



CITY OF ORLAND STAFF REPORT MEETING DATE: September 3, 2024

TO: Honorable Mayor and Councilmembers

FROM: Pete Carr, City Manager

SUBJECT: EDC Recommendation for Hotel Development Incentive

BACKGROUND:

The City currently has no stated financial incentive for development of a much-desired hotel. Possible incentives could include reduction of development impact fees (DIF), reduction of water and sewer connection fees, reduction of planning and permit fees, rebate of a portion of transient occupancy tax (TOT, a.k.a. hotel tax), or consideration of developer request if/when made.

In an effort to encourage expedited development of the La Quinta hotel announced in 2016, to be built on Commerce Lane at Ide Street, the City offered rebates of TOT on a sliding scale based on speed in start of construction. Due to economic factors outside the City's control, the property owners delayed and eventually decided against development. The potential effect of incentives is unknown.

ANALYSIS:

The Economic Development Commission (EDC) recommends the City incentivize hotel development by publicly advertising we are offering a 50% deduction in DIF to the first developer to get into construction of a hotel with specific criteria such as:

- A. Minimum 80 rooms
- B. 4 stories with indoor corridors for room access
- C. 3-star or better with suites
- D. Major brand name with mid-level to mid-upper ranking
- E. Conference room facility for at least 40 persons

For a commercial project, DIF depends on square footage and water connection size. Additional transportation improvements can also be required as part of the planning project approval process. For a hotel the size of the project proposed in 2016 project, DIF at today's rate would be approximately:

\$38k	public safety
\$ 6k	city hall
\$69k	transportation
\$53k	water
<u>\$49k</u>	<u>sewer</u>

= \$215,000 total

An incentive can be offered for a limited time period, or open-ended.

RECOMMENDATION:

Discuss and direct Staff.

FISCAL IMPACT OF RECOMMENDATION:

Depends on type and amount of incentive selected. Creating an incentive program and advertising it are negligible administrative expenses.