

September 12, 2016
City of Davis Finance and Budget Commission
Marriott Residence Inn Potential Fiscal Impact

Summary of Findings

- The Marriott Residence Inn project would financially benefit the city and local agencies. For example, it would likely result in a net fiscal benefit to the City of Davis in the hundreds of thousands of dollars annually and one-time fiscal benefits of almost \$1.9 million. Yolo County, the Davis Joint Unified School District, and a local tourism district would also benefit financially from the project.
- The estimate of hotel tax revenues from the project is sensitive to assumptions about the occupancy and room rates generated from the new hotel. The actual outcome could be higher or lower than estimated, perhaps by a couple hundred thousand dollars, on an ongoing basis.
- The Marriott Residence Inn project is unlikely to financially undermine other existing or approved hotels, in part because it is a new type of product in the Davis hotel marketplace (extended-stay) that is likely to be priced much higher than many existing hotels.
- The new hotel is almost certain to expand the city's overall hotel tax revenue base. City hotel tax revenues increased in recent years even in the wake of past hotel expansions by UC Davis outside of the city limits.
- In April, the City Council adopted written criteria for the proposed hotel projects that reference the negotiation of development agreements that could provide revenue to the city. We recommend that the city policymakers negotiate agreements that could provide additional benefits to the city as well as greater certainty for revenue gains.