



DATE: May 6, 2025

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Transient Occupancy Tax (TOT): Adopt a Resolution Adjusting the City's Transient Occupancy Tax Rate from 8.5% to 14.0%, Effective July 1, 2025; and Finding that the Action is Exempt from CEQA Review.

RECOMMENDATION

That the City Council adopts a resolution (Attachment II) adjusting the City of Hayward's (City) Transient Occupancy Tax rate from 8.5% to 14.0%, effective July 1, 2025; and finds that the action is exempt from CEQA review.

SUMMARY

This report provides a review of the City's current TOT rate, and consideration for adjusting the TOT rate in accordance with Measure NN, a voter approved ballot measure, which authorized City Council to increase the TOT rate from 8.5 percent to an amount 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, City 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. City Council requested that an adjustment to the TOT rate be reviewed and considered when the economy recovered from the impacts of the pandemic.

This report provides an overview of the TOT rate and a recommendation to adjust the TOT rate to 14.0 percent.

BACKGROUND

In June 2020¹, City 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

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

over 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, City 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, City 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, City 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 further analysis presented to City Council prior to recommending an adjustment to the TOT rate.

On February 4, 2025⁵, City Council held a General Fund Budget Work Session to review potential strategies that could be implemented to assist in closing the projected structural deficit. During the work session, City Council expressed unanimous support for adjusting the TOT rate as a strategy to close the projected structural deficit. Staff committed to returning to City Council with recommendations regarding strategy implementation, which included an adjustment of the TOT rate.

DISCUSSION

Staff compared the City's TOT rate of 8.5 percent to other cities in the Bay Area. The City's current TOT rate remains the lowest among the neighboring agencies listed below. However, with the passage of Measure NN, City Council has the authority to adjust the TOT rate up to 14 percent, which would place the City's TOT rate within the highest rate compared to neighboring cities; adjusting the rate to 14.0 percent would place the City's TOT rate within the range of the neighboring agencies listed below. In 2020, when Measure NN was approved by the Hayward voters, City 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:

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 #: WS 25-002](#)

Table 1: Comparison of Current TOT Rates

City	TOT Rate
Oakland	14.00%
San Leandro	14.00%
Union City	13.86%
Santa Clara	13.50%
Berkeley	12.00%
Fremont	10.00%
Concord	10.00%
Antioch	10.00%
Castro Valley	10.00%
Hayward	8.50%

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
Average	\$ 2,563,024	\$ 3,015,322	\$ 3,618,387	\$ 4,221,451

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%	12.5%	14%
FY 2020	\$2,186,926	\$2,572,854	\$3,216,068	\$3,601,996
FY 2021	\$1,552,148	\$1,826,056	\$2,282,571	\$2,556,479
FY 2022	\$1,978,905	\$2,328,124	\$2,910,154	\$3,259,373
FY 2023	\$2,358,670	\$2,774,906	\$3,468,632	\$3,884,868
FY 2024	\$2,045,297	\$2,406,232	\$3,007,789	\$3,368,724
Average	\$2,045,297	\$2,406,232	\$2,977,043	\$3,368,724

Based on the information above, the City would be in a more competitive position by adjusting the TOT rate to 14.0 percent. Hayward's convenient location to multiple major highways (SR-92, I-880, I-580 and Route 238) make the City a preferred location for business professionals and workers in the construction industry looking for a centralized location to stay. Hayward hotels are also near the Oakland Airport and the Port of Oakland which are major economic drivers. The proximity of Hayward to future sporting events, such as the World Cup and Super Bowl may also have a positive financial impact for the City.

With some hotels near the Oakland Airport closing in recent years for various reasons and Hayward's competitive pricing, Hayward hotels are in an excellent position to remain competitive, despite the proposed adjustment to TOT.

ENVIRONMENTAL REVIEW

Adjustment of the Transient Occupancy Tax rate does not have the potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Consequently, the action is exempt from review under CEQA pursuant to State CEQA Guidelines Section 15060(c)(3) because it is not a project as defined by the CEQA Guidelines Section 15378.

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 14.0 percent, the increase would result in positive impacts to the General Fund. If a 14.0 percent TOT rate was approved, using the TOT annual average revenue, shown in Table 3, the City could potentially realize an increase of approximately \$500K to \$1.0M 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.

PUBLIC CONTACT

Staff notified hoteliers of the proposed TOT rate increase on April 8, 2025, by electronic mail (e-mail). A follow up email was sent on April 9, 2025, with clarification on the proposed effective date of the increase. Additionally, a letter was mailed out to all hoteliers notifying them of the proposed TOT increase and Council date on April 29, 2025.

NEXT STEPS

Staff recommends that the City Council adopts a resolution (Attachment II) adjusting the City's Transient Occupancy Tax rate from 8.5% to 14.0%, effective July 1, 2025.

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Recommended by: Sharif Etman, Interim Director of Finance

Approved by:



Dr. Ana M. Alvarez, City Manager