

City of Monterey

Conference Center Facilities District Fact Sheet

What is the Conference Center Facilities District?

The Conference Center Facilities District (CCFD) was formed by resolution on November 19, 2013 to provide a vehicle for financing the renovation of the Monterey Conference Center under California's Mello-Roos Community Facilities Act of 1982. The CCFD provides a framework to levy a special tax on property developed for visitor accommodation facilities ("Hotel Properties").

What is the Conference Center Facilities District (CCFD) Tax?

In March 2014, a CCFD special tax was approved by 90.8% of votes cast by hotel, motel and inn owners. The CCFD Tax is levied on hotel properties beginning July 1, 2014 and is applied as a percentage of room rent.

The tax can only be used for expenses relating to the renovation of the Monterey Conference Center. It is anticipated that the CCFD will issue bonds to finance the renovation and will use the tax to repay the debt and associated costs.

Who is subject to the tax?

All owners of Assessor's Parcels classified as Hotel Property within the boundaries of the Convention Center Facilities District (the City of Monterey) are subject to the CCFD Tax.

What is the Tax Rate?

Hotel Property	Special Tax Rate
Adjacent Hotel	4.15% of all Rent
Full Service Hotel	1.6% of all Rent
Limited Service Hotel	.8% of all Rent

"Adjacent Hotel" is any Hotel Property with any portion of its property line within 100 feet of the City of Monterey Conference Center's property line. At the time of adoption, the adjacent hotels were Portola Hotel & Spa (2 Portola Plaza), the Monterey Marriott (350 Calle Principal) and Hotel Pacific (300 Pacific Street).

"Full Service Hotels" are hotels with full-service food and beverage revenues as defined by Smith Travel Service. "Limited Service Hotels" are those that do not meet the criteria for "Adjacent" or "Full Service" hotels.

“Rent” is the total consideration charged to a Transient for occupancy of space in a visitor accommodation facility (Monterey City Code Sect. 18-69)

When is the tax effective?

The tax is effective July 1, 2014.

When is the first payment of the CCFD Tax due?

The CCFD Tax will be collected on the same schedule as the Transient Occupancy Tax (on or before the last day of each odd numbered calendar month for the previous two months). The CCFD Tax for July and August, 2014 will be due no later than September 30, 2014.

Is there a separate form for payment of the CCFD Tax?

Payment information for the CCFD Tax will be added to the City’s Transient Occupancy Tax Return.

How should the CCFD Tax be presented on the guest’s folio?

Since the CCFD Tax is a special tax on hotel property owners, the decision to pass the CCFD Tax to the guests is entirely at the discretion of the property owners and hotel/motel/inn operators.

If the decision is made to pass the tax to the guests, the folio showing itemized charges accrued by the guests should also separate different taxes and fees. The CCFD Tax is a separate special tax and therefore cannot be presented as additional TOT.

Are there exemptions for federal government employees or other tax exempt travelers?

Since this is a tax on the hotel property owners and not on the guests, there are no exemptions given based on the status of the guests.

Are guests whose stays exceed 30 consecutive days eligible for exemption from the CCFD tax?

Rooms occupied by guests exceeding 30 consecutive days are not subject to the CCFD Tax because the definition of “Transient” excludes stays of more than 30 days. (City Code Sect. 18-69)

Are resort fees subject to CCFD tax?

Yes, resort fees/hospitality fees are considered rent and are taxable.

Should Transient Occupancy Tax be included in my calculation of CCFD tax?

No, the CCFD tax and TOT are calculated independently.

Will the CCFD Tax be applied to rooms reserved and fully paid for prior to the implementation date of July 1, 2014?

The CCFD tax is levied at the time the Transient checks out, regardless of when the room is reserved or paid (Rate & Method of Apportionment paragraph D).

What happens if the CCFD Tax is not paid on time?

There is a late penalty of 10% of the amount of CCFD Special Tax. If the Special Tax remains delinquent for more than 30 days, an additional 10% penalty applies. If the nonpayment is due to fraud, an additional penalty of 25% is added (Monterey City Code Sect. 18-77).

Any special taxes delinquent as of July 1, together with any penalties and interest accrued as of that date, may, at the option of the City Council, be placed on the secured property tax roll for the property incurring the special tax obligation. The balance shall be collected in the same manner as ordinary ad valorem property taxes are collected and shall be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem taxes. (Ord. 3479 § 2, 2013)

What impact will the CCFD Tax have on financing a loan secured by the Hotel Property?

Since the CCFD Tax is a property tax, established under the California Mello-Roos law, as incorporated into the Monterey City Code, the tax is secured by a lien on the property on parity with all other tax liens. Therefore this lien is recorded against the property and will show on a title report. This lien will also be senior to any lien securing a mortgage or other financing.

However, unlike a typical property tax, it is not collected twice a year on the property tax rolls. It is instead collected at the same time as the TOT, on a bimonthly basis. This method of collection, while unusual for a property tax, should not be considered detrimental to the property owner's ability to mortgage the property if the tax is paid on a timely basis.

A lender can ascertain whether there is a delinquency in payment of the tax immediately by contacting the City's Finance Department. Furthermore, since the payment must be made on an ongoing and frequent basis, the property owner's payment history is easily evident. Finally, since property owners are permitted to pass the tax on to their customers, there is a readily available source of payment. For all of these reasons, there should be no need to impound these tax payments.

What impact will the CCFD Tax have on the transfer of a Hotel Property?

It is likely that upon the sale of a Hotel Property, some amount will be required to be held in escrow to pay the CCFD Tax accrued during the escrow period. Since the CCFD Tax is not a fixed amount, the parties will need to estimate the amount to be held. This amount can be estimated based on previous TOT history for the Hotel.

Where can I get more information?

City of Monterey Visitor Accommodation Facility info online at: www.monterey.org/vaf

Chapter 18, Article 7 of the Monterey City Code at <http://www.codepublishing.com/ca/monterey/>

Rate & Method of Apportionment (Exhibit A) at

<http://cityweb.monterey/sire/documents/viewfldr.aspx?cabinet=sn070113Resolutions&docid=44654&pagenum=1>

If you have any additional questions, please contact Carol Bouchard at (831) 646-3944.