

Item 3.4 Potential Ballot Measure Increasing Transient Occupancy Tax

February 10, 2026

Lee Wilcox, Assistant City Manager, City Manager's Office

Jim Shannon, Director, City Manager's Budget Office

Rosalynn Hughey, Deputy City Manager, City Manager's Office

Transient Occupancy Tax Proposed Measure

- WHY THE PROPOSED INCREASE?
 - San José has struggled to reconcile its relatively low levels of revenue per capita with the day-to-day service level demands of a major city
 - The City Manager's Budget Office is preliminarily projecting a General Fund shortfall in FY 2026-2027 ranging from \$55 million to \$65 million, and shortfalls in future years
 - City Council has provided direction over the last two fiscal years to explore options for generating additional revenue to support essential city services
 - Goals include improving the long-term health of the General Fund to maintain service levels for essential city services

Transient Occupancy Tax Proposed Measure

“To fund essential city services including police and fire emergency response; address homeless encampments impacting parks, neighborhoods, and waterways; remove trash, illegal dumping, and graffiti; and maintain trails, playgrounds, recreational facilities, and park restrooms, shall an ordinance be adopted increasing the general fund transient occupancy (hotel) tax from 4% to 6%, generating approximately \$10 million annually, and paid by hotel/motel guests, until repealed by voters?”

Transient Occupancy Tax Proposed Measure

TOT Current Structure	Proposal
Chapter 4.72 = 6% for Convention and Visitors Bureau, cultural grants, arts programming admin, convention center & cultural facilities operations	Chapter 4.72 = remains 6%
Chapter 4.74 = 4% for general purposes	Chapter 4.74 = increases to 6% (2% increase)
Total TOT = 10%	Total TOT = 12%

Other Current Structure	Proposal
Chapter 14.32 = 4% for Convention Center Facilities District	Chapter 14.32 = remains 4%
Hotel Business Improvement District = fixed rate by zone	Hotel Business Improvement District = remains fixed rate by zone

Current Total Effective Rate:
14.5 - 15.1%

Proposed Total Effective Rate:
16.5 - 17.1%

Transient Occupancy Tax Peer Benchmarking

City	TOT Rate (largest to smallest)	Effective Rate*
Palo Alto	15.5%	-
Anaheim	15%	17%
Los Angeles	14%	16%
Milpitas	14%	-
Oakland	14%	16%
San Francisco	14%	17.5%
San Diego	13.75%	15.75%
Long Beach	13%	16%
Riverside	13%	-
Sunnyvale	12.5%	-
Bakersfield	12%	-
Campbell	12%	-
Cupertino	12%	-
Fresno	12%	-
Sacramento	12%	16.45%
Santa Clara	11.5%	17.5%
Morgan Hill	11%	-
Santa Ana	11%	-
Chula Vista	10%	-
Fremont	10%	-
Mountain View	10%	-
San José	10%	14.5% to 15.1%
Santa Clarita	10%	12%
Gilroy	9%	11%
Irvine	8%	10%
Stockton	8%	-

San José's TOT is lower than its peers



* Effective tax rate considers other revenue mechanisms, such as infrastructure districts and Tourism Business Improvement Districts

Process

- February 10th (*today*): City Council will consider action to place a TOT measure on the June 2, 2026 Primary Ballot and authorize all actions necessary to conduct the election in coordination with the Santa Clara County Registrar of Voters
- March 6th: County deadline to deliver Proposed Measure
- March 10th: Ballot Arguments due to Registrar
- March 17th: City Attorney's Impartial Analysis and Rebuttals due to the Registrar
- June 2nd: Primary election
- October 1st: Should voters approve the Ballot Measure, the general purpose tax increase goes into effect

Item 3.4 Potential Ballot Measure Increasing Transient Occupancy Tax

February 10, 2026

Lee Wilcox, Assistant City Manager, City Manager's Office

Jim Shannon, Director, City Manager's Budget Office

Rosalynn Hughey, Deputy City Manager, City Manager's Office