



**STAFF REPORT**  
**12/11/2024**

**TO:** Honorable Mayor and City Council Members

**FROM:** Celina Jimenez, Director of Economic Development

**SUBJECT:** Adopt Resolution No. 2024-67 To Increase the Transient Occupancy Tax (TOT) Rate at Thirteen Percent (13%) Pursuant to Measure Y Effective January 1, 2025

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**STAFF RECOMMENDATION:**

Staff recommends that the City Council adopts Resolution No. 2024-64 to increase the Transient Occupancy Tax (TOT) rate to thirteen percent (13%) pursuant to Measure Y effective January 1, 2025.

**BACKGROUND:**

For many years, the City of Coachella has imposed a transient occupancy tax (TOT), which is a general excise tax levied on a guest's temporary occupancy at a hotel, motel or short-term rental within the City. Until recently, the maximum authorized TOT rate was 9%.

However, the City Council placed Measure Y before the voters on the November 5, 2024 General Municipal Election ballot. In addition to making certain technical updates to the ordinance, Measure Y authorizes the City Council to increase the maximum transient occupancy tax (TOT) rate from 9% to 13%. Measure Y was approved by Coachella voters 52.4% to 47.6%.

The City's TOT is authorized in Municipal Code Chapter 4.28. Section 4.28.030 was specifically changed by Measure Y to increase the TOT from 9% to a maximum of 13%. However, this new maximum rate is not "self-executing", meaning it is not automatic. Therefore, the current TOT rate remains, for the moment, at 9%. Under Section 4.28.150, the City Council has the authority to adjust the TOT rate to any figure that is within the voter-approved 13% maximum.

Therefore, Staff is bringing the attached Resolution No. 2024-67 before the Council to increase the TOT rate to 13%, effective January 1, 2025.

**DISCUSSION/ANALYSIS:**

The City Council elected to move forward to consider an increase in the City's TOT rate from 9%

to 13% as proposed in the Resolution shown as Attachment 1. The City's TOT rate has not been raised previously and generates approximately \$822,617 in TOT revenue through short-term rental lodging establishments. The proposed increase would generate additional general revenue for City services identified by the Council including, but not limited to, fire, police, paramedic services, street operations and maintenance, library services, parks and recreation services, and general municipal services to the public.

The Resolution in Attachment 1 includes a draft Ordinance which will formalize this increase in the TOT rate given voter approval. The Council may make revisions to the Ordinance as long as any changes to the tax amount or the methodology for imposing the tax levied by the Council does not increase the tax beyond that which was approved by the voters.

**FISCAL IMPACT:**

An increase in the TOT rate from 9% to 13% is estimated to increase annual revenues to the City from \$822,617 to \$1,172,617. This projection is based on the current levels of Short-Term Rental (STR) revenues ( $\$822,617 + \$350,000 = \$1,172,617$ ).

**ALTERNATIVES:**

The City Council has the following alternatives to consider:

1. Adopt the Resolution No. 2024-64 to increase the Transient Occupancy Tax (TOT) rate at Thirteen Percent (13%) pursuant to Measure Y effective January 1, 2025.
2. Provide staff with alternative direction.

**ATTACHMENTS:**

1. Resolution No. 2024-67