



**DATE:** December 14, 2021

**CATEGORY:** Consent

**DEPT.:** Finance and Administrative Services,  
City Manager's Office

**TITLE:** **Potential Transient Occupancy Tax  
Revenue Ballot Measure for 2022  
Election**

## **RECOMMENDATION**

Authorize the City Manager or designee to execute contracts with consultants to study and prepare for the possible placement of a Transient Occupancy Tax revenue ballot measure for the November 8, 2022 election.

## **BACKGROUND**

### **Sustainability Needs**

On April 30, 2019, the City Council held a Study Session to review the results of a cross-departmental, consultant-led assessment of and strategic plan for the City's sustainability program. At this Study Session, staff presented options to build on the current program and strive to achieve three levels of response to climate change (foundational, advanced, and innovative), with corresponding actions to be taken and additional staffing and budget needed at each level. Council stated its commitment to an advanced or higher level of response and took the bold step of creating a three-year fund of \$7.5 million to support the initiatives to achieve an elevated level of response. Recognizing the need for ongoing funding beyond this commitment of one-time funds, Council directed staff to explore a revenue measure to increase the City's Transient Occupancy Tax (TOT).

On October 22, 2019, the City Council adopted a comprehensive Sustainability Action Plan (SAP-4), which outlined the initiatives and a three-year spending plan for the \$7.5 million Sustainability Fund. The SAP-4 was informed by the sustainability program assessment and strategic plan as well as the recommendations of the Environmental Sustainability Task Force-2.

In June 2021, the City Council adopted the Fiscal Years 2021-23 Strategic Roadmap with broad community input. The Strategic Roadmap includes Sustainability and Climate Resiliency and Organizational Strength and Good Governance as two of its seven

Strategic Priorities. One of the Action Plan projects under the Organizational Strength and Good Governance priority is to study and develop a revenue measure to increase the City's TOT. The Fiscal Year 2021-22 Budget includes an appropriation for professional services to support the City's exploration of a TOT measure.

### **Needs Related to Homeless, Unstably Housed, and Other Vulnerable Populations**

The Strategic Roadmap also continues the City's commitment to supporting Mountain View's socioeconomic and cultural diversity and protecting vulnerable populations through the Community for All Strategic Priority. While Mountain View has long valued its diversity, and this priority was first established in 2017, the needs of vulnerable residents were intensified and became more evident during the COVID-19 pandemic. This resulted in a rapid and substantial increase in City programs and services to provide relief to residents and small businesses to help them recover from the pandemic.

Recognizing housing instability as a major challenge in maintaining a community for all and building on the City's work to provide safe parking and related programs, the Action Plan includes development of a comprehensive homelessness strategy. As part of the Fiscal Year 2021-22 Budget, Council approved a new Human Services Manager position to work on this strategy and support the City's programs for vulnerable populations as part of a new Human Services Division in the City Manager's Office.

### **Purpose of This Report**

An increase in the City's TOT would help provide ongoing funding for sustainability initiatives, programs for homeless and unstably housed residents, and other important community needs. The purpose of this report is to seek Council authorization to secure the necessary consultant assistance to study and prepare for the potential placement of a TOT revenue measure on the November 2022 ballot.

## **ANALYSIS**

### **Description of TOT and Factors for Focusing on This Type of Revenue Measure**

A TOT is a tax that applies to guests staying overnight at hotels and other qualified lodging facilities for up to 30 nights. Focusing on an increase in Mountain View's TOT as compared to other possible revenue measures makes sense for several reasons, including the following:

- The current TOT rate in Mountain View is outdated;

- The hotel market is already sustaining higher TOT rates in nearby cities;
- Experience shows that travelers do not tend to look at or compare TOT rates when choosing a hotel;
- TOT taxes do not tend to impact residents as they are paid by hotel guests; and
- TOT rate increases tend to receive voter support as a way to provide ongoing revenue and meet important community needs.

**TOT Rate Comparisons**

The City of Mountain View’s current TOT rate is 10% of the rate paid to the facility. This rate has been in place since 1991, when the TOT was last increased from 8%. Since that time, neighboring cities have increased their TOT rates, resulting in Mountain View’s rate being among the lowest in the San Mateo and Santa Clara counties. Of the 29 cities in these two counties, only one has a TOT rate that is lower than Mountain View, three have the same rate, and 24 cities have TOT rates that are higher than Mountain View. This is shown in Table 1 below.

**Table 1: TOT Rates in San Mateo and Santa Clara Counties**  
*(As of November 15, 2020)*

City	County	Rate	Population
Palo Alto	Santa Clara	15.5%	66,573
Half Moon Bay	San Mateo	15.0%	12,834
Brisbane	San Mateo	14.0%	4,697
Los Altos	Santa Clara	14.0%	30,504
Milpitas	Santa Clara	14.0%	79,517
San Bruno	San Mateo	14.0%	43,083
San Mateo	San Mateo	14.0%	104,333
Santa Clara	Santa Clara	13.5%	127,721
Daly City	San Mateo	13.0%	106,677
Sunnyvale	Santa Clara	12.5%	152,770
Belmont	San Mateo	12.0%	27,097
Burlingame	San Mateo	12.0%	30,576
Campbell	Santa Clara	12.0%	42,221
Cupertino	Santa Clara	12.0%	60,257
East Palo Alto	San Mateo	12.0%	29,593
Foster City	San Mateo	12.0%	33,997

City	County	Rate	Population
Los Gatos	Santa Clara	12.0%	30,729
Menlo Park	San Mateo	12.0%	34,138
Millbrae	San Mateo	12.0%	22,625
Pacifica	San Mateo	12.0%	38,984
Redwood City	San Mateo	12.0%	85,784
San Carlos	San Mateo	12.0%	30,154
South San Francisco	San Mateo	12.0%	67,408
Morgan Hill	Santa Clara	11.0%	44,686
Colma	San Mateo	10.0%	1,302
Mountain View	Santa Clara	10.0%	81,656
San Jose	Santa Clara	10.0%	1,028,000
Saratoga	Santa Clara	10.0%	30,697
Gilroy	Santa Clara	9.0%	56,766

### **Potential Revenue From an Increase to the TOT Rate**

During the past two fiscal years, TOT revenue in Mountain View and beyond has been significantly impacted by the COVID-19 pandemic and related restrictions. Audited TOT revenue in Fiscal Year 2020-21 was down to \$1.9 million, compared to \$7 million in Fiscal Year 2018-19, the last full year prior to the pandemic. However, in recent months, hotel occupancies have begun to rebound somewhat. As the number of people getting vaccinated increases and COVID-related restrictions are lifted, it is expected that hotel occupancies will continue to increase. Moreover, there are two new hotels that recently opened in Mountain View, and others are in the development process.

Although there is uncertainty regarding how quickly hotel bookings will recover and whether there will be any lasting shift in business travel due to recent reliance on remote meeting options, staff anticipates that an increase to the TOT would be an important source of revenue for essential new and ongoing City services. For example, based on preliminary assumptions and analysis, staff estimates that increasing the TOT rate in Mountain View to 14% to be more in line with recent trends would generate around \$3.5 million in additional revenue by Fiscal Year 2025-26.

### **Process for Studying and Developing a TOT Measure**

If Council approves submitting a ballot measure for the November 2022 election, it must be submitted to the County by August 12, 2022. Given the current Council meeting schedule, final action authorizing the ballot measure would need to be taken by the last Council meeting in June 2022.

Developing a revenue ballot measure is a significant undertaking that requires analysis, planning, community outreach, public communication, and compliance with statutory deadlines and other regulations. Cities typically engage the services of consultants to assist with polling, communication, and project management. Staff intends to engage such consultants who will bring the necessary expertise and capacity to the exploration of placing a TOT ballot measure for the November 2022 election.

A polling firm would assist with polling the community to gauge the level of support that may exist for the measure based on the parameters that are included in the measure. Follow-up polls may also be necessary depending upon the results of the initial polling.

It is also important to provide information to the community regarding the purpose of the measure and explain how the measure will support City programs and services. Contract professional services are useful to help facilitate these efforts and coordinate closely with the polling firm to ensure any relevant issues are included in the polling.

Due to the limited time to complete these tasks and due to an already heavy staff workload, staff also plans to hire a project manager to oversee the process and work with staff and the consultants to ensure that the project timeline milestones are achieved. The project manager will also help prepare reports and recommendations for the City Council and for a Council subcommittee, which will be appointed in January 2022.

Staff seeks Council authorization to proceed with selecting and entering into contracts with these necessary professional services.

### **FISCAL IMPACT**

Funds in the amount of \$120,000 to support the cost for determining the feasibility of placing a revenue measure on the ballot were included in the current budget. Staff is not requesting an additional appropriation at this time.

### **ALTERNATIVES**

1. Do not authorize the use of consultants.
2. Discontinue efforts on a TOT revenue measure.
3. Provide other direction to staff.

**PUBLIC NOTICING** – Agenda posting.

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