



Commerce City

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In Control: City Council

File Type: Resolution

A RESOLUTION APPROVING COMMERCE CITY ACCOMMODATIONS LODGING TAX REBATE PROGRAM

Summary and Background Information:

City Council desires more commercial development, including hotels. However, construction materials and labor costs have risen substantially over the last five years. This is why incentive programs that bring down development costs and help fill financial gaps that will move a project forward are important to a hotel developer and/or operator.

Authorizing a new *Commerce City Lodging Tax Rebate Program* would assist staff with hotel attraction efforts. Program eligibility will be determined based on balancing the following factors against the City's goals, impact on economic development, benefit to residents, and benefit to local employers:

- Amount of new capital investment
- Number of new jobs
- Proposed square-footage and number of floors
- Hotel product type and flag, number of keys/rooms
- Average room price per night
- Hotel amenities
- Hotel meeting space or restaurants
- Hotel location and ability to be a catalyst for further commercial development
- Estimated tax revenues generate

The *hotel and motel accommodation tax* is a 4% city tax added to the price of renting a hotel or motel room in Commerce City for a time-frame that is less than 30 days. The measure was approved by Commerce City voters in the November 2007 general election. Rebating a portion of the taxes collected for new hotel operations can help projects overcome high development costs, making them more attractive for investment.

If a hotel project is determined to be eligible, then an incentive agreement is to be negotiated and approved. Final approval of any Lodging Tax rebate incentive with an estimated value over \$50,000 will be subject to the approval of City Council. Any request with an estimated value below \$50,000 may be approved by the City Manager.

A business incentive is a strategic investment by a public agency that creates or

enhances the feasibility of a private-sector project to help achieve a community's economic development goals. Utilizing business incentive programs as an economic development tool to attract preferred development projects is a common practice. The proposed Lodging Tax Rebate Program is designed to help attract new hotel development projects to Commerce City by rebating a portion of the city hotel and motel accommodations tax for a period of time. The program is part of a larger effort to increase commercial development in the city.

Passing City Council Resolution 2022-48 will make this program available as an economic development tool to help attract new hotel development to Commerce City.

Staff Responsible (Department Head): Michelle Claymore, Economic Development Director

Staff Member Presenting: Michelle Claymore, Economic Development Director

Financial Impact: A share of future tax revenue generated from the rental of hotel rooms in Commerce City

Funding Source: The 4% hotel and motel accommodations tax

Staff Recommendation: Support

Suggested Motion: Move to approve *Resolution 2022-48 authorizing tax rebates of the city's hotel and motel accommodations tax* for the purpose of economic development.