TILLAMARA, INC
Hospitality is our mission

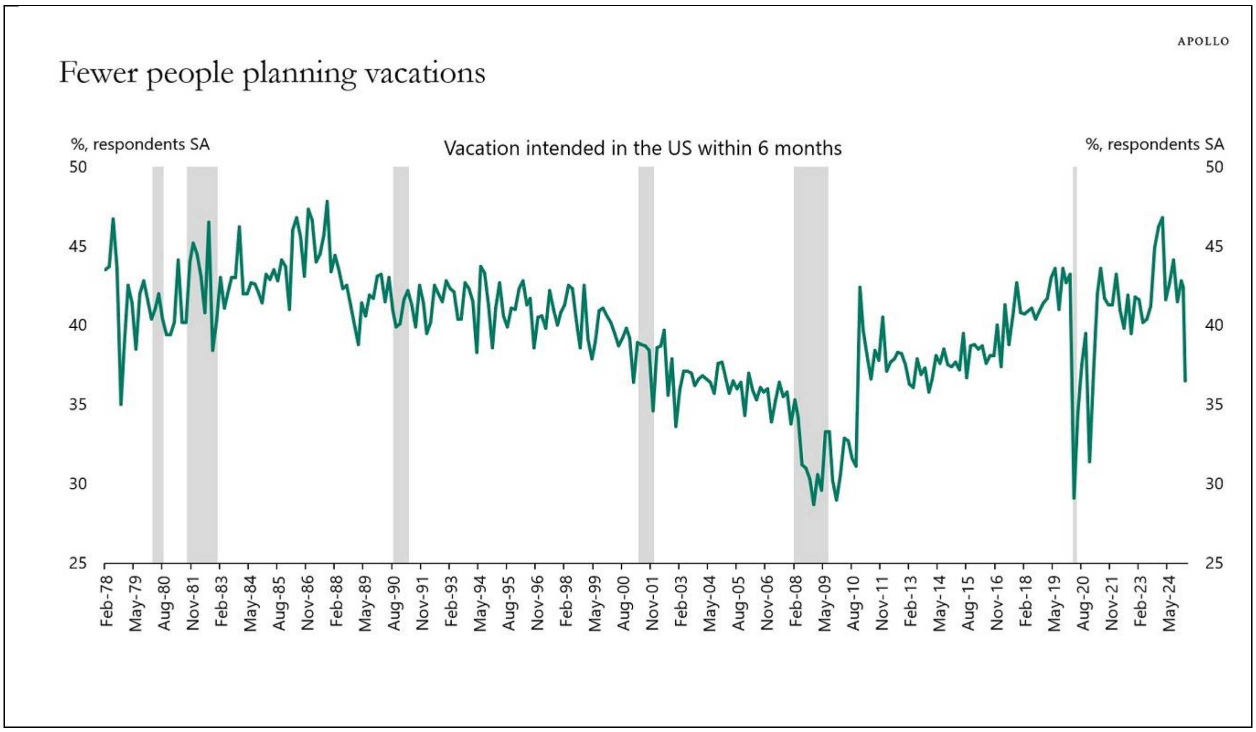
ROCKAWAY
BEACH RESORT

May 7, 2025

Dear Chair and Members of the Oregon House Committee on Revenue:

The leadership team of the Rockaway Beach Resort and Conference Center (RBR&CC) is writing to urge rejection of HB 2977 providing for an increase in statewide Transient Lodging Taxes (TLT). Lodging providers everywhere are being squeezed by rising payroll and consumables costs while simultaneously facing significant occupancy headwinds from expectations of an economic decline.

The chart below shows the downturn in consumer vacation expectations as of February. The trend continues to track consumer sentiment; now at Covid lows. This is a real challenge for us.



By itself, a 1% increase in State tax may seem minimal, but it is only one of a host of other taxes and fees being imposed on us now as governments seek to protect their budgets. In another case of poor public policy, Tillamook County has asked voters in May to increase its share of the TLT tax by 40%. The combined impact takes us to 18% tourism taxes levied specifically on lodging providers. Hotels cannot afford to absorb this magnitude of cost increase; we do not have the capital and cannot pass it along in higher prices. Consumers increasingly feeling the economic pinch at all income strata have already begun converting from overnight to day trips. This increases the demands on local services while simultaneously *reducing* the lodging tax available to fund them. There is a point of diminishing returns where higher taxes lead to lower tax revenues. By the time that inflection is reached, severe damage will already be done to the boutique and small business hotels that do not have access to publicly-held chain hotel resources. The Oregon coast will be among the regions hardest hit given the short day drive from major metro centers and prevalence of family-owned and privately-held small hotels.

Hotels and their overnight guests have a significant multiplier effect on their local communities. Our guests have dinners at restaurants after the day-trippers return home, organized tour groups and affinity meetings bring in local entertainers and subject matter experts for evening lectures, and our shops enjoy a longer earning day. Strangling our overnight guests also punishes a whole ecosystem of local businesses dependent on tourist spend.

Average daily stays at our property have dropped from 2.5 in 2024 to 1.7 in Q1 2025 as consumers reduce their vacation spend. Since all of our cost for a stay is essentially incurred in the first night, this represents a substantial drawdown on our operating profit – the cash we use to reinvest in the upkeep and improvement of the property. We have cut staff, breakfasts, insurance coverage, guest linen exchange services, and so on to try to balance rising costs and falling revenues.

At this point, governments at all levels through taxes and fees including the TLT take more of our Earnings Before Interest Taxes and Amortization (EBITA) than we do – meaning the public sector is making a higher return on our invested capital than we are, with us bearing all the risk.

Before squeezing the Oregon lodging providers harder, the State needs to look at paring its own programs in the same way we are paring our services. It needs to look at its protected payroll just as we have had to convert full time salaries into part time on-call wages. It needs to ask the public to downsize expectations of civil services as we have been forced to deliver a lower quality guest experience. The State needs to look at every business it is in with an existential eye as we are having to do.

Respectfully submitted,

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