

Tax board: Raise room tax

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Crowley said. He said some are private vacation homes, some are summer houses and others investment properties.

"Some of them are actually formal businesses, the owners are LLCs," Crowley said.

A total of 75 percent of the owners of residential properties in Cape May live somewhere else, with addresses ranging from Vancouver to London, he said. The city's fire department has inspected 1,075 homes because they are a commercial use, Crowley said.

Cape May has 1,167 condominium units, he said. Crowley said the big unknown in the city is transient rentals booked through internet agencies such as Airbnb and VRBO, which are required to pay the state room tax. Any home rental obtained through a licensed real estate broker does not pay state room tax, he said.

MTRAC pulled up all VRBO listings for the 08204

ZIP code, which totaled 879 houses, 68 cottages, 966 condominiums and 68 cabins. Crowley noted the 08204 ZIP code extends into Lower Township.

The state Division of Taxation told the committee it does not break out the locations of rental properties so there is no way of identifying what is in Cape May because the city lacks an ordinance governing such rentals.

"Airbnb tells us we are No. 2 in the country, but we just don't know how big," Crowley said.

He said under the law, the transient rental marketplaces are not required to confirm the home has a mercantile license or has been inspected.

MTRAC is recommending the city collect a 3 percent room tax on the transient rentals. He said the 3 percent room tax should be applied to all that is applicable.

The municipal code has not helped the matter, Crowley said.

He said Cape May does not have a comprehensive registration for rental properties, including how many parking spaces are available and the number of people permitted to sleep in them.

The committee recommended Cape May enact a comprehensive rental property ordinance.

Councilman Chris Bezaire said state law does not allow a city to tax home rentals handled by a real estate agent or a private homeowner.

Crowley said the 2020 projected municipal budget is \$21 million, while the city's utilities generated \$11 million.

The city needs about \$32 million each year to provide the kind of services Cape

May feels it must provide to the people who visit and live here, he said. Crowley said about 50 percent of Cape May's revenue comes from property taxes and 20 percent from local revenues.

He said \$4.5 million of local revenue comes from parking meters and room tax, both user fees. Accommodations in Cape May generated \$74 million, of which the state received a 5 percent room tax and sales tax of 6.6 percent, totaling \$8.6 million. Cape May's room tax is 2 percent, which generated \$1.4 million for the city, Crowley said.

Beginning in 2004, Cape May enacted a local 2 percent room tax. Crowley said because Cape May did not choose to enact a 3 percent tax, it has passed up the opportunity to collect \$3.3 million of local room tax since 2015.

In the 17 years since Cape May enacted its 2 percent room tax, had the city enacted a 3 percent tax, it would have collected an additional \$621,000 per year. Crowley questioned why the city did not enact a 3 percent room tax.

"You're the fourth administration of the city to make decisions about policy in this area," he said. "The previous three administrations didn't do it; I don't know why, and we don't know why, and I don't think we should spend a lot of time trying to figure out why."

The extra revenue could have been used to upgrade the desalination plant sooner, improve the city's seawall, pave roads, replace water mains and start the Lafayette Street Park project sooner, Crowley said.

He asked why the city is not increasing the room tax to 3 percent.

"It's not going to keep people from coming to Cape May," Crowley said.

Cape May is the No. 1 seaside resort in the nation, he said.

MTRAC recommended City Council enact a 3 percent room tax as soon as possible.

Crowley said the city created the tourism utility in 2012 to be a self-liquidating, solvent fund to relieve the burden of the taxpayers for the debt service and operation of Convention Hall and to budget for tourism, recreation and civic activities. The utility is funded through fees, events, leases, rents, a \$50 assessment of mercantile licenses, surplus funds and a subsidy from the city's general fund to balance its budget, he said.

According to a city ordinance, an occupancy tax threshold transfers everything in excess of \$1 million to the tourism utility. Crowley said the threshold has increased by 2 percent each year since 2012.

In 2019, the tourism utility took \$150,000 from surplus, collected \$589,000 in fees and took almost \$100,000 from the city's general fund because the occupancy tax threshold gave it only \$231,000, he said.

If the city had the additional 1 percent room tax, it would not have to transfer money from the general fund into the tourism utility and an occupancy tax transfer would have totaled \$921,000, he said.

Crowley said the tourism utility has been systematically underfunded since it began and has not been self-sustaining.

Mayor Zack Mullock said any of the suggested changes would not be implemented until 2022.

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Firetruck

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Voll said he agreed with Matthews about having climate control and a glass enclosure for the truck.

"If it's coming back, I agree we can't wait a year and a half," Voll said. "Maybe if we get some of

this federal money, maybe we can get some of these things accomplished to protect the money they paid to restore this thing."

Matthews said it would be a shame to have work details or ask for volunteers to polish the truck on a weekly basis.

Councilman Chris Bezaire asked if priority items are a plexiglass enclosure for the truck and an HVAC system.

Matthews said if the truck came back tomorrow, the fire museum would have to be locked until the truck can be properly pro-

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