

# **CITY OF SAN LEANDRO**

## **MEMORANDUM**

DATE: March 15, 2016

TO: Finance Committee

FROM: Chris Zapata, City Manager

BY: David Baum, Finance Director

SUBJECT: Discussion of Potential Local Revenue Measure for the November 2016 Ballot - Transient Occupancy Tax

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### **SUMMARY AND RECOMMENDATION**

Staff recommends that the Finance Committee approve the increase in the transient occupancy tax (TOT) from the current 10% to 12%.

### **BACKGROUND**

On July 1, 1994, the City's TOT commenced. In fiscal year 2014-15, the City collected \$540,000 in transient occupancy taxes. The TOT is used to fund the City's basic operating costs and represents less than one percent of General Fund revenues.

### **DISCUSSION**

One of the City Council's goals is to place San Leandro on a firm foundation for long-term fiscal sustainability. Increasing the TOT to 12% could enable the City to add more than \$100,000 per year for the City's General Fund operations. If approved by Council and at least 50% of voters in November, customers who choose to stay in lodging located in San Leandro would pay an additional \$2 of tax on a \$100-a-night hotel bill.

Most cities in Alameda collect TOT at the 10% rate or less. However, three cities – Oakland 14%, Berkeley 12% and Emeryville 12% -- collect TOT at a higher rate. Statewide, 435 cities collect TOT at the 10% rate or below. However, 91 cities collect TOT at rates greater than 10%.

Given the lack of available hotel rooms in San Leandro combined with the strength in the current economy, the time seems right to raise the rate. This proposed tax increase would be brought to voters at the November 2016 ballot along with the proposed medical cannabis tax and adjustments to the City's business license tax adjustments. High voter turnout is expected due to the election of the US President on the same ballot.