



**CITY OF TEMECULA
TRANSIENT OCCUPANCY TAX (TOT) REBATE
LUXURY HOTEL INCENTIVE PROGRAM**

What is Eligible for Rebate

Currently, the City of Temecula has a Transient Occupancy Tax (TOT) of 12% of room revenue, of which, 8% is direct revenue to the City, while the remaining 4 % is remitted to a Tourism Business Improvement District (TBID), administered by Visit Temecula Valley. The Transient Occupancy Tax (TOT) rebate will be no more than 50% of the City's portion of the TOT (8%) for a fixed period. This agreement will be documented in a binding TOT Rebate Incentive Agreement. Under this Program, the City will temporarily receive no less than 4% of TOT until the TOT Rebate Incentive Agreement expires. The maximum TOT rebate shall not exceed 1.75% of total construction costs of the hotel.

Who is Eligible

This Program is applicable to hotels within Temecula City limits that will meet four star or four diamond hotel ratings or higher, under rating criteria established by the American Automobile Association (AAA), JD Power and Associates, or comparable hotel rating entity. Existing hotels are also eligible for the Program. Existing hotels must measurably improve the quality of the hotel to meet current four star/diamond rating requirements.

Eligible hotels must have fifty (50) or more rooms and feature hotel operations on a 24 hour per day, 7 days per week basis. The hotel must offer, at a minimum, the following services: Housekeeping, food and beverage, room service, banquet and meeting services, concierge, bell service and parking.

The individual TOT Rebate Incentive Agreement shall be for a fixed period. Time period will be defined in each individual agreement. This is a performance-based incentive, if applicant does not perform and generate the forecasted revenue within the fixed time frame, they will not receive the full incentive.

The hotel must receive a Certificate of Occupancy within 18 months of development plan approval in order to be eligible for this program, unless another time frame is included in the agreement.

If at any time during the term of the TOT Rebate Incentive Agreement the hotel's rating falls below a 4 star/diamond rating, the agreement shall immediately be terminated.

Application Process

Along with the formal development submittal, the applicant of the proposed hotel must submit a letter of request to Economic Development to participate in the program. The applicant must include the following information as part of the application:

1. Estimated total construction cost
2. Project timeline
3. Requested estimated taxes to be reimbursed (to be verified by Finance)
4. Independent third-party feasibility analysis showing market demand for additional hotel rooms (at a four star or diamond level or higher) within Temecula Valley
5. Feasibility analysis demonstrating the need for an economic development subsidy

6. Pro-forma that includes:
 - a. Projected sales
 - b. Estimated sales tax revenues to be generated (exclusive of Measure S or other add-on sales tax)
 - c. Transient Occupancy Tax
 - d. Number of new jobs created with corresponding position titles and salary ranges for each position

After a letter is received by Economic Development, the City Manager's office will schedule an Economic Development Subcommittee meeting to discuss the request from the applicant. Economic Development will also give notice to the Director of Finance, Director of Community Development, and Project Manager regarding the request and the Subcommittee meeting.

If the reimbursement is recommended by the Subcommittee, Economic Development will coordinate with Project Manager in Planning regarding the scheduling of the Public Hearing and notify the applicant.

If the proposed hotel is located within the Uptown Temecula Specific Plan area, the development application may be administratively approved by Director of Community Development. In such a case, the TOT Rebate Incentive Agreement must be approved by City Council prior to the circulation of the Notice of Intent to Approve the entitlement of the hotel.

The Applicant must enter into a binding agreement with the City of Temecula prior to, or at the time of, development application approval. Economic Development will coordinate with the City Attorney's office for the creation of the TOT Rebate Incentive Agreement.

Agreements must be approved no later than the time of project approval by the appropriate hearing body. If the project approval is only subject to Planning Commission approval, the application must be approved at City Council prior to Planning Commission approval.

Reimbursement

Actual rebates will be based upon actual TOT remitted by the hotel, NOT estimated amounts.

Hotels, as defined by Municipal Code Chapter 3.20, are required to remit transient occupancy taxes to the City of Temecula on a monthly basis.

The City of Temecula will rebate 50% of the actual TOT remitted to the applicant after the first full year of operation and annually thereafter until the term of the program ends, or the maximum rebate amount has been reached. The Finance Department will reconcile the TOT payments received from the applicant and create a check request with the appropriate amount to be reimbursed. Finance will issue a check to the applicant within 30 days of the closing of the twelfth full month of operation after Certificate of Operation is issued.

Hotel must provide an independent, third-party certification to City of Temecula Department of Economic Development indicating the designation of the hotel (four-star or diamond or higher) on a yearly basis, during the incentive time period.

Program applicants will follow all procedures required by Government Code 53083; AB 562 (2013), including prevailing wage, public hearings and reporting requirements.

The City of Temecula looks forward to working with you!

For further information or questions regarding City of Temecula Transient Occupancy Tax (TOT) Rebate Luxury Hotel Incentive Program, please contact:

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