

## **Tourism Promotion Area**

At the November 19, 2018 work session, Council recommended that the Tourism Promotion Area (TPA) proposal be forwarded to the Cultural and Tourism Promotion Advisory Board for their review. The Board met on December 11, 2018, and reviewed additional information provided by the Salem Area Lodging Association (SALA). The Board was supportive of the proposal, with a recommendation that the City Council hear the proposal, and consider a pilot project.

The TPA would seek to establish a 2 percent benefit assessment on gross short term room rental revenue booked within City limits, in addition to the 9 percent Transient Occupancy Tax that is currently assessed. The revenue generated by the benefit assessment would provide additional marketing and promotional dollars to benefit Salem lodging establishments. SALA proposes that the City of Salem authorize and collect the 2 percent assessment fee for the TPA.

The Finance Division currently collects Transient Occupancy Tax (TOT) revenue from lodging providers and intermediaries through monthly tax returns. For Fiscal Year 2017-18, the City collected \$3,922,627 in TOT revenue, with implied gross lodging sales of \$43,584,745. The City is currently under contract with Travel Salem, a destination tourism marketing organization, to provide marketing and promotional services. Travel Salem receives 25 percent of total TOT revenue collected, which equaled \$980,657 in FY 2017-18. Based on FY 2017-18 gross lodging sales as an example, the 2 percent assessment would result in an additional \$871,695 in funds available to market and promote Salem. If the TPA is approved, revenues available for marketing and promotional activities through TOT and the TPA would nearly double, to a total of \$1,852,352.