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February 24, 2009  
Finance Committee  
Oakland City Council  
Oakland, California

**Re: RESOLUTION SUBMITTING, ON THE COUNCIL'S OWN MOTION, TO THE ELECTORS AT A JUNE 2, 2009 SPECIAL ELECTION, A PROPOSED ORDINANCE AMENDING THE OAKLAND MUNICIPAL CODE IN ORDER TO PROVIDE FOR A TWO PERCENT SURCHARGE TO THE CITY'S TRANSIENT OCCUPANCY TAX (HOTEL TAX) TO SUPPORT THE OAKLAND ZOO, OAKLAND MUSEUM OF CALIFORNIA, CHABOT SPACE AND SCIENCE CENTER AND THE CULTURAL ARTS PROGRAMS AND FESTIVALS**

Dear President Brunner and Members of the Finance Committee:

In order to maximize the Council and City options for balancing the next two year budget, I respectfully submit this report to describe a proposed surcharge to the City's Transient Occupancy Tax (Hotel Tax), a ballot measure for the June 2, 2009 special election.

#### SUMMARY

A resolution has been prepared authorizing the submission to the voters at the June 2, 2009 election a proposed ordinance that would implement a surcharge of 2% to the City's Hotel Tax. The revenue generated from the tax would be allocated as follows:

- 25% Oakland Zoo
- 25% Oakland Museum of California
- 25% Chabot Space and Science Center
- 25% Cultural Arts Programs and Festivals

The Oakland Zoo, Oakland Museum of California and the Chabot Space and Science Center are all regional institutions receive little regional or state funding. Similar institutions in other cities such as San Francisco and Los Angeles receive state and county funding. Our city's cultural programs, parades, and festivals are also major regional attractions. Most large cities in our area including San Francisco, Sacramento, and San Jose dedicate a portion of hotel taxes to cultural funding. This tax would allow

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us to generate new and steady revenues for these activities without increasing taxes for local residents.

## **BACKGROUND**

Since 9/11, cultural institutions across the U.S. have experienced diminished revenue and attendance. Nationally, museums are reporting nearly a third reduction in attendance during this economic crisis. The Oakland Zoo, the Oakland Museum of California and the Chabot Space and Science Center have seen some recovery in their revenue but continue to face funding challenges, each for specific reasons. These institutions are subject to state and federal spending cuts and high variability in charitable contributions. Many grants these institutions have received in recent years have been for specific programs or exhibitions and have not been a source of ongoing operating funds. The Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center, and cultural arts programs are valuable assets to the City of Oakland that enhance the quality of life of Oakland residents and comprise a base of significant regional attractions for visitors to Oakland. The City Council has identified a need to establish a steady stream of revenue for these institutions and attractions that contribute to the life and vitality of the city of Oakland given the imminent threats they have faced.

The Chabot Space & Science Center (CSSC) serves approximately 155,000 visitors a year, including 50,000 school children (during calendar year 2008.) It was recently voted the best place for teens in the Bay Area. About 13% of the Center's total visitors are from Oakland and about 26% of its visitors are from Alameda County. Since the Oakland Unified School District's financial crisis, funding for students to attend classes at Chabot has been reduced by \$250,000 with the result that OUSD students now make up only 12.5% of student visitors to Chabot compared with almost 50% in the past. Nationwide, mid to large sized science centers receive, on average, 30% of their funds from public sources. The 2008-09 General Purpose Fund support is \$595,000. In the face of the current climate of economic uncertainty and in common with most non-profit organizations, Chabot is experiencing a significant reduction in both earned and contributed revenue. This has already necessitated a 10% reduction in staffing as well as other significant expenditure cuts. So far, their educational programs and public exhibits have not been affected. However further cuts will inevitably result in a reduction in the number of programs and exhibits offered, and therefore the number of students and visitors served in the community. With access to science education in Oakland schools severely limited, *Chabot Space & Science Center has become an ever more valuable resource for science education in our community.* In addition the Center provides a world class space and science experience for residents and visitors to the City. The proposed increase to the TOT will enable funding sources to be stabilized and therefore ensure the continuation and growth of important programs offered to the community by Chabot. These include: Discovery Lab (pre-school), Techbridge (training and inspiring girls for careers in Science, Technology, Engineering and Math), the Challenger Learning Center,

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Micronauts, Galaxy Explorers, Summer Camps and Scout Groups -- as well as state-of-the-art, hands-on exhibits, Planetarium shows and telescope viewing from the largest public observatory in the nation.

The Oakland Zoo draws approximately 600,000 visitors per year, 108,000 of which are from Oakland (18%) and 252,000 of which are from Alameda County (non-Oakland residents). It was recently named the best zoo in northern California. The Zoo-to-Community outreach program serves the Oakland Unified School District, with free programs targeted exclusively to lower economic levels of the community (Head Start, California Early Childhood Development Centers, etc.) in schools and free family vouchers. Last year, Zoo-to-Community served 7,350 children, and 20,000 family passes were distributed, allowing free admission to 80,000 residents of Oakland. The Oakland Zoo receives 9.2% of its funding from the City of Oakland and 5.7% from the East Bay Regional Parks District. However, unlike its peers, the Oakland Zoo receives no county funding, very limited State funding and no Federal funding.

The Oakland Museum of California is, by definition, a statewide and regional resource. Its mission is to present and interpret the art, history, and natural environment of the state of California and it has the most comprehensive collection of objects, artifacts, and art work related to the development of California. It produces exhibitions that travel throughout the state as well as nationally and internationally. Following its opening of new galleries and facilities in 2010, the Museum projects an annual audience of 250,000 to 300,000 each year. The Museum serves close to 47,000 students, teachers and parent chaperones through its school programs and approximately 32,900 of these visitors come from outside of Oakland. Approximately 10% of the Museum's audience is from Oakland, 20% is from Alameda County and the remainder is residents from the rest of the state and visitors to California. Oakland Museum of California Foundation support is derived through earned revenue sources, including admission and store revenue, and through contributions from foundations, corporations, and individuals. The Oakland Museum of California has experienced significant budget reductions in recent years. With reduced City funding, the Museum Foundation has absorbed a number of positions and now supports all direct costs for exhibitions and educational programs. As a result of budget reductions, the Museum has reduced programming, particularly in the number and scale of exhibitions. The Museum has also had very limited resources to market or promote exhibitions.

Cultural arts programs and festivals draw Oakland residents and visitors to venues citywide, which adds vibrancy, fuels community revitalization, creates jobs and enhances the cultural fabric of our city. An established, stable source of funding for these events is especially critical now as federal and state funding for the arts continue to decline, and with staffing in the City's Cultural Funding program reduced by 2/3 over the past year. These funds will allow Oakland to strengthen the arts as an economic engine, market Oakland as a regional arts destination and build on the success of signature events such as

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the Art & Soul Festival, Pro Arts Open Studios, the Oakland East Symphony Season and myriad neighborhood arts activities.

The Hotel Tax in Oakland is currently an 11.00% tax applied to the cost of occupying a hotel/motel for any period no more than thirty (30) consecutive days within the City of Oakland. Revenues raised from the Hotel Tax for the City of Oakland since 1996 are listed in the following table:

Oakland Historical Hotel Tax Revenue (in millions)

1996	\$6.2	2003	\$10.9
1997	\$7.3	2004	\$10.8
1998	\$8.5	2005	\$10.3
1999	\$9.5	2006	\$11.3
2000	\$10.8	2007	\$11.8
2001	\$12.4	2008	\$12.2
2002	\$10.4		

Compared to the ten largest California cities, Oakland's existing Hotel Tax rate is near the median. The tables below summarize a survey of Hotel Tax rates in neighboring cities and cities nationwide. Many cities nationwide and within California use Hotel Tax revenue to support local and regional cultural institutions and attractions, including cultural grants, arts and entertainment funds, and special events.

Neighboring Cities:

Nationwide Cities:

City	TOT %	City	TOT %
San Francisco*	14%	Anaheim*	15%
Berkeley	12%	New York	14.88%
Emeryville	12%	Los Angeles	14%
Sacramento*	12%	Oakland	11%
Oakland	11%	San Diego	10.5%
Fremont	10%	Miami*	6%
San Leandro	10%	Orlando*	5%
San Jose*	10%	Chicago*	4.5%
Hayward	8.5%		

\*Allocates at least a portion of Transient Occupancy Tax revenue for cultural affairs, activities, arts and entertainment, tourism, special events, and/or cultural grants.

The revenue from the surcharge shall be deposited into a special fund in the City treasury. The Hotel Tax surcharge ordinance includes provisions for an annual independent audit to assure accountability and the proper disbursement of the proceeds of this tax in accordance with the purposes specified in the ordinance.

**FISCAL IMPACT**

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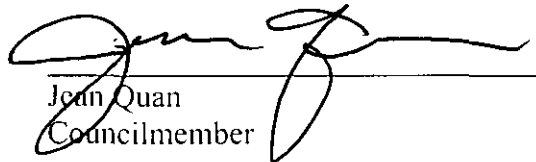
The proposed two percent Hotel Tax surcharge, if approved by the voters by two-thirds, would generate revenue to be distributed equally among the Oakland Zoo (25%), the Oakland Museum of California (25%), the Chabot Space and Science Center (25%), and cultural arts programs and festivals (25%). The surcharge would begin on January 1, 2010. This surcharge would generate roughly \$2 million annually.

The revenue generated from the Hotel Tax surcharge will not supplant any existing funding sources for these institutions; it is instead intended to provide needed financial stability and vitality.

**ACTION REQUESTED OF THE CITY COUNCIL**

Approve the Resolution to place the proposed surcharge to the City's Transient Occupancy Tax on the June 2, 2009 ballot and the allocation of the associated election costs.

Respectfully submitted,

  
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Jean Quan  
Councilmember

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INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

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CITY ATTORNEY

## OAKLAND CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_ C.M.S.

**DRAFT**

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RESOLUTION SUBMITTING, ON THE COUNCIL'S OWN MOTION, TO THE ELECTORS AT A JUNE 2, 2009 SPECIAL ELECTION, A PROPOSED ORDINANCE AMENDING THE OAKLAND MUNICIPAL CODE IN ORDER TO PROVIDE FOR A TWO PERCENT SURCHARGE TO THE CITY'S TRANSIENT OCCUPANCY TAX (HOTEL TAX) TO SUPPORT THE OAKLAND ZOO, OAKLAND MUSEUM OF CALIFORNIA, CHABOT SPACE AND SCIENCE CENTER AND THE CULTURAL ARTS PROGRAMS AND FESTIVALS

**WHEREAS**, the City Council of the City of Oakland desires to amend the Oakland Municipal Code in order to provide for a two percent (2%) surcharge to the City's transient occupancy tax rate; and

**WHEREAS**, Oakland visitors and residents benefit from quality cultural and educational experiences and institutions located within the city; and

**WHEREAS**, the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center, and Cultural Arts programs and Festivals are valuable assets that enhance the quality of life of Oakland residents; and

**WHEREAS**, the increasing costs of maintenance and operations and dwindling private resources are ongoing threats to the viability of Oakland's most valuable institutions; and

**WHEREAS**, it is the desire of the City Council to establish a steady stream of revenue for the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center and Cultural Arts Programs and Festivals; and

**WHEREAS**, in many cities regional cultural institutions such as these, are funded from hotel taxes; and

**WHEREAS**, these institutions attract a large number of visitors to the City of Oakland; and

**WHEREAS**, all revenues received from any increase shall be allocated equally to the

Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center and Cultural Arts Programs and Festivals; now, therefore be it

**RESOLVED:** That the City Council hereby authorizes and directs the City Clerk, at least 88 days prior to June 2, 2009 to file with the Alameda County Board of Supervisors and the County Clerk certified copies of this resolution; and be it

**FURTHER RESOLVED:** That the City Council of the City of Oakland does hereby submit to the voters at the June 2, 2009 election the following:

SECTION 1. The Oakland Municipal Code is hereby amended by adding Section 4.24.031 to read as follows:

**Section 4.24.031. Imposition of surcharge.**

A. There shall be a tax of two percent (2% of the rent charged by the operator of a hotel, in addition to the eleven percent tax specified in Section 4.24.030, for the privilege of occupancy in any hotel in the City of Oakland. The surcharge so collected shall be appropriated equally for the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center and the Cultural Arts Programs and Festivals as follows: 25% for the Oakland Zoo, 25% for the Oakland Museum of California, 25% for Chabot Space and Science Center and 25% for Cultural Arts Programs and Festivals.

B. All funds collected by the City from the taxes imposed by this section shall be deposited into a special fund in the City treasury and appropriated and expended only for the purposes authorized by this Ordinance.

C. Annual Audit. An independent audit or review shall be performed annually to assure accountability and the proper disbursement of the proceeds of this tax in accordance with the purposes stated herein. Tax proceeds may be used to pay for the audit or review.

D. Citizen Oversight Committee. A citizen oversight committee shall be established to ensure proper administration of the revenue collection and appropriation mandated by this Ordinance, the Mayor shall appoint one member and each Councilmember shall appoint one member.

E. For any year during which this tax is in effect, the City Council may collect this tax only if the General Purpose Fund appropriation for the Oakland Zoo, the Oakland Museum of California, and the Chabot Space and Science Center is maintained at a level that is no lower than the General Fund appropriation for fiscal year 2009-10.

SECTION 2. This ordinance shall be effective immediately or such later date as required by state law.

SECTION 3. Severability: If any article, section, subsection sentence, clause or phrase of this ordinance is held to be invalid or unconstitutional, the offending portion shall be severed and shall not affect the validity of remaining portions which shall remain in full force and effect.

SECTION 4. This Ordinance is exempt from the California Environmental Quality Act, Public Resources Code section 21000 et seq., as it can be seen with certainty that there is no possibility that the activity authorized herein may have a significant effect on the environment.

SECTION 5. There are existing transient occupancy taxes that are general taxes, the proceeds of which are deposited in the general fund. Additional revenues received as a result of this ordinance will be used for the purposes set for in Section 4.24.031 and thus are special taxes.

**FURTHER RESOLVED:** The City Council hereby authorizes and directs the City Clerk of the City of Oakland (the "City Clerk") at least 88 days prior to June 2, 2009, to file with the Alameda County Clerk certified copies of this resolution.

**FURTHER RESOLVED:** The City Council does hereby request that the Board of Supervisors of Alameda County include on the ballots and sample ballots the recitals and measure language contained in this resolution to be voted on by the voters of the qualified electors of the City of Oakland.

**FURTHER RESOLVED:** The City Clerk is hereby directed to cause the posting, publication and printing of notices of this Resolution and proposed ordinance, pursuant to the requirements of the Charter of the City of Oakland, and the Government and Elections Codes of the State of California.

**FURTHER RESOLVED:** The City Council does hereby request that the Registrar of Voters of the County of Alameda perform necessary services in connection with said election.

**FURTHER RESOLVED:** The City Clerk is hereby directed to obtain printing supplies and services as required for said election.

**FURTHER RESOLVED:** The City Clerk is hereby authorized to provide such other services and supplies in connection with said election as may be required by the laws of the State of California and the Charter of the City of Oakland.

**FURTHER RESOLVED:** In accordance with the Election Code and Chapter 11 of the Oakland Municipal Code, the City Clerk shall fix and determine a date for submission of arguments for or against said measure, and said date shall be posted in the Office of the City Clerk.



IN COUNCIL, OAKLAND, CALIFORNIA, MARCH 3, 2009

PASSED BY THE FOLLOWING VOTE:

AYES-            BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND  
                      PRESIDENT BRUNNER

NOES-

ABSENT-

ABSTENTION

Attest: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the  
Council of the City of Oakland, California