



DATE: May 21, 2025

TO: Council Budget and Finance Committee

FROM: Interim Director of Finance

SUBJECT: Transient Occupancy Tax (TOT) Review

RECOMMENDATION

That the Committee provides feedback on this analysis and provides a recommendation to present to City Council to adjust the City's Transient Occupancy Tax (TOT) rate that the Hayward voters approved with the passing of Measure NN in November 2020 for a rate up to 14 percent.

SUMMARY

This report provides a review of the City's current TOT rate, and consideration for increasing the TOT rate in accordance with Measure NN, a voter approved ballot measure, which authorized Council to adjust the TOT rate from 8.5 percent up to 14 percent. In November 2020, the City continued to balance the impacts related to the economic uncertainties around the pandemic. At that time, Council directed staff to keep the TOT rate at its current rate of 8.5 percent to allow hoteliers time to recover from the pandemic. Council requested that an adjustment to the TOT rate be reviewed and considered when the economy has recovered from the impacts of the pandemic.

The report provides an overview of the TOT rate, and consideration for adjusting the TOT rate from 8.5 percent to 12 percent in FY 2025-26 and to review raising TOT from 12% to 14% effective FY 2027-28 should the current 2% Excise Tax terminate December 31, 2027.

BACKGROUND

In June 2020¹, Council was presented with a comparative analysis of TOT rates and revenues in neighboring agencies, as well as the presentation of the results of 2017 voter polling in comparison with election results from Bay Area cities that had previously placed ballot measures to voters. The analysis found that Hayward had the lowest TOT rate and ranks eleventh in per-capita TOT revenues of the sixteen Bay Area cities with populations over

¹ [CITY OF HAYWARD - File #: LB 20-030 \(legistar.com\)](#)

100,000. At the time, past polling found that an increase to TOT was supported by approximately two-thirds of registered Hayward voters.

On July 14, 2020², Council authorized actions to place an increase in the City's TOT from 8.5 percent to up to 14 percent before the voters of Hayward at the November 3, 2020 election. In November 2020, the voters of Hayward passed Measure NN, which increased the TOT from 8.5 percent to no more than 14 percent.

On November 16, 2022³, Council Budget and Finance Committee was presented with a review of the City's current TOT rate and collected revenue. During the presentation, the Committee received comparisons of current TOT rates in neighboring cities and TOT revenue under different rate scenarios. The Committee recommended maintaining the current 8.5 percent rate and discussed potential rate adjustments after further analysis and continued economic recovery.

On January 15, 2025⁴, Council Budget and Finance Committee was presented with a review of the City's current TOT rate and collected revenue. During the presentation, the Committee received comparisons of current TOT rates in neighboring cities and TOT revenue under different rate scenarios. The Committee recommended presenting City Council with the option to raise TOT from 10 to 12 percent.

After internal discussions and ongoing budget discussions regarding the City's structural deficit, staff recommended to City Council to raise TOT to the maximum amount of 14%⁵. City Council asked for additional research to be conducted and for the Council Budget and Finance Committee to review a proposed increase of 12% with the additional research.

DISCUSSION

Staff compared the City's TOT rate of 8.5 percent to that of twelve other cities in the Bay Area with populations over 100,000 with the exception of Castro Valley, Union City, and San Leandro.

In 2020, when Measure NN was approved by the Hayward voters, Council directed staff to hold the rate at 8.5 percent to allow local hoteliers to recover from the impacts of the pandemic.

While some cities apply only a base TOT rate, others impose additional taxes and fees such as tourism assessments, business improvement district charges, and community facility district levies which increases the total cost to hotel guests. Table 1 details the total effective rates, distinguishing between the base TOT and any additional charges layered on top.

² [CITY OF HAYWARD - File #: LB 20-038 \(legistar.com\)](#)

³ [CITY OF HAYWARD - File #: ACT 22-120 \(legistar.com\)](#)

⁴ [CITY OF HAYWARD - File #: ACT 24-091](#)

⁵ [CITY OF HAYWARD - File #: LB 25-012](#)

Should Council choose to increase Hayward’s TOT rate up to the 12 percent allowed under Measure NN, the City’s overall lodging cost to guests would fall near the middle range when factoring in the total rates including additional fees charged by neighboring cities. An increase to the full 14 percent would position Hayward in the fourth highest in the comparison group. However, even at that level, the City would remain well below the total lodging costs seen in cities that apply significant additional surcharges beyond their base TOT rates.

Table 1: Comparison of Current TOT Rates

City	TOT Rate	Additional Taxes/Fees	Total Rate
San Francisco	14.00%	5.96% Destination fee tax, Tourism District assessment based on zoning between 2-2.25%, Moscone Assessment fee based on location between 1-1.25%	23.46% Max
Oakland	14.00%	2% Oakland Tourism Tax, 3.83% Destination fee tax	19.83%
Santa Clara	13.50%	2% Community Facilities District Tax, 2% Tourism Improvement District assessment	17.50%
San Leandro	14.00%		14.00%
San Mateo	14.00%		14.00%
Union City	13.86%		13.86%
Berkeley	12.00%	1% Berkeley Tourism Business Improvement District assessment	13.00%
Concord	10.00%	3% Tourism Business Improvement District tax	13.00%
San Jose	10.00%	Hotel Business Improvement District fee based on zoning between \$1-\$2.50/room per night	10% + Fee
Hayward	8.50%	2% Emergency Services Facilities Tax	10.50%
Fremont	10.00%		10.00%
Antioch	10.00%		10.00%
Castro Valley	10.00%		10.00%

In FY 2022-23, TOT revenue began to show signs of recovery with an increase of approximately \$0.5 million over FY 2020-21 in actual revenue collected. Table 2, below, provides updated projections for the last three fiscal years along with the current fiscal year and projected fiscal year, since Measure NN was approved by the Hayward-voters. The table illustrates the fiscal impacts to the revenue source had higher TOT rates been adopted.

Table 2: TOT Revenue Under Different Rate Scenarios in FY 2021 through FY 2026

Fiscal Year	8.5% (Actual)	10%	12%	14%
FY 2021-22	\$1,978,905	\$2,328,124	\$2,963,928	\$3,259,373
FY 2022-23	\$2,358,670	\$2,774,906	\$2,103,617	\$3,884,868
FY 2023-24	\$2,359,000	\$2,775,294	\$2,681,998	\$3,885,412
FY 2024-25 (adopted)	\$2,125,000	\$2,500,000	\$3,196,692	\$3,500,000
FY 2025-26 (projected)	\$2,380,000	\$2,800,000	\$2,771,979	\$3,920,000
Average	\$2,240,315	\$2,635,665	\$2,743,643	\$3,689,931

As illustrated in Table 2, if a 12 percent TOT had been in place since FY 2020-21, it would have generated an average of \$2.7 million per year; an average increase of about \$0.5 million in annual revenue.

FISCAL IMPACT

Prior to the pandemic and passage of Measure NN, the TOT rate was set at 8.5 percent and generated approximately \$2.2 million in General Fund revenue per year in the three fiscal years proceeding FY 2024-25.

TOT revenue has continued to improve and progress toward pre-pandemic levels. Should the City Council choose to exercise its authority to adjust the TOT rate to 12 percent, the increase would result in positive impacts to the General Fund. If a 12 percent TOT rate was approved, using the TOT annual average revenue, shown in Table 2, the City could potentially realize an increase of approximately \$0.5 million annually in General Fund revenue.

In FY 2027-28, should City Council approve a 12% rate beginning FY 2025-26 and choose to raise the TOT rate to 14% when the 2% Excise Tax sunsets on December 31, 2027 for FY 2027-28, the City could potentially realize approximately \$0.9 million annually based on current projections.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Improve Organizational Health. Specifically, this item relates to the implementation of the following project(s):

Project 1, Part 1.a: Maintain and Expand Fiscal Sustainability: Evaluate an increase in the Transient Occupancy Tax.

NEXT STEPS

If the Committee supports the consideration of adjusting the TOT rate in accordance with the voter-approved Measure NN, staff will provide the full City Council with an update and review of the TOT rate and analysis for consideration.

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Approved by:



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