

## Frequently Asked Questions Related to the Convention Center Facilities District Tax

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### Answers

#### What is the Convention Center Facilities District (CCFD) Tax?

The Convention Center Facilities District (CCFD) Tax, approved by 78% of the qualified voters, is a special tax levied on real property classified as a hotel property beginning July 1, 2009. The CCFD Tax is applied as a percentage of room rental.

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#### What is the purpose of this tax?

It helps to finance the expansion, construction, reconstruction, rehabilitation and upgrade of the San José Convention Center facilities.

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#### Who is subject to the tax?

Commencing July 1, 2009, all owners of Assessor's Parcels classified as Hotel Property within the boundaries of the Convention Center Facilities District are subject to the CCFD Tax. .

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#### What is the Tax Rate?

- **Zone 1:** All properties on which a hotel/motel is located within a two-and-one-quarter-mile (2.25 mi) radius of the San José Convention Center, 150 W. San Carlos Street, San José, CA 95113.

- 4% of all rent charged for room occupancy
- **Zone 2:** All properties on which a hotel/motel is located outside the two-and-one-quarter-mile (2.25 mi) radius of the San José Convention Center, 150 W. San Carlos Street, San José, CA 95113.
  - 1% of all rent charged for room occupancy from July 1 – December 31, 2009
  - 2% of all rent charged for room occupancy from January 1 – June 30, 2010
  - 3% of all rent charged for room occupancy from July 1, 2010 – June 30, 2011
  - 4% of all rent charged for room occupancy from July 1, 2011 and thereafter

The City anticipates that bonds will be issued to finance a portion of the expansion and renovation to the San José Convention Center facilities. If bonds are outstanding and reserves funded by the CCFD Tax fall below certain levels (to be specified in the bond documents), an additional one-percent (1%) of the rent charged for room occupancy could be levied on properties in both zones temporarily. If the additional one percent (1%) tax must be imposed, the City would send notice to property owners and hotel/motel operators at least 30 days prior to the change.

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### **When is the first payment of the CCFD Tax due to the City of San José?**

The Rate and Method of Apportionment for the Convention Center Facilities District states that the CCFD Tax will be collected monthly. Pursuant to San José Municipal Code Sections 4.72.080 and 4.74.080, hotel operators whose annual Transient Occupancy Tax (TOT) is less than \$100,000 per year may elect, with the City's approval, to pay taxes on quarterly basis. The same provisions apply to the CCFD Tax.

The first CCFD Tax payment for hotel/motel operators making monthly payments is due August 31, 2009. The first CCFD Tax payment for hotel/motel operators making quarterly payments is due October 31, 2009.

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### **How should the CCFD Tax be presented on the guest's folio?**

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

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### **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.

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**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 they are not defined as hotel rooms under the ordinance.

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**Will the CCFD Tax be applied to rooms reserved and fully paid for prior to the implementation date of July 1, 2009?**

Rooms reserved and fully paid for prior to July 1, 2009, are not subject to CCFD tax.

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**What form should be completed for the CCFD Tax and where should it be mailed?**

The CCFD Tax Remittance Form can be downloaded from [www.csjfinance.org](http://www.csjfinance.org). The completed form, accompanied by the payment, must be filed in the same manner as the City's TOT Return.

City of San José  
Finance Department, Treasury Division  
200 E. Santa Clara Street, 13<sup>th</sup> Floor  
San José, CA 95113-1905

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**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 San Jose Municipal 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 monthly or quarterly basis, as explained above. 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.

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## **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 Property in question.

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If you have any additional questions, please contact Huey Dang at (408) 535-7008.