

May 31, 2007

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
June 12, 2007

**PROPOSAL TO INCREASE TRANSIENT OCCUPANCY TAX (TOT)
AUTHORITY FROM 10% TO 12%.**

Recommendation:

That the City Council consider submitting a measure to the voters on the November Municipal election ballot to increase the transient occupancy tax (TOT) from 10% to 12%. A 4/5 vote of the City Council is required to place a general tax increase on the ballot.

Background:

The transient occupancy tax rate of 10% has been in effect since 1990. The TOT or "hotel tax" is the tax imposed on persons staying in hotels in the city, for periods of 30 days or less. The tax is expected to generate almost \$1.8 million in the 2007-08 fiscal year. The TOT is an increasingly important source of revenue for the City, generating 7% of General Fund revenue.

Staff is recommending that a measure be placed on the ballot to increase the tax rate by 2% (from the current rate of 10%) to 12%.

Analysis:

Attached is a survey of rates that are charged in nearby Southern California cities. It should be noted that Redondo Beach is at 12% and Manhattan Beach has the authority to go to 12%..

If the measure is approved, the 2% increase would generate an estimated additional \$360,000 in revenue. For the hotel occupant with a room rate of \$100, an additional tax of 2% would be only \$2; with a room rate of \$250, the additional tax would be only \$5.

This proposal is part of the overall strategy that was proposed during the 2007-08 Budget Workshop. With the General Fund paying some of the Lighting District costs, anticipation of high legal costs, expected downturns in building-related fees and flattening of sales tax revenue, some one-time items in the budget had to be funded from the Capital Improvement Fund and funds were used from the Public Employees Retirement System (PERS) Stabilization Fund. The City Council took action to update fees and charges previously and there seemed to be some consensus to look at current subsidies and other areas where costs are not recovered. Increasing the TOT tax rate for visitors to our city would assist with continuing to offer the current level of services for residents.

Upon approval, staff will return with a resolution placing the proposal on the ballot for November 2007.

Respectfully submitted,


Viki Copeland
Finance Director


Stephen Burrell
City Manager

TOT RATE COMPARISON CHART

CITY	TOT RATE	COMMENTS
Beverly Hills	14%	
Carson	9%	
Culver City	12%	
El Segundo	8%	
Gardena	11%	
Hawthorne	12%	
Inglewood	14%	
Lawndale	9%	
Lomita	10%	
Long Beach	12%	Plus 3% hotel-backed special assessment for hotels to spend on promotions
Manhattan Beach	10%	Have authority to raise to 12%
Palos Verdes Estates	No TOT	No hotels
Rancho Palos Verdes	10%	
Redondo Beach	12%	
Rolling Hills Estates	No TOT	No hotels
Santa Monica	14%	
Torrance	11%	Called UOT (Uniform Occupancy Tax)
West Hollywood	12.5%	Plus 1.5% Visitor and Convention Bureau assessment for a total of 14%