



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Submitted on:
(COB Stamp)

Department Name: CEO
Department No.: 012
For Agenda Of: June 4, 2024
Placement: Departmental
Estimated Time: 30 minutes
Continued Item:
If Yes, date from:
Vote Required: Majority for June 4th, 4/5 to put on the ballot

TO: Board of Supervisors

FROM: Department Director(s):
Contact Info:

Mona Miyasato, County Executive Officer
Nancy Anderson, Chief ACEO
Brittany Odermann, Deputy CEO

DocuSigned by:

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SUBJECT: Proposed Increase of Transient Occupancy Tax (TOT) Ballot Measure for November 2024 General Election Ballot

Concurrences as to Form:

County Counsel – Yes
Treasurer-Tax Collector - Yes

Recommended Actions:

That the Board of Supervisors:

- a) Receive and consider a report from staff regarding placing a measure on the November 5, 2024 General Election ballot for a possible transient occupancy tax increase from Twelve Percent (12%) to Fourteen Percent (14%) in the unincorporated areas of the County; and
- b) Direct staff to return on June 25, 2024 with an ordinance of the Board of Supervisors of the County of Santa Barbara amending Section 32-12 of the Santa Barbara County Code “Tax—imposed on transients; rate; when payable” and ballot measure for an increase of the Transient Occupancy Tax (TOT) before the voters on the November 2024 General Election ballot; and
- c) Provide other direction to staff as appropriate; and
- d) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(4) of the CEQA Guidelines because they consist of the creation of government funding mechanisms which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

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Summary:

On May 14, 2024, the Board requested staff to explore a proposal for an increase of the Transient Occupancy Tax (TOT) for a ballot measure for the November 2024 General Election to generate General Fund revenues to aid in addressing growing projected budgetary challenges. The TOT is generated by visitors who pay the rate when staying at any lodging facility (such as a hotel/motel or vacation property rental) for 30 days or less within the unincorporated areas of the County. This also includes short-term rental (STR) properties. The current County TOT rate that was passed in November 2016 is 12%. The proposed increase of 2% for an amended 14% TOT rate is estimated to generate approximately \$2.9 million annually.

Discussion:

At the Budget Workshops held in April 2024, staff reported that the FY 2024-25 budget landscape is marked by fiscal challenges that include discretionary revenue growth outpaced by increasing salary, employee benefit, internal service, and other operational costs; continuing storm recovery costs with limited or delayed opportunities for State and federal reimbursement; new and pending legislative changes for public safety, public health, and behavioral health services, among others; growing number of legal challenges and threats of litigation; and a looming State budget deficit of \$44.9 billion with fiscal implications that was substantiated in the release of the Governor's FY 2024-25 May Revise Budget.

While the County has adhered to responsible fiscal practices and continues to assess and implement efficiency measures, these challenges are projected to result in forecasted deficits up to nearly \$8 million within the next three years in the General Fund if cost reductions and/or alternative ongoing resources are not identified. For this reason, budgets were held to relatively status quo levels with no department budget expansions recommended by the County Executive Office. An increase in the TOT as proposed would generate ongoing revenue to help defray some of the funding challenges and help continue the Board's commitment to activities that address the quality of life in our county, such as funding for homeless impacts, libraries, road maintenance, arts and other general purposes.

The table below shows the current TOT revenue and estimated revenue with the proposed increase in rate. Using the FY 2024-25 budget, increasing TOT from 12% to 14% is estimated to increase revenue by \$2.9 million annually.

	FY 2023-24 Budget at 12%	FY 2024-25 Budget at 12%	Estimated Annual Revenue at 14%
Transient Occupancy Tax	\$17,561,800	\$17,675,900	\$20,621,883
		Estimated Increase	\$2,945,983

Taxing Authority

Revenue and Taxation Code Section 7280 authorizes the County to levy a tax on the privilege of occupying a room or rooms, or other living space, in a hotel, inn, tourist home or house, motel, or other lodging. The current rate is 12%, which was passed by the voters in November 2016 and codified in Section 32-12 of the Santa Barbara County Code "Tax—imposed on transients; rate; when payable".

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Voter approval is required to increase the Transient Occupancy Tax that is applied to transients staying in defined hotels in the unincorporated area of the County. However, *all* voters in the county - those who live in cities and in the unincorporated area - would be presented with the measure on their ballot, per Gov. Code Section 53723. (Note that for a transaction and use (sales) tax, it is different: for a sales tax increase levied only in the unincorporated area, only voters in the unincorporated area would be presented with the measure on their ballot).

A general tax update and increase measure would require 4/5 vote by the Board to put on the ballot and majority voter approval. A ballot measure to designate an increase in Transient Occupancy Tax to a specific purpose would require a 3/5 vote by the Board to put on the ballot and a 66.7% vote of the public.

Polling

The County procured polling services in late 2023 related to a potential sales tax measure. This was reported to the Board on April 2, 2024. In that poll, it was reported that six in ten voters believe the County has need for additional funds, but likely due to concerns about the cost of living were sensitive to sales tax increases. The funding priorities noted were addressing homelessness, improving roads and local infrastructure and investing in public safety services to reduce crime. After consulting with FM3, the polling consultants for the sales tax poll, it is expected that voter sentiment for a TOT rate increase would be similar related to the funding priorities, but more favorable given the minimal direct impacts to residents.

Unincorporated TOT Businesses Collecting the Tax

The TOT is generated by visitors who pay the rate when staying at any lodging facility (such as a hotel/motel or vacation property rental) for 30 days or less within the unincorporated areas of the County, as well as short-term rental properties. The following businesses in the unincorporated areas remit the TOT tax to the Treasurer-Tax Collector:

Table 1. Unincorporated Businesses Collecting TOT

	Business Name	Location
1	1880 Union Hotel	Los Alamos
2	Alamo Motel	Los Alamos
3	Los Alamos Hospitality Group	Los Alamos
4	Skyview, Los Alamos	Los Alamos
5	Victorian Mansion	Los Alamos
6	Cuyama Buckhorn	New Cuyama
7	Fess Parker's Wine Country Inn	Los Olivos
8	The Inn at Mattei's Tavern	Los Olivos
9	Hyatt Place	Eastern Goleta Valley
10	Extended Stay America No. 981	Eastern Goleta Valley
11	Ramada Limited	Eastern Goleta Valley
12	Circle Bar B Ranch Resort	Greater Goleta
13	Sun El Capitan Canyon	Greater Goleta
14	Forfriends Inn	Santa Ynez
15	Santa Ynez Inn	Santa Ynez
16	Hotel Ynez	Santa Ynez
17	The Ballard Inn	Santa Ynez/ Ballard

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18	Rosewood Miramar Beach	Montecito
19	San Ysidro Ranch	Montecito
20	Four Seasons Biltmore*	Montecito
21	Inn on Summer Hill	Summerland
22	Summerland Inn	Summerland
23	Wine Stone Inn	Orcutt
24	Zaca Creek	Northwest of Buellton

*The Four Seasons Biltmore has been closed since 2020, but is anticipated to reopen in 2025.

The number of Short-Term Rental properties that remit TOT is 520.

Unincorporated County TOT vs Cities TOT

Both the County and cities within Santa Barbara are currently levying a TOT within their respective jurisdictions. The County last increased its TOT from 10% to 12% by voter approval in November 2016. As shown on the table below, six of the nine jurisdictions are at 12%, while cities of Lompoc and Santa Maria are at 10% and Guadalupe at 6%. The cities of Solvang and Buellton are exploring an increase from 12% to 14% for the November 2024 election as well.

Table 2. City and County TOT Rates and Revenue

Jurisdiction	Current TOT Rate	FY 2022-2023 Collected	Expected Ballot Measure Nov 2024	Estimated Additional Tax Revenue
Santa Barbara	12%	\$26,213,440	--	
Goleta	12%	\$13,884,890	--	
Carpinteria	12%	\$3,485,465	--	
Solvang	12%	\$6,311,438	14%	\$1,050,000
Buellton	12%	\$4,220,959	14%	\$630,000
Lompoc	10%	\$2,435,000	--	
Santa Maria	10%	\$4,340,132	--	
Guadalupe	6%	\$ 0	--	
County of SB unincorporated	12%	\$17,202,198	Exploring 14%	\$2.9 million

Next Steps

If the Board chooses to place a TOT increase before the voters, the Clerk, Recorder and Assessor's Election Division has identified the following deadlines for local measures:

- **July 9, 2024** – Final Board Meeting to approve a request for consolidation with the election and request the Auditor to prepare a Fiscal Impact Statement (Note: No Board meetings are scheduled between July 17 and August 19, 2024)
- **July 23- August 1, 2024** – Period for submitting direct arguments for and against
- **August 2 – August 11, 2024** – Period to submit rebuttal arguments
- **August 12, 2024** – Deadline for Impartial Analysis
- **August 15, 2024** – Deadline for Fiscal Impact Statement

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To meet the timeline above, staff would request a set hearing on June 11 for a first reading on June 25, 2024 of an ordinance of the Board of Supervisors of the County of Santa Barbara amending Section 32-12 of the Santa Barbara County Code "Tax—imposed on transients; rate; when payable" and ballot measure for an increase of the Transient Occupancy Tax (TOT) before the voters on the November 2024 General Election ballot. The second reading would be on July 9.

Stakeholder Engagement

In preparation of presenting this item to the Board, staff have met with representatives of Visit Santa Barbara and Visit Santa Ynez Valley to obtain feedback on the proposed increase as the businesses most impacted are within their respective organizations. They indicated that occupancy levels have declined over the past year to be more consistent to pre-covid levels and they are concerned that raising the TOT within only the unincorporated areas would disadvantage them compared to the hotels within the cities. They did acknowledge that should the cities of Solvang and Buellton pursue and obtain a similar increase there would be greater parity at least within in the Santa Ynez Valley. They did inquire about assistance with marketing should the tax increase be approved and staff offered to explore efforts with them towards this on a short-term basis.

Currently, these organizations and others receive County contributions totaling \$190,000 through agreements for the Fulfillment Tourism Promotion Program administered by the Community Services Department. Allocations to each organization are based on a formula which considers a community's incorporated population, unincorporated population, and regional 'sphere of influence' population. CSD staff indicate that the population figures used in the formula are in the process of being updated to the most current decennial census. Spheres of influence population figures are obtained from the Santa Barbara County Association of Governments (SBCAG). Under the terms of the County's agreement, the organizations agree to promote tourism through advertising, newspapers and magazine ads, television and radio ads, brochures, posters, maps, website and fulfill requests for information. The organizations submit performance reports to the department which include program statistics of tourist-related inquiries, narratives of accomplishments, and documentation of marketing and advertising materials produced under the agreement.

In addition to the Fulfillment agreements, both Visit Santa Barbara and Visit Santa Ynez Valley manage tourism business improvement districts (TBID) which are benefit assessment districts that impose an assessment on lodging businesses to help fund destination marketing and other activities. Lodging business owners within the TBID fund the TBID, and those funds are used to provide services that are desired by and benefit the lodging businesses within the TBID. Visit Santa Barbara manages the Santa Barbara South Coast TBID that the County consented to renewal for in July 2022 for a 10-year management plan (includes city and County areas) that generates approximately \$8.2 million annually for the district. Vista Santa Ynez Valley manages the Santa Ynez Valley TBID that the County consented to renewal for in 2021 for a 6-year management plan that generates approximately \$900,000 annually for the district.

Background:

In 1978, the Board of Supervisors amended the Santa Barbara County Code to set a transient occupancy tax in the amount of eight percent (8%) of the rent charged by the operator of any hotel or similar structure designed for transient occupancy. In 1990, the Board of Supervisors amended the Santa Barbara County Code to increase the transient occupancy tax to ten percent (10%) of the rent charged by the operator of any hotel or similar structure designed for transient

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occupancy. In 2016, the Board of Supervisors approved a resolution to place an increase of TOT from 10% to 12.5% on the November 2014 ballot, which failed. The Board placed a measure to increase TOT from 10% to 12% on the November 2016 ballot, which passed. This was the last time the TOT was increased.

Authored by:

Nancy Anderson, Chief Assistant CEO