



CITY OF PORTSMOUTH

Municipal Complex
1 Junkins Avenue
Portsmouth, New Hampshire 03801
mayorbecksted@gmail.com
(603) 610-7200

Rick Becksted
Mayor

January 29, 2020

Chairman Feltes
Senate Ways and Means Committee
107 North Main Street
Concord, NH 03301

Re: City of Portsmouth's Written Testimony in support of SB 616

Chairman Feltes and Members of the Senate Ways and Means Committee:

The City of Portsmouth derives benefits from being a destination location and invests considerable resources annually to welcome and support visitors. The City consistently works to provide a safe and attractive city for visitors, residents, workers and commuters who support not only Portsmouth businesses but our local and State economy. Hospitality-related businesses in Portsmouth and the Seacoast contribute significantly to the State's Meals and Rooms Tax Revenues—far beyond what is returned to the City as its proportional distribution is based on population.

SB 616 would establish a committee to study meals and room tax revenue distribution to municipalities. The committee would examine the existing meals and rooms tax revenue distribution formula and hopefully address a way for those communities that support tourism to receive funds to help defer the costs of tourism and decrease the overreliance on the local property tax. As a Mayor and Assistant Mayor, and as taxpayers and business owners, we have witnessed directly the increased demands on municipal services that the tourist population creates and how those demands burdens the local taxpayer. If passed, the committee established by SB 616 would hopefully recommend reinstating the catch up formula and look at other ways to revise the distribution formula to help those communities that support tourism receive a more equitable distribution.

The City of Portsmouth has a population of approximately 21,898 people. The Economic and Labor Market Information Bureau of NH Employment Security reports for the first quarter of 2019 there 33,000 people working in the City. The Chamber Collaborative of Greater Portsmouth calculates that in 2019 approximately 4 million tourists visited the City. This is due in part to 221 events listed on the 2019 events calendar, 308 food establishments with approximately 35,120 total seats and 2,165 hotel rooms. Visitors to these festivals, restaurants

and hotels create an increased need for police, fire, ambulance and public work services.

Because of the daily influx of visitors and workers, the City's population swells well beyond its 21,898 residents every day. This increase in population is not accounted for in any meals and rooms revenue distribution calculation. If passed, the committee established in SB 616 could look at a way to adjust the formula to distribute the meals and rooms tax revenue based on actual daily populations, not just residents. It is those increased visitors and workers that create an increase in demands on our police, fire and public works department. For example, our fire department's response to a single family residence require significantly less personnel and different equipment than responding to a high occupancy multi story hotel. In 2019, there were 186 combined fire and EMS responses to our 18 hotels alone. In addition to the number of calls and demands on personnel due to these calls, due to the increase in high occupancy hotel construction projects over 3 stories in the City, the Fire Chief is requesting a replacement of our current 75' ladder truck with a 95' platform (tower) to better and more safely respond to potential fires in these buildings.

These cost are not absorbed by the property taxes assessed against the hotels. The burden for the additional police, fire and public works required to serve our City's real population (residents plus workers plus visitors) is only absorbed by the resident taxpayer. For example, a Portsmouth native in his 90's has lived for many decades in an approximate 1025 square foot home that has not had any remodeling or additions. If you compare his 2016 property taxes to 2019, there has been a 28% increase in his property taxes. In the same four years, his water bill has increased 4% and his sewer bill has increased 12%. Senior citizens should be able to stay in their homes and the committee established by SB 616 would be able to make recommendations to revise the current distribution formula to better help municipalities receive a fair distribution in order to lessen the burden on local taxpayers.

Over the last several years there has been a steady decrease in Meals and Rooms Tax net revenue distributed to New Hampshire communities. The committee established under SB 616 would examine the catch up formula and hopefully recommend an increase in the distribution of the Meals and Rooms Tax net revenue to restore the distribution to the statutorily prescribed 40%. The Cities and towns received an approximately 20% distribution in 2019 and that distribution will be 19% in 2020. Of the total amount distributed to all the cities and towns in New Hampshire, it is anticipated that in 2020 Portsmouth will receive 1.6% of the total distribution. See attached chart. This failure to receive the statutorily prescribed distribution, coupled with the downshifting of costs previously paid by the State and the County to local communities has increased the burden on the property tax paid by the local taxpayer. The committee established under SB 616 could review the current distribution formula with an

eye towards helping those communities that support tourism to offset downshifting costs, support tourism and relieve the burden on the local taxpayer.

The Portsmouth City Council has adopted Legislative Principles, whereby the City will support legislation that supports revenue streams to aid municipalities, specifically those that name Portsmouth or will directly support Portsmouth and further supports directing revenues to the purposes for which they are raised. Overall, SB 616 supports the City's Legislative Principles.

We believe the committee established by SB 616 will make recommendations on the distribution formula that will help defer the costs borne by the local communities that fuel New Hampshire's tourism economy and for the reasons described above, we would ask the Senate Ways and Means Committee to vote SB 616 Ought to Pass.

Sincerely,



Rick Becksted, Mayor of the City of Portsmouth
On behalf of the Portsmouth City Council



Jim Splaine, Assistant Mayor of the City of Portsmouth
On behalf of the Portsmouth City Council

cc: Legislative Subcommittee
Karen Conard, City Manager
Portsmouth Legislative Delegates

Enclosure