



CITY OF PORTSMOUTH

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

Rick Becksted
Mayor **January 22, 2020**

**Chairman Carson
House Municipal and County Government Committee
107 North Main Street
Concord, NH 03301**

Re: City of Portsmouth's Written Testimony in support of HB 1160

Chairman Carson and Members of the House Municipal and County Government 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.

HB 1160, 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 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 that demand burdens the local taxpayer. If passed, HB 1160 would permit municipalities to receive funds that would be deposited in a capital reserve fund, revolving fund or tourism support fund. Each city or town could use these funds to address their particular needs as no two communities are alike.

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. An increase in population means 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 now absorbed by the 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 HB 1160 is one way to help municipalities receive funds to help lessen the burden on local taxpayers.

Cities and towns need alternative sources of revenue other than the overburdened property tax. This is particularly true given the steady decrease in Meals and Rooms Tax net revenue distributed to New Hampshire communities. Funds collected under HB 1160 would lessen the impact of the State's failure to consistently apply the catch up formula to increase the distribution of the Meals and Rooms Tax net revenue because although the statute prescribed a 40% distribution, the City received an approximately 20% distribution in 2019. 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. HB 1160 would be a way communities could raise funds 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, HB 1160 supports the City's Legislative Principles.

We believe HB 1160 will help municipalities 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 House Municipal and County Government Committee to vote HB 1160 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 Addendum

Addendum

- Tourism supports local and state economy by generation of meals and rooms tax and local jobs
- Tourism comes with a cost.
 - A. Meals and Rooms Revenue Distribution to City:
 1. Meals and Rooms tax generated by City is significant but distribution of revenue is disproportional because based on residential population (21,898) and does not account for daily influx of workers (33,000) and tourist (est. 4 million a year)
 2. State consistently not keeping up with catch up formula and City received 20% of net revenue distribution in 2019 and anticipates 19% distribution in 2020.
 - B. Tourism creates increased demands on municipal services, including police, fire, infrastructure and public works (2019 221 events, 308 food service establishments with 35,120 seats and approximately 2,165 hotel rooms).
 1. Real estate taxes on local hotels not sufficient to cover increase demands on fire, police and public works.
 2. Burden on local tax payers:
 - Example senior citizen has lived in 1025 square foot home with no renovations for many decades
 - Compare 2016 real estate taxes to 2019 28% increase
 - Same time period water bill increase 4% sewer 12%
 3. Fire Department response and equipment needs change to meet demand from multi story hotels:
 - 186 responses to 18 hotels in 2019
 - More staff required to respond to hotel call than single family
 - Request to replace 75' ladder truck with a 95' platform (tower)
- HB 1160 would be a way communities could raise funds to offset downshifting costs from state, support tourism to generate meals and rooms tax and relieve the burden on the local taxpayer.