

02017-17

Dear Honorable Kenai Peninsula Assembly Members and Borough Mayor,

I urge you to vote against Ordinance 2017-17. The sales tax cap increase is a significantly more defensible measure to increase revenues to the Borough. A targeted tax on one industry that is not justifiable. The lodging industry, as you already know, is already paying a bed tax in the form of a sales tax which is 7.5% in the Homer area. A bed tax based on sales is put most correctly is a sales tax specifically on the lodging industry.

You likely don't understand however, that the hotel industry already pays more by virtue of the fact that there is a different application of the sales tax. If a buyer purchases a monthly service or truck, they pay the sales tax up to the cap of \$500 or \$37.50 (in Homer). If they call me to rent a hotel room for five nights and the nightly rate \$300 therefore \$1,500 total, then this buyer pays \$112.50 (\$22.50/night) as opposed to simply paying \$37.50. I am not asking for this to change, just pointing out that we are already paying more than standard in other industries. And, if you believe that a bed tax is ultimately coming out of the visitor's pocket, then we already have that with the sales tax that is already in place.

This tax is going to impact our industries ability to compete. If our Borough government needs additional revenue than we should all share that burden. To apply this entire burden on a small fraction of the population makes the impact far more detrimental than it needs to be. Supply and demand, as you know is real, hoteliers and B&B owners will have to reduce their prices which will impact their profitability, ability to maintain their properties, maintain a decent wage base, and invest in additions or remodels. By not reducing prices, they will face a similar fate but in terms of having less occupancy. Given the State's reduction in marketing, we need to remain competitive in pricing. We do live in an awesome part of the world on the Kenai Peninsula, but we aren't the only kids on the block. There are plenty of places for travelers to experience, even right here in our own State. I am not a proponent of cutting KPTMC, but I absolutely would be if the answer is a bed tax. KPTMC will survive, they will adjust and become an organization beholden to their membership, and driven by their membership. They have always wanted to be something bigger than that, but they will become more successful if they change their model.

Lastly, if you do decide to send this Ordinance to the ballot, and I sincerely hope that you don't, then the Ordinance needs to be corrected via an amendment due to a fatal flaw that likely isn't legal, and it certainly isn't proper. Currently, there is a credit given to Seward to offset the 3% bed tax that they currently charge. First, and most simply, the Borough doesn't offer the City of Homer a credit on its' Sales Tax. As you know, the City of Homer levies a 4.5% sales tax, while the City of Seward levies a 4% sales tax. The Borough levies 3% in both Homer and Seward. If the logic behind this fatal flaw in the bed tax is true, then the City of Homer should pay less sales tax to the Borough than does Seward, and less than Kenai and Soldotna as well.

The Borough has an amount of additional money it deems necessary to raise from the entire Borough. It shouldn't raise 6% in Homer and 3% in Seward any more than the Sales tax shouldn't be 2.5 in Homer versus 3% in Seward. The individual City's size their governments and raise their funds as their citizenry elects. Seward has decided to charge a bed tax*, Kenai and Soldotna I believe have decided to

keep their sales tax down at 3%, Homer has elected to charge a 4.5% sales tax. Each of the communities could elect to place their sales tax at 4.5% and Seward remove their bed tax. The fact is, none of that is your job or my job, each community decides for themselves and the Borough collects their tax uniformly from all areas of the Borough. The current Ordinance is discriminatory, unfair and unequal and seemingly intended to force individual communities to levy an ill-advised bed tax which is also not in the Borough's purview.

Respectfully,

Mike Dye
Borough Resident
Box 1559, Homer, Ak
(907) 399-8118

Subject:

Opposed to Bed Tax

To: Borough Assembly and Mayor

I am highly opposed to the proposed Bed Tax...again. It puts an undue burden on our tourism industry, and blocks much needed trickle down money to other industries that enjoy the benefits, such as food services and gift shops. It DOES have an impact, despite all the false claims that there is no impact. People DO decide where to spend their dollars based upon the overall price...and taxes are a huge part of that.

Please reject the Bed Tax...again.

Paul Hueper
Homer Inn & Spa

August 14, 2017

Kenai Peninsula Borough Assembly
144 North Binkley
Soldotna, AK 99669

Dear Kenai Peninsula Borough Assembly Members,

As a longtime partner and lodge operator in the Kenai Peninsula Borough, Princess Cruises and Holland America Line have been supportive of the Borough's vision to grow visitor numbers and revenues. We are then concerned about the ordinance proposing the implementation of a bed-tax. Raising taxes on one sector of the tourism industry, without providing any tangible benefit to that sector, will be detrimental to the goal of increasing traffic to the community as a whole. The best way to increase tax revenues is to grow business instead of increasing taxation.

The Kenai Princess Wilderness Lodge would be one of the largest payers of bed taxes in the Kenai Peninsula Borough. Although owned by a larger entity, the KPWL operates as a standalone business, and makes business decisions accordingly. We feel strongly that raising targeted taxes will do nothing but hurt the bottom line of the lodge, limiting the ability of the lodge to draw visitors to the region, and thusly hurt tourism in the region.

Guests that stay at the Kenai Princess Wilderness Lodge, as well as Holland America and Princess guests that stay at other properties within the Borough, are all part of a larger itinerary—most of which include stays near Denali National Park. We spend a tremendous amount of time and money marketing Alaska and the KPWL receives a huge benefit from these efforts. Itineraries are constantly being examined and tweaked, and raising the costs for one section of the itinerary does nothing to enhance our ability to get more visitors to come to the Borough. Increasing the marketing budget for local marketing does little to help us plan our itineraries. In fact, the roles are almost reversed, as our marketing has a tremendous positive effect on tourism on the Peninsula; even if the visitors choose not to travel to Alaska by ship, they are still influenced by our marketing.

We respectfully request that you reject the proposal to raise the bed tax in the Kenai Peninsula Borough and instead implement policies which would enhance growth in the lodging sector of the tourism economy.

Sincerely,



Ralph Samuels
VP, Government & Community Relations
Holland America Group Serving Princess Cruises, Holland America Line, Seabourn, and P&O
Australia

cc: Mayor Navarre