

# Hotels question city's take on room tax

## City now requires room taxes to include all 'nonoptional fees'

By Lyra Fontaine  
Cannon Beach Gazette

Cannon Beach Hotels and vacation rentals are concerned about Cannon Beach's interpretation of the lodging tax.

In September, lodging operators received a letter from the city that required lodging tax collection to include "non-optional fees." These could include booking, late check-out, extended stay, pet, extra guests, cleaning, hot tub and cancellation fees.

Representatives from local hotels and vacation rental companies say this interpretation conflicts with the municipal code. Lodging industry members from 16 local businesses — including Hallmark Resort, Stephanie Inn, Ocean Lodge, Tolovana Inn and Surfsand Resort — have asked the city to vet the new requirements through a public process.

The Jan. 3 City Council meeting will address the lodging companies' concerns.

After auditing 10 lodging operators, the city found that some hotels did not collect tax on certain fees subject to the tax, Finance Director Laurie Sawrey wrote in the September letter. The city interprets "gross room rent" to include any fee that is mandatory, not refundable and paid in order to occupy the room, which is consistent with the Oregon Department of Revenue definition.

"We are using the state's definition for consistency and

because we think it's the right thing to do," Sawrey said in December.

The customer would pay more in taxes under the city's interpretation of "gross room rent."

"The amounts quantified by a recent audit are not significant, but still an amount that the city should be collecting based on our definition of gross rent," Sawrey said.

Representatives from local hotels and vacation rental businesses met in November to discuss the city's definition of "gross room rent." None agreed with the city.

"In our opinion the protocol for amending the municipal code must include a public process and direction from the City Council," states the letter to City Council from lodging industry members. "We respectfully ask that the city participate in appropriate dialogue with the Cannon Beach lodging industry to discuss elements of the code and work to clarify mutual expectations."

"In other Oregon municipalities where we are involved in business — specifically The Dalles, Beaverton, Seaside and our relationships in Portland — guests are taxed on room revenue only," Escape Lodging Co. president Patrick Nofield said in December.

Nofield said the room tax in Cannon Beach has only applied to room revenue until now, and lodging industry members are "concerned with the way the



SUBMITTED PHOTO

**Owners of the Lighthouse Inn and other Cannon Beach hotels seek to clarify the city's room tax.**

city implemented a change without vetting it through an appropriate process."

Escape Lodging reviewed the municipal code chapter regarding the room tax and found the definition of "rent" to be "the gross rent, exclusive of other services," Nofield said.

In an October letter responding to Escape Lodging's concerns, Sawrey said the city's code requirements for what is included in gross rents has not changed and the September letter was "a reminder and clarification" of code requirements.

"We maintain that the city has the legal authority to enforce all of the conditions and requirements outlined in the letter," Sawrey wrote.

Linda Sweeney, owner of Cannon Beach Vacation Rentals, said the city's interpretation of gross room tax could affect her business. She said there was a lack of public discussion about the interpretation, but she hopes that discussion with the City Council "will clarify and correct this misadventure."

"The local lodging industry was blindsided with the recent interpretation of the lodging tax collection," Sweeney said in an email. "We work hard to accomplish the highest quality product at the most stressful time of year. The small profit that results must carry us through the remainder of the year. The city's unreasonable behavior, unfair tactics and greediness hurts not only my business but will also reflect on other small businesses in Cannon Beach as our guests are being priced out of our market. They will look elsewhere to spend their vacation dollars."

The September letter to Cannon Beach lodging operators also required lodging tax collection returns to include a copy of the state lodging tax quarterly return.

Hotel guests pay an 8 percent city tax and 1.8 percent state tax to the hotel. The hotel forwards to the city 95 percent of the tax paid by the customer and keeps 5 percent of the amount, Sawrey said.

# Departing councilors honored at work session

Councilors from Page 1A

Steidel said he valued Cadwallader's work as the Clatsop County local government representative for the Cape Falcon Marine Reserve. He also praised Higgins for her communication with hotels during the effort to increase room taxes.

Cadwallader and Higgins received pieces from Icefire Glassworks as a departing gift from the city. Councilors, staff and residents enjoyed cake and

refreshments after the meeting.

Higgins and Cadwallader, both elected in 2008, helped draft and approve the city's first strategic plan that outlines goals for the next five years.

Both councilors served during the city's acquisition of 805 acres in the Ecola Creek watershed from the Oregon Department of Forestry, following the 2010 voter approval of a \$4 million bond measure. The acquisition created 1,040 connected acres of city-owned

forest in the Ecola Creek Forest Reserve.

In the past eight years, the City Council has also started the Tourism and Arts Commission and approved room tax increases.

Cadwallader, who served as council president and council liaison for the affordable housing task force, is looking forward to spending time with family in California.

"I feel really positive about the team, my fellow council-

ors, the staff, our city," Cadwallader said in April. "Being a councilor has been a kick. I have found it a lot of fun."

After many years of living on the North Coast and working as the Ocean Lodge general manager, Higgins has relocated to the Tri-Cities, Washington, area to open another hotel for Escape Lodging company.

"I feel like with the council that we have, we're leaving it better and stronger than we found it," she said in April.

# Seaside Rotary sponsors Shop with a Cop

Shop from Page 1A

At breakfast provided by the Seaside Pig 'N Pancake, the children and officers got to know each other and learned about each other's lives. Casterline said the event would not have happened without community support.

"We're grateful for Pig 'N Pancake because that made it so much more comfortable for the children. Fred Meyer made a wonderful donation to make this program happen and offered discounts," Casterline said. "Police officers bought kids items out of their own pockets and are really trying to bridge the gap. It made me so proud of the caliber of the police officers in our community. They are just extraordinary."

Schermerhorn thanked the Seaside Rotary, Fred Meyer and staff, and Pig 'N Pancake

owner Wayne Pool and staff.

"It was great to see all the smiles and hear the laughter," Schermerhorn said. "The officers had just as much fun as the children and enjoyed testing out some of the toys and skateboards."

Next year, the Rotary Club hopes to double the number of participating officers and children.

**Police chief gets Silver Beaver award**

Cannon Beach Police Chief Jason Schermerhorn is a 2017 recipient of the Boy Scouts of America Silver Beaver Award. The award, created in 1931, is the council-level distinguished service award that recognizes "registered Scouters of exceptional character," according to the Boy Scouts of America. Upon nomination by their local Scout council and with the

approval of the National Court of Honor, award recipients are adult leaders who have made an impact on the lives of youth through service given to the council. "The Silver Beaver is an award given to those who implement the Scouting program and perform community service through hard work, self sacrifice, dedication, and many years of service," according to the youth development organization.



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**Officer James Jordan tries on a Santa costume for "Shop With a Cop."**




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