



# City of Maricopa

## Legislation Details (With Text)

|                       |   |                      |                              |              |   |
|-----------------------|---|----------------------|------------------------------|--------------|---|
| <b>File #:</b>        | ORD 21-08   | <b>Version:</b>      | 1                            | <b>Name:</b> | Rental, Leasing & Licensing - Additional Hotel Tax Increase |
| <b>Type:</b>          | Ordinance   | <b>Status:</b>       | Passed                       |              |   |
| <b>File created:</b>  | 5/18/2021   | <b>In control:</b>   | City Council Regular Meeting |              |   |
| <b>On agenda:</b>     | 6/1/2021  | <b>Final action:</b> | 6/1/2021                     |              |   |
| <b>Title:</b>         | An Ordinance of the Mayor and City Council of the City of Maricopa, Arizona, relating to the Transaction Privilege and Use Tax; amending Article 4, Section 8-447 of the City Tax Code by increasing the Rental, leasing, and licensing for use of real property: additional tax on transient lodging from two percent (2.00%) to five and one-half percent (5.50%); designating the proceeds of this increase be used by the City in accordance with A.R.S. §9-500.06; providing for severability and establishing an effective date. Discussion and Action. |                      |                              |              |   |
| <b>Sponsors:</b>      | Matt Kozlowski  |                      |                              |              |   |
| <b>Indexes:</b>       | Economic Development, Fiscal Policies and Management  |                      |                              |              |   |
| <b>Code sections:</b> |   |                      |                              |              |   |
| <b>Attachments:</b>   | 1. Ordinance, 2. Hotel Tax Comparison   |                      |                              |              |   |

| Date     | Ver. | Action By                    | Action   | Result |
|----------|------|------------------------------|----------|--------|
| 6/1/2021 | 1    | City Council Regular Meeting | Approved | Pass   |

An Ordinance of the Mayor and City Council of the City of Maricopa, Arizona, relating to the Transaction Privilege and Use Tax; amending Article 4, Section 8-447 of the City Tax Code by increasing the Rental, leasing, and licensing for use of real property: additional tax on transient lodging from two percent (2.00%) to five and one-half percent (5.50%); designating the proceeds of this increase be used by the City in accordance with A.R.S. §9-500.06; providing for severability and establishing an effective date. Discussion and Action.

When the City of Maricopa incorporated, it adopted a 2% Transaction Privilege Tax (TPT) on gross income from operating a hotel and an additional 2% Transient Lodging Tax of the total amount charged for occupying of space, including the use of furnishings. At that time, there were no hotels in the City of Maricopa, only the foresight that they would be forthcoming.

In the State of Arizona, cities have the authority to establish the additional Hotel Tax rate (Business Code 144), no vote of the people is required.

It is also an opportune time to look at the current rate as it compares to other cities in the state to see if there is potential to adjust the amount of transient lodging tax that would be passed on to visitors and/or users, not Maricopa residents. Timing is also relevant since La Quinta has indicated that they have started their rate analysis.

A comparison of eight cities in the state that have similar characteristics, population, proximity and/or demographics is attached using ESRI 2020 data. It supports raising the additional hotel rate.

Based upon the feasibility study on a proposed extended-stay hotel prepared by HVS Consulting dated February 2018, a hotel with 89 rooms with an average nightly rate of \$103 and a 70% occupancy rate would result in annual revenues from a 4% hotel tax of \$93,503. Each additional percentage of increase would result in an additional \$23,375 annually.

This item will be presented by Matt Kozlowski, Chief Financial Officer and/or Nathan Ullyot, Community Services Director.

Staff recommends the Mayor and City Council adopt this Ordinance to amend Section 8-447 of the Tax Code of the City of Maricopa and direct that the proceeds of the increase be allocated in accordance with A.R.S. §9-500.06.