



CITY OF PORTSMOUTH

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Deaglan McEachern
Mayor

February 1, 2023

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

Re: City of Portsmouth's Written Testimony in support of SB 262

Chairman Lang 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 Rockingham County contribute significantly to the State's Meals and Rooms Tax Revenues (typically close to a third of the total revenue) —far beyond what is returned to these communities because the distribution is based solely on the population of residents and excludes those who work and visit the City. The City's portion of the meals and rooms distribution does not fully support the costs related to the impact of tourism on our community.

SB 262, enabling legislation that would permit municipalities to collect an occupancy fee from operators of room rentals, would be a way for communities to receive funds to help defer the cost of tourism and decrease the overreliance on the local property tax. As a Mayor, parent and taxpayer, I have witnessed directly the increased demands on municipal services that the tourist population creates and how that demand burdens the local taxpayer. If passed, SB 262 would permit municipalities to receive funds that would be deposited in a capital reserve fund, revolving fund, special revenue fund or tourism support fund to help pay for municipal services associated with the tourism. Each city or town could use these funds to address their particular needs as no two communities are alike. This gives cities and towns local control to make these decisions while at the same time improving tourism in the State which benefits all New Hampshire citizens.

Hospitality-related businesses were some of the hardest hit during the pandemic. The recovery of these businesses is vital to our City and our State. The City was unable to host the traditional number of annual special events for tourists to enjoy during the pandemic. We lost well-loved food establishments and local businesses which simply could not survive the pandemic's negative impacts. We, as a City, have worked hard helping our local economy recover from the pandemic. SB 262, if passed, would not

only alleviate tourism's impact for our taxpayers but would be a way to further help hospitality -related businesses recover. The occupancy fee would not have a negative economic impact on hotels because it is paid by the occupant and collection of the fee would not create an excessive administrative burden or cost to hotels.

We, as a City, have welcomed back tourists to enjoy the City we are lucky enough to live in. When tourists visit, our population of 22,548 swells and the demand for police, fire, ambulance and public work services increase and change. For example, our Fire Department's response to a single family residence requires significantly less personnel and different equipment than when responding to a high occupancy multi-story hotel. High occupancy hotel construction projects over three stories require fire trucks with a larger platform tower to better and more safely respond to potential fires in these buildings.

All of these costs are not absorbed by the property taxes assessed against the hotels. The burden for the additional police, fire and public works services are absorbed by the local taxpayer. Overreliance on the property tax creates a burden on all taxpayers, particularly our elderly on a fixed income. Although many of our seniors may qualify for an elderly exemption, the exemption amount cannot keep pace with the recent increases in appraised property values and associated property taxes. Cities and towns need alternative sources of revenue other than the overburdened property tax. This is particularly true due to the history of the State downshifting costs on to local municipalities. In particular, the State's downshifting full retirement costs on to municipalities has caused local budgets to significantly increase. Although the state made a contribution of 7.5% of employer costs for police, teacher, and firefighters last year, this contribution was only a one-time payment. Notwithstanding the recent improvements to the meals and rooms distribution, the State's has not fully applied the catch up formula which reduces distributions to municipalities and increases the burden on to property taxpayers. SB 262 would be a way for communities to raise funds to offset downshifting costs, support tourism and relieve the burden on the local taxpayers.

The City has long advocated for this occupancy fee because this enabling legislation will help municipalities defer the costs borne by local communities and will help hospitality- related businesses that fuel New Hampshire's tourism economy. For the reasons described above, I would ask the Senate Ways and Means Committee to vote SB 262 Ought to Pass.

Sincerely,



Deaglan McEachern
Mayor of the City of Portsmouth
On behalf of the Portsmouth City Council

c.: Karen Conard, City Manager
Portsmouth City Council
Portsmouth Legislative Delegates