



**MEMORANDUM**

**TO:** Timothy J. Baroody, City Manager  
**FROM:** Donna Leahy, Budget Analyst  
 Robyn Shugart, Director of Finance  
**SUBJECT:** Amending the Tax on Transient Lodging  
**DATE:** April 19, 2023 (for the April 25, 2023 Council Meeting)

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**ISSUE**

Shall City Council approve amending the Tax on Transient Lodging (Lodging Tax) from 6% to 8%?

**RECOMMENDATION**

Staff recommends approval of the attached resolution on first read. Second reading is scheduled to take place on May 9, 2023.

**DISCUSSION**

**Public Hearing**

A public hearing was held on the proposed amendment to Lodging Tax on April 18, 2023. No comments were heard from the public regarding this tax.

Bill Freehling, the City’s Economic Development and Tourism Director, reviewed lodging tax rates from other Virginia localities, noting that Fredericksburg’s lodging tax rate lagged behind some of its peer communities:

City	Lodging Tax Rate	Notes
Martinsville	2.0%	
Fairfax	4.0%	
Manassas	5.0%	
Williamsburg	5.0%	Also \$2 per room-night
Buena Vista	6.0%	
Covington	6.0%	
<b>Fredericksburg</b>	<b>6.0%</b>	
Norton	6.0%	
Waynesboro	6.0%	
Winchester	6.0%	
Lynchburg	6.5%	Also \$1 per room-night
Staunton	6.7%	
Harrisonburg	7.0%	
Roanoke	8.0%	

City	Lodging Tax Rate	Notes
Charlottesville	8.0%	
Chesapeake	8.0%	Also \$1 per room-night
Colonial Heights	8.0%	
Danville	8.0%	Also \$2 per room-night
Franklin	8.0%	

If Fredericksburg raised the rate to 7 percent, it would be on par with Harrisonburg, just slightly above Staunton, and below Charlottesville, Richmond, Hampton Roads and many other cities. Stafford and Fairfax counties also have lodging tax rates of 7 percent. The rate is 8 percent in Prince William and Loudoun counties, and 8.25 percent in Arlington County. In its FY 2024 Adopted Budget, Spotsylvania County raised its Lodging Tax to 9%.

In calendar year 2023, four new hotels with a total of approximately 375 rooms are expected to open in Fredericksburg (two at the former Fredericksburg Hospitality House property, an Extended Stay America near the stadium, and the Vakos hotel downtown). There are approximately 1,400 hotel rooms in the City currently, so adding these new hotel rooms increases the City’s inventory by approximately 25 percent.

**FISCAL IMPACT**

It is believed that these additional hotel rooms, along with an increase in the lodging tax rate, will generate more lodging tax revenue for the city. The recommended increase in lodging tax rate from 6% to 8% is projected to generate \$560,000 in new revenue. The FY 2024 Recommended Budget includes \$2.325 million for Hotel Lodging Taxes, an increase of 66% from the FY 2023 Original Budget of \$1.4 million.

ATTACHMENTS: Amending the Tax on Transient Lodging FY 2024 Resolution



April 25, 2023  
Regular Meeting  
Ordinance 23-

**MOTION:**

**SECOND:**

**RE: Amending the Tax on Transient Lodging**

**ACTION: APPROVED: Ayes: 0; Nays: 0**

**FIRST READ:** \_\_\_\_\_ **SECOND READ:** \_\_\_\_\_

**IT IS HEREBY ORDAINED** by the City Council of the City of Fredericksburg, Virginia as follows:

**Section 1: Purpose and Intent**

The purpose of this ordinance is to amend Chapter 70, Article X of the City Code to increase the tax on transients obtaining lodging in the City. The City Council finds it necessary to raise this tax in conjunction with the FY 2024 budget in order to meet the operating costs of the City. The authority impose a tax on transient room rentals is set forth in Code of Virginia §58.1-3840.

**Section 2: Amending the Tax on Transient Lodging**

City Code Chapter 70, "Taxation," Article X, "Tax on Transients Obtaining Lodging," Section 70-472, "Levy of Tax," is hereby amended by adding the underlined language and deleting the language shown in strikethrough as follows:

**§ 70-472 Levy of tax.**

For every year, beginning July 1 and continuing each year thereafter unless otherwise changed by the City Council, there is hereby levied and imposed on each transient a tax equivalent to ~~6%~~ 8% of the total amount paid for lodging by or for any such transient to any hotel.

**Section 3: Effective Date**

This ordinance shall be effective July 1, 2023.

**Votes:**

**Ayes:**

**Nays:**

**Absent from Vote:**

**Absent from Meeting:**

Approved as to form:

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**Kathleen Dooley, City Attorney**

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***Clerk's Certificate***

*I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 23, adopted at a meeting of the City Council held Date, 2023, at which a quorum was present and voted.*

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***Tonya B. Lacey, MMC  
Clerk of Council***