



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 21-266

Board Meeting Date: 4/6/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Manager

Subject: Allocation and Payment of Funds to Redwood City Related to County Acquisition of Former Hotel Properties

RECOMMENDATION:

Adopt a resolution authorizing allocation and payment of \$1,500,000 to the City of Redwood City to mitigate claimed reduction in Transient Occupancy Tax Revenue resulting from the County of San Mateo's acquisition of properties to address health risks posed by the COVID-19 public health emergency to those experiencing homelessness.

BACKGROUND:

The County of San Mateo and the cities located within the County share a strong interest in, and responsibility for, addressing the very serious and dangerous impacts of COVID-19 public health emergency on those who are experiencing homelessness. A key component of the effort to address homelessness will be to build a navigation center to replace the existing shelter on Maple Street, in Redwood City.

However, in the interim and in light of the immediate and serious threat that the COVID-19 public health emergency poses to those experiencing homelessness, the County has acquired and is using facilities formerly operated as hotels to safely shelter such individuals. In Redwood City, the County has acquired the TownPlace Suites and the Pacific Inn, and both the City of Redwood City and the County benefit from the safe shelter that these facilities can provide to those experiencing homelessness. The County expects to expend more than \$2,000,000 each year at each of these locations to provide residents with food and wraparound support services.

DISCUSSION:

The City of Redwood City has informed the County of San Mateo that it expects to lose \$2.5 million in transient occupancy tax revenue as a result of TownePlace Suites and Pacific Inn no longer operating as hotels and the City has requested that the County pay this amount to the City.

County staff and consultants have considered the City's request and do not agree that the City would

suffer such a reduction in revenue as a result of the County's acquisition of these facilities. Given historical vacancy rates in hotels in Redwood City, it is reasonable to expect that those looking to stay in Redwood City hotels in the future will patronize other hotels in the area and pay the corresponding transient occupancy tax in connection with stays at these other hotels.

In addition, while there may be some financial consequences flowing from the County's acquisition of these facilities, the responsibility to address homelessness, including in the context of the COVID-19 public health emergency, is one that the County and cities share and, in that light, the benefits of the County's work in this area also flow to Redwood City. Moreover, no other California county that has acquired hotel properties in connection with the COVID-19 public health emergency has paid a city for claimed lost transient occupancy tax revenue.

All of that said, the County of San Mateo and the City of Redwood City have many shared interests and areas of collaboration and the County desires to continue partnering with Redwood City. I therefore recommend that the Board of Supervisors allocate and authorize the payment of \$1,500,000 to mitigate the transient occupancy tax revenue loss to the city of Redwood City due to the acquisition of the TownPlace Suites and Pacific Inn.

County Counsel has approved this resolution as to form.

FISCAL IMPACT:

This payment of \$1,500,000 will be made from the General Fund, through current year appropriations.