revenue only about one-half of the tax increase.

Additionally, the report features state-by-state tables describing the economic benefits of tourism expenditures an analysis of the various bed taxes found in each state, identifying the state and local occupancy and sales tax rates where it applies to lodging.

"In the past decade, AH&LEF has spent $2.4 million on research alone. In that time we've continuously focused on the increasing hotel room taxes in order to minimize their impact on the average hotel guest. As with past studies, it was no surprise to find a strong link exists between taxes and economic activity of the hospitality community," said Foundation President/COO Joori Jeon, CPA, CAE.

AH&LA members can download a copy of the *2008 Room Taxes and the Economic Impact on the Industry* via the Members Only section of the AH&LA Website, **www.ahla.com**. To order a copy of the survey, call 800-752-4567 or 517-372-8800 (outside the U.S. and Canada, call 407-999-8100). Or visit **www.ahlei.org** to place an order through the Educational Institute's secure, online shopping cart.

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AH&LEF is the charitable fund-raising and endowed fund-management subsidiary of the American Hotel & Lodging Association. Founded in 1953, AH&LEF is the premier organization for scholarships, professional certification, and instructional material as well as funding for hospitality industry research. For more information, visit www.ahlef.org.

Serving the hospitality industry for nearly a century, AH&LA is the sole national association representing all sectors and stakeholders in the lodging industry, including individual hotel property members, hotel companies, student and faculty members, and industry suppliers. Headquartered in Washington, D.C., AH&LA provides members with national advocacy on Capitol Hill, public relations and image management, education, research and information, and other value-added services to provide bottom line savings and ensure a positive business climate for the lodging industry. Partner state associations provide local representation and additional cost-saving benefits to members.

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Travel Taxation Consumer Survey

TOP-LINE FINDINGS

APRIL 6, 2011

U.S. TRAVEL

TAX INSTITUTE

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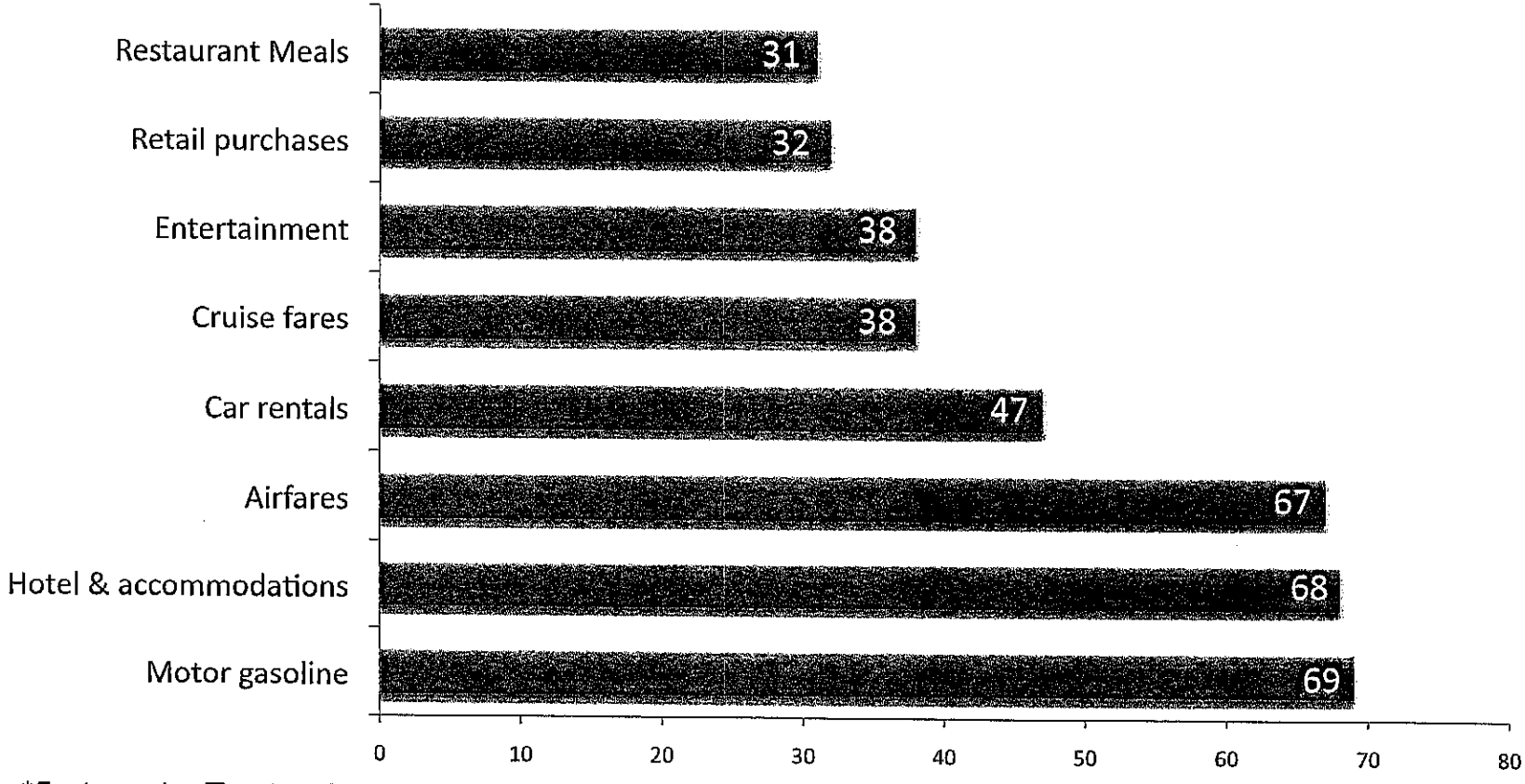
Methodology

- Survey fielded to Synovate's online panel
- Survey sample was pre-screened for adults who have completed overnight travel in the last 12 months
- Total sample size: n = 1004 (balanced by gender)
- Survey sample weighted to U.S. demographic characteristics to assure nationally projectable results
- Margin of error: 3.09% (95% confidence level)

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Consumer Perception of Tax Burden

Percentage who Believe Taxes are High* on Specific Travel Goods & Services

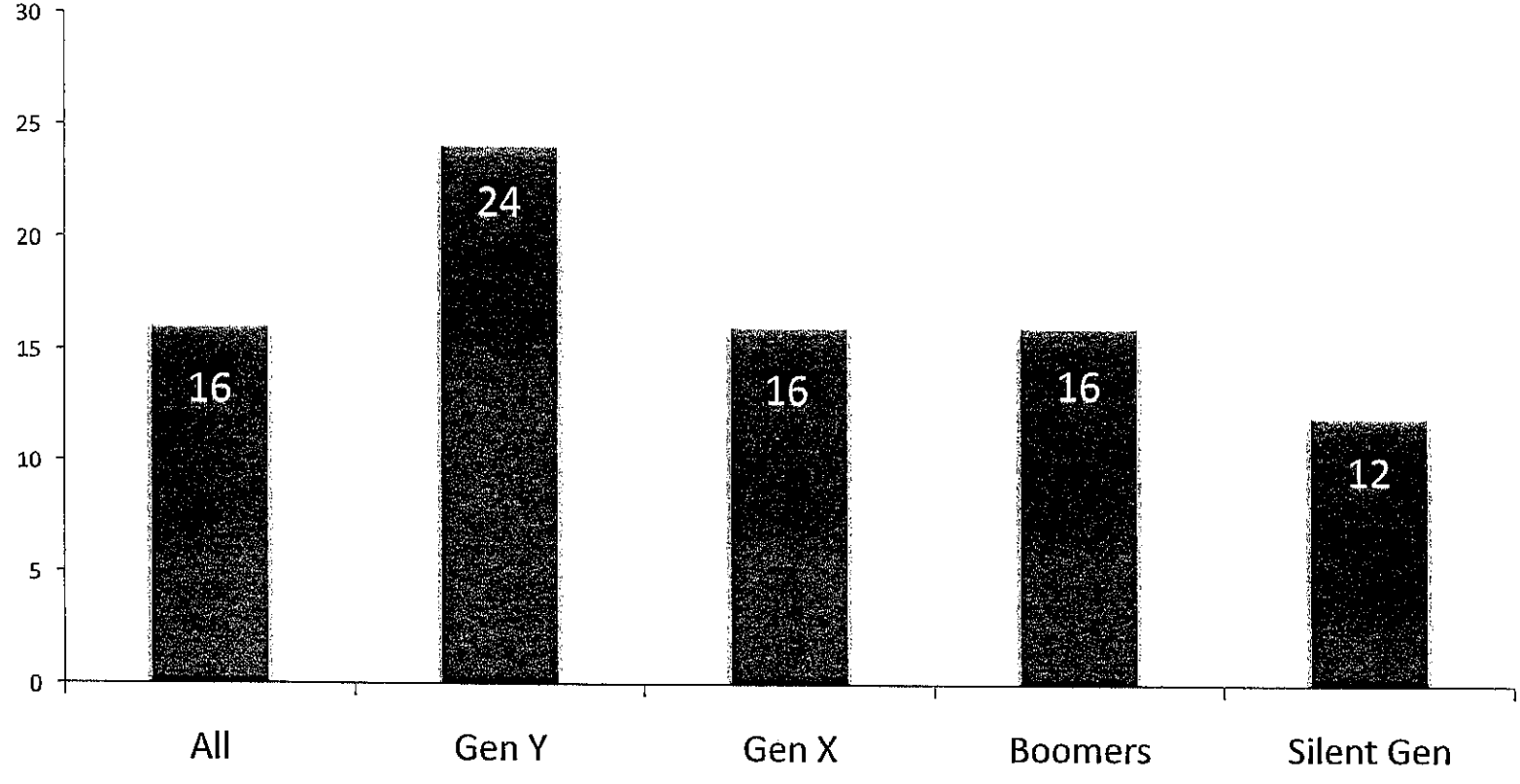


*5-pt. scale, Top two box

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Taxation's Influence by Age Cohort

Travel Taxes Have have a Significant* Influence on Your Trip Decisions?



*5-pt. scale, Top two box

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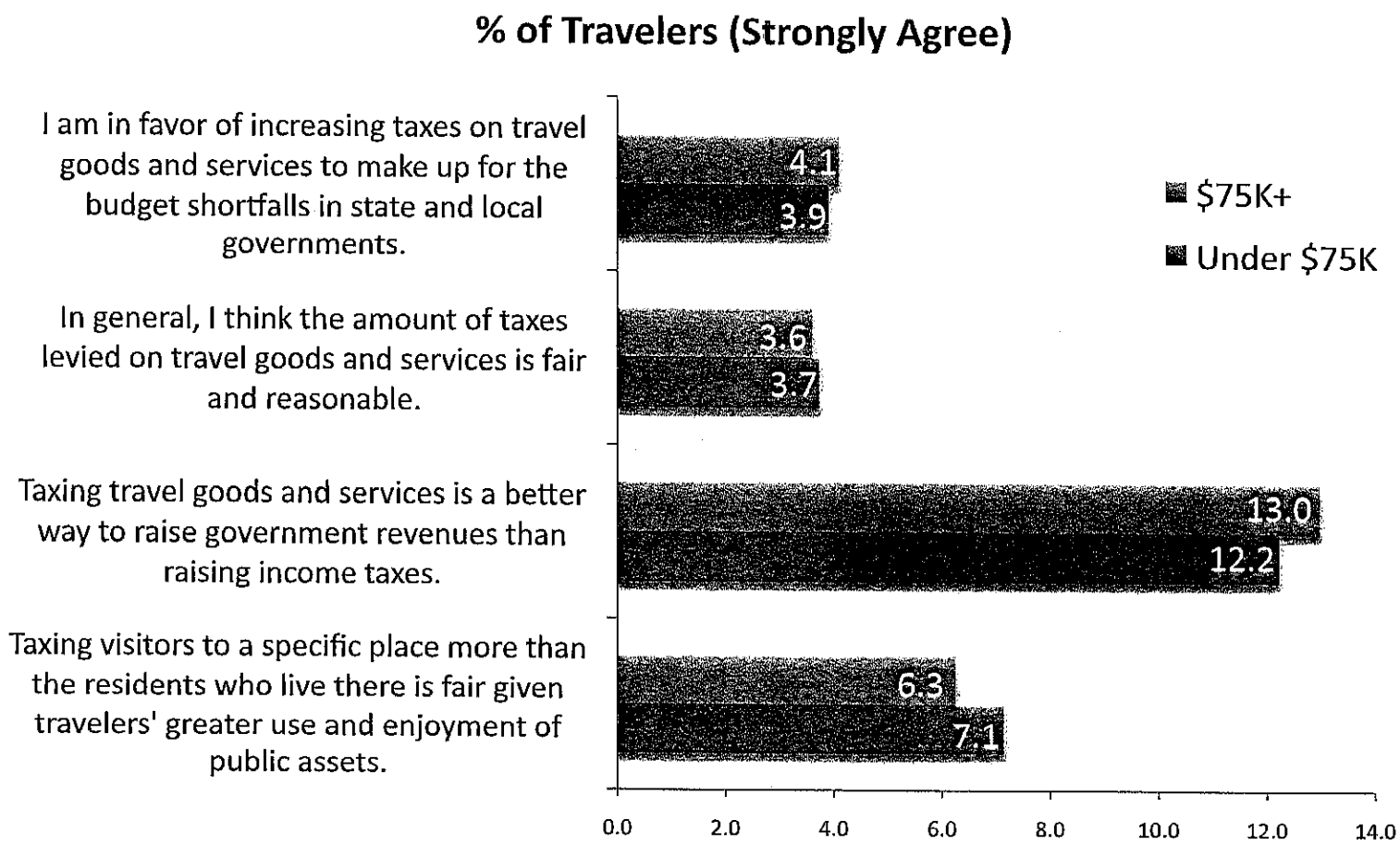
Travel Taxes Change Behavior

Half of travelers have changed their travel behavior because high levels of Taxation!

Consumer Reaction to Destinations with High Levels of Taxation	
	% of travelers
Decided Not to visit a particular destination	**10**
Stayed at a less expensive hotel/overnight accommodations	27
Dined in less expensive restaurants	26
Spent less on shopping and entertainment	26
Visited on the off-season when prices are lower	24
Dined out less frequently	19
Reduced the number of nights spent away from home on average trip there	15
Reduced number of leisure trips taken there	14
Rented a less expensive car	10
Seriously considered visiting someplace else with lower travel taxes	10
Changed mode of transportation from air to auto	9
Changed mode of transportation from auto to air	3
Took fewer household members with me on the trip	2

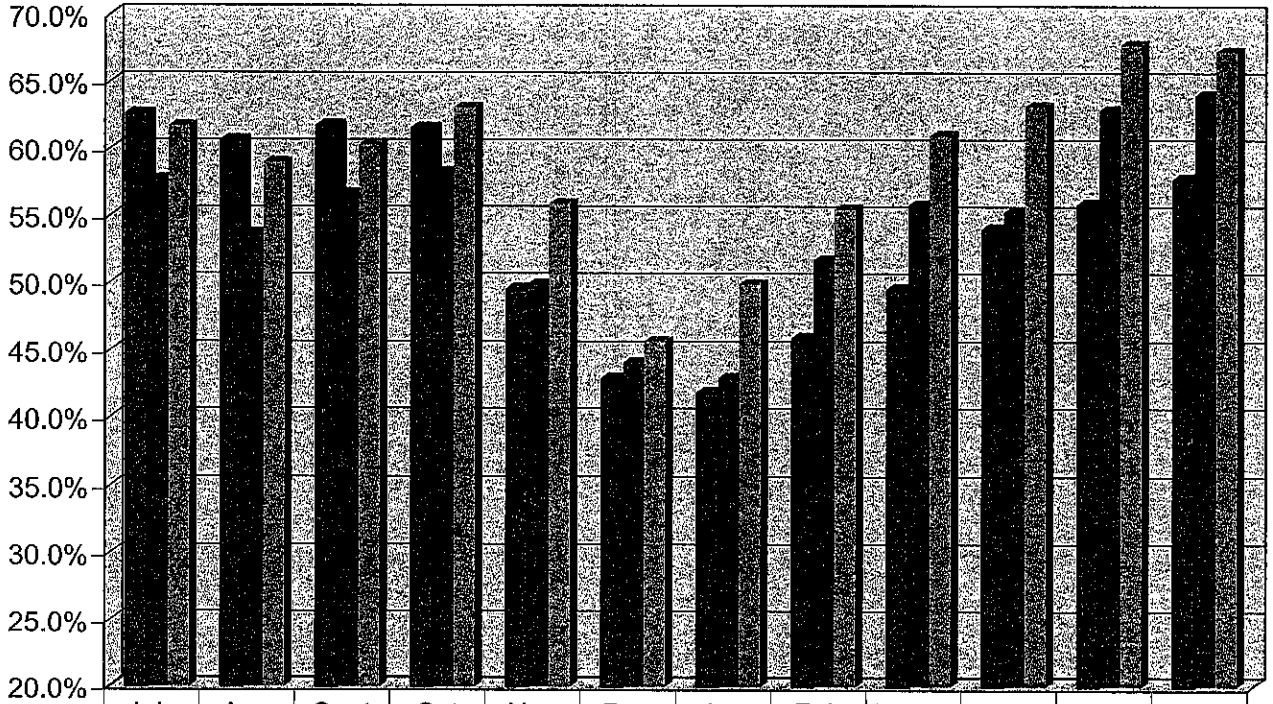
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Traveler Attitudes by HH Income



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New Castle County
Hotel Occupancy



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
FY09	62.6%	60.6%	61.7%	61.5%	49.5%	42.9%	41.8%	45.9%	49.5%	54.0%	55.8%	57.7%
FY10	57.7%	53.7%	56.7%	58.3%	49.9%	44.1%	43.0%	51.7%	55.8%	55.3%	62.9%	64.0%
FY11	61.7%	59.0%	60.3%	63.1%	55.9%	45.7%	49.9%	55.5%	61.0%	63.2%	67.8%	67.3%

HOTEL TAX COMPETITIVE ANALYSIS

LOCATION	TOTAL TAX RATE
Baltimore, MD	13.5%
Cecil County, MD	8.0%
Chester Co. PA	8.0%
Delaware Co. PA	8.0%
Hershey/Harrisburg, PA	9.0%
Bucks Co. PA	9.0%
Valley Forge, PA	8.0%
Philadelphia, PA	14.0%
Dover	8.0%

Good Evening-

My name is Gordon Basht, Director of Sales at Dover Downs Hotel & Casino.

My role; along with my staff at Dover Downs is to find organizations such as Groups, Conventions, Corporations and Motorcoach Companies to come to Dover Downs and the CITY Dover.

I am here tonight to discuss the disadvantages of imposing additional occupancy taxes on all of our groups and guests.

Over the past few years we have been fortunate to ***finally place*** Dover Downs Hotel & Casino, Kent County, and the City of Dover, as the **premiere destination** for National and Regional Conferences/Conventions and the Motorcoach Market.

Since starting at Dover Downs Hotel & Casino, persuading these groups to select our location has not been an easy task.

This is due primarily due to the following constraints that are forced upon us:
Lack of Public Transportation
No Commercial Airport or Regional Rail Service and
Dover being classified as the 3rds tier destination

Overtime we have been able to show the value of selecting Dover Downs, Kent County and the city of Dover, by highlighting our

- Attractions
- History
- Culture
- Affordability
- Friendly customer service,
- Tax-Free shopping
- AND most importantly our **LOW** Occupancy tax.

With the state of the economy over the past several years, meeting planner and site selection committees have been scrutinizing every financial aspect involved in planning these events.

For example here are some new and repeat conferences we were recently awarded PRIMARILY due to Delaware's lower occupancy tax.

- Mid-Atlantic College Stores- 300 room nights (Hyatt Chesapeake-13.5%)
- Multiple District Lions- 535 Rooms (Salisbury, MD 13.5%)
- Chrysler's Mid-Atlantic Dealer Conference 400 room nights (Trump-Taj Mah 14%)
- Baystate Pool Supply- 500 room nights (Mohegan Sun- 15 %)
- New Jersey Campground Owners Conference 250 room nights (Caesars, Atlantic City 14 %)

- PennDel Affordable Housing Conference 350 Room nights (Valley Forge 9%)

And not to mention, ONE of Delaware largest Conferences ...The International Arson Investigators Conference coming this April with 2340 rooms night. We were primarily selected over the Hershey Lodge (11%) due to our low occupancy tax.

Now let's look at the scenario when the state of DELAWARE IS SELECTED to be the host state,

Enacting the additional tax will NOW persuade the planners to select hotels outside the City of Dover - who do not face the challenges listed above.

In closing, as you can see by increasing the existing occupancy tax, will deter potential business opportunities in the Group/Convention Market.

The planner will feel there are no benefits to come to Dover, Delaware, as they are enduring the same tax structure as they would if they selected a 1st or 2nd tier city,

and not to mention they will still have to deal with the "transportation issue".

Thank you.

Leg & Fin Committee Meeting
City Hall
8/22/11

Speaking Points:

- Good evening committee members, my name is Victor Schimp and I am the General Manager of the Sheraton Dover Hotel and the Chairman of the Board of Directors for the Central Delaware Chamber of Commerce. Thank you for allowing me the opportunity to speak before you tonight.

- The CDCC is in strong opposition to a gross receipts tax or city hotel tax-the committee should have received a letter stating this opposition

- Creates an unfair competitive disadvantage for the city hotels

- Customers are extremely price sensitive when looking where to spend their disposable income

- Dover is not a resort/metropolitan area where a city tax may or may not be warranted-we depend on being competitive with rates and low lodging taxes.

- Dover does not have enough demand drivers to justify a city tax- we are not a resort, Philadelphia, Washington D.C. New York City, etc.

- The Kent County lodging community has been experiencing the "perfect storm" for the last nearly four years-increased supply and decreased demand

- Increased supply as a result of the post 911 long term military presence where new properties came on line

- Decreased demand-the recession that began in late 2007

- Please look at the chart titled "Kent County Lodging Report 2006-2011"

- OCC% ADR RevPar discussion...What is RevPar?

- Based on these numbers why would the City consider taxing an industry already distressed and trying to keep their head above water.

- Committee members... the lodging community implores you to reconsider and withdraw this gross receipts or city hotel tax immediately. Hotels and the constituents that work in them are depending on this committee to do the right thing for the sake of their jobs.

- Thank you.

I am Tom Smith and many of your know that I am the owner of Delaware Made General Store, a retail business in downtown Dover for 22 years.

What some of you do not know is that previous to this, I had a rewarding career in hotel management. I was in senior management positions at some of the largest and best hotels in New Mexico, primarily in Albuquerque. When I moved back to Delaware I continued this career as General Manager of the Holiday Inn and later the Comfort Inn, here in Dover. I am also a founding member of the board of the Kent County Tourism Corporation. I think I know a thing or two about hotels, tourism, and retail.

I can state to your unequivocally that without a strong tourism base to my business, I could not stay open. In fact, because of the recession and the continuing shrinking base of customers in the Dover area…Tourism is more important to me than ever.

Some of you may think that a tax on people who do not live here, like taxing people staying in hotels, will not have negative consequences. Well I say, think again! Much of the business that Dover hotels have is from convention and group business, which is competitively bid. That kind of business is very price sensitive and can go someplace less expensive. For instance, The Delaware Volunteer Firemen's Convention is put out for bid. This brings a great

deal of money to our local economy. Do you want to lose this convention and all that money to our local economy? What about the business traveler, many of whom have shrinking travel budgets. They come to the area perhaps weekly or monthly and can easily stay in Smyrna, Harrington, or Milford.

What about tourists, many of whom shop price as much as location. Every tourist we lose means money not spent in Dover for gasoline, food, and yes souvenirs at businesses like Delaware Made or others in our struggling downtown and in fact, all over the city.

I quite frankly find this proposal to be short sighted and very anti business. What it means is less money for business owners, perhaps job losses, and even some struggling businesses may end up closing because this is just the final straw.

I ask you to please not go forward with this proposal and instead concentrate on bringing jobs, new businesses, and new ideas to our city…NOT NEW TAXES.