March 16, 2020

Town of Dewey Beach Mayor, Commissioners and Town Manager
105 Rodney Avenue
Dewey Beach, Delaware 19971

Dear Dewey Beach Mayor, Commissioners and Town Manager,

Please read into the record the position of TKo Hospitality Management opposing any additional Dewey Beach municipal lodging tax increase for hotels and motels. TKo Hospitality manages the Hyatt Place Hotel and The Royal Surf Club Hotel in Dewey Beach.

In conjunction with the Members of the Delaware Hotel and Lodging Association, the Rehoboth Beach – Dewey Beach Chamber of Commerce, Southern Delaware Tourism, Dewey Beach Business Partnership and in particular the hotels in the Town of Dewey Beach, we STRONGLY oppose any lodging tax increase from the current 8% for the following reasons:

1. Hotels already collect and pay the 8% lodging tax, with revenue apportioned as follows:
   
   5% to the State of Delaware general fund
   1% to beach replenishment in Sussex County
   1% to the State Tourism Office and
   1% prorated for county-specific tourism.

   The proceeds of the current tax benefit Dewey Beach through marketing, events and programs through the Delaware Tourism Office, Southern Delaware Tourism and the Chamber of Commerce. In addition, a significant portion is dedicated to beach replenishment.

2. As discussed at several Dewey Town Council meetings, a case has not been made for this or any other tax increase during a period of substantial Town budget surplus. Any tax increase – disproportionally affecting one type of rental – will adversely affect Dewey’s hotel competitiveness, particularly with short-term rentals.

3. The rental accommodations tax of 3% is not being collected by third-party engagement services (VRBO, AirBnB, etc.). We would be delighted to work with the Town to determine the scope and remedy for this problem. It is poor public policy to tax those who comply with the law before doing everything possible to obtain revenues that people are illegally skirting.
4. The increase in the lodging tax for only hotels in the Town of Dewey Beach will adversely affect the competitiveness of the hotel industry. Currently, hotels collect an 8% tax while short-term rentals only collect 3%. This is a gap of 5%. The customer does not care or is even aware where these funds are directed. Short-term rentals in Rehoboth are 5%, Lewes is 5%, Bethany 7%, South Bethany and Fenwick are 8%. It seems that an increase in short-term rental tax would make more sense if there is even a need for a tax increase.

5. Loss of guest room business will impact our ability to create and maintain jobs, many at entry level positions. Our associates and their families need their jobs!

6. Hotels provide reasonably priced lodging for our visitors, while providing staff to serve, manage and protect their patrons. Hotels also provide parking. Guests that stay in town are less likely to get into a vehicle and spend more money in Dewey Beach.

7. Hotels already pay property, school, wage, and other taxes.

8. Hotels are supporters of Dewey Beach in many ways, bringing guests that become customers to shops, restaurants, attractions and bars in all parts of Dewey Beach. This added tax would adversely affect hotel occupancy thus having a negative effect on local businesses. This increase would have a negative impact on the community not just hotels.

9. Hotels support the Dewey Beach Business Partnership, special events and often times house event guests at no cost, just as we did for the recent Winter Gala. We support many local non-profits with gift donations of overnight guest room stays.

10. The increased lodging tax will mainly affect families and leisure travelers who are paying with their own money for rooms. The proposed tax increase is not a family-friendly tax, as many working families cannot afford a full-week rental and are subject to the lodging tax. There have been many positive things over the recent years to help make Dewey Beach a more family friendly vacation town. An increase in lodging tax does not support that initiative.

11. The Lighthouse Cove Event Center recently opened over 14,000 sf of indoor and outdoor conference and event space. This new facility is designed to sell conference and special events during the shoulder and off-season to bring more people to Dewey Beach when business activity is needed most. An increase in lodging tax will have a negative impact upon selling overnight rooms. Any effort to make Dewey businesses non-competitive in the shoulder seasons is contrary to the goals committed by the Town in its State certified Comprehensive Plan.

12. The recent crisis from the coronavirus has had a significant negative impact on the hotel industry. Our businesses has seen record-breaking cancellations for March, April and into the summer due to the current situation. The timing of doing anything that could affect our industry could be detrimental and crippling.
We would appreciate that you consider the aforementioned points as you discuss any increase in lodging tax for hotels and motels in Dewey Beach. As always, I am available to meet if you want to further discuss this subject.

Vince DiFonzo, CHA
President, TKo Hospitality Management