



Sponsored by: Administration

CITY OF KENAI

RESOLUTION NO. 2017-53

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, ALASKA, SUPPORTING KENAI PENINSULA BOROUGH ORDINANCE 2017-17, ESTABLISHING AN AREAWIDE SALES TAX ON TEMPORARY LODGING AND PROVIDING FOR AN EXEMPTION OF UP TO FIFTY PERCENT OF THE LEVY ON TEMPORARY LODGING WITHIN THE BOUNDARIES OF CITIES IN THE BOROUGH THAT LEVY A SIMILAR SALES TAX IN ADDITION TO AN EXISTING GENERAL SALES TAX, SUBJECT TO APPROVAL BY THE VOTERS IN THE REGULAR ELECTION ON OCTOBER 3, 2017.

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 bed tax 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 bed tax rate would be established and would apply to "temporary lodging," defined as "a service to provide any lodging of less than one month," and would include motels, hotels, and bed and breakfasts within the City of Kenai; and,

WHEREAS, the City of Kenai does not currently have a bed tax and, if adopted and approved by voters, Ordinance 2017-17 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 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, however 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 approve Ordinance 2017-17 as amended on the October 3, 2017 Kenai Peninsula Borough ballot then the City must enact its own bed tax in order to participate in the City's exemption 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, supports Kenai Peninsula Borough Ordinance 2017-17, establishing an areawide sales tax on temporary lodging and providing for an exemption of up to 50% of the levy on temporary lodging within the boundaries of cities in the borough that levy a similar sales tax in

addition to an existing general sales tax, subject to approval by the voters in the regular election on October 3, 2017.

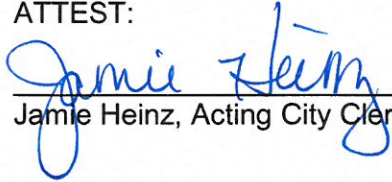
BE IT FURTHER RESOLVED, a copy of this resolution be transmitted to Mayor Mike Navarre and Kenai Peninsula Borough Assembly Members.

PASSED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 2nd day of August, 2017.



BRIAN GABRIEL SR., MAYOR

ATTEST:



Jamie Heinz, Acting 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 *P.O.*
DATE: July 27, 2017
SUBJECT: Resolution No. 2017-53 – Supporting Kenai Peninsula Borough Ordinance 2017-17 to Establish a Sales Tax on Temporary Lodging

Due to the continuing decline in state assistance to municipalities and other losses of revenue, the Kenai Peninsula Borough is pursuing a borough-wide bed tax similar to bed taxes levied by other Cities and Boroughs in Alaska to be placed on the Borough ballot October 3, 2017.

The City at one time had a Hotel/Motel Room Tax of 5% which was transmitted from the operator and/or owner renting rooms to the City. This tax was suspended in 1996 until such time as Council directs otherwise, and the City does not have a bed tax at this time.

If adopted and approved by voters, Ordinance 2017-17 would allow the City to participate in a Borough-wide 4% bed tax levied by cities within the Borough in which the borough-wide rate of 8% would be collected by the Borough, and 4% 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.

Arguments in support of the bed tax include generating revenue from visitors who do not pay taxes other than general sales taxes. 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 for a full fiscal year ranges between \$200,000 - \$240,000 to the City of Kenai.

Support of Resolution No. 2017-53 does not obligate the City to enact a bed tax but supports placing an areawide bed tax on the October 3, 2017 Kenai Peninsula Borough ballot.

