



AGENDA STAFF REPORT

MEETING DATE: 5/6/2025

AGENDA SECTION: GENERAL BUSINESS

SUBJECT:

Presentation and Council direction on proposed increase to the City of Hanford's Transient Occupancy Tax.

RECOMMENDATION:

Recommendation: That the City Council receive the presentation and provide direction on the possible adoption of a resolution to place a measure on the upcoming November 25 ballot proposing an increase to the City's Transient Occupancy Tax from 8%, subject to voter approval.

BACKGROUND:

The Transient Occupancy Tax (TOT), also known as the hotel tax, is charged to guests who occupy a room or space in a hotel, motel, or other short-term rental for 30 days or less. The lodging establishment is then responsible for remitting it to the City on a quarterly basis. The current TOT rate in the City is 8% and has not been updated since 1985. This is being brought to the Council after discussion on April 16, 2025, on goals and objectives and City Council's interest in further discussion on the TOT.

As tourism and short-term rentals have continued to grow in our region, the TOT has become a stable funding source for the City. In recent years, many neighboring cities have adjusted their TOT rates to better align with industry norms and to support local services, infrastructure, and tourism development. Comparative data shows:

<u>City of</u>	<u>TOT Rate</u>
Visalia	10%
Porterville	12%
Tulare	10%
Fresno	12%
Selma	12%
Kingsburg	12%
Lemoore	8%

For the fiscal year ending June 30, 2024, the City collected TOT from nine hotels and motels and two short-term rental homes within City limits. This amounted to revenues of approximately \$750,000. By

increasing the TOT from the current 8%, the City would align with regional trends and ensure we are not underutilizing this important revenue stream.

Two potential increases are presented below:

<u>Potential New Rate</u>	<u>10%</u>	<u>12%</u>
Additional Revenue Annually	\$187,500	\$375,000

The TOT is paid by overnight visitors—not local residents—making it a sustainable and equitable revenue source. A potential increase up to 12% keeps the City competitive with other tourist destinations, without significantly impacting visitor demand.

If the City Council approves moving forward with a potential ballot measure for the November 2025 election, staff would work with the City Attorney's office to prepare the necessary draft documents. These documents must be submitted to the Kings County Elections Office by August 2025.

FISCAL IMPACT:

An increase in the TOT from 8% to 12% is projected to result in an additional annual revenue of \$375,000, based on current and projected occupancy rates. These additional funds could increase General Fund revenues that support essential services, including public safety, parks, community development and recreation services.

The anticipated costs to the City associated with this ballot measure include the City Attorney's time to assist with document preparation, staff time, and costs from the County Elections Office. Staff would estimate total costs to be \$60,000 to \$80,000.

ATTACHMENTS:

None