CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY

CURRENT

SUBJECT: TRANSIENT OCCUPANCY TAX
POLICY NO.: 100-03
EFFECTIVE DATE: February 24, 1998

BACKGROUND:

HISTORY OF TOT RATES

ORDINANCE NUMBER	EFFECTIVE DATE	TOT RATE
O-9033	June 9, 1964	4%
O-9767	April 1, 1968	5%
O-11077	June 5, 1973	6%
O-16286	January 1, 1985	7%
O-17108	August 1, 1988	8%
O-17154	June 1, 1989	9%
O-18078	August 1, 1994	10.5%

On June 6, 1994, the City Council adopted Ordinance No. O-18078 N.S. increasing the Transient Occupancy Tax (TOT) rate from 9% to 10.5% effective August 1, 1994. The ordinance specifically provides that the additional 1.5% tax is to be allocated to the General Fund for general government purposes as the City Council so designates.

On February 24, 1998, the City Council adopted Resolution Numbers R-289773 and R-289774, outlining recommendations to enhance and streamline application requirements and clarify category definitions for the TOT policy. Consequently, recommendations detailed in City Manager Reports 97-175, 97-188, and 98-13 have been utilized in the development of this revised Council Policy on TOT.

MISSION STATEMENT:

The purpose of Transient Occupancy Tax (TOT) is to advance the City's economic health by promoting the City of San Diego as a visitor destination in the national and international marketplace; supporting programs that increase hotel occupancy and attract industry, resulting in the generation of TOT and other revenue; developing, enhancing, and maintaining visitor-related facilities; and supporting the City's cultural amenities and natural attractions.

PURPOSE:

Consistent with the Mission Statement, the purpose of this policy is to:

1. Provide funding for the promotion of tourism and support of cultural programs and visitor-related

facilities.

2. Provide guidance to the City Manager in the preparation of the annual budget submittal to the Mayor and City Council.

3. Provide a set of uniform guidelines, conditions, and criteria governing the application for, and granting of, funds to private non-profit organizations for the purpose of supporting their ongoing operational expenses and/or their sponsorship of special events.

4. Provide continuing financial support to those projects where financial commitments of the City are in place, as part of the debt service requirements associated with capital improvements of visitor-related facilities.

5. Provide limitations on future Transient Occupancy Tax rate increases levied by the City of San Diego.

UTILIZATION OF REVENUES:

As stated in Municipal Code Sections 35.0128 - 35.0133:

1. Four cents must be used solely for the purpose of promoting the City.

2. One cent can be used for any purpose the City Council may direct.

3. Five and one-half cents is deposited in the General Fund for general government purposes as the City Council may provide in accordance with the Charter of the City of San Diego and the City Council's appropriation ordinance.

POLICY:

1. Increases to the TOT Rate

   Future increases to TOT shall be limited to a rate that is no greater than the average rate, excluding the highest and lowest rate cities, at that time, of the 15 following major cities:

   Atlanta, Boston, Chicago, Denver, Honolulu, Houston, Las Vegas, Los Angeles, Miami Beach, New Orleans, New York, San Francisco, Santa Fe, Seattle, Washington D.C.

   The City Council shall limit any tax increases if the hotel occupancy rates in the City of San Diego are less than 70% for two consecutive calendar years.

2. Funding of Private Non-Profit Organizations for Operational Expenses or Sponsorship of Special Events

In order to assist the City Council in receiving and acting upon requests for funding by private non-profit organizations, general TOT application processes have been established and are reflected on Attachment A.

Eligible programs fall into one of the following major categories:

- ECONOMIC DEVELOPMENT
  To promote the City as a visitor destination and advance the City's economy by increasing tourism and attracting industry.

- SAFETY AND MAINTENANCE OF VISITOR-RELATED FACILITIES
  To provide supplemental funding for public safety and the maintenance of visitor-related facilities.

- CAPITAL IMPROVEMENTS
  To provide funding for the renovation, construction and expansion of visitor-related facilities and projects.

- ARTS, CULTURE AND COMMUNITY FESTIVALS
  To enhance the economy and contribute to San Diego's reputation as a cultural destination by nurturing and maintaining art and culture institutions of national and international reputation; by supporting programs and projects that provide access to excellence in culture and the arts for residents and visitors; and by funding programs and events which enrich the lives of the people of San Diego and build healthy, vital neighborhoods.

- MAJOR EVENTS
  To provide funding for the attraction and production of major events and conventions that generate Transient Occupancy Tax and other revenues.

3. Single Point of Contact

The Executive Director of the Commission for Arts and Culture will coordinate the outreach efforts and conduct the review of the pre-application forms submitted by prospective applicants. At this stage in the process, a determination will be made as to which subcategory is most appropriate and contact information for that application process will be provided.

4. Application/Appeal Processes

- Applications are required for organizations requesting funding within the 1) Economic Development and 2) Arts, Culture, and Community Festivals categories. The Economic Development category includes the 1) Citywide and 2) Sub-regional subcategories. The Citywide Economic Development application process is administered by the Financial

Management Department. This funding category supports programs that promote the City as a visitor destination and advance the City's economy by increasing tourism and attracting industry on a citywide basis. The Sub-regional Economic Development subcategory provides funding for non-profit, tax-exempt organizations to produce regionally significant programs, services and events that promote tourism, attract business, and create employment. The Sub-regional application process is administered by the Economic Development and Community Services Department.

- The Arts, Culture, and Community Festivals category is made up of the 1) Festivals and Celebrations and 2) Organizational Support subcategories. These application processes are administered by the Commission for Arts and Culture. Festivals and Celebrations funds provide support to community-based festivals, parades, and other celebrations, with an emphasis on projects which promote neighborhood pride and community reinvestment. The Organizational Support subcategory provides funding for general operating support for non-profit, tax-exempt, arts and culture organizations with an emphasis on delivery of programs and services that impact San Diego's quality of life and tourism, and can be in the form of ongoing support throughout the year or for a specific program or event.

- Recommended funding levels for all categories and specific program funding for Citywide Economic Development, Safety and Maintenance of Visitor-Related Facilities, Capital Improvements, and Major Events will be made by the Office of the City Manager.

- All funding recommendations are provided to the City Council for consideration and final approval as part of the annual budget process.

- Organizations considered for Transient Occupancy Tax funding may only apply for funding of one program in one subcategory and must comply with the requirements and conditions outlined in Attachment B.

- Prior to the beginning of the application process for each fiscal year, an informational report shall be presented annually to the Natural Resources & Culture (NR&C) Committee. This report will identify organizations that were not in compliance with their contractual agreement with the City in the past fiscal year. Appeals to the NR&C Committee can be made by any organization regarding compliance issues, and potential impacts on future allocations.

5. Funding for debt service requirements/annual lease payments related to capital improvements of visitor-related facilities.

Funding may include, but is not limited to the following:

a. Balboa Park/Mission Bay Park Improvements
Financial support will be provided for improvements to Balboa Park and Mission Bay Park

consistent with adopted master plans (refer to Resolution No. R-271992).

b. Funding for the Extension of the San Diego Trolley
Funding will be provided for annual lease payments for debt issued for the City's share of trolley extension costs as matching funds to qualify for State and Federal funding required to implement extension of the San Diego Trolley as called for in the Regional Transportation Plan (refer to Ordinance Numbers O-16947 and O-17942).

c. Convention Center Complex
Funding will be provided for annual debt payments and other expenses related to the expansion of the Convention Center onto the adjacent surface parking lot.

The adoption of this policy is not intended to be and shall not constitute an irrevocable commitment by the City Council to allocate monies for this purpose. Such a commitment may be made only at the time the annual budget ordinances are adopted.

Attachment A
TOT Application Processes Flowchart

Attachment B
General Requirements and Conditions

HISTORY:

"Funding of Private Organization for Operational Expenses or Sponsorship of Special Events"
Adopted by Resolution R-183022 03/09/1965
Amended by Resolution R-191654 09/21/1967
Amended by Resolution R-211279 08/08/1974
Amended by Resolution R-218061 04/05/1977
Amended by Resolution R-220777 05/01/1978
Amended by Resolution R-222451 12/19/1978
Amended by Resolution R-254157 05/11/1981
Amended by Resolution R-272990 03/06/1989
Retitled to "Transient Occupancy Tax" with inclusion of Policies 100-04, 100-11 and 100-13 by Resolution R-279227 01/06/1992
Amended by Resolution R-280380 07/21/1992
Amended by Resolution R-284044 06/06/1994
Amended by Resolution R-284698 10/03/1994
Amended by Resolution R-286076 07/17/1995
Amended by Resolution R-286991 03/04/1996
Amended by Resolution R-289773 02/24/1998
Amended by Resolution R-289774 02/24/1998