



Legislation Text

File #: 20-188, **Version:** 1

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SUBJECT: Adoption of Resolution Approving the Deferral for 90 Days Transient Occupancy Tax Payments for the First Calendar Quarter for Qualifying Owners/Operators as Requested by the Merced Hotel Motel Association

REPORT IN BRIEF

Considers deferring payment of Transient Occupancy Tax (TOT).

RECOMMENDATION

City Council - Adopt a motion:

- A. Adopting **Resolution 2020-20**, a Resolution of the City Council of Merced, California, authorizing the City Manager to provide economic assistance related to the economic impacts of COVID-19; and,
- B. Authorizing the Finance Officer to administer the deferrals.

ALTERNATIVES

- 1. Approve, as recommended by staff; or
- 2. Approve subject to other than recommended by staff (identify specific findings and or conditions amended to be addressed by City Council motion); or
- 3. Deny; or
- 4. Refer back to staff for reconsideration of specific items (specific items to be addressed in the motion); or
- 5. Continue to a future City Council meeting (date and time to be specified in the motion).

AUTHORITY

City of Merced Charter Article IV. City Council Section 405 - Powers vested in the city council.

CITY COUNCIL PRIORITIES

City Council ratified Local Emergency due to COVID-19 on March 16, 2020 with Resolution 2020-10.

Provide Economic Development assistance.

DISCUSSION

The novel coronavirus outbreak began in Wuhan China in 2019 and spread across the globe and into the United States. As of Monday, May 4, 2020, there are 142 positive cases of COVID-19 and 3

deaths in Merced County.

Friday, March 13, 2020, the President of the United States declared a national emergency due to the outbreak. Also, on Friday, Merced County declared a state of emergency. This followed the March 4, 2020 state of emergency that was declared by Gov. Newsom. The City of Merced City Manager also declared a local emergency as the Director of Emergency Services, which was ratified by the City Council on March 16, 2020 and continued on May 4, 2020.

The City of Merced is facing an unprecedented situation with the COVID-19 emergency. The County of Merced has issued Shelter in place orders. Local businesses are experiencing economic losses.

On April 2, 2020, the City received a request (attached) from the Merced Hotel Motel Association to defer TOT payments including any late fees or penalties for at least 90 days.

Local hotels pay the City TOT payments, equivalent to 10% of the cost of a room night. Hotels collect the TOT when the room night is paid for and then remit the TOT to the City quarterly. With current travel and entertainment restrictions, hotel occupancy is extremely low and is likely to remain at unsustainably low levels until restrictions are eased. On May 4, 2018 the City Council directed staff to allow hotels to defer the payment of their TOT as follows:

- January, February, and March quarter reported by April 30th but pay by July 31st. (90 day extension)

Hotels and motels would continue to report the TOT revenue amounts to the City as they normally would so that Finance could book the revenues. In order for the customer to be able to take part in the TOT deferral they have to be in good standing and not have any outstanding TOT. If the City Council approves the deferral of TOT this would push back actual receipt of revenue, which would provide a cash flow bridge to help hotels and motels in the short term.

IMPACT ON CITY RESOURCES

TOT is part of the City's General Fund and is a critical revenue. In a normal year, the City receives approximately \$1.8 to \$2 million in TOT. By allowing to push back actual cash receipts this could impact City cash flows. This is not a large amount compared to other major revenues of the City which, we are also seeing potential of push back of receipts in those areas too. With occupancies at unprecedented low levels, the amount of TOT actually due to the City is likely to be substantially less.

ATTACHMENTS

1. Resolution 2020-20
2. Letter from the Motel Hotel Association