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BOARD OF SUPERVISORS

April 22, 2022

To: The Humboldt County Board of Supervisors

HLA BOARD OF DIRECTORS

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Sherry Potter — Hotel Arcata, Arcata

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Alpesh Natha - Quality Inn, Eureka

Humboldt Lodging Alliance (HLA), an association of Humboldt Innkeepers urges Humboldt County voters to reject a proposed tax increase on county hotels (Measure J). The following letter points to the reasons HLA objects to Measure J.

The proposed Measure J, slated to appear on the June 7, 2022 ballot, would increase the unincorporated county hotel occupancy tax from 10 percent to 12 percent, making it higher than accommodations in each of the eight incorporated cities within Humboldt County. Adding in the existing TBID tax of 2% and California State tax of approximately 1%, unincorporated county hotels actually will pay closer to 15%. This makes taxes significantly higher than the surrounding counties, placing Humboldt hotels at a competitive disadvantage.

The timing of the measure to local hoteliers could threaten the fragile gains made by the industry in recent months as the economy recovers from Covid-related measures.

Here's how the measure reads:

"That the Transient Occupancy Tax is a general tax not raised for a specific purpose, in which the revenues from the tax will be placed in the county's discretionary General Fund for general purposes, thereby requiring a majority vote of the voters voting in the election on the tax."

Moreover, while County Staff and elected officials have said that the money would go to specific purposes, such as rural fire departments, homeless support and the arts, it would nevertheless go into the unrestricted general fund, which means the TOT funds could be used for any purposes related to the operations of the County Government. There are simply no laws or ordinances to ensure best use of the TOT funds.



The language on the ballot estimates an increase in county tax revenue of \$3,080,000 dollars annually. The lodging industry is already subject to the annual 10 percent TOT tax currently collected by the county and paid into the unrestricted General Fund. So, the actual new tax revenue created by this measure is significantly less than the measure states.

Here is how the ballot reads:

'Humboldt county Hotel Tax Update Measure: To continue maintaining general county services such as 911 emergency response; children's mental health; rural fire/ambulance; repairing county roads; emergency communications systems; theater/public art; job training; shall an ordinance continuing the County's existing hotel tax at a new 12% rate (paid only by hotel/ lodging guests) adding overnight recreational vehicle parks/private campgrounds, generating approximately \$3,080,000 annually until ended by voters, with annual audits/public review, be adopted?"

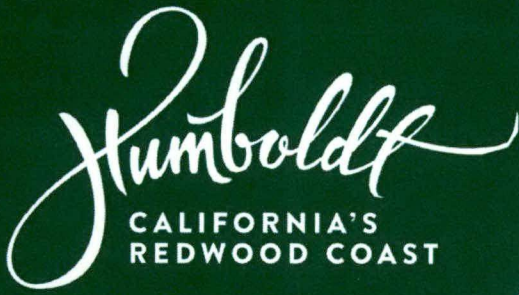
Since HLA members already pay the 10 percent TOT tax, The actual revenue collected on the 2 percent TOT increase on Measure J is approximately \$600,000 to \$800,000 annually, NOT the \$3,080,000 which county counsel stated in the measure description.

Another issue of concern, is the lack of communication and transparency by County. This process has played out over the past 15 months with no communication between the County and the entity they want to tax. No sharing of ideas and collaboration to make this a successful program for all involved. Measure J was placed on the June ballot without the HLA or others having a true opportunity to submit opposition language on the written ballot

Tourism is one of the leading economic drivers in Humboldt County, having sustained consistent and robust growth in recent decades before the Covid pandemic arrived. The county has enjoyed increased revenues from the hotel industry simply on those annual increases alone.

Measure J could decrease countywide bed tax collection as visitors opt for neighboring counties, including Del Norte and Mendocino, with lower total taxes.

With the price of gasoline surging, such differences in hotel pricing could have profound consequences on the competitiveness of Humboldt innkeepers. And the shift would hurt many other businesses involved in the tourism economy, including restaurants, gift shops, guides, outfitters and events.



The HLA looks forward to working with its community partners in the travel industry, including the county of Humboldt, but recommends that voters reject this tax increase. Now is not the time as the lodging industry slowly recovers during Post-Covid travel.

Supervisor Michelle Bushnell has offered to bring an item back to the Board of Supervisors (April 26th) so that she can make a recommendation for the formation of a workgroup comprised of TOT stakeholders (which would also include hoteliers) whose purpose would be to review the impacts of a TOT increase and to make recommendations to the BOS concerning a spending plan of any increased TOT funding.

While HLA urges Humboldt County voters to vote no on Measure J, if it passes, HLA would want to be an active participant in this workgroup.

More about the Humboldt Lodging Alliance:

A non-profit association of hoteliers based in Eureka, California, the Humboldt Lodging Alliance (HLA) is dedicated to promoting responsible tourism among the many natural and cultural assets of Humboldt County, the heart of California's Redwood Coast. The HLA is a 501c6 nonprofit corporation and the official owner's association for the Humboldt County lodging industry. Its guest website is <https://VisitHumboldt.com>.

HLA has made significant investments throughout Humboldt county for community projects and events. One such project is The Redwood Sky Walk. HLA provided critical funding of 2.3 million dollars to the Redwood Sky Walk, enabling the project to come to fruition. HLA has funded numerous local events and music festivals over the years in all corners of the county.

Since 2012, HLA has invested millions of dollars in marketing to attract visitors to Humboldt County. In the next 3 years, HLA will invest 1.5 million dollars in marketing efforts to attract visitors from key California markets.

Sincerely,

A handwritten signature in dark ink, reading "Chris Ambrosini".

Chris Ambrosini, Chairman HLA

A handwritten signature in dark ink, reading "Chuck Leishman".

Chuck Leishman, HLA Consultant