



STAFF REPORT

AGENDA NO:

MEETING DATE: January 20, 2026

To: Honorable Mayor and City Council

Date: January 20, 2026

From: Lisa K. Goldman, City Manager – (650) 558-7243

Subject: Discussion and Direction on Potential Transient Occupancy Tax Increase

RECOMMENDATION

Staff recommends that the City Council discuss a potential transient occupancy tax (TOT) measure and provide direction on whether to proceed with the preliminary steps necessary to place a tax on a future ballot.

BACKGROUND

California cities do not have an inherent power to tax. The passage of Proposition 13 in 1978 created a distinction between “general” and “special” taxes.

- A *general tax* is a tax imposed for general governmental purposes, the proceeds of which are deposited into the General Fund. A majority vote of the electorate is required to impose, extend, or increase any general tax. An election for a general tax must be consolidated with a regularly scheduled general election of City Councilmembers.
- A *special tax* is a tax that is collected and earmarked for a specific purpose and deposited into a separate account of the General Fund. A two-thirds vote of the electorate is required to impose, extend, or increase any special tax. Special taxes do not need to be consolidated with a regularly scheduled general election of City Councilmembers.

DISCUSSION

A transient occupancy tax (TOT) is levied when a room in a hotel (or other temporary lodging) is occupied for 30 or fewer days. These taxes are usually levied as general taxes, with revenues used for general governmental services such as public safety and capital improvements.

TOT rates in San Mateo County range from 10% in County unincorporated areas to 15.5% in Menlo Park. Burlingame’s voters last approved an increase, from 10% to 12%, in November 2009. The measure passed by a vote of 79.9% to 20.1%.

The City’s 12% TOT is levied on approximately 3,500 hotel rooms in Burlingame. (That number will drop by 146 when the Holiday Inn Express closes at some point to make way for the DivcoWest/Peninsula Crossing project.) At its pre-pandemic height, the City’s TOT brought in \$29.4

million. In the first full year of the pandemic, FY 2020-21, TOT receipts dropped to \$5.7 million. Staff estimates that the tax will bring in \$22.8 million in the current fiscal year.

During the City Council's budget discussions last fiscal year, staff presented a five-year forecast that shows revenues exceeding expenditures throughout the period. Once the City transfers funds to capital projects and debt service, however, the City faces a net deficit, necessitating either a reduction in spending on needed capital projects or a reduction in reserves, or both.

The City has a large number of capital projects on the horizon, including the Broadway grade separation, undergrounding the power lines on El Camino Real, the purchase of the new City Hall and its associated tenant improvements, and updates to the Parks Yard facilities. While the City has set aside funding for some of these projects, the total costs are still unknown for many of the projects. In addition, reducing capital spending for maintenance-type activities often requires more expensive fixes later on, so reducing spending on capital projects is not a long-term solution.

For these reasons, staff recommends the City Council consider asking the voters to raise the TOT. Using the current-year TOT estimate of \$22.8 million, a 2% increase, from 12% to 14%, will raise \$3.6 million, while a 3% increase will raise \$5.7 million. These numbers are subject to change based on occupancy rates, room rates, and total number of hotel rooms in Burlingame.

Next Steps

Staff requests that the City Council provide direction on whether it wishes to pursue a TOT increase for the November 2026 election. Should the Council choose to move forward, then staff will engage the services of a professional polling firm and a public information consultant to assist with next steps.

FISCAL IMPACT

There is no fiscal impact associated with tonight's discussion. The cost to retain a professional polling firm is likely to be less than \$50,000, while the cost to retain a public information consultant is estimated to be less than \$100,000.

Exhibits:

- Transient Occupancy Tax Rates
- General Fund Five-Year Forecast