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## Memo

TO: Honorable Mayor Piko and Members of City Council

THROUGH: Matt Sturgeon, City Manager

FROM: Eric Eddy, Assistant City Manager

MEETING DATE: July 18, 2022

SUBJECT: Lodging Tax Update and Discussion of Next Steps

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### **Executive Summary**

Council held several discussions on placing a ballot question for a lodging tax on the November 2022 General Election ballot. The purpose of the discussion on July 18 is to share the latest draft of a ballot question and recommend next steps for Council to consider prior to formal action by Council on September 6, 2022. This memo discusses revisions to the drafted ballot language, reports on additional outreach undertaken, and provides an anticipated calendar for next steps.

### **Draft Ballot Language**

On Friday, June 3, Council discussed potential ballot language for a lodging tax question. Staff revised the draft language based on Council's feedback. A revised draft is included as Attachment A, with material changes highlighted and footnoted in the attachment.

The changes are summarized below:

- Updated the tax rate to five percent and updated the anticipated revenue to be collected (lines 1 and 4).
- Revised the definition of the taxable services. Staff reviewed the definition of *Lodging Services* in Section 4-1-30 of the Centennial Municipal Code based on Council's feedback, and has updated lines 5 through 9 accordingly.
- Removed the use of funding for road improvements and maintenance as a specifically-identified use based on Council feedback. The revised language in lines 10 and 11 refers only to public safety and other lawful municipal purposes.
- Simplified lines 13 and 14 in reference to voter-approved revenue changes and the Colorado Constitution by removing extraneous language.

Council may wish to provide feedback on these changes and provide consensus on whether this version of the ballot question is ready for specific public feedback. Additional changes may be made, but Staff recommends Council provide consensus on moving forward with a specific ballot question for feedback prior to formal Council action. If Council chooses to move forward, Council will be asked to adopt a Resolution setting the ballot language on September 6, 2022. This schedule and the calendar below assume no material changes will be made to the ballot language before adoption.

## **Supplemental Information**

### **Tax Paid per Room Night**

Council requested additional information on the breakdown of tax paid per room night by lodging “type.” For summary purposes, this information is provided below as a table showing tax amounts paid for each night for the 2.5% Sales Tax rate, a potential 5% Lodging Tax rate, and the resulting combined 7.5% rate. This information is shown at several price points between \$100 and \$200 per night. A more detailed analysis of the advertised rates and the resulting tax paid by specific lodging providers in Centennial is included as Attachment B.

<b>Room Rate / Night</b>	<b>Sales Tax 2.5% Rate</b>	<b>Potential Lodging Tax 5% Rate</b>	<b>Combined Total Tax 7.5% Rate</b>
\$100	\$2.50	\$5.00	\$7.50
\$125	\$3.13	\$6.25	\$9.38
\$150	\$3.75	\$7.50	\$11.25
\$175	\$4.38	\$8.75	\$13.13
\$200	\$5.00	\$10.00	\$15.00

### **Upcoming Calendar**

Several actions need to be taken if Council desires to have a lodging tax question on the November 2022 ballot. These dates and the action needed are listed below. This list is preliminary and may be subject to change.

<b>Date</b>	<b>Action Needed</b>
August 1, 2022	Approval of an intergovernmental agreement with Arapahoe County for the coordinated election.
September 6, 2022	Adoption of a resolution establishing the ballot question and referring the question to the electorate. Must be completed by statute no later than September 9, 2022. Currently on the agenda for the first scheduled Council meeting in September.  This calendar assumes no material changes to the ballot question on September 6.
September 23, 2022	Deadline for submission of pro/con statements for a TABOR ballot question to be included in the “Blue Book” mailing.  Comments received must be summarized by the Designated Election Official and submitted to the County Clerk by September 26, 2022.
November 8, 2022	Election Day
Fall/Winter 2022	Council considers an ordinance establishing a lodging tax, conditional upon voter approval on November 8, 2022.  If the ballot question does not pass, the ordinance would not go into effect.

*Local Business Feedback*

Council has requested feedback on a lodging tax from Centennial's business community. Based on Council feedback on the ballot question received July 18, Staff will conduct broad business community outreach as well as targeted outreach to specific major employers.