



STAFF REPORT
7/24/2024

TO: Honorable Mayor and City Council Members

FROM: Celina Jimenez, Director of Economic Development
Dr. Gabriel Martin, City Manager

SUBJECT: Adopt Resolution No. 2024-43 Calling for the Placement of a General Tax Measure on the November 5, 2024 General Municipal Election Ballot Amending the City's Transient Occupancy Tax from 9% to 13%, Updating the Ordinance's Terms to Address Third Party Bookings and Making Other Conforming Updates.

STAFF RECOMMENDATION:

Staff recommends that the City Council adopt Resolution No. 2024-43 calling for the placement of a General Tax Measure on the November 5, 2024 General Municipal Election Ballot amending the City's Transient Occupancy Tax rate from 9% to 13%, and updating the ordinance to address online travel company and other third party bookings and making other conforming changes; requesting the County of Riverside to consolidate said election with the statewide general election of even date; and setting rules and deadlines for arguments and rebuttals for and against the measure.

BACKGROUND:

At the July 10, 2024 Study Session, staff was directed to return with a resolution to place a measure on the November 5, 2024 ballot that would increase the City's transient occupancy tax (TOT) on hotel accommodations with the city. The term "hotel" means any structure or any portion of any structure including mobile home spaces or trailer spaces which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, single family residential home or house, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structures or portion thereof. This direction follows previous discussions on TOT rates at the December 6, 2023 Planning Commission meeting.

The City Council also desires to modernize the Coachella Municipal Code to allow for the imposition and collection of the TOT on the full rent charged to a guest for hotel occupancy, whether the occupancy is booked directly by the guest, through online travel companies which enable guests to purchase occupancy via the Internet, or through online short term rental companies

operating to facilitate connections in the rental market or otherwise broker short term rentals between a host and a guest, or by similar electronic means.

DISCUSSION/ANALYSIS:

Following discussion at these meetings, the Council has 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 hotel and other 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, and as such the measure would require majority approval from voters.

The Resolution in Exhibit "A" includes Ordinance No. 2024-1211, which would formalize this increase in the TOT rate if voters approve the ballot measure. The Council may make revisions to the Ordinance following voter approval as long as such revisions do not increase the tax amount or the methodology for imposing the tax beyond that which was approved by the voters. Given the timing of working with the County Registrar of Voter's office in placing the tax measure on the ballot, staff is recommending that the Council adopt this Resolution as proposed or with revisions at this meeting in order to meet the timeframe of the County Clerk's deadline of August 9, 2024 for receiving materials for the November 2024 ballot.

FISCAL IMPACT:

The cost of placing the measure on the ballot is estimated at \$15,000. If passed, this measure would possibly generate an approximate \$350,000 for the General Fund.

ALTERNATIVES:

The City Council has the following alternatives to consider:

1. Adopt the Resolution placing the proposed tax measure on the ballot;
2. Provide staff with revisions to the Resolution and draft Ordinance and then adopt the document; or
3. Provide alternate direction to staff.

ATTACHMENTS:

1. Resolution No. 2024-43 - Adopt Resolution No. 2024-43 Calling for the Placement of a General Tax Measure on the November 5, 2024 General Municipal Election Ballot Amending the City's Transient Occupancy Tax from 9% to 13%, Updating the Ordinance's Terms to Address Third Party Bookings and Making Other Conforming Updates.

2. Exhibit A – Ordinance No. 2024-1211- Amending Chapter 4.28 of Title 4 (Revenue and Finance) of the Coachella Municipal Code Increasing the Maximum Rate of the City’s Transient Occupancy (Hotel) Tax from 9% to 13%, Addressing Online Travel Company and Other Third Party Bookings and Making Other Conforming Changes.