

History and Summary of the Door County Tourism Zone Commission
ad hoc Tax Rate Committee 2020/21

In response to the Baileys Harbor-led effort to have the municipalities of the Tourism Zone raise the Door County Room Tax rate from 5.5% to 8.0 %, TZC Commissioners Fred Anderson (Egg Harbor) and Bryan Nelson (Baileys Harbor) met (via Zoom) with Rachel Willems (Ephraim) and Meredith Coulson (Fish Creek) on October 21, 2020. Ms. Willems and Ms. Coulson are both Innkeepers as well as members of Destination Door County's Board of Directors. This informal group decided to petition the TZC to formally appoint an ad hoc committee to address the tax rate hike issue.

The Innkeeper group's request was placed on the agenda of the November 19, 2020 TZC Executive Committee meeting. The TZC Exec. Committee voted to form the ad hoc Tax Rate Committee with Willems, Coulson, Anderson and Nelson as members plus additional Innkeeper representatives to be added from municipalities within the TZC. This ad hoc committee was charged with exploring the possibility of a room tax rate hike from the perspective of the lodging community. Of particular interest was the question of the price elasticity of demand for such a change. To assist the ad hoc committee in answering that question the Exec. Committee voted to provide up to \$5,000.00 to fund an academic study.

On December 2, 2020 the inaugural meeting of the ad hoc Tax Rate Committee was held, via Zoom, with Nelson acting as Chair. At Nelson's invitation, Drs. Russ Kashian and Choton Basu of UW Whitewater's Fiscal and Economic Research Center (FERC) joined the meeting to discuss the possibility of having FERC accomplish the desired study of elasticity of demand. After explaining that primary research was both costly and unnecessary, Kashian and Basu agreed to present the committee with a proposal for a study that would mine existing research to deliver an answer to the question.

On December 29, 2020 the second official meeting was held with the original four members plus Pam Young of Washington Island, Greg Anderson of Town of Sevastopol and Andrew Torcivia of Sister Bay. At the outset of the meeting the additional three members were voted on to the committee and Nelson was voted Chair. The need for representation from Sturgeon Bay and Southern Door was discussed and members agreed to make some queries in the attempt to round out the committee's representation. Dr. Kashian again joined the meeting and answered questions. The committee voted unanimously to authorize Dr. Kashian's FERC proposal for a study on the price elasticity of demand of room tax rate changes. This study was quoted to cost \$2,000.00.

FERC's study was delivered on February 10, 2021. On February 13th the ad hoc Tax Rate Committee met to consider the study and discuss the issue of whether and how to advise the TZC on the tax hike issue. Matt Gray of Bridgeport Resort in Sturgeon Bay joined the committee. Based on Dr. Kashian's finding of relative inelasticity of lodging demand in response to room tax increases in similar tourist destinations, the Committee voted 6 to 2 to recommend to the TZC that it endorse a rise in the room tax rate from the present 5.5% to 8.0%.

Respectfully submitted,

Bryan Nelson