



Memorandum

TO: Airport Commission

FROM: Ed Shikada

SUBJECT: Structural Deficit Elimination
 Stakeholders' Group Discussion of
 Citywide Parking Tax Concept

DATE: May 6, 2008

This memorandum is to inform the Airport Commission that the City's Structural Deficit Elimination Stakeholders Group (Stakeholder Group) received information and discussed at their meeting on May 5, 2008 increasing the City's Transient Occupancy Tax, and a tax on citywide parking and/or rental cars as potential structural deficit elimination strategies.

BACKGROUND

The General Fund Structural Deficit Elimination Plan Stakeholder Group was nominated by the Mayor and approved by the City Council in April, 2008. The Stakeholder Group is tasked with providing a mechanism for the City Manager to obtain community input on top priority strategies to resolve the City's 137 million dollar structural deficit within a three year timeframe, as presented to Council in February 2008 in the Management Partners "Development of Strategies to Address the City's General Fund Structural Deficit Final Report." The Stakeholder Group represents Taxpayers, Neighborhood Associations, Employees, Labor and Business and will be meeting from April through September, 2008 to discuss strategy advantages and concerns.

As a part of this work, the Stakeholder Group is assessing the implications of: 1) increasing the Transient Occupancy Tax (TOT) to market and shifting all revenue to the General Fund, 2) establishing a parking tax on City and RDA owned lots, including private lots, or 3) establishing a rental car tax.

At their meeting held on May 5, 2008, preliminary information was presented to the Stakeholder Group on the estimated fiscal impacts of these options and the advantages and concerns of each strategy were discussed. The following outlines the estimated fiscal impacts of the options evaluated. All figures would be annual revenue directed exclusively to the General Fund:

Option	Estimated Annual Revenue
1. 10% parking tax on users of City and RDA owned parking lots (including airport and arena)	\$5.1 million
a. Airport	\$3,600,000
b. Downtown (City)	\$900,000
c. Arena	\$300,000
d. Downtown (RDA)	\$200,000
e. Regional Parks	\$100,000

Option	Estimated Annual Revenue
2. 10% parking tax on users of all parking lots, public and private	\$9.0 million
3. 5% vehicle rental tax on all vehicles rented in the City	\$4.7 million
4. \$5 flat fee per vehicle rental contract in the City	\$7.5 million

The City and RDA parking lots include airport parking lots, San Jose Arena lots, Regional Parks and other lots throughout the City. It should be noted that several RDA lots are temporary with long-term development planned and that Arena estimates are based on projected and not actual revenues realized. The private lot revenues are based upon estimated gross revenues of downtown lots and Diridon/Arena lots. Further analysis would be required to establish a more accurate estimate of proposed tax revenues.

The Stakeholder Group determined that they would not recommend an increase to TOT at this time because San Jose hotels were proceeding with the Hotel Taxing District that would effectively raise a tax similar to the TOT. Several detailed questions were asked related to the parking and car rental tax option and follow-up information will be provided to the group during the next few months. At the conclusion of the discussion, the Stakeholder Group indicated their preferences on advancing the two tax strategies. The table below presents these results. A YES indicates a preference that the tax goes forward for consideration by the City Manager for a November 2008 ballot. A NO indicates that members did not support this type of tax measure. A KA indicated that the tax strategy may be worth considering, but more information and discussions are needed before a definitive preference could be provided.

	YES	No	KA
1. Increase TOT and shift to General Fund	3	12	9
2. Establish parking tax	8	11	4
3. Establish vehicle rental tax	17	2	11

As the advisory Commission to the City Council on Airport matters, staff looks forward to your input on the advantages and concerns of these revenue generation strategies as further discussion follows. This information will help inform the City Manager and Redevelopment Agency Executive Director in the final Three-Year General Fund Structural Deficit Elimination Plan to be presented to Council in November 2008.



BD SHIKADA
 Deputy City Manager