



City of Palm Springs

Office of Economic Development
3200 E. Tahquitz Canyon Way, Palm Springs, CA 92262

**City of Palm Springs
Municipal Code Chapter 5.26 Ordinance No. 2087
Hotel Operations Incentive Program
Phase II Renovation Project**

The City largely depends on the growth and expansion of the tourism and travel industries. The Hotel Operations Incentive Program is designed to encourage hotel operation and maintenance improvements to provide visitors an attractive and desirable experience, as well as maximize the use of the City's Convention Center, and provide employment opportunities for the residents of the City of Palm Springs.

Ordinance No. 2087 re-establishes the hotel operations incentive program in the City of Palm Springs, with certain modifications, for existing hotels that undertake specified renovation projects involving significant investment, subject to new limitations upon the incentive that hotel operators may receive through the program.

The following information summarizes certain provisions of the program. The Ordinance in its entirety can be found under Section 5.26 of the Palm Springs Municipal Code.

PHASE II RENOVATION PROJECT

The Phase II Renovation Project means a property improvement project constructed by an existing hotel that invests no less than the equivalent of five thousand dollars (\$5,000.00) per room. The renovation project must commence no more than twelve months after the City's execution of the Operation Covenant Agreement and be completed no later than December 31, 2028.

The City will pay to an operator of a qualified renovation hotel of six (6) or more rooms, under the Phase II Renovation Project, fifty (50%) percent of the TOT Increment for a ten (10) year period, or until the hotel operator has recouped their Certified Renovation Investment, whichever event occurs first. The Tax Increment is the amount of transient occupancy tax (TOT) paid annually, minus the base (3-year TOT average).

The TOT Increment share is calculated by subtracting the average of the prior three (3) years TOT paid to the City, before the start of the renovation, from the new TOT paid after the renovation. The first year review occurs 12 months after the first full year of new TOT payments paid to the City. The start of the 12 months is based on the end date of the renovation project.

For a Phase II Renovation Project hotel with less than thirty six (36) complete months of transient occupancy tax payments in the past three (3) years prior to the date when the City deems the Hotel

Operations Incentive Program application of a potential Renovation Hotel to be complete or that has not been in operation for a total of at least five (5) years in the fifteen (15) years immediately preceding the date when the City accepts the Hotel Operations Incentive Program application of an operator of a proposed Renovation Hotel as complete, the City shall on an annual basis, return, reimburse and pay to the operator of a Phase II Renovation Project hotel an amount equal to fifty percent (50%) of the Phase II Renovation Project Transient Occupancy Tax Increment collected and remitted to the City.

The first-year review occurs 12 months after the first full year of new TOT payments paid to the City. The start of the 12 months is based on the end date of the renovation project.

"Phase II Renovation Project Transient Occupancy Tax Base Adjustment" is the one-time increase to the Phase II Renovation Project Transient Occupancy Tax Base after the fifth anniversary date of the renovation approval date of the hotel. This increase shall be in an amount equal to three percent, or the annual percentage change in the most recent month's data in the Consumer Price Index, whichever is higher. The Consumer Price Index used in calculating this adjustment shall be the "Consumer Price Index, Los Angeles-Long Beach-Anaheim, All Items, 1982-84=100 base, All Urban Consumers (CPI-U)."

CLASS I HISTORIC HOTEL SITES

The City will pay an operator of a Class I Historic Hotel site an amount equal to seventy-five percent (75%) of the adjusted tax rate for a ten (10) year period or until the hotel operator has recouped their Certified Renovation Investment, whichever event occurs first.

OTHER QUALIFICATIONS AND CONDITIONS

State law requires any construction project receiving public monies shall pay Prevailing Wage to employees relative to the construction of the project. Prevailing Wage is determined by the State of California, Labor Code Sections 1720, et seq. and Palm Springs Municipal Code Section 7.06.030(1), and are administered by the California Department of Industrial Relations www.dir.ca.gov. Participants of the Phase II Renovation Project acknowledge and shall assume sole responsibility for payment of the prevailing *per diem* wage rate for the labor classification for the employees working on the renovation project. Participants shall agree to indemnify and hold the City harmless from and against any loss, liability, claim, or judgment arising from or related to the Hotel Incentive Program – Phase II Renovation Project.

Transient Occupancy Tax Base Adjustment shall apply after year two (2) of the Operations Covenant Agreement, and each year thereafter until the end of the agreement term. The TOT base increase shall be in an amount equal to three percent (3%), or the annual percentage change in the most recent month's data of the Los Angeles-Long Beach-Anaheim Consumer Price Index, whichever is higher.

Committable Rooms Program provides the City a minimum number of rooms per month for official City and Convention Center use. The minimum number of rooms is based on the size of the hotel as follows: 100 rooms or less= 2 nights; 100-200 rooms = 4 nights; 200-300 rooms= 6 nights; 300+ rooms= 8 nights.

Operating Covenant Agreements with a Certified Renovation Investment value of \$100,000 or more, are approved by the City Council at a Public Hearing in accordance with Section 53083 of the California Government Code. All Operating Covenant Agreements are recorded with the Riverside County Recorder's Office.

DOCUMENTS AND FORMS:

Program Application Form
Certified Renovation Investment
Planning and Building Permits
Public Integrity Disclosure Form
Operations Covenant Agreement
Release Form
Site Inspection Form

PROGRAM CONTACT INFORMATION:

Office of Economic Development
760-322-8346 or Business.Info@palmspringsca.gov