

# City of Sacramento

## Legislation Text

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**File #:** 2019-01414, **Version:** 1

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**Title:**  
**Use of Transient Occupancy Tax Generated in Council District 1**

File ID: 2019-01414

**Location:** District 1

**Recommendation:**

Pass a Motion affirming the City Council's commitment to consider the use of net new transient occupancy tax (TOT) generated in District 1 for TOT-eligible projects on the former Sleep Train arena site.

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**Presenter:** None

**Attachments:**

1-Description/Analysis

**Description/Analysis**

**Issue Detail:** On April 30, 2019, City Council directed staff to bring forward a report for a vote of commitment that TOT generated by new hotels in Council District 1 remain in the district for arena reuse or a destination project. The North Natomas area has witnessed the construction of a number of new select service hotels. As of October 2019, there are six hotels operating in District 1, with 664 rooms. Four hotels are under construction and four others are entitled. These new hotels would add approximately nine hundred rooms to the existing inventory in the district.

While hotels and other lodging businesses seem to be prospering, as evidenced by a 10% increase in TOT revenue collected in FY18/19 as compared to FY17/18. the area of the former Sleep Train arena complex continues to be undeveloped and underutilized. To spur potential activity at the Sleep Train arena site., net new TOT generated in District 1 could be utilized to assist TOT-eligible projects

in the Sleep Train arena complex. These projects must qualify for the use of TOT revenue in accordance with section 3.28.180 of the City Code (. These funds would only be available after the necessary bond debt service payments and coverages are met for existing TOT obligations including, but not limited to, annual payments to Visit Sacramento operations, Council-approved obligations for the Powerhouse Science Center, bond obligations for the Convention Center Complex Project (Convention Center, Community Center Theater, and Memorial Auditorium), Golden 1 Center, the Sacramento Waterfront, and also ensuring the balance in the Community Center Fund (Fund 6010, the TOT fund) is at least \$8 million, a coverage requirement included in the 2018 TOT bond issuance.

This policy direction does not preclude other possible TOT-funded projects from coming forward to Council for consideration.

**Policy Considerations:** This would be a new policy allowing the use of TOT revenue generated in a council district to be utilized to stimulate redevelopment of a large catalytic site within that district. The concept of targeting funds for use for a key project would be consistent with the adopted 2013 Economic Development strategy goal to “encourage strategic investments and initiatives that lead to the economic development, job growth and enhance the quality of life in Sacramento.”

**Economic Impacts:** None at this time. Economic impacts will be measured with each approved project.

**Environmental Considerations:** The recommendation in this report is not a project under the California Environmental Quality Act (CEQA) because it involves general policy making and government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment, as contemplated by Section 15378, subdivisions (b)(2) and (b)(4), of the CEQA Guidelines (Cal. Code Regs., tit. 14, §15000 et seq.), and is, therefore, not subject to CEQA pursuant to Section 15060, subdivision (c)(3), of the CEQA Guidelines.

**Sustainability:** None

**Commission/Committee Action:** None

**Rationale for Recommendation:** On April 30, 2019, City Council directed staff to bring forward a report for a vote of commitment that TOT generated by new hotels in Council District 1 remain in the district for arena reuse or a destination project. The Sleep Train arena site and the surrounding area remain vacant and without active development plans or activity. Utilizing TOT generated in the district toward a project for which TOT revenue may be used in accordance with section 3.28.180 of the City Code may serve as a catalyst for the area’s redevelopment into a mixed-use dynamic district.

**Financial Considerations:** To spur potential activity at the Sleep Train arena site., net new TOT

revenue generated in District 1 would be available to assist projects at the Sleep Train arena site. These projects must qualify for the use of TOT revenue under the City's TOT ordinance. These funds would only be available after the necessary bond debt service payments and coverages are met for existing TOT obligations and would be net of the amount of TOT that is deposited into the City's general fund in accordance with section 3.28.050 of the City Code as required by the City's TOT ordinance.

**Local Business Enterprise (LBE):** None