

PLACERVILLE HOTEL INCENTIVE PROGRAM

POLICY:

The purpose of this policy is to provide an incentive program for the operation and maintenance of quality hotel facilities which enhance the tourist and travel experience for visitors to the City of Placerville, provide attractive and desirable visitor serving facilities and experiences, and assist the city in achieving its tourism goals. In the implementation of this program, the city council finds:

- (a) The general welfare and material well-being of the residents of the City of Placerville and the success of our businesses depend in large measure upon the growth and expansion of the tourism and travel industries in the city.
- (b) The operation, maintenance, and expansion of the inventory of quality hotels in the City of Placerville will create desirable visitor serving facilities that will contribute to the growth and expansion of tourism and travel opportunities in the city, provide employment opportunities for the residents of the city, and promote and enhance the economic vitality of the city.
- (c) It is in the best interest of the City of Placerville to induce and encourage the, operation, and maintenance of hotel facilities that would not otherwise exist, thereby creating new sources of tax revenues for the City's general fund which supports the public services that the City provides its residents.
- (d) The authority granted and the purposes to be accomplished by this policy are appropriate for local governmental and public purposes for which public funds can be expended and that the operation, maintenance, and expansion of the inventory of quality hotels is of paramount importance to the City of Placerville, its residents, and businesses.

DEFINITIONS:

THE FOLLOWING DEFINITIONS SHALL APPLY TO THIS POLICY:

“Existing hotel” means a property that was constructed, occupied, and used as a hotel on or before September 1, 2015.

“Fully entitled” means a hotel that has received and/or been issued all discretionary permits and entitlements from the City required for the construction of a new hotel.

“Hotel” means any property containing four (4) or more guest rooms used by four (4) or more guests for compensation and where the guest rooms are designed and intended as transient occupancy accommodations.

“New hotel” means a Select Service Hotel that is or was fully entitled as a hotel after September 1, 2015, but before December 31, 2021 and which is under construction prior to December 31, 2021. The term “new hotel” does not include all, or any portion of, or addition to, an existing hotel.

“Operating covenants” means the covenants described herein.

“Operator” means the person who is proprietor of a hotel, whether in the capacity of owner, lessee, sub-lessee, mortgagee in possession, licensee, franchisee, or any other capacity, or the assignee or designee of such proprietor.

“Qualified renovation program” means a property improvement program undertaken by an existing hotel, which invests no less than seventy-five hundred dollars per room, or invests no less than five-hundred thousand dollars in ancillary non-hotel room facilities and/or space. The property improvement program shall be comprehensively executed in a single renovation project on the property and be under construction no later than December 31, 2020 and completed no later than December 31, 2021.

“Select Service Hotel” means a hotel which provides appropriate standards of physical features and operational services established for hotels by the American Automobile Association, J.D. Power & Associates, Forbes, or Smith’s Travel Research Service. Typical services would be as follows:

- Breakfast buffet
- Reading light next to the bed
- Bath essence or shower gel
- Bath towels
- Linen shelves
- Offer of sanitary products (e.g. toothbrush, toothpaste, shaving kit, etc.)
- Reception opened 14 hours, accessible by phone 24 hours from inside and outside.
- Beverage offer in the room
- Telephone in the room
- Internet access in the room or in the public area
- Heating facility in the bathroom, hair-dryer, cleansing tissue
- Dressing mirror, place to put the luggage/suitcase
- Sewing kit, shoe polish utensils, laundry and ironing service
- Additional pillow and additional blanket on demand
- Systematic complaint management system

“Transient occupancy” means an uninterrupted stay of no more than thirty (30) consecutive calendar days.

“Transient occupancy tax” means the tax rate charged by the city to hotels within its incorporated boundaries. Said tax rate shall be adopted by ordinance and may be adjusted from time to time.

“Transient occupancy tax base” means the average of the last thirty-six months of annualized transient occupancy tax owed to the City by an existing hotel prior to the commencement of a qualified renovation program.

“Transient occupancy tax increment” means the difference between the transient occupancy tax base and the amount of transient occupancy tax owed to the City by an existing hotel after the recordation of the operating covenants by the City.

“Under construction” means that all necessary discretionary entitlements have been approved by the City of Placerville, grading and building permits have been issued, and that inspection approvals by the City of Placerville of grading and foundations to grade level have been obtained, vertical construction of hotel rooms has begun, and the operating covenants have been recorded.

ELIGIBILITY FOR INCENTIVE PROGRAM – NEW HOTELS

To qualify for the hotel operations incentive program for new hotels, the operator shall:

- (1) Complete and submit to the City Manager, the City’s application for the hotel operations incentive program;
- (2) Provide a business plan outlining, at a minimum, the estimated revenues and expenditures for operation of the hotel through year 15.
- (3) Provide documentation showing the brand and level of hotel to qualify as a “Select Service Hotel”.
- (4) Execute the operating covenants which shall include provisions regarding continuing use, maintenance, non-discrimination, and such other provisions as the City Council in its sole discretion, may reasonably determine are necessary or appropriate to preserve the goals and intent of this chapter.

ELIGIBILITY FOR INCENTIVE PROGRAM – EXISTING HOTELS

To qualify for the hotel operations incentive program for existing hotels, the operator of each existing hotel shall:

- (1) Complete and submit to the City Manager, the City’s application for participation in the hotel operations incentive program, including documentation satisfactory to the City certifying the renovation project for an existing hotel as a qualified renovation program;
- (2) Provide a business plan outlining, at a minimum, the estimated revenues and expenditures for operation of the hotel through year 15.
- (3) Provide documentation showing that the hotel will provide services and amenities to qualify as a “Select Service Hotel”.

(4) Execute the operating covenants which shall include provisions regarding continuing use, maintenance, non-discrimination, and such other provisions as the City Council in its sole discretion, may reasonably determine are necessary or appropriate to preserve the goals and intent of this Chapter.

INCENTIVE PROGRAM:

(a) **New Hotels.** The City shall pay to an operator of a new hotel with one-hundred (100) or more rooms an amount equal to fifty percent (50.00%) of the transient occupancy tax and such payments shall be made for ten (10) years or until the operator has received three- million, five-hundred thousand dollars (\$3,500,000), whichever event occurs first. If the total of three- million, five-hundred thousand dollars (\$3,500,000) has not been received at the end of (10) years, the incentive program may be extended at the discretion of the City for an additional five (5) years. During the five (5) year extension the City shall pay to the operator thirty-three percent (33.00%) of the transient occupancy tax until the three-million, five-hundred thousand dollars (\$3,500,000) total is reached. The City shall pay to an operator of a new hotel with fifty-one (51) to one-hundred (100) rooms an amount equal to fifty percent (50.00%) of the adjusted tax rate and such payments shall be made for ten (10) years or until the Operator has received two-million, five-hundred thousand dollars (\$2,500,000), whichever event occurs first. If the total of two-million, five-hundred thousand dollars (\$2,500,000) has not been received at the end of ten (10) years, the incentive program may be extended at the discretion of the City for an additional five (5) years. During the five (5) year extension the City shall pay to the operator thirty-three percent (33.00%) of the transient occupancy tax until the two-million, five-hundred thousand dollars (\$2,500,000) total is reached. The City shall pay to an operator of a new hotel with fifty (50) or fewer rooms an amount equal to fifty percent (50.00%) of the adjusted tax rate and such payments shall be made for ten (10) years or until the Operator has received one- million, five-hundred thousand dollars (\$1,500,000), whichever event occurs first. If the total of one-million, five-hundred thousand dollars (\$1,500,000) has not been received at the end of ten (10) years, the incentive program may be extended at the discretion of the City for an additional five (5) years. During the five (5) year extension the City shall pay to the operator thirty three percent (33.00%) of the transient occupancy tax until the one-million, five-hundred thousand dollars (\$1,500,000) total is reached.

Without regard to any preceding conditions of this Section, the program shall terminate at any point the hotel is not operated at a level equal to a Select Service Hotel.

(b) **Existing Hotels.** The City shall pay to an operator of an existing hotel who completes a qualified renovation program, an amount equal to fifty percent of the transient occupancy tax increment collected and remitted to the City pursuant to Chapter 5.16 of the Placerville Municipal Code and such payments shall be made for ten years, or until the operator has received fifty percent of the qualified renovation cost, whichever event occurs first.

OPERATING COVENANTS

Each operator of an existing hotel eligible to participate in the city's hotel operations incentive program shall execute operating covenants negotiated with the operator, approved by the city council, and recorded with the County of El Dorado recorder's office.

GENERAL FUND REVENUES

Notwithstanding the provisions this policy, all transient occupancy tax revenues or transient occupancy tax increment remitted to the city by an operator of a hotel covered by operating covenants as provided in this chapter shall be deemed General Fund revenues of the city and shall be deposited in the city's General Fund.

ADMINISTRATIVE RULES

Consistent with the intent and goals of this chapter, the City Manager may adopt administrative rules and regulations for implementation and furtherance of the requirements of this chapter.

ADDITIONAL INCENTIVE

A hotel owner may be eligible for additional TOT credits based on demonstration of extenuating circumstances that require additional improvements or mitigation to improve the site. This additional incentive shall be at the discretion of the City Council as adopted in a separate agreement.