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CITY HALL

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CITY COUNCIL STAFF REPORT

Meeting: June 19, 2018

Subject

Ordinance amendment of the collection procedures for the City's Transient Occupancy Tax (TOT), which is a tax imposed on travelers when they rent accommodations within the City pursuant to Cupertino Municipal Code Title 3, Chapter 3.12

Recommended Action

1. Conduct the first reading of the draft ordinance: "An Ordinance of the City Council of the City of Cupertino amending Chapter 3.12 of the Municipal Code to provide for the collection of transient occupancy taxes from short-term rentals using internet-based/social media platforms"; and 2. Schedule the second reading of the ordinance for July 3.

Background

Short-term rentals (STRs) fall under the definition of "hotel" under Cupertino's TOT regulations (Section 3.12.020 of Chapter 3.12, Transient Occupancy Tax). People or "transients" occupying these short-term rentals are subject to a 12% TOT on the rent charged during the first 30 days of occupancy. Proprietors or "operators" of these short-term rentals are required to collect TOT from short-term renters or "transients". To date, the City has not received any TOT remittances from short-term rental operators in the City.

At a study session on February 5, 2018, Council directed staff to pursue a voluntary collection agreement (VCA) with STR platforms like Airbnb.

Discussion

The City's TOT Ordinance currently requires hosts to collect and remit TOT to the City. The proposed amendment adds a definition for internet-based/social media platforms, like Airbnb, and authorizes such platforms to collect and remit TOT on behalf of hosts if a voluntary collection agreement exists between the platform and the City.

This will allow the City to enter into a VCA with Airbnb and begin collecting TOT from hosts who use the Airbnb platform. It is estimated that there are about 300 short-term rentals in the City, mostly listed on Airbnb.

Sustainability Impact

No impact.

Fiscal Impact

This ordinance change will allow the City to enter into a VCA with Airbnb, which is expected to generate approximately \$350,000 per year.

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Approved for Submission by: David Brandt, City Manager

Attachments:

A – Draft Ordinance

B – Redlined Changes