

MAYOR & COUNCIL AGENDA COVER SHEET

MEETING DATE:

September 2, 2008

CALL TO PODIUM:

Fred Felton
Assistant City Manager

RESPONSIBLE STAFF:

Fred Felton
Monica Sanchez

AGENDA ITEM:

(please check one)

<input type="checkbox"/>	Presentation
<input type="checkbox"/>	Proclamation/Certificate
<input type="checkbox"/>	Appointment
<input type="checkbox"/>	Public Hearing
<input type="checkbox"/>	Historic District
<input type="checkbox"/>	Consent Item
<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	Policy Discussion
<input type="checkbox"/>	Work Session Discussion Item
<input type="checkbox"/>	Other:

PUBLIC HEARING HISTORY:

(Please complete this section if agenda item is a public hearing)

Introduced	08-04-08
Advertised	08-08-08
	08-13-08
Hearing Date	08-18-08
Record Held Open	08-27-08
Policy Discussion	09-02-08

TITLE:

An Ordinance to Create a New Chapter 3A Entitled "Hotel Rental Tax" so as to Levy and Impose a Hotel Rental Tax as Authorized Under Chapter 24, Section 9-608 of the Annotated Code of Maryland of Two Percent (2%) of the Total Amount Paid for Room Rental by or for a Transient for Sleeping Accommodations

SUPPORTING BACKGROUND:

Of the 19 counties in Maryland that have a hotel motel tax, 14 of them share the revenue with the municipalities that have hotels. Montgomery County is one of the few counties that does not share this revenue with municipalities despite repeated requests from the City of Gaithersburg and the City of Rockville.

There are currently 12 hotels operating within the City of Gaithersburg. While it is generally recognized that these hotels provide economic development benefits, they also require the City to expand significant funds providing services such as police protection and street maintenance.

Because Montgomery County was unwilling to share this revenue source, the City requested enabling legislation that would permit municipalities to levy a hotel motel tax. During the 2008 Legislative Session, the General Assembly passed a bill that would authorize certain municipalities, including Gaithersburg, to levy a tax a hotel/motel tax at a rate of up to 2%. It is noteworthy that this legislation authorized the County to reduce their hotel motel tax rate within a municipality that elected to levy its own tax.

Based on actual from Montgomery County's hotel/motel tax revenues, it is estimated that a 2% hotel/motel tax would generate approximately \$1.2 million a year for the City of Gaithersburg. The attached draft ordinance would levy a 2% hotel/motel tax

Please note that the City of Rockville passed an ordinance levying a 2% hotel tax on July 14, 2008.

DESIRED OUTCOME:

Record closed at 5:00 PM on August 27, 2008.
Ordinance is ready for final action.

MAYOR & COUNCIL AGENDA COVER SHEET

SUPPORTING BACKGROUND CONTINUED:

When the ordinance was introduced, the Mayor and City Council asked for information concerning hotel/motel tax rates in other jurisdictions. For your review, I have attached a chart that shows the tax rates for every County in the State. Additionally, Washington, DC has a tax rate of 14.5%.

The Mayor and City Council also asked the average cost of a room stay in Gaithersburg. Week day rates in Gaithersburg currently run from a low of \$60 to a high of \$229 a night. The average week day rate comes to \$150 so the average City hotel tax per night would be \$3.00.

The public hearing was held on August 18, 2008. One resident testified in favor of the ordinance and one resident testified in opposition. In addition, four representative of B. F. Saul Company testified in opposition to the ordinance. Further, the City received a total of eight letters (four from B.F. Saul) in opposition to the ordinance.

During the course of the public hearing, Mayor Katz asked for historical data on Montgomery County's total hotel tax revenues. According to the Montgomery County Department of Finance, the following revenues were received:

FY03	\$11,903,550
FY04	12,695,573
FY05	14,162,958
FY06	15,869,779
FY07	17,476,723

Attachments:

1. Draft Hotel/Motel Ordinance
2. Chart of MD County Hotel and Motel Tax Rate
3. Eight letters in opposition of Hotel Tax

ORDINANCE NO. _____

AN ORDINANCE TO CREATE A NEW CHAPTER 3A ENTITLED "HOTEL RENTAL TAX" SO AS TO LEVY AND IMPOSE A HOTEL RENTAL TAX AS AUTHORIZED UNDER CHAPTER 24, SECTION 9-608 OF THE ANNOTATED CODE OF MARYLAND OF TWO PERCENT (2%) OF THE TOTAL AMOUNT PAID FOR ROOM RENTAL BY OR FOR A TRANSIENT FOR SLEEPING ACCOMMODATIONS

BE IT ORDAINED, by the Mayor and Council of the City of Gaithersburg, in public meeting assembled, that Chapter 3A entitled "Hotel Rental Tax" is created and shall read as follows:

Chapter 3A
Hotel Rental Tax

Sec. 3-1. Definitions

The following words and phrases when used in this Chapter have the following meanings:

(1) *Transient*: Any person who actually occupies sleeping accommodations in any hotel providing sleeping accommodations for which a transient charge is made.

(2) *Hotel*: Any public or private hotel, inn, hostelry, tourist home or house, motel, cottage, apartment, rooming house or other lodging place within the City, offering sleeping accommodations for ten (10) or more persons at any one time, that for compensation furnishes sleeping accommodations to any transient as defined in paragraph (1) of this subsection.

(3) *Room rental*: The total charge made by any hotel for sleeping accommodations or space furnished any transient for a period not exceeding four (4) consecutive months. It does not include any hotel charge for services or for accommodations other than sleeping accommodations. If the charge made by a hotel includes any charge for services or accommodations in addition to that for the use of sleeping space, then the portion of the total charge as represents only room rental shall be distinctly set out and billed by the hotel as a separate item.

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Underlining

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~~Double boldface strikethrough~~

Heading or defined term.

Added to existing law by original bill.

Deleted from existing law by original bill.

Added by Amendment.

Deleted from existing law or the bill by amendment.

Existing law unaffected by bill.

(4) Director: Director of Finance and Administration or designee.

Sec. 3-2. Levy

(a) There is levied and imposed on each and every transient a tax at the rate of two percent (2%) of the total amount paid for room rental to any hotel, by or for a transient, for sleeping accommodations.

(b) Every hotel receiving any payment for room rental with respect to which tax is levied shall collect the amount of tax imposed by this Chapter at the time payment for the room rental is made. The taxes required to be collected by this Chapter shall be deemed to be held in trust by the hotel required to collect the tax until remitted as required by this Chapter.

(c) Whenever any hotel required to collect and pay to the City a tax under this Chapter shall cease doing business or otherwise dispose of its business, any tax payable under this Chapter to the City shall become immediately due and payable and the hotel shall immediately make a report and pay the tax due.

Sec. 3-3. Reports, records

(a) The hotel collecting the tax shall submit a report upon the forms and set forth the information as the Director may prescribe and require, showing the amount of room rental charges collected, and the tax required to be collected, and shall sign and deliver the same to the Director with a remittance of the tax. The reports and remittances shall be made on or before the last day of each month covering the amount of tax collected during the preceding month.

(b) It shall be the duty of every hotel liable for the collection and payment to the City of any tax imposed by this Chapter to keep and preserve, for a period of three (3) years, such records as may be necessary to determine the amount of the tax as the hotel may have been liable for the collection of and payment to the City, which records the Director shall have the right to inspect at all reasonable times.

Sec. 3-4. Exemptions

(a) No tax shall be payable under this Chapter on a room rental:

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
Single strikethrough	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by Amendment.</i>
Double boldface strikethrough	<i>Deleted from existing law or the bill by amendment.</i>
***	<i>Existing law unaffected by bill.</i>

(1) In any hospital, medical clinic, nursing home, rest home, convalescent home, or home for aged persons;

(2) From a private nonprofit educational organization that:

a. Is not organized or operated for the purpose of carrying on or promoting a trade, business, or religious philosophy; but

b. Principally houses groups of young people exclusively for the purpose of developing leadership and citizenship skills and promotion of the general public welfare; or

(3) From a nonprofit charitable, religious, educational, recreational or literary organization, other than a country club, when the primary use of the facility is other than housing overnight guests.

Sec. 3-5. Violation; interest, penalties

(a) If any hotel shall fail or refuse to remit to the Director the tax required to be collected and paid by this Chapter or to make a proper report to the Director, within the time and in the amount specified by this Chapter, there shall be added to the tax by the Director interest at the rate of one (1) percent per month on the amount of the tax for each month or portion of a month from the date upon which the tax is due, and there shall be added to the tax by the Director a penalty of five (5) percent of the amount of the tax per month or portion of a month, not to exceed a total of twenty-five (25) percent of the tax.

(b) If any hotel shall fail or refuse to collect the tax and to make, within the time provided by this Chapter, any report and remittance required by this Chapter, the Director shall proceed in a manner as he or she may deem best to obtain facts and information on which to base his estimate of the tax due. As soon as the Director shall procure the facts and information as the Director is able to obtain upon which to base the assessment of any tax payable by any hotel that has failed or refused to collect the same and to make the report and remittance, the Director shall proceed to determine and assess against the hotel the tax, interest and penalties provided for by this Chapter and shall notify the hotel by mail sent to its last known place of address of the total amount of the tax and interest and penalties, and that total amount shall be payable within ten (10) days from the date of the notice.

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Double boldface strikethrough	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

(c) It shall be the duty of the Director to ascertain the name of every hotel providing sleeping accommodations in the City, liable for the collection of the tax levied under this Chapter that fails, refuses or neglects to collect the tax or to make, within the time provided by this Chapter, the reports or remittances required by this Chapter.

(d) Violations of provision of this Chapter are declared to be municipal infractions and enforceable pursuant to the provisions of Section 1-9 of the City Code. Each violation shall constitute a separate offense. The maximum penalty for each initial and repeat violation shall be established by resolution of the City Council. A conviction shall not relieve any hotel or transient from the payment, collection or remittance of the tax, interest and penalties.

In addition thereto, the city may institute injunctive, mandamus or any other appropriate or proceedings at law or equity for enforcement of this chapter or to correct violations of this chapter, and any court of competent jurisdiction shall have the right to issue restraining orders, temporary or permanent injunctions or mandamus or other appropriate form of remedy or relief.

Sec. 3-6. Payment by City to Montgomery County Conference and Visitors Bureau

The City shall distribute four percent (4%) of the hotel rental tax collected by the City to the Conference and Visitors Bureau in Montgomery County.

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<u>Double underlining</u>	<i>Added by Amendment.</i>
Double boldface strikethrough	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

ADOPTED this ___ day of _____, 2008, by the City Council of Gaithersburg Maryland.

SIDNEY A. KATZ, MAYOR and
President of the Council

DELIVERED to the Mayor of the City of Gaithersburg, Maryland, this ____ day of _____, 2008. APPROVED by the Mayor of the City of Gaithersburg, this ____ day of _____, 2008.

Sidney A. Katz, Mayor

THIS IS TO CERTIFY that the foregoing ordinance as adopted by the City Council of Gaithersburg, in public meeting assembled, on the ____ day of _____, 2008, and that the same was approved/vetoed by the Mayor of the City of Gaithersburg on the ____ day of _____, 2008. This Ordinance will become effective on the ____ day of _____, 2008.

James D. Arnoult, Acting City Manager

Exhibit 1
County Hotel and Motel Taxes

County	County Tax Rates		FY 2004 Revenues	Per Capita Revenues	Revenue Sharing Agreement
	FY 2004	FY 2007			
Allegany	5.0%	8.0%	\$446,228	\$6	Y
Anne Arundel	7.0%	7.0%	11,264,733	22	Y
Baltimore City	7.5%	7.5%	16,825,505	27	N
Baltimore	8.0%	8.0%	7,130,807	9	N
Calvert	5.0%	5.0%	528,181	6	Y
Caroline	0.0%	5.0%	0	0	Y
Carrroll	0.0%	5.0%	0	0	N
Cecil	5.0%	5.0%	10,480	0	Y
Charles	5.0%	5.0%	724,633	5	Y
Dorchester	5.0%	5.0%	208,062	7	Y
Frederick	0.0%	3.0%	0	0	N
Garrett	4.0%	5.0%	869,470	29	Y
Harford	0.0%	0.0%	0	0	N
Howard	5.0%	5.0%	2,780,027	11	N
Kent	3.0%	5.0%	27,467	1	Y
Montgomery	7.0%	7.0%	12,695,573	14	N
Prince George's	5.0%	5.0%	4,314,223	5	Y
Queen Anne's	3.0%	5.0%	196,255	4	Y
St. Mary's	5.0%	5.0%	483,360	5	Y
Somerset	3.0%	5.0%	46,887	2	N
Talbot	3.0%	4.0%	644,939	19	Y
Washington	6.0%	6.0%	669,232	5	N
Wicomico	4.0%	6.0%	563,337	6	N
Worcester	4.0%	4.0%	10,009,637	202	Y
Statewide			\$70,439,036	\$13	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Aug. 14, '08

AUG 14 2008

To: Mayor Sidney Katz and City Council, City Hall, Gaithersburg, Maryland 20877

From: James Harris, 850 Diamond Dr., Gaithersburg, MD 20878-1809
Telephone: 301-977-1113

Subject: Proposed taxes and other matters brought to your attention

I understand that the City is proposing a tax on motel/hotel rooms. I am strongly opposed to this on a number of grounds, viz:

All taxes are discriminatory and hence unfair. This is one of the most unfair and hence most discriminatory of taxes. It hits people who travel/visit our City. Why not tax all bedrooms in our city? If we believe "Taxation without representation" is not just, then this consideration will be dropped like a hot potato. It violates the 14th amendment to the US Constitution. Federal employees traveling on official Government business will not be reimbursed for this tax; often the Federal employee must pay these sorts of unconstitutional taxes out of his/her own pocket. For a host of other reasons this balmy proposal should receive zero consideration and the City Council should work on more substantial issues to improve our City, not make it worse.

Some two years ago I wrote to you about the discriminatory "No Parking, Sunday 6:00 am-1:00 pm only on Sunday". This is highly discriminatory to the members of Grace United Methodist Church, which I am. Nothing was done to remove these discriminatory signs. They are still there. What are you going to do about this? I had written about the wasted middle lane of Bank Street headed east to Quince Orchard Road, where it dead ends as entry to NIST's Gate "B" is no longer permitted. This lane, like the left lane should be mandatory left turn. This left turn lane is badly needed. The single right turn only is sufficient as a right turn on red, when safe, is permitted. Mr. Humpton said he would look into this matter. Nothing came of it.

And I confirm what I told you August 4th, my Great grandmother Sarah Amy Babcock Halls' 133rd birthday. She died at age 29 with eight orphaned children, The City of Gaithersburg and the Senior Center is fortunate to have such a capable Director as Grace Whipple

James Harris

August 15, 2008

The Honorable Sidney A. Katz
Mayor
City of Gaithersburg
31 S. Summit Avenue
Gaithersburg, MD 20878

The Honorable Henry F. Marraffa, Jr.
Council Vice President
City of Gaithersburg
31 S. Summit Avenue
Gaithersburg, MD 20878

RE: Municipal Hotel Tax

Dear Mayor and Council:

The Gaithersburg Washingtonian Center Courtyard Marriott is one of 4 Marriott hotels located in the City of Gaithersburg. Collectively, the Marriott-brand properties employs 175 associates in the City with a total payroll of over \$4,300,000. Marriott opposes legislation to impose a 2% municipal hotel tax, in addition to the 7% Montgomery County hotel tax, because it will increase costs to our hotel customers and thereby negatively impact the competitiveness of our hotel within the County and region.

The combined state and local hotel tax rate in Gaithersburg, as proposed, would be 15%, making this hotel tax rate uncompetitive in the region: elsewhere in Montgomery County = 13%; District of Columbia = 14.5%; Delaware = 8%; and Northern Virginia = 9% - 10.5%. **Gaithersburg would have the highest hotel tax in the State.**

Contrary to conventional wisdom, a significant percentage of our hotel revenues are derived from local residents (families and businesses) who utilize the hotel for special events. At our hotel almost 48% of our total revenue is from companies or families based in Gaithersburg. The other primary customer groups are conference planners who carefully scrutinize hotel charges before making booking decisions. A 15% tax increase is dramatic, increasing prices for local residents and providing an incentive for conference planners to shop elsewhere for more reasonable hotel rates.

The current economic climate is particularly challenging, and Maryland tourism is not immune from the economic downturn. As of March 2008, statewide data indicates hotel occupancy rates are down 6% and revenues are down 3.2%.

Recent tax increases by the Maryland General Assembly, including a 20% increase in the sales tax to 6%, and an 18% increase in the corporate income tax to 8.25% is having a burdensome effect on the cost of doing business in Maryland. Imposing this additional tax burden during an economic downturn will only exacerbate the revenue picture for Maryland hotels.

For these reasons, we respectfully request that **the 2% municipal hotel tax be defeated.**

Sincerely,

Ossi Tuominen
General Manager

cc: All Members, Gaithersburg City Council

Marriott International, Inc. is one of six Fortune 500 companies headquartered in Maryland, and is a global leader in the lodging industry with more than 3,000 hotels worldwide. In Maryland, it employs 9,000 associates with gross wages and benefits of nearly \$1 billion.



Hilton
Washington DC North/Gaithersburg

August 22, 2008

Mayor Sidney Katz
Town Council Members
31 South Summit Avenue
City of Gaithersburg
Gaithersburg, Maryland 20877

Dear Mayor Katz and Council Members,

I am the new General Manager at the Hilton Washington DC North Gaithersburg Hotel (I have been in the hotel business for 24 years) and I am trying to understand why the city is looking to raise the hotel occupancy tax 2% during a slowed economy. We have already experienced lower summer months occupancy and we are seeing the same trend for the balance of the year.

As a new member to the community does the city of Gaithersburg currently have a budget deficit? What will the additional 2% fund? The Hilton in Gaithersburg is managed by Davidson Hotels which manages over 25 hotels throughout the United States. If the city were to move to 15% it would be among the nations highest tax rate (higher than Washington DC).

Many of our corporate, meeting planners and tour operators are looking for rate reductions for 2009 or they will be moving to different locations such as VA where they can get comparable rates and lower taxes. This will only hurt us as the hotel population of Gaithersburg relies on this type of business. This tax increase will only cripple an already slowing market.

As a part of the hotel community of Gaithersburg I am writing today to voice opposition to the imposition of another tax increase upon hotel guests in the City of Gaithersburg. I believe that this continuous rate of taxation gives us an unfair advantage to be competitive and to attract new business in to the community.

As the economy has slowed we are already experiencing slower travel demands. As future booking pace of DC and Baltimore is looking soft we are working harder at being more competitive to maintain business levels and trying different ways to attract new business. One of our strategies is to attract more international travel but that require inclusive rates which will only force us to lower our already too low hotel rates.

- The Gaylord Hotel in Prince Georges County has added over 2000 room to the market which has already hurt the Washington DC area for convention type business which ultimately affects our area.
- The New Baltimore National Harbor project has also affected our community bringing 3 additional new hotels to the area.



Official Sponsor of the U.S. Olympic Team

620 Perry Parkway, Gaithersburg, MD 20877
Tel: 301 977 8900 Fax: 301 869 8597
Reservations: www.hilton.com or 1-800-HILTONS

- Virginia Hotels are much closer to the airport and offers complimentary shuttle which have made it more difficult to attract government business to the area.
- It is already a challenging situation to lower revenues with increasing utility costs to operate our business. Now more than ever we need your partnership to ensure that Gaithersburg continues to be a destination city.

I recognize that this taxing ability was established as a legislative priority and that Rockville has made this decision. We believe that this decision was shortsighted and harmful to the hotel community. If we continue to maintain our existing tax rate this will allow us to be more competitive and allow us to attract more business to the area.

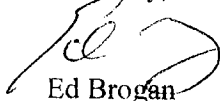
Through the imposition of the state sales tax and Montgomery County occupancy tax, hotel guests in Gaithersburg are charged a total of 13% in retail taxes on their stay. The proposed 2% additional tax will bring this total to 15%.

The tax burden at 13% already places hotels at a disadvantage to the local marketplace, both Fairfax and Frederick counties have a decided advantage in tax rates and this will be worsened by the imposition of further taxes. Guests do choose accommodations based on the total cost of their stay, not simply the rates they are offered by the hoteliers. This fact has been furthered by the use of the internet in hotel purchasing decisions and the acute shopping that is done by group meeting planners. The City of Gaithersburg does not benefit from a convention center or similar facility to drive hotel patronage. This leaves your hoteliers to compete without these advantages. A tax premium does not result in increase visitation and in fact will lessen demand for accommodations in Gaithersburg. This type of reaction by guests has been tracked across the nation when local taxation exceeds reasonable limits. The imposition of this tax will hurt your loyal business residents and lower visitation.

According to a study done by Dr. Charles deServe and the American Econometrics Group for American Hotel Foundation, on average a 2% increase in the tax on hotel rooms causes about 2.4% reduction in room sales and associated visitor spending per year. So instead of increasing revenues to the municipality's general fund, you may well see a decrease.

I urge you to reject the imposition of this tax. Our company has consistently reinvested in the City and the County. We continue to reinvest in our property and have extensive plans for next year to upgrade our facility. This taxing decision is an important one that will make it competitively more difficult to bring visitors to the City. Visitors do not only spend at the hotel but generate ancillary revenues. Please take this into account as you make this important decision. Clearly this is not the right time to raise lodging taxes. Thank you for your time and we look forward toward your involvement in working with the hotel community.

Sincerely,



Ed Brogan
General Manger

B. F. SAUL COMPANY

HOTEL DIVISION

Established 1892

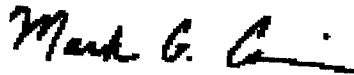
7501 WISCONSIN AVENUE, SUITE 1500, BETHESDA, MARYLAND 20814-6522

TELEPHONE: (301) 986-6000

The tax burden at 13% already places your hotels at a disadvantage to the local marketplace, both Fairfax and Frederick counties have a decided advantage in tax rates and this will be worsened by the imposition of further taxes. Guests do choose accommodations based on the total cost of their stay, not simply the rates they are offered by the hoteliers. This fact has been furthered by the use of the internet in hotel purchasing decisions and the acute shopping that is done by group meeting planners. The City of Gaithersburg does not benefit from a convention center or similar facility to drive hotel patronage. This leaves your hoteliers to compete without these advantages. A tax premium does not result in increase visitation and in fact will lessen demand for accommodations in Gaithersburg. This type of reaction by guests has been tracked across the nation when local taxation exceeds reasonable limits. The imposition of this tax will hurt your loyal business residents and lower visitation.

I urge you to reject the imposition of this tax. Our company has consistently reinvested in the City and the County. In fact, we are in the midst of a substantial renovations program at the Holiday Inn designed to attract guests. This taxing decision is an important one that will make it competitively more difficult to bring visitors to the City. Visitors do not only spend at the hotel but generate ancillary revenues. Please take this into account as you make this important decision.

Sincerely,



Mark G. Carrier
Senior Vice President

B. F. SAUL COMPANY

HOTEL DIVISION

Established 1892

7501 WISCONSIN AVENUE, SUITE 1500, BETHESDA, MARYLAND 20814-6522

TELEPHONE: (301) 986-6000

August 15th, 2008

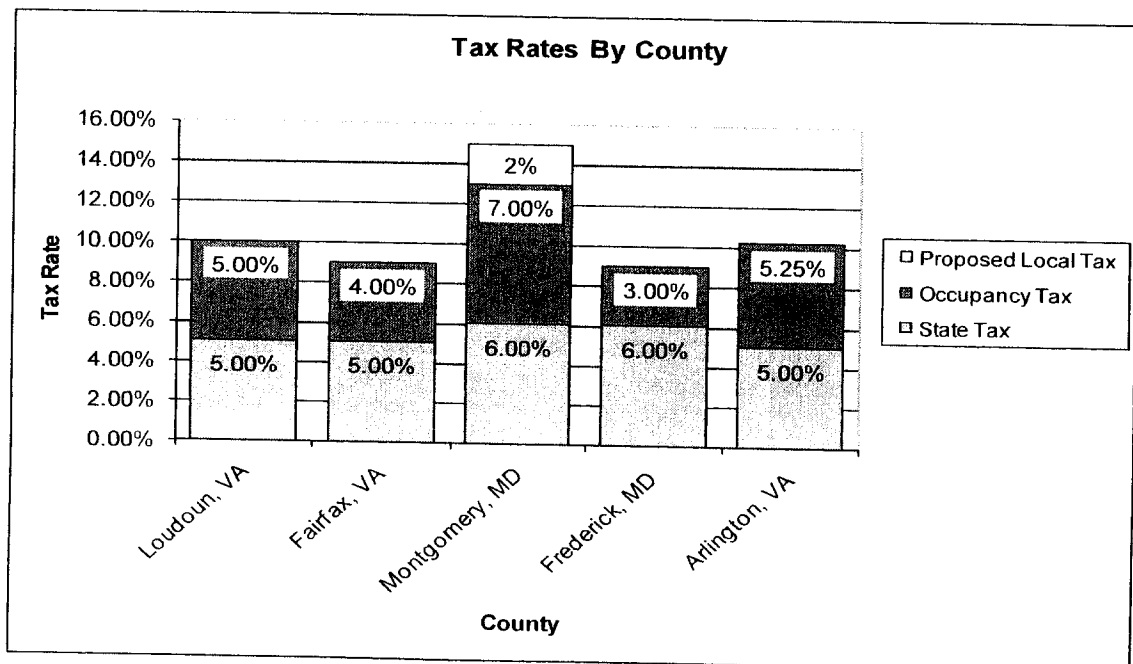
Mayor Sidney Katz
Town Council Members
City of Gaithersburg
31 South Summit Avenue
Gaithersburg, Maryland 20877

RE: Hotel Rental Tax

Distinguished Gaithersburg Leaders,

I am writing today to voice opposition to the imposition of a further tax upon hotel guests in the City Of Gaithersburg. Our company owns and operates two hotels in Gaithersburg; the Holiday Inn and the TownePlace Suites by Marriott. I recognize that this taxing ability was established as a legislative priority and that Rockville has made this decision. We believe their decision was shortsighted and harmful. Through the imposition of the state sales tax and Montgomery County occupancy tax, hotel guests in Gaithersburg are charged a total of 13% in retail taxes on their stay. The proposed 2% additional tax will bring this total to 15%.

This rate of taxation is fundamentally unfair and creates a competitive situation that is harmful to your local hoteliers. The chart below compares the existing and proposed tax to the surrounding counties.



B. F. SAUL COMPANY

HOTEL DIVISION

Established 1892

7501 WISCONSIN AVENUE, SUITE 1500, BETHESDA, MARYLAND 20814-6522

TELEPHONE: (301) 986-6000

August 19th, 2008

Mayor Sidney Katz
Town Council Members
City of Gaithersburg
31 South Summit Avenue
Gaithersburg, Maryland 20877

RE: Hotel Rental Tax

Dear Mayor Katz and Honorable Council Members,

I appreciate the time afforded me in the public hearing last evening regarding the hotel occupancy tax. Your questions were on point and I felt that you provided an open minded respect to the hoteliers' point of view. I hope my passion for the subject did not exceed the soundness of logic and fairness to the issue.

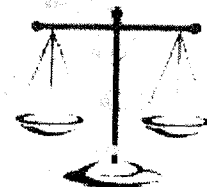
As presented last evening, the imposition of this additional 2% tax will bring the aggregate taxation of your hoteliers and their guests to an untenable position. With 13% currently collected by the state and the county we face a significant competitive challenge already and this addition would worsen it significantly. The differential in tax rates with competitive regions is dramatic and harmful to our efforts to attract visitors to Gaithersburg and Montgomery County. The differential in hotel revenue performance that I presented last night can in part be explained by this tax burden that exists. To raise the aggregate to 15% is simply unfair to your hotel community and is frankly excessive.



I now more fully understand the challenge that you face as the leaders of this wonderful and progressive City of Gaithersburg. I believe it fundamentally unfair that the County does not share an appropriate portion of the current 7% occupancy tax with the City. This is especially egregious when you realize that of the many millions collected from this tax that only a small portion is reinvested in tourism promotion. I understand that only \$650,000 or so is invested from the occupancy tax in the Montgomery County Convention and Visitors Bureau. This pales in comparison to the Counties that we compete with in Virginia. Both Loudoun and Fairfax invest nearly \$3 million in their respective tourism organizations and their tax rates are dramatically lower than the current 13% rate. This is shown in the graph I presented last evening and is attached to this letter.



Tourism and the hospitality industry is virtually the most tax beneficial business a region can nurture. This is due to the intensity of the retail tax collections, the payment of real and personal property taxes and the ancillary spending generated by the guests and employees of the hotels. It is a virtuous industry that should be supported and not burdened by tax rates that nearly triple other retail businesses.



B. F. SAUL COMPANY

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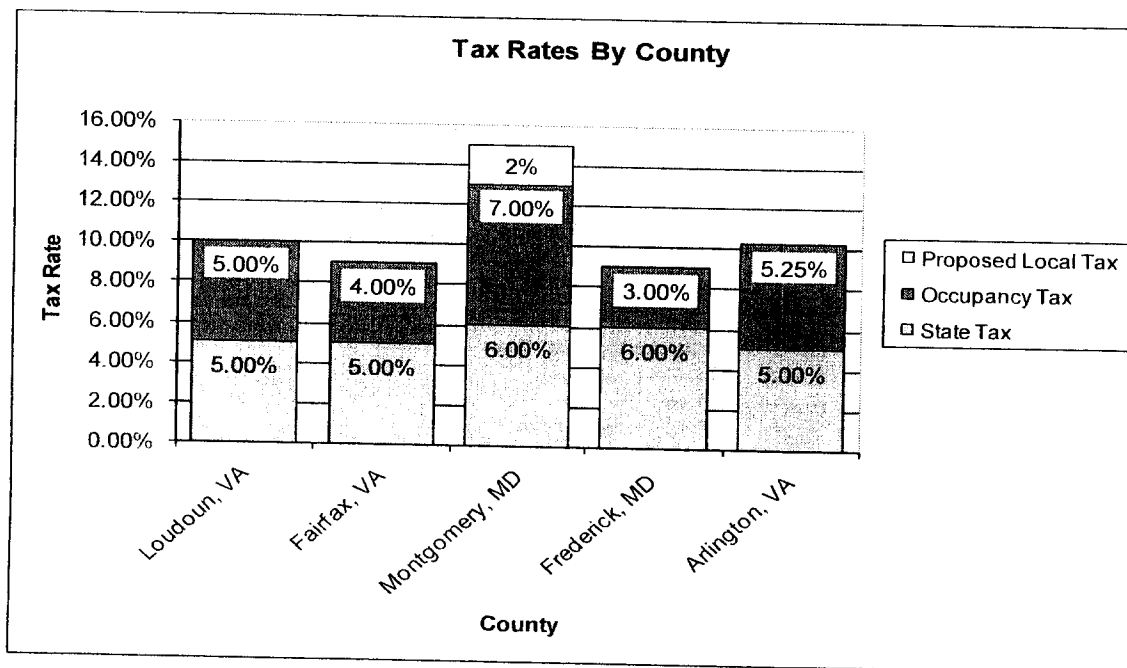
I believe that you are caught in a difficult decision; between additional taxes, services to your residents, support of your hotel community and the challenge with county government which is retaining the occupancy tax in an unfair manner.

I respectfully suggest that you table the tax increase at this time and provide an opportunity for us to work together in an effort to redirect the County's taking of the full 7%. The new legislation has created an opportunity to work on this issue in an effective fashion and I believe a concerted effort could bear results. I recognize the appropriate pessimism on this potential outcome but if you raise the tax today, the leverage to successfully redirect the city's fair share of the 7% will be foregone. Please work with your loyal hoteliers who have been so committed to the City of Gaithersburg and the community. You will have our tireless efforts and support.

Best regards,



Senior Vice President Hotel Division





AUG 25 2008

August 20th, 2008

Mayor Sidney Katz
Town Council Members
City of Gaithersburg
31 South Summit Avenue
Gaithersburg, Maryland 20877

RE: Hotel Rental Tax

Dear Mayor Katz and Honorable Council Members,

Thank you for the opportunity to discuss the issue of the hotel occupancy tax at the Public Hearing held on August 18, 2008. You raised very valid questions and I appreciate the respect afforded to the hoteliers' point of view.

As presented at the Hearing, the imposition of this additional 2% tax will bring the aggregate taxation of your hoteliers and their guests to an untenable position. With 13% currently collected by the state and the county, we face a significant competitive challenge already, and this additional tax would worsen it significantly. The differential in tax rates with competitive regions makes it very difficult in for us to attract visitors to Gaithersburg and Montgomery County. The differential in hotel revenue performance that was presented to you and the Council Members can in part be explained by this tax burden that exists. To raise the aggregate to 15% is simply unfair to the hotel community.

I believe it also unfair that the County does not share an appropriate portion of the current 7% occupancy tax with the City and that so little is reinvested in the tourism promotion for Gaithersburg and Montgomery County. Approximately \$650,000 is invested from the occupancy tax in the Montgomery County Convention and Visitors Bureau. In comparison to the Counties that we compete with, Virginia, Loudoun and Fairfax Counties invest nearly \$3 million in their respective tourism organizations with a much lower tax rates than the current 13% rate. Tourism and the hospitality industry is virtually the most tax beneficial business a region can nurture. This is due to the intensity of the retail tax collections, the payment of real and personal property taxes and the ancillary spending generated by the guests and employees of the hotels. It is a virtuous industry that should be supported and not burdened by tax rates that nearly triple other retail businesses.

I respectfully suggest that you table the tax increase at this time and provide an opportunity for The Council and the Hoteliers to work together in an effort to redirect the County's taking of the full 7%. The new legislation has created an opportunity to work on this issue in an effective

fashion and I believe a concerted effort could bear results. If you raise the tax today, the leverage to successfully redirect the city's fair share of the 7% will be foregone. I ask that you please work with your loyal hoteliers who have been so committed to the City of Gaithersburg and the community.

Respectfully,



Terri Dombkowski

Executive Vice President

c: Gary DeLapp, President and CEO
Extended Stay Hotels

Extended Stay HotelsSM

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Extended Stay DeluxeSM ExtendedStayAmerica[®], Homestead Studio Suites[®], & StudioPLUS[®]

August 20, 2008

Mayor Sidney Katz
Town Council Members
City of Gaithersburg
31 South Summit Avenue
Gaithersburg, Maryland 20877

RE: Hotel Room Rental Tax

Dear Mayor Katz and Honorable Council Members,

I am writing all of you today to express my apprehension to the imposition of raising the current tax 2% in the City of Gaithersburg for all hotel guests. As the General Manager of the Wyndham Garden Hotel Gaithersburg; a newly converted hotel in the area, I believe that this tax increase is unwarranted and unjust. I also feel that this new tax will create a feeling hostility and frustration between and among the local hotel establishments. While I do understand that the 12 hotels in the City of Gaithersburg provide economic development benefits to the city, and that the decision was brought forth as a legislative priority for both Gaithersburg and Rockville, with Rockville making their decision to pass the ordinance, it's just not beneficial in these recessionary times.

With the 13% that's already collected by the state and county, we face challenges that the surrounding counties do not face. These challenges will only heighten for us once the rate goes up 2% causing our current or potential guest to look outside of the area. One thing that we do know is that guests are educated consumers and are very rate conscious. They look and research for the overall valued total cost of everything which includes rates and taxes. In the past these types of increases have been tracked and have proven to be harmful to the tourism and hospitality industry which again will affect us here in Gaithersburg.

I understand all of the challenges that you encounter as leaders in the City of Gaithersburg and believe that you are dealing with a difficult decision that could have a rippling and devastating effect on everyone in the county. Fundamentally, it is unfair that the county does not share the current 7% room rental tax with the city.

I strongly urge that you vote against the proposition to increase the hotel tax and relieve the industry of any possible decline of potential business.. This decision is an important one that would negatively affect the hotels and the city. I ask you to partner with us to see how we can redirect the current revenues that are being appropriated. I believe we can keep the tax as it stands now so we can continue our valued relationship between the city and all local hotels.

Sincerely,

Ben Weinstock

Ben Weinstock
General Manager
Wyndham Garden Hotel Gaithersburg

Same letter was received
from Keitha W. Mahan
Senior Sales Manager
Wyndham Garden Hotel