



Staff Report

File #: 24-395
Version: 1

Date: 10/14/2024
Item #: 7.1a.

TO: Mayor and City Council
THROUGH: Keith Stahley, City Manager
FROM: Dan Atchison, City Attorney

SUBJECT:

First Reading of Ordinance Bill No. 13-24 to amend SRC chapter 38 to modify the definition of "transient lodging" to exclude short term rentals and accessory short term rentals from the Tourism Promotion Area fee.

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods
Result Area(s): Strong and Diverse Economy.

SUMMARY:

The proposal would amend the definition of "transient lodging" to exclude short term rentals and accessory short term rentals from the Tourism Promotion Area fee.

ISSUE:

Shall City Council advance Ordinance Bill No. 13-24 to second reading?

RECOMMENDATION:

Advance Ordinance Bill No. 13-24 to second reading.

FACTS AND FINDINGS:

The Tourism Promotion Area (TPA) was enacted by City Council in 2019 at the request of Travel Salem and Salem Area Lodging Association. The TPA imposes a 2% fee on stays of transient lodging within Salem. The TPA must be renewed every five years and a public hearing on the renewal is set for December 9, 2024.

Approximately 95% of TPA funds are allocated by the City to Travel Salem, the City's Destination Marketing Organization, to be used exclusively for programs that promote marketing efforts, overnight tourism and improve the lodging business environment in Salem. Up to 5% is retained by the City of Salem to offset administrative costs.

The TPA currently defines "transient lodging" to include not only hotels and motels, but short term and accessory short term ("short term") rentals and intermediaries, such as Airbnb, Expedia, and other booking agents. Under the requirements for renewal, if more than 33% of transient lodging operators in the city object to renewal, the TPA must be dissolved.

Travel Salem has requested that the Code be amended so that operators of short term rentals are not subject to the TPA, meaning they will not be required to collect or remit the 2% fee, nor will they be eligible to object to renewal of the TPA.

While operators of short term rentals are currently subject to the TPA, the City has not collected the TPA fee from the operators and some intermediaries, such as Airbnb, have refused to collect it on their behalf unless the operators give them express permission to do so. Licensed operators of short term rentals are currently paying the Transient Occupancy Tax (TOT) and intermediaries are collecting it and remitting it to the City pursuant to an agreement with the City.

Currently there are 20 licensed short term rental operators in the city, however, staff believes there are more short term rentals operating without a license. Staff is working to implement a software tool that will allow the City to better identify short term rental operators in the City and ensure that those operators are licensed with the City and paying the applicable Transient Occupancy Tax. Once that software tool is implemented, the City may reevaluate whether to amend the Code to include short term rental operators in the TPA.

BACKGROUND:

The TPA was passed by City Council in 2019 after a public hearing. Per State statute, the TPA operates as an Economic Improvement District (EID) and must be renewed every five years. A public hearing on the TPA renewal is set for December 9, 2024.

Dan Atchison
City Attorney

Attachments:

1. Ordinance Bill No. 13-24.
2. Exhibit A to Ordinance Bill No. 13-24