



# City of Santa Clara

1500 Warburton Avenue  
Santa Clara, CA 95050  
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## Agenda Report

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21-1434

Agenda Date: 10/19/2021

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### REPORT TO COUNCIL

#### **SUBJECT**

Action on the Adoption of Ordinance No. 2033 Amending Section 3.25.030 of the Santa Clara City Code to Reflect the Increase in the Transient Occupancy Tax Rate to 11.5%

#### **COUNCIL PILLAR**

Enhance Community Engagement and Transparency

#### **BACKGROUND**

At the September 28, 2021 Council meeting, proposed Ordinance No. 2033 was introduced and passed for the purpose of publication. Pursuant to City Charter Sections 808 and 812, proposed Ordinance No. 2033 was published on October 6, 2021, and copies were posted in three public places. The Ordinance now comes to Council for final adoption.

#### **DISCUSSION**

The City's current Transient Occupancy Tax (TOT) rate is 9.5%, which is one of the lowest in the County. On November 3, 2020, Santa Clara voters approved the following ballot measure that allows for an increase of up to four percentage points in the City's TOT. This ballot measure, approved by 73.57% of Santa Clara voters, supports essential City services, paid by guests staying in hotels. With this measure, the TOT can be increased from the current rate of 9.5% to up to 13.5%.

As part of the adoption of the operating budget on June 22, 2021, staff was directed to bring forward a separate resolution to increase the TOT rate by two percentage points (of the maximum of four percentage points) effective January 1, 2022. The FY 2021/22 and FY 2022/23 Adopted Operating Budget assumes this increase. On September 28, 2021, the City Council approved a Resolution increasing the TOT rate from 9.5% to 11.5%. This Ordinance brings the City Code into conformance with that Resolution.

<b>Santa Clara City Code 3.25.030 Revisions</b>	
<b>Current Language</b>	<b>Proposed Language</b>
(a) For the privilege of occupancy in any hotel, each transient is subject to and shall pay a tax as imposed from time to time by City Council resolution. Said tax shall be a percentage of the rent charged by the operator to the occupant. An increase that exceeds <b>ten percent</b> of the rent charged by the operator shall be authorized only with an amendment to this section.	(a) For the privilege of occupancy in any hotel, each transient is subject to and shall pay a tax as imposed from time to time by City Council resolution. Said tax shall be a percentage of the rent charged by the operator to the occupant.
(b) On and as of July 22, 1992, and continuing thereafter until further change by City Council resolution, the amount of the tax imposed is <b>nine and one-half percent</b> of the rent charged by the operator.	(b) On and as of January 1, 2022, and continuing thereafter until further change by City Council resolution, the amount of the tax imposed is <b>eleven and one-half percent</b> of the rent charged by the operator.

## **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environment Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

## **FISCAL IMPACT**

The FY 2021/22 and FY 2022/23 Adopted Operating Budget factors in additional revenue from a two-percentage point increase effective January 1, 2022. This additional revenue is estimated at \$1.7 million annually and will increase as the Transient Occupancy Tax recovers from the COVID-19-related impacts.

When the ballot measure was approved by voters in 2020, the expected revenue to be generated was estimated at up to \$7 million for an increase of up to 4 percentage points (or \$3.5 million for a two-percentage point increase). This estimate was based on pre-pandemic data, and that was communicated to the voters in the impartial analysis.

## **COORDINATION**

This report has been coordinated with the City Attorney's Office.

## **PUBLIC CONTACT**

A summary of proposed Ordinance No. 2033 was published to the Santa Clara Weekly on October 6, 2021, and copies were posted in three public places and made available for public inspection at the City Clerk's Office.

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>>.

**RECOMMENDATION**

1. Adopt Ordinance No. 2033 Amending Section 3.25.030 of the Santa Clara City Code to Reflect the Increase in the Transient Occupancy Tax Rate to 11.5%.

Reviewed by: Sujata Reuter, Chief Assistant City Attorney

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Ordinance No. 2033 (Intro)