



Sponsored by: Administration

**CITY OF KENAI**

**RESOLUTION NO. 2019 - 30**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, SUPPORTING SECTION 5 OF KENAI PENINSULA BOROUGH ORDINANCE 2019-09, PROVIDING THAT A BALLOT PROPOSITION ON AMENDING THE BOROUGH'S SALES TAX CODE SHALL BE PLACED BEFORE BOROUGH VOTERS AT THE REGULAR ELECTION ON OCTOBER 1, 2019.

WHEREAS, due to the continuing decline in state assistance to municipalities and other losses of revenue, the Kenai Peninsula Borough is pursuing a borough-wide tax on temporary lodging rentals similar to bed taxes levied by other Cities and Boroughs in Alaska; and

WHEREAS, the City of Kenai attracts a significant number of visitors to the Kenai Peninsula each year, and although visitors contribute to the economy, the City does not currently receive any direct revenue from visitors to offset demands on public services other than the City's share of general sales tax; and,

WHEREAS, the City at one time had a Hotel/Motel Room Tax of five percent (5%), which was transmitted from the operator and/or owner renting rooms to the City; however, effective June 15, 1996, the Hotel/Motel Room Tax was suspended until such time as Council directs otherwise; and,

WHEREAS, under the Borough Ordinance, a temporary lodging tax would be established and apply to "temporary lodging," to be defined in the ordinance; and,

WHEREAS, a temporary lodging tax should be inclusive of recreational vehicles sites and campsites that compete with hotels, lodges, motels, and bed and breakfasts, to level the playing field in the hospitality industry; and,

WHEREAS, the City of Kenai does not currently have a bed tax and, if adopted and approved by voters, Borough Ordinance 2019-09 would allow the City to participate in a Borough-wide bed tax levied by cities within the Borough in which the borough-wide bed tax would be collected by the Borough and fifty percent (50%) remitted to the City; and,

WHEREAS, the revenue generated from the Borough portion of the bed tax would be used for educational purposes and make other Borough revenues available to offset visitor costs, the City would be able to designate where to direct its portion of the bed tax; and,

WHEREAS, this Resolution of support does not obligate the City to enact a bed tax but if a majority of Borough qualified voters approved Borough Ordinance 2019-09 on the October 1, 2019 Kenai Peninsula Borough ballot then the City must enact its own bed tax in order to participate in the City's share in the Borough-wide rate remitted to the City of Kenai.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA:

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**Section 1:** That the Kenai City Council supports Section 5 of Kenai Peninsula Borough Ordinance 2019-09, providing that a ballot proposition on amending the Borough's Sales Tax Code shall be placed before borough voters at the regular election on October 1, 2019.

**Section 2:** That the Kenai City Council requests the Kenai Peninsula Borough Assembly include in the definition that the temporary lodging tax apply to recreational vehicles and camp sites in the same way as other forms of lodging.

**Section 3:** That the Kenai City Council recommends that the Kenai Peninsula Borough convene a joint work session of municipalities to discuss the ordinance on amending the Borough Sales Tax Code to levy a tax on temporary lodging before adoption of the ordinance on temporary lodging.

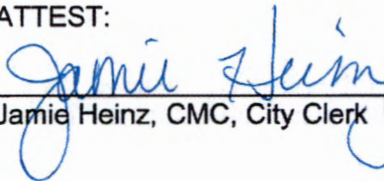
**Section 4:** That a copy of this resolution be transmitted to Mayor Charlie Pierce, Kenai Peninsula Borough Assembly Members, and City Managers, Mayors, and City Councils of the other cities in the Borough.

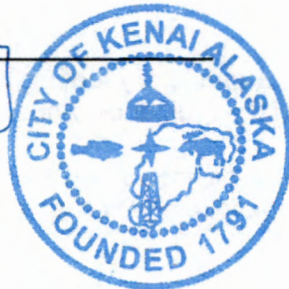
**Section 5:** That this resolution take effect immediately upon passage.

ADOPTED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 15<sup>th</sup> day of May, 2019.

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BRIAN GABRIEL SR., MAYOR

ATTEST:

  
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Jamie Heinz, CMC, City Clerk





*"Village with a Past, City with a Future"*

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## MEMORANDUM

**TO:** Mayor Brian Gabriel and Kenai City Council  
**FROM:** Paul Ostrander, City Manager  
**DATE:** May 6, 2019  
**SUBJECT:** Resolution 2019-30 – Supporting Kenai Peninsula Borough Ordinance 2019-09 to Establish a Temporary Lodging Tax

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Kenai Peninsula Borough Ordinance 2019-09 would establish a Temporary Lodging Tax, exempt temporary lodging rentals from the General Sales Tax, and allow cities to exempt up to one half of the Borough's Temporary Lodging Tax, subject to Borough voter approval. Borough Ordinances 2017-17 and 2017-29 as well as 2018-24, which would have asked voters to approve a 6% and 12% bed tax, respectively, failed in 2017 and 2018. City of Kenai Resolution 2017-53 supported Borough Ordinance 2017-17.

In 1991, the City enacted a Hotel/Motel bed tax of 5%, which was administered by the City and transmitted by the operator and/or owner renting rooms. The tax was put in place to promote economic development and tourism within the City but was suspended in 1996 until such time as the Council directed otherwise. At the time, an area-wide bed tax was not in place, putting City of Kenai businesses at a competitive disadvantage when local lodging was in low demand. The suspension of the bed tax was due to the possibility of adverse impacts on Kenai hotel/motel operators that asserted the tax made them uncompetitive with similar businesses outside of the City of Kenai that did not have a bed tax. City of Kenai businesses have expressed that RV and tent sites should be subject to any Temporary Lodging Tax to provide equity and assure competitiveness with motels, hotels and bed and breakfasts. Council may want to consider recommending the Assembly amend Borough Ordinance 2019-09 to include the taxation of RV and tent sites.

If adopted and approved by voters, Borough Ordinance 2019-09 would allow the City to participate in a Borough-wide 6% bed tax levied by cities within the Borough in which the borough-wide rate of 12% would be collected by the Borough and 6% remitted to the City. The City's participation in a bed tax would include approximately 28 businesses operating as motels, hotels, or bed and breakfasts within the City of Kenai and would not include motor homes or tents.



Bed taxes are a common source of local government revenues. Other Alaska cities and boroughs have a bed tax with rates that range from 4% to 12%. Opposition to a bed tax by the hotel and travel industry is often lessened if some of the bed tax revenue is directed towards tourism promotion efforts. If a bed tax was enacted, the Council could appropriate a portion of the revenues specifically towards tourism marketing.

The City of Kenai attracts a significant number of visitors to the Kenai Peninsula each year, and although visitors contribute to the economy, the City does not currently receive any direct revenue from visitors to offset demands on public services other than the City's share of general sales tax. The estimated annual distribution of tax revenue of a 6% bed tax for a full fiscal year is approximately \$150,000 to the City of Kenai.

Support of Resolution 2019-30 does not obligate the City to enact a bed tax or determine the distribution of revenue but supports placing an area-wide bed tax on the October 1, 2019 Kenai Peninsula ballot.

Your consideration is appreciated.