The Hotel Incentive Program (HIP) provides economic incentives to develop 3 to 5 star quality hotels in the City of Fountain Valley. Fountain Valley's HIP is an economic development tool to help attract targeted industries, increase local employment, expand the tax base, and create long-term capital investment and new wealth opportunities in the community for eligible hotels with a financing gap as determined by a financial and economic analysis.

This policy is in alignment with the goals of 2013-2016 Strategic Plan related to:

- Enhancing economic development
- Achieving financial stability
- Maintaining and enhancing infrastructure and facilities

**What is the purpose of this program?**

- To provide economic incentives to develop 3 to 5 star quality hotels in the City of Fountain Valley to generate additional Transient Occupancy Tax (TOT) revenue.

The City wishes to spur the development of high quality hotels in Fountain Valley by offering an economic incentive to close the funding gap in a proposed high quality hotel development. A feasibility analysis would have to be completed for the project, whereby a projection of operating performance is combined with project development cost in order to determine the funding gap. A financial firm would be used for the feasibility analysis. This analysis would be funded by the developer.

The City would pay for the funding gap through incentive payments. The City will reimburse up to 50 percent of the total new TOT each year over a period of 15 years or less for new hotels with 100 or more rooms maintained at 3 to 5 star quality. Reimbursement will only apply for TOT above $200,000 TOT revenue requirement. No upfront expenditures from the City would be required.
Eligibility Criteria

To be eligible for consideration by City Council, a company or project must meet or exceed all of the criteria described below:

- Provide a feasibility analysis
- Minimum amounts of new real and/or personal property capital investment
- Minimum 10 years of experience in building hotels
- Minimum levels of full-time job creation
- Compliance with CEQA requirements
- Minimum living and all-industry wage requirements for new and existing employees at project site
- Minimum quality standard of facilities and service equal to the general requirements of both an AAA three diamond property and Forbes three star property

Requirements for Eligibility

To be considered for funding, the company or project must meet all of the following requirements:

- The company seeking hotel incentives from the City must provide each full-time person employed at the project location and his or her dependents with access to a benefits package, including health insurance program under the rules of the “Affordable Care Act”, within one year from date of employment.

- One hundred percent of the company’s new and existing employees at the project location must earn no less than a “living wage” throughout the full term of the hotel incentives agreement. This wage is based on the property level for a family of four, as determined annually by the U.S. Department of Health and Human Services.

- If the company does not meet and maintain these wage requirements for all new and existing employees at the project location, the company will be in default of its TOT incentives agreement, which could result in termination of the agreement and the recapture of all or a portion of the previously hotel incentives.

- Owners/Developers of 3 to 5 star hotels will be required to expend Minimum Shell Costs of not less than $150,000 per guestroom for new hotels and/or meet the franchise Hotel Brand Standard. The developer must be in good standing with the hotel franchise if applicable.

- Owners/Developers of 3 to 5 hotels will be required to expend Minimum Furniture, Fixture and Equipment Costs of not less than $15,000 per guestroom for new and renovated hotels.

- Operating Covenant Agreements will contain an obligation of the Owner/Developer to comply with Prevailing Wage Statutes and use good faith efforts to hire local residents and contract with local subcontractors, suppliers and other businesses.

To apply or for more information, please contact:

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