

**CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA**



Agenda Date:	March 18, 2024
Action Required:	Public Hearing
Presenter:	Samuel Sanders, Jr., City Manager
Staff Contacts:	Krisy Hammill, Director of Budget
Title:	Lodging Tax Rate for the City Manager's Proposed FY2025 Budget

Background

The City currently levies a 8% transient occupancy, or lodging, tax (hereinafter "lodging tax"), which is the tax paid by all overnight guests at area hotels, bed and breakfasts and short-term air bnb type facilities. As part of the FY 2025 budget, a lodging tax increase of 1% is proposed, raising the lodging tax rate to 9%. The City estimates that this change will bring in an additional \$1,062,500 in FY 2025 revenue. This additional revenue is included in the FY 2025 City Manager's Proposed Budget.

Discussion

A portion of this revenue supports the Charlottesville Albemarle Convention and Visitors Bureau, which receives 30% of the first 5% of actual lodging tax revenues (pursuant to a joint agreement with Albemarle County). The remaining funds support the City's operating General Fund budget.

Alignment with City Council's Vision and Strategic Plan

The new revenue supports several initiatives that are included in the City's Strategic Plan including strong emphasis on affordable housing, education, transportation and supporting our employees.

Community Engagement

There were several opportunities for the community to provide input into the budget with several public hearings on the budget and a few minutes reserved at the end of each budget work session for public comment and input, along with the Community Budget Forum. In addition, this ordinance change requires a separate public hearing, which was advertised via a legal ad, in the Daily Progress with information on this public hearing and the tax rate change, on March 11, 2024.

Budgetary Impact

Staff estimates that the rate change will generate an additional \$1,062,500 in FY 2025 revenue and is included in the City Manager's Proposed Budget.

Recommendation

N/A

Alternatives

Council could elect not to raise the lodging tax rate at this time, or approve a different rate increase. If that's the case, staff will have to identify additional revenue or expenditure reductions in order to balance the budget.

Attachments

1. Draft budget ordinance - transient room tax 3.11.24