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Town of New Castle
450 W. Main Street
PO Box 90
New Castle, CO 81647

Administration Department
Phone: (970) 984-2311
Fax: (970) 984-2716
www.newcastlecolorado.org

Agenda

New Castle Town Council Work Session

Tuesday, January 04, 2022, 6:15 PM

Virtual Meetings are subject to internet and technical capabilities.

To join by computer, smart phone or tablet click [HERE](#)

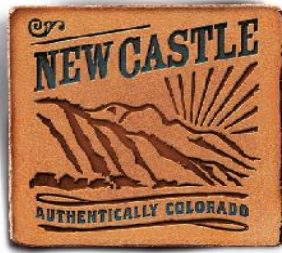
If you prefer to telephone in:

Please call: 1-346-248-7799

Meeting ID: 709 658 8400

Follow the prompts as directed. Be sure to set your phone to mute until called on

[a.](#) Lodging Tax Discussion



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Memorandum

To: Mayor & Council
From: David Reynolds
Re: Workshop Item – Discussion of Lodging Tax Ballot Issue
Date: 01/04/22

Purpose:

The purpose of this Council workshop is to discuss the possibility of adding an issue to the April 5, 2022 ballot which would seek voter approval for increasing the Town's current *Lodging Tax Rate of 2.5%* to a higher rate (yet to be determined).

On December 7, 2022 Council discussed the idea adding a ballot issue seeking a raise in the current *Lodging Tax Rate*. Staff provided two timelines for adding a ballot issue either by means of an ordinance, or by means of a resolution. Council decided to hold a workshop on January 4th, 2022 to be followed with a resolution no later than the February 1, 2022 Council meeting (*see attached memo dated 11.16.21*).

During the December 7th meeting Council was presented with a spreadsheet that showed current *lodging tax rates* for neighboring Colorado communities, New Castle was noted to be toward the lower end of lodging tax rates. After some discussion, it appeared that Council had an interest in seeking a rate increase to perhaps 5%. Also, during the December 7th meeting, Council discussed the need to identify the uses for the funds collected from a possible *lodging tax* increase. It was noted that the original identified use of collected *lodging tax funds* was reserved for Economic Development. Council discussed the possibility of using new funds (those above the current 2.5%) for other items, such as affordable housing, or more specifically some type of targeted housing program to aid with staff housing needs.

Following the December 7th meeting, staff took time to further research the uses which were approved by the voters at the time the original issue was approved. Municipal Code Section 3.32.070 references the voters wishes by stating that "The revenues derived from this *lodging tax* shall be used exclusively for economic development, community enhancements and / or marketing of the town" (Ord. 2004-11). Because the original direction for these funds was well defined as Economic Development, staff suggests that asking the voters to either change or split the identified uses of these funds may create a level of complexity that will not be readily understood by the voters. In addition, staff suggests that new tax dollars, if approved by the voters, can be used wisely within the parameters of economic development, community enhancement, and marketing of the town. For these reasons, staff suggests seeking an increase to the existing *lodging tax* without asking voters to modify the previously approved uses.

Staff has confirmed that the revenues generated by the existing 2.5% lodging tax are approximately \$30,000 per year. Seeking an adjustment of the rate to 5% could yield \$15,000 in 2022 if implemented in July, and could yield approximately \$30,000 each year thereafter based on the current occupancy rates and charges.

If Council wishes to pursue this item as an April 2022 ballot issue, it is suggested that this workshop yield specific direction concerning the use of additional lodging tax funds, as well as direction to staff to return to Council, no later than February 1, 2022, a "Resolution submitting to the electorate an issue seeking to increase taxes on lodging accommodations and setting ballot language."



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Memorandum

To: Mayor Riddile and Town Council
From: Melody Harrison, Town Clerk
Subject: Discussion Regarding a Lodging Tax Increase on the April 5, 2022 Ballot
Date: 11.16.21

Purpose:

The purpose of this discussion item is to provide the Town Council with the opportunity to explore the idea of potentially increasing the town's lodging tax by placing a ballot issue on the April 5, 2022 ballot for the voter's consideration.

Currently, the lodging tax is collected at the rate of 2.5% on the purchase price of a room. Staff feels that increasing the rate is not unreasonable and would increase the town's revenues. The increase, while good for the town, will not increase any tax for our residents unless they stay in a short-term rental within town limits.

If the council is interested in pursuing a ballot issue, there are several options with timelines that can or will come into play.

If the council chooses to place a TABOR issue on a November coordinated election ballot, that will have to wait until November 2023 as municipalities are only allowed to place tax issues on odd-numbered year November coordinated ballots or on a regular municipal election ballot.

If council decides to place a TABOR issue on the April 5, 2022 ballot, that will mean that regardless the number of candidates that there are for the seats available, cancelling the election will no longer be an option and the cost for the election process will remain about \$4.5k (estimate), plus some additional expenditures for publishing the TABOR notice and sending TABOR notices to registered voters.

Two timelines for a TABOR issue on the April 5, 2022 ballot are available:

- January 4, 2022 - Town Council Meeting - 1st reading of Ordinance Authorizing the Tax Increase, Setting Title and Content of the Ballot Issue
- January 18, 2022 - Town Council Meeting - 2nd reading of Ordinance Authorizing the Tax Increase, Setting Title and Content of the Ballot Issue
- January 18, 2022 - Town Council Meeting - Resolution Authorizing a Mail Ballot Election
- February 2, 2021 - Effective date of ordinance authorizing the tax increase, setting title and content of ballot issue

February 18, 2022 - Due date for TABOR comments to be filed with Clerk's office
March 7, 2022 - Last day for Election Official to send TABOR notices
April 5, 2022 - Election Day
July 1, 2022 - Increased Lodging Tax effective date

-OR-

January 18, 2022 - Town Council Meeting - Resolution Authorizing a Mail Ballot Election
February 1, 2022 - Town Council Meeting - Resolution Submitting to the Electorate a Question Seeking to Increase Taxes on Lodging Accommodations and Setting Ballot Language
February 18, 2022 - Due date for TABOR comments to be filed with the Clerk's office
March 7, 2022 - Last day for Election Official to send TABOR notices
April 5, 2022 - Election Day
April 13, 2022 - Last day the UOCAVA ballots may be counted
April 15, 2022 - Last day to complete a recount
May 3, 2022 - Town Council Meeting - 1st reading of Ordinance Implementing the voter-approved lodging tax increase
May 17, 2022 - Town Council Meeting - 2nd reading of Ordinance Implementing the Voter-approved lodging tax increase
June 1, 2022 - Effective date of Ordinance Implementing Lodging tax increase
July 1, 2022 - Increased Lodging Tax effective date

Both timelines assume that the lodging tax increase will be effective July 1, 2022, and collection of the higher tax will begin, increasing revenues for 2022 by an estimated \$15k. This figure is based on an assumed increase of 2.5%, or a total of a 5% lodging tax, collected for half of 2022.

Careful thought should be given to the potential revenue generated in 2022 because that figure will be required in the ballot language, and collection will be limited to that specific amount in the same way the tobacco tax was limited in its first collection year.

<u>Municipality</u>	<u>Municipality Lodging Tax Rate%</u>	<u>Municipality Sales Tax Rate %</u>	<u>City/State/County Tax & Other Tax</u>	<u>Tax Total</u>
New Castle	2.5	3.5	4.7	10.7
Silt	2.5	3	3.9	9.4
Rifle	2.5	4.25	3.9	10.65
Parachute	5.5	3.75	3.9	13.15
Glenwood Springs	2.5	3.7	4.9	11.1
Carbondale	2	3.5	4.9	10.4
Basalt	4	3	5.2	12.2
Eagle	6	4.5	4.4	14.9
Gypsum		3	4.4	7.4

Aspen	2	2.4	7.3	11.7
Avon	8	4	4.4	16.4
Blue River	3.4	2.5	6.375	12.275
Breckenridge	3.4	2.5	6.375	12.275
Crested Butte	7.5	4.5	4.9	16.9
Dacono	3	2.9	2.9	8.8
Dillon	2	2.5	6.375	10.875
Elizabeth	Flat Rate \$6.50	4	3.9	
Fruita	6	3	5.27	14.27
Glendale	6.5	3.75	4.25	14.5
Golden	6	3	4.5	13.5
Jonstown	4	3.5	2.9	10.4
Kersey	4	3.6	2.9	10.5
Northglenn	5	4	4.75	13.75
Oak Creek	0	3	3.9	6.9
Ouray	18.5	2.55	2.9	23.95
Silverton	2	1	9.4	12.4
Snowmass Village	2.4	3.5	6.9	12.8
Wheat Ridge	10	0	4.5	14.5

