



Administrative Report

N.1., File # 25-1548

Meeting Date: 11/18/2025

To: MAYOR AND CITY COUNCIL
From: STEPHANIE MEYER, FINANCE DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION ON THE CITY'S TRANSIENT OCCUPANCY TAX AND THE PROCESS TO CONSIDER INCREASING THE TAX RATE

EXECUTIVE SUMMARY

The City Council has directed staff to prepare an item to discuss adjusting the City's Transient Occupancy Tax (TOT) rate. This report provides information to assist with Council's consideration, including rates in other comparable cities, exemptions, potential impacts to hotels, and the steps to place a tax increase before voters. The City's current TOT rate is 12%. In order to increase the rate a ballot measure would need to be prepared for consideration by the voters as part of either the June 2026 or November 2026 statewide elections. If an increase were to be approved by voters, the new TOT rate would be effective on the date determined by City Council, following the certification of election results. Staff estimates that each 1% increase in the City's TOT rate would increase annual General Fund revenue by approximately \$750K.

Staff recommends the City Council:

- 1) Receive and file information regarding the City's current TOT rate and those of surrounding and comparable cities, possible TOT increment exemptions and carve-outs, and the potential impact an increase would have on hotels; and
- 2) Provide direction to staff on next steps and the research of additional information and/or the preparation of ballot measure materials needed for voter consideration of a TOT rate increase.

BACKGROUND

As part of the ongoing strategic planning process, Council requested staff review options to increase the City's revenue, including evaluation of a TOT increase. Staff has since researched TOT rates in comparable cities as well as the process required to increase the TOT rate through Budget Response Reports provided in both in FY 2025-26 and FY 2024-25. As part of the FY 2025-26 budget adoption process, the City Council directed staff to prepare an item to discuss adjusting the City's TOT rate.

TOT is charged to hotel guests in the City of Redondo Beach for stays of 30 or fewer consecutive nights. It is an important General Fund revenue source and one of the City's major tax sources, contributing between \$6 million and \$9 million, on a net basis, annually over the past five years.

In addition to TOT, visitors to Redondo Beach pay a 1% assessment that funds the Redondo Beach Tourism Marketing District (RBTMD). The City collects this fee on behalf of the RBTMD and remits it

to the organization.

The City last updated its TOT rate in 2005 when voters approved Measure G to increase the rate from 10% to 12%. The measure passed with 54.7% voting in favor, with a majority vote required to pass.

TOT Rates in Other Cities

The City’s 12% rate is among the lowest in the region, and is less than the TOT rates assessed in other coastal cities. The table below shows TOT rates for neighboring cities, including the date of the most recent increase. It also includes tourism assessment district charges. Including these rates, Redondo Beach remains among the lowest in total charges assessed to visitors using short-term lodging.

City	TOT Rate	Last Increase	Other Rate Type	Rate
Inglewood	15.5%	2021		
Santa Monica	15.0%	2023	Tourism District	ADR \$100-\$199.99: \$2.20/ night ADR \$200-\$299.99: \$6.00/ night ADR > \$300: \$7.00/ night
			Short-Term Rentals	17%
Anaheim	15.0%	2001	Tourism District	2%
Malibu	15.0%	2021		
Beverly Hills	14.0%	1996	Development Agreements	Three hotels have separate agreements with the City to charge rates in addition to the 14% TOT.
Culver City	14.0%	2012		
Manhattan Beach	14.0%	2023		
Hermosa Beach	14.0%	2019		
Los Angeles (City)	14.0%	1993		
Palm Springs	11.5%	2003	Group Meeting Hotels	13.50%
Hawthorne	12.0%	1990	Tourism District	2%
Redondo Beach	12.0%	2005	Tourism District	1%
Marina del Rey (LA County rate)	12.0%	2012		
Torrance	11.0%	1994		

Setting the Redondo Beach rate at 14% would be consistent with rates in neighboring cities and below the highest rates found in nearby cities that serve as national and global tourist destinations, including Inglewood, Santa Monica, and Anaheim.

Alternatives to a broadly-applied TOT rate increase

Council also requested that staff review options to create different rates for hotels in certain categories, including for newly-opened hotels. The Council has the ability to establish exemptions or other parameters, as desired, as part of a proposed ordinance update.

In a review of ordinances in other cities, staff identified the following examples:

- Palm Springs: the ordinance sets two rates (11.0% and 13.5%) to apply to hotels, vacation rentals and agencies (most hotel properties) and to Group Meeting Hotels (as defined in the ordinance - those with a certain threshold of rooms, meeting space, and staff focused on marketing and sales) respectively.
- Santa Monica: separate ordinances identify different rates for hotels (15%) and short-term rentals (17%)
- Beverly Hills: the TOT ordinance applies the same rate to all hotels. However, the City has entered into development agreements with three separate hotels, including an additional charge (municipal services charge) that goes to the City.

Staff did not find any examples of cities exempting newly opened hotels from a TOT increase. However, there does not appear to be any regulations prohibiting cities from doing so.

The City Council could choose to create different rates / different increases for certain identified groups of hotels - for example, based on location, number of rooms, average daily room rate, and could include these as part of the ordinance update and ballot question.

The City Council could also provide itself flexibility in the rate by including an “up to” amount as part of the ballot question. The City followed this route in 2005, obtaining voter approval for an up to 12% TOT rate, and allowing the City Council to set the rate administratively for all properties after the election.

Potential Impact to Hotels & Mitigation

Staff has reviewed research (including the attached reports) that address the impact to hotels and city revenue related to TOT increases. Generally, research finds limited direct impact to hotel visits and revenue, depending on elasticity of demand in the local market and general market conditions. If most visitors choose Redondo Beach because of the specific location, demand is likely to be relatively inelastic and the tax rate increase impact limited. However, if visitors are largely concerned with price and can easily substitute, the impact is likely to be larger.

Demand similarly impacts hotel operators' ability to pass the tax rate increase through to customers - limited demand decreases operators' ability to adjust room rates to compensate for additional tax. General market conditions also impact demand, which then impacts hotel revenue. One of the studies, a 2020 review from the Journal of Travel Research, reviews other existing literature and provides further insight in looking at impact by type of booking. This study identifies that lodging taxes have a more negative effect on hotel performance for group bookings than for individual bookings - as groups usually have greater flexibility regarding the location of events, they can more easily choose a different destination if a tax increase is observed; this leads to hotels' offering discounts to attract groups, decreasing revenue.

While research suggests limited impact to hotels, cities regularly work with hotels in proposing TOT increases. For example, cities often set an effective date for the tax increase two to three months following the election, so that hotels have time to update systems and pricing following any approved increase. For Measure G in 2005, the ballot question set a July 1 effective date following a March election. Cities may also choose to direct some related revenue to efforts supporting the tourism industry.

Business / Hotel Outreach

Staff reached out to the Redondo Beach Tourism Marketing District (RBTMD) regarding a proposed TOT increase. The group did not express significant concerns about a proposed increase to 14%, given rates in surrounding cities. They did note some indications of weak demand, as group travel is only slightly improved over the prior year, and individual travel is down. The majority of Redondo Beach visitors come from local travel - within three hours' drive or flight - versus national or international travel.

The group expressed that the City's support of an increase to the RBTMD assessment (currently 1%) would help offset the impact of any TOT increase, and would help the hotels better position themselves for the upcoming World Cup and Olympics events. They would prefer a 1% increase to TOT (to 13%) with a 1% assessment increase (to 2%), for a total visitor rate of 15%. The RBTMD could next increase its assessment in December 2026, if approved by City Council.

Staff has also contacted other local hotel owners (i.e. the Marine Ave hotels), and will provide any feedback received as part of the discussion on November 18.

Passage Rates

As transient occupancy taxes primarily impact visitors, TOT increases tend to pass with less difficulty than other tax measures. The table below shows TOT measures and results for the past three years in California (source: [The California Local Government Finance Almanac <https://www.californiacityfinance.com/index.php>](https://www.californiacityfinance.com/index.php)). As a general-purpose tax, a majority 50%, plus one is required for passage.

Year	# of Measures	# Passed	Passage Rate
2024	28	23	82%
2022	22	16	73%
2020	22	18	82%

The City could choose to engage a consulting services firm to assess the voters' potential support for a TOT increase. A survey is estimated to cost the City between \$10,000 and \$30,000.

Process and Timing

Changing the TOT rate requires voter approval. Proposition 218 requires cities to present tax measures as part of a regularly scheduled general election. The next such opportunity is the June 2, 2026 statewide, direct primary election.

If Council directs staff to proceed with a TOT increase, staff would return to Council at future meetings with actions required to prepare the ballot measure and place it on the June 2, 2026 election. This would include a discussion item to approve proposed ordinance changes (January / February) and an item to call the election, including supporting resolutions (on or before the March 3, 2026 City Council meeting). Staff would also request Council select representatives to write arguments for the measure, if supported. These arguments would be due to the County March 13 and 23, respectively.

The County Board of Supervisors would certify the election within 30 days and is tentatively schedule

to certify the statewide primary election on June 26, 2026. If a TOT measure is pursued and approved, the updated tax rate would be effective on a date set by the Council following June 26.

Next Steps

Staff recommends the City Council consider raising the TOT rate and, if desired, direct staff to prepare the necessary follow up materials. This could include expanded outreach to the City's impacted businesses, additional research on timing, exemptions, or other potential rate configurations. Council could also simply direct staff to prepare a revised ordinance, and the resolutions and ballot measure documents needed to proceed with a proposed increase.

COORDINATION

This report was coordinated with the City Manager's Office, the City Clerk's Office, and the City Attorney's Office.

FISCAL IMPACT

It is estimated that each 1% increase in the City's TOT rate would increase annual General Fund revenue by \$750,000.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Admin Report - City Council Measure G Actions and Resolutions, December 7, 2004
- Report - The Effect of Lodging Taxes on the Performance of US Hotels
- Report - 2025 HVS Lodging Tax Report - USA
- Report - The Effect of Proposed Hotel Room Tax Increases in the US: A Review
- Report - The Impact of the Hotel Room Tax: An Interrupted Time Series Approach