



**DATE:** January 15, 2025  
**TO:** Council Budget and Finance Committee  
**FROM:** 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 TOT rate that the Hayward voter 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 up to 14 percent.

## **BACKGROUND**

In June 2020<sup>1</sup>, 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 100,000. At the time, past polling found that an increase to TOT was supported by approximately two-thirds of registered Hayward voters.

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

On July 14, 2020<sup>2</sup>, 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, 2022<sup>3</sup>, 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.

## DISCUSSION

Staff compared the City's TOT rate of 8.5 percent to that of fifteen other cities in the Bay Area with populations over 100,000. The City's current TOT rate remains the lowest among the neighboring agencies listed below. However, with the passage of Measure NN, Council has the authority to adjust the TOT rate up to 14 percent, which would place the City TOT rate within the highest rate compared to neighboring cities; adjusting the rate to 12 percent would place the City TOT rate in the middle of the neighboring agencies listed below. 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. Table 1, below, provides a comparison of current TOT rates among neighboring cities:

**Table 1: Comparison of Current TOT Rates**

City	TOT Rate
San Francisco	14.00%
Oakland	14.00%
San Mateo	14.00%
Santa Clara	13.50%
Daly City	13.00%
Sunnyvale	12.50%
Fairfield	12.00%
Berkeley	12.00%
Vallejo	11.00%
San Jose	10.00%
Fremont	10.00%
Concord	10.00%
Richmond	10.00%
Antioch	10.00%
Santa Rosa	9.00%
Hayward	8.50%

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

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

Prior to the pandemic, the TOT rate was set at 8.5 percent, generating an average of \$2.6 million in General Fund revenue per year in the five fiscal years proceeding that time. Projections for prior years, assuming higher rates had been in place, can be seen in Table 2, below. These rates reflect pre-pandemic revenue collection.

**Table 2: TOT Revenue Under Different Rate Scenarios in FY 2015 through FY 2019**

Fiscal Year	8.5% (Actual)	10%	12%	14%
FY 2015	\$ 2,033,057	\$ 2,391,831	\$ 2,870,197	\$ 3,348,564
FY 2016	\$ 2,591,468	\$ 3,048,786	\$ 3,658,543	\$ 4,268,300
FY 2017	\$ 2,559,873	\$ 3,011,615	\$ 3,613,938	\$ 4,216,261
FY 2018	\$ 2,808,158	\$ 3,303,715	\$ 3,964,458	\$ 4,625,201
FY 2019	\$ 2,822,564	\$ 3,320,663	\$ 3,984,796	\$ 4,648,929
<b>Average</b>	<b>\$ 2,563,024</b>	<b>\$ 3,015,322</b>	<b>\$ 3,618,387</b>	<b>\$ 4,221,451</b>

However, the pandemic crisis significantly impacted the City's TOT revenue source from FY 2020 through FY 2022. In FY 2023, TOT revenue began to show signs of recovery with an increase of approximately \$0.5 million over FY 2021 in actual revenue collected. Table 3, below, provides updated projections for the last five years, since Measure NN was approved by the Hayward-voters. The table illustrates the fiscal impacts to the revenue source had higher TOT rates been in place during the past five fiscal years.

**Table 3: TOT Revenue Under Different Rate Scenarios in FY 2020 through FY 2024**

Fiscal Year	8.5% (Actual)	10%	12%	14%
FY 2020	\$2,186,926	\$2,572,854	\$3,087,425	\$3,601,996
FY 2021	\$1,552,148	\$1,826,056	\$2,191,268	\$2,556,479
FY 2022	\$1,978,905	\$2,328,124	\$2,793,748	\$3,259,373
FY 2023	\$2,358,670	\$2,774,906	\$3,329,887	\$3,884,868
FY 2024	\$2,045,297	\$2,406,232	\$2,887,478	\$3,368,724
<b>Average</b>	<b>\$2,045,297</b>	<b>\$2,406,232</b>	<b>\$2,887,478</b>	<b>\$3,368,724</b>

As illustrated in Table 3, if a 12 percent TOT had been in place since FY 2020, it would have generated an average of \$2.9 million per year; an average increase of about \$0.8 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 \$2.6 million in General Fund revenue per year in the five fiscal years proceeding FY 2020.

As the City continues to recover from the impacts of the pandemic, 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 14 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 3, the City could potentially realize an increase of approximately \$0.8 annually in General Fund revenue.

## **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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*Recommended by:* Nicole Gonzales, Director of Finance

Approved by:



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Dustin Claussen, Assistant City Manager