

**CITY OF FERNELY
BUSINESS IMPACT STATEMENT
INCREASE THE TRANSIENT LODGING TAX TO 11%**

The following Business Impact Statement was prepared pursuant to Nevada Revised Statute (NRS) 237.090 to address the proposed impact of increasing the Transient Lodging Tax (TLT) from 9% to 11%.

1. The following constitutes a description of the number of the manner, in which comment was solicited from affected businesses, specifically transient lodging rental businesses, a summary of their responses and an explanation of the manner in which other interested persons may obtain a copy of the summary.

- a. Notice: The City of Fernley had seven licensed transient lodging rental businesses at the time of the business impact study. City staff solicited comment from each business by mail, telephone, website, workshop, and newspaper from October 9th, 2018 through November 7th, 2018.
 1. On October 9, 2018 staff mailed a public notice to the licensed transient lodging rental businesses in the City of Fernley along with a Public Comment form and an invitation to attend the public workshop.
 2. A public workshop was held on October 23, 2018 from 5:00 pm – 6:00 pm. The public notice and comment forms were provided at the workshop.
 3. The public notice soliciting comment was also published in the Fernley Leader Courier newspaper on October 17th, 2018 and October 24th, 2018. The notice provided the proposed room tax increase and an invitation to the public workshop.
 4. The public notice was posted on the City website, www.cityoffernley.org, on October 10th, 2018 through November 7th, 2018. The notice provided links to the public comment and information regarding the workshop.
- b. Summary of the responses: Two responses were received, one of which was emailed to staff from a hotel business owner on October 23rd, 2018 and one was taken during the workshop on October 23rd, 2018 from a RV Park owner. Both comments were in favor of the room tax increase but both commented they would like to see the revenue of the tax increase benefit the transient lodging rental business. It was suggested the City could increase the tax gradually over the duration of 3-5 years to allow more business development. Other suggestions regarded the Fernley Convention and Tourism Authority (FCTA) and City codes:
 - Make the Fernley Convention and Tourism Authority (FCTA) grants available to motel, hotels and RV Park business owners;
 - Have the FCTA grantees promote the hotels, motels, and RV parks in Fernley;
 - Give a list of FCTA sponsored events to the transient lodging business;
 - Give notice to transient lodging businesses of the FCTA Board meetings;
 - Have the City address city codes for event parking, for example not allowing RV parking the Walmart parking lot during events.
- c. This business impact statement will be available to interested persons:
 1. Posted on the City's website, www.cityoffernley.org, in the document center.
 2. Copies of the statement can be obtained from the City Clerk's office.

2. The estimated economic effect of the proposed rule on businesses, including, without limitation, both adverse and beneficial effects, and both direct and indirect effects:

Adverse effect: Raising the City's transient lodging tax to 11% may put Fernley motel, hotel, and RV Park businesses at a competitive disadvantage to surrounding towns and cities that charge 6-9% room tax. Although, the larger cities Sparks and Reno room tax is 13-13.5% they offer more amenities, activities, and events that may look attractive despite the extra thirty-mile travel; the increase in Fernley's room tax to 11% may be more ammunition to not stay in Fernley. The tax increase also unfairly imposes an unfair burden on a single group of Fernley businesses. A comment from the public workshop stated the transient lodging rental businesses do not feel they would benefit directly from the increase in tax; "we're are paying but getting nothing out of it."

Beneficial effects: After county and state taxes, the City of Fernley holds 50% of its TLT revenue for the City's future community center. Increasing the revenue of the TLT will save more money for the construction, operation and maintenance costs of the future Fernley Community Center. The other 50% is used to promote tourism to the Fernley by dispersing funds to outside agencies that promote tourism to Fernley. The transient lodging tax is the short-term lodging rental tax that is charged to guests staying in motels, hotels, and RV parks; it has minimal costs to local taxpayers.

Direct effects: The room tax will directly affect customers of transient lodging by increasing the cost of a hotel room a few dollars at most. For example, a hotel room costing \$100 per night will result in an additional \$2.00 increase. If the visitor decides to not stay in Fernley because of the 2% increase in tax the transient lodging rental businesses may lose customers and revenue.

Indirect effects: If transient lodging rental businesses lose customers because of the 2% increase in the room tax, other business (local restaurants and stores, gas stations, etc.) who benefit from out of area visitors may also see a decrease in business. The sales tax generated by these visitors may also decrease.

3. The following constitutes a description of the methods the City of Fernley considered to reduce the impact of the proposed rule on the businesses and a statement regarding whether any, and if so which, of these methods were used:

- a. City staff recommends to implement the room tax increase beginning July 2019 to give the businesses time to prepare for the increase.
- b. City staff recommends the additional revenue from the 2% increase in the room tax be earmarked for the construction of the Fernley Community Center.
- c. City staff considered to increase the TLT 1% for fiscal year 2019-20 for a total of 10% and increase the TLT an additional 1% for fiscal year 2020-21 for a total of 11%. This will allow the transient lodging business, City staff and Council to adjust and evaluate the effects of the increase.
- d. City staff considered increasing the room tax to 11% on motels and hotels only and keep the room tax on RV parks at 9%. The majority of room rentals are in motels and hotels.
- e. City staff considered increasing the allocation of the Community Center from 50% to 60% and decrease the grant awards to 40%.

ATTACHMENT A

4. **The governing body estimates the annual cost to the City of Fernley for enforcement of the proposed rule is minimal.** City staff already has in place the task of collecting and tracking of the transient lodging tax. Initial cost to change or update the Transient Lodging Tax Return form, make additional copy materials to mail the new rule out to effected businesses, legal posting of the new ordinance in the Fernley Leader Courier newspaper, and additional staff time to provide customer service and guidance is estimated at less than \$1000.
5. **The proposed rule provides for a new fee or existing fee increases and the total annual amount expected to be collected is:** \$ 87,062.62 or 10% of 2018-19 TLT revenue. The transient lodging tax revenue increases at an average of 10% yearly. It is estimated the expected increase would be \$87,062.62 or 10% of 2018-19 TLT revenue.
6. **The money generated by the new fee or increase in existing fee will be used by the City of Fernley to:** After the county and state taxes, the 50% of the TLT revenue is disbursed to outside agencies used to promote tourism to Fernley and the other 50% will be used for the construction, operation, and maintenance of the City of Fernley Community Center.
7. **(If applicable, provide the following:) The proposed rule includes provisions, which duplicate or are more stringent than federal, state, or local standards regulating the same activity. The following explains why such duplicative or more stringent provisions are necessary.** The proposed change is not duplicative, or more stringent that existing federal, state or local standards.