



**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: July 9, 2024
Placement: Departmental
Estimated Time: 30 minutes
Continued Item:
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department Director(s): Mona Miyasato, County Executive Officer
Contact Info: Nancy Anderson, Chief ACEO
Brittany Odermann, Deputy CEO

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SUBJECT: Transient Occupancy Tax (TOT) Increase Ballot Measure for November 2024 General Election Ballot – Second Reading

Concurrences as to Form:

County Counsel – Yes
Treasurer-Tax Collector – Yes
Auditor-Controller - Yes

Recommended Actions:

That the Board of Supervisors:

- a) Adopt (Second Reading) an ordinance amending Section 32-12 of the Santa Barbara County Code to increase the Transient Occupancy Tax rate from the current level of twelve percent (12%) to fourteen percent (14%) of the rent charged in the unincorporated areas of the County; and
- b) Adopt a Resolution submitting the proposed Ordinance and ballot language proposing to increase the transient occupancy tax rate to fourteen percent (14%) to the electorate for approval, and requesting and ordering consolidation with the November 5, 2024 General Election; and
- c) 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:

The recommended actions of this Board letter finalize actions the Board must take to place a Transient Occupancy Tax (TOT) measure on the November 5, 2024 ballot. Those actions include approval of the ballot language and adoption (second reading) of the ordinance to increase the TOT from 12% to 14%.

The County currently collects TOT from 24 hotel/motels/lodging and 520 Short-Term Rentals in the unincorporated county area. The tax would continue to apply only to facilities in the unincorporated county, and not those in cities. However, all voters – those in cities and the unincorporated areas - would have the opportunity to vote on the measure.

An increase in the TOT as proposed would generate additional, locally-controlled ongoing revenue to help defray some of the funding challenges faced by the County and help continue the Board's commitment to activities that address the quality of life in our county, such as funding for maintaining 911 response services, addressing homelessness impacts, libraries, repairing deteriorating bridges, roads and other transportation infrastructure, arts, and other general county services/purposes.

Discussion:

Polling and Ballot Language

The County contracted with a public opinion research firm, Fairbank, Maslin, Maulin, Metz & Associates (FM3 Research) to conduct a professional, statistically valid County survey for the proposed measure. FM3 Research previously conducted a survey to assess voter sentiment for a sales tax. The proposed TOT ballot measure would require a simple majority to pass, and polling results indicate the measure is viable at percentages as high as 61%. The top priorities identified by respondents were:

- Maintaining 9-1-1 response services
- Repairing deteriorating bridges, roads, and other transportation infrastructure
- Protecting groundwater supplies
- Addressing homelessness

Furthermore, results show that County residents feel strongly about the County's practice of expanding locally-controlled revenue that cannot be taken by the state, to address priorities.

These community survey results were used to develop the ballot language. Ballot language is limited to 75 words or fewer. If the Board approves placing the measure on the ballot, the proposed language is recommended by the consulting team as follows:

SANTA BARBARA COUNTY ESSENTIAL COMMUNITY SERVICES MEASURE. To fund local services such as: maintaining 911, emergency communications, gang prevention; repairing deteriorating bridges, potholes, roads, transportation infrastructure; protecting groundwater; addressing homelessness, and general county services/purposes, shall the ordinance increasing Santa Barbara County’s Transient Occupancy Tax (paid only by hotel/ short-term rental guests), in unincorporated areas (excluding cities), from 12% to 14%, providing approximately \$3,000,000 annually until ended by voters; requiring public audits; all funds locally controlled, be adopted?	YES
	NO

Background

On June 4, 2024, the Board directed staff to introduce an ordinance to place a measure on the November 5, 2024 General Election ballot for an increase of the Transient Occupancy Tax (TOT) from 12% to 14% in the unincorporated areas of the County to generate General Fund revenues to address growing projected budgetary constraints and deficits. 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. 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 \$3 million annually in voter-approved local funding. On June 18, 2024, the Board approved the first reading of the attached ordinance that initiated the process to place the proposed TOT increase on the November General Election ballot. This agenda item also includes the resolution to submit the proposed ordinance and ballot language to the electorate, for Board approval.

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 current needs for retaining and recruiting experienced County staff and service providers with competitive compensation packages, internal service, and other operational costs; continuing storm recovery, flood control and protecting groundwater 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 the State’s looming multi-billion dollar budget crisis.

The Board and County has a long-term vision for fiscal sustainability and self-reliance. 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, reliable ongoing resources are not identified. For this reason, budgets were held to relatively status quo levels with no ability to fully plan for or address service levels to the extent our residents need. An increase in the TOT as proposed would generate additional, locally-controlled 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 maintaining 911 response services, addressing homelessness impacts, libraries, repairing deteriorating bridges, roads and other transportation infrastructure, arts, and other general county services/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 \$3 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 “Transient Occupancy Tax”.

Voter approval is required to increase the Transient Occupancy Tax that is applied to guests 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).

The proposed **general** Transient Occupancy Tax (TOT) increase measure requires 4/5 vote by the Board to put on the ballot and majority voter approval. A ballot measure to designate an increase in TOT 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.

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

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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
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 have approved resolutions for an increase from 12% to 14% for the November 2024 election and City of Carpinteria has approved a resolution for an increase from 12% to 15%.

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	15%	\$750,000
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	14%	\$2.95 million

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Next Steps

The Clerk, Recorder and Assessor's Election Division has identified the following deadlines for local measures:

- **July 23- August 1, 2024** – Period for submitting direct arguments
- **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

Fiscal Analysis:

A decision to place a TOT increase on the November 2024 ballot will cost the County in the range of \$40,000 - \$60,000 for the County's proportional share of ballot preparation and printing costs. Staff will bring back to your Board any necessary budget adjustments for the election costs, with the source likely to be one-time General Fund, fund balance carryforward or contingency funds. Additionally, consultants were engaged to assist with polling information and ballot language for a total cost of \$50,000 to be paid with remaining sales tax polling funds (\$46k) approved by the Board in the current year and available service and supplies funds (\$4k) in the County Executive Office budget. If the TOT increase is successful, approximately \$3 million in additional revenue would be received by the County per year.

Special Instructions to Clerk of the Board:

The Clerk of the Board is requested to publish notice of the ordinance in accordance with Government Code section 25124.

Attachments:

Attachment A – Proposed Ordinance to Increase TOT to 14%

Attachment B – Resolution to place 14% TOT increase on November 2024 Ballot

Authored by:

Nancy Anderson, Chief ACEO