



DISCUSSION CALENDAR

Agenda Item # 5

AGENDA REPORT SUMMARY

Meeting Date: January 22, 2019

Subject: Ordinance No. 2019-454: Increasing the Transient Occupancy Tax

Prepared by: Chris Jordan, City Manager

Attachment(s):

1. Ordinance No. 2019-454, Version 1
2. Ordinance No. 2019-454, Version 2

Initiated by:

Voter-approved ballot measure

Previous Council Consideration:

- June 12, 2018, Approved Resolution 2018-26

Fiscal Impact:

- Version 1: Increases revenues to the City by an estimated \$720,000 annually beginning with FY 2019-2020.
- Version 2: Increases revenues by \$240,000 in FY 2019-2020; \$480,000 in FY 2020-2021; by \$720,000 beginning with FY 2021-2022.

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the City Council wish to increase the transient occupancy tax rate from 11% to 14%, effective July 1, 2019?
- Or, does the Council wish to phase-in the transient occupancy tax rate increase by 1% annually over three (3) years?

Summary:

- The City Council placed an increase in the transient occupancy tax before the City's voters in November 2018 (Measure D)
- The Measure allows the Council to increase the maximum TOT rate from 11% to 14%
- Los Altos voters approved the Measure by a vote of 9,141 to 6,369
- Two versions of the implementing ordinance are provided Council's consideration

Reviewed By:

City Manager

City Attorney

Finance Director



Subject: Ordinance No. 2019-454: Increasing the Transient Occupancy Tax

Staff Recommendation:

Introduce and waive further reading of Ordinance No. 2019-454, increasing the TOT to a maximum of 14%, effective July 1, 2019



Subject: Ordinance No. 2019-454: Increasing the Transient Occupancy Tax

Purpose

Ordinance No. 2019-454 increases the maximum transient occupancy tax from 11% to 14% effective July 1, 2019.

Background

The City Council placed Measure D before the voters on the November 2018 ballot. Measure D allowed the City Council to increase the maximum transient occupancy tax (TOT) rate from 11% to 14%. Measure D was approved by Los Altos voters 59% to 41%.

The City's TOT is authorized in Municipal Code 3.36.020 and currently imposes a maximum tax rate of 11%. In accordance with Measure D, which was approved by the voters, Ordinance No. 2019-454 authorizes the Council to increase the TOT rate from 11% to a maximum 14%, effective July 1, 2019.

Staff has also provided a second version of the Ordinance for Council consideration. This version would phase-in the increase by 1% annually:

- 12% for FY 2019-2020
- 13% for FY 2020-2021
- 14% for FY 2021-2022

Each increase of 1% is estimated to add \$240,000 annually to the City's General Fund.

Options

- 1) Approve Version 1 of Ordinance No. 2019-454, increasing the maximum TOT rate to 14%, effective July 1, 2019

Advantages: Maximizes the City's revenues from the increase in the TOT

Disadvantages: The City's hotels are required to compete with hotels in other cities that may have a lower TOT

- 2) Approve Version 2 of Ordinance No. 2019-454

Advantages: By phasing in the increase, the community's hotels may find it less challenging to compete with other hotels in the area

Disadvantages: The City foregoes an estimated \$720,000 in General Fund revenues over the next two (2) years



Subject: Ordinance No. 2019-454: Increasing the Transient Occupancy Tax

Recommendation

The staff recommends Option 1.

ORDINANCE No. 2019-454

**AN ORDINANCE OF THE CITY OF THE CITY OF LOS ALTOS SETTING THE
TRANSIENT OCCUPANCY TAX RATE AT FOURTEEN (14) PERCENT**

WHEREAS, the City of Los Altos Municipal Code chapter 3.36 defines and imposes a tax on transient occupancies in Los Altos hotels; and

WHEREAS, currently, the tax is currently set at a rate of 11%; and

WHEREAS, at the November 6, 2018 election, the voters of Los Altos approved an increase in the maximum transient occupancy tax rate from eleven (11) percent to fourteen (14) percent (“Measure D”); and

WHEREAS, Section 3.36.025 of the Los Altos Municipal Code (approved as part of “Measure D”) authorizes the City Council to adjust the transient occupancy tax rate upwardly or downwardly to any rate within the voter-approved fourteen (14) percent maximum without a further vote of the People; and

WHEREAS, pursuant to its authority under the Los Altos Municipal Code, the City Council desires to set the transient occupancy tax at the rate(s) as set forth herein.

NOW THEREFORE, the City Council of the City of Los Altos does hereby ordain as follows:

SECTION 1. AMENDMENT OF CODE. As authorized by Los Altos Municipal Code sections 3.36.020 and 3.36.025, the transient occupancy tax rate is set at eleven (11) percent of rent payable by the transient (as defined in the Municipal Code), through June 30, 2019.

SECTION 2. Effective July 1, 2019, the transient occupancy tax rate is hereby adjusted to fourteen (14) percent of rent payable by the transient (as defined in the Municipal Code).

SECTION 3. Except as otherwise amended herein, all provisions of Chapter 3.36 of the Los Altos Municipal Code shall apply to the imposition, collection and administration of the Los Altos transient occupancy tax.

SECTION 4. Pursuant to Section 3.36.025 of the Los Altos Municipal Code, the City Council may, by future ordinance, adjust the transient occupancy tax rate set forth herein, without a further vote of the People; provided that the adjusted rate is no higher than the voter-approved maximum rate set forth in Section 3.36.020.

SECTION 5. CONSTITUTIONALITY. If any section, subsection, sentence, clause or phrase of this Code is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this Code.

SECTION 6. PUBLICATION. This Ordinance shall be published as provided in Government Code section 36933.

SECTION 7. EFFECTIVE DATE. This Ordinance shall be in full force and effect 31 days from the date of adoption.

The foregoing ordinance was duly and properly introduced at a regular meeting of the City Council held on January 22, 2019, and adopted as an ordinance of the City of Los Altos at a regular meeting of the City Council held on February 12, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lynette Lee Eng, Mayor

Attest:

Jon Maginot, CMC, CITY CLERK

ORDINANCE No. 2019-454

**AN ORDINANCE OF THE CITY OF THE CITY OF LOS ALTOS INCREASING THE
TRANSIENT OCCUPANCY TAX RATE AT FOURTEEN (14) PERCENT**

WHEREAS, the City of Los Altos Municipal Code chapter 3.36 defines and imposes a tax on transient occupancies in Los Altos hotels; and

WHEREAS, currently, the tax is currently set at a rate of 11%; and

WHEREAS, at the November 6, 2018 election, the voters of Los Altos approved an increase in the maximum transient occupancy tax rate from eleven (11) percent to fourteen (14) percent (“Measure D”); and

WHEREAS, Section 3.36.025 of the Los Altos Municipal Code (approved as part of “Measure D”) authorizes the City Council to adjust the transient occupancy tax rate upwardly or downwardly to any rate within the voter-approved fourteen (14) percent maximum without a further vote of the People; and

WHEREAS, pursuant to its authority under the Los Altos Municipal Code, the City Council desires to set the transient occupancy tax at the rate(s) as set forth herein.

NOW THEREFORE, the City Council of the City of Los Altos does hereby ordain as follows:

SECTION 1. AMENDMENT OF CODE. As authorized by Los Altos Municipal Code sections 3.36.020 and 3.36.025, the transient occupancy tax rate is set at eleven (11) percent of rent payable by the transient (as defined in the Municipal Code), through June 30, 2019.

SECTION 2: Effective July 1, 2019, the transient occupancy tax rate is hereby adjusted to twelve (12) percent of rent payable by the transient (as defined in the Municipal Code).

SECTION 3: Effective July 1, 2020, the transient occupancy tax rate is hereby adjusted to thirteen (13) percent of rent payable by the transient (as defined in the Municipal Code).

SECTION 4: Effective July 1, 2021, the transient occupancy tax rate is hereby adjusted to fourteen (14) percent of rent payable by the transient (as defined in the Municipal Code).

SECTION 5: Except as otherwise amended herein, all provisions of Chapter 3.36 of the Los Altos Municipal Code shall apply to the imposition, collection and administration of the Los Altos transient occupancy tax.

SECTION 6: Pursuant to Section 3.36.025 of the Los Altos Municipal Code, the City Council may, by future ordinance, adjust the transient occupancy tax rate set forth herein, without a further vote of the People; provided that the adjusted rate is no higher than the voter-approved maximum rate set forth in Section 3.36.020.

SECTION 5. CONSTITUTIONALITY. If any section, subsection, sentence, clause or phrase of this Code is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this Code.

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