



COUNTY OF HUMBOLDT

For the meeting of: 3/1/2022

File #: 22-236

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:

Introduction of an Ordinance of the Board of Supervisors of the County of Humboldt Amending Sections 712-2(b) and 712-3 of Chapter 2, Division 1 of Title VII to the Humboldt County Code Relating to the Transient Occupancy Tax

RECOMMENDATION(S):

That the Board of Supervisors:

1. Introduce the attached ordinance and waive the first reading;
2. Set the Ordinance for adoption on March 8, 2022;
3. Direct the Clerk of the Board to publish the pre-adoption summary of the ordinance and to post a certified copy of the full text of the proposed ordinance in the office of the Clerk of the Board, both the publication and posting to be done at least 5 days prior to the Board meeting at which the ordinance will be adopted [Government Code section 25124(b)(1)]; and
4. Direct the Clerk of the Board, within 15 days after the adoption of the ordinance, to publish a post-adoption summary of the ordinance with the names of the Supervisors voting for and against the ordinance, and to post in the office of the Clerk of the Board a certified copy of the full text of the adopted ordinance and amendments along with the names of those Supervisors voting for and against the ordinance [Government Code section 25124(b)(1)].

SOURCE OF FUNDING:

General Fund (1100), Hotel Motel Tax (107010)

DISCUSSION:

On June 15, 2021 your Board received a report regarding a number of update and reform issues that have been identified by staff and/or stakeholders that could warrant placing proposals on the ballot for voters to decide. At that meeting your Board directed staff to engage with a firm to conduct public opinion research on the county's transient occupancy tax (TOT), abandoned vehicle abatement program and reform regarding the county's cannabis excise tax.

In November, the firm FM3 conducted a survey of approximately 600 likely voters, almost evenly split into fifths between the five supervisorial districts. The focus of the survey was to determine

community priorities, including whether there is an interest in updating and reforming the issues mentioned above. Results of the survey indicate that a ballot measure that updates the TOT tax is potentially viable - with more than 50 percent indicating support.

Based on the results of the polling, staff recommends that your Board consider placing an update of the transient occupancy tax to a new rate of 12% and including RV parks and campgrounds.

Whether or not your Board chooses to place this TOT ordinance amendment measure before voters this June, some of the polling results are worth noting:

- Homelessness continues to be considered an urgent concern, with 90 percent of respondents sharing that it is either an extremely serious or very serious problem.
- Both the lack of affordable housing and cost of housing is considered either an extremely or very serious problem for over 70 percent of respondents.
- Meanwhile, concern about crime has decreased slightly from past surveys from 70 percent to 64 percent.
- At the same time, we are seeing increased concerns over the threat caused by climate change, with 62 percent considering it either an extremely or very serious problem.
- Citizens are not too concerned with the amount of money they pay in local taxes, but nearly half of them are concerned about waste and inefficiency in government.
- Top essential service priorities include maintaining 9-1-1 emergency response, rural ambulance and fire protection services, ensuring 24-hour Sheriff's patrols, providing children's mental health, emergency communications systems for natural disasters, roads, theater and public art.

Today's action will introduce the attached ordinance which changes the transient occupancy rate from 10 to 12 percent and modifies the definition of "living space" to include certain campgrounds and overnight recreational vehicle parks. As these are changes to a general tax, the ordinance will ultimately need to be approved by a majority of voters within the county. The ordinance will return for adoption on March 8, 2022, along with a resolution placing the measure on the ballot.

Spending Priorities for Proposed TOT Measure

A locally-controlled hotel tax TOT measure, if enacted, would generate an approximated \$3,080,000 annually until ended by voters for Humboldt County services. The funds from the measure go into the county's General Fund and can be used to provide for basic county services including parks and recreation, public safety, mental health, housing, healthcare, job training, economic development and other county services.

As this is a tax paid for by visitors and tourists, some funds have traditionally been allocated to return to these industries by investing in services that help increase tourism including supporting art and culture, public art, theater, local parks and of course, by providing job training programs.

If the Board of Supervisors places a measure on the ballot, and if voters approve it in June, the revenue would be reflected in the annual budget process for community and Board consideration. The measure continues to require annual financial audits.

However, it is important to understand that with the loss of Measure S dollars, the TOT is not a replacement for these funds. As the Board begins to consider the upcoming Fiscal Year 2022-23 budget, without additional revenue above that provided by the TOT update, the county will most likely be making cuts to many important services that the community has said that it values.

FINANCIAL IMPACT:

Staff estimates that the TOT measure, if passed, would provide an additional \$880,000 annually to the General Fund, or \$3.08 million total for the Hotel Motel Tax (revenue line 107010). The Humboldt County Visitor's Bureau (HCVB) currently has a contract with the county through June 30, 2024 for 18% of TOT revenue received in the prior year, with 60% of that funding to be retained by HCVB and the remaining 40% to be passed through to gateway organizations including Garberville Chamber of Commerce, Orick Chamber of Commerce, Willow Creek Chamber of Commerce and the Arcata Chamber of Commerce in support of their respective information booths and/or visitors center. In addition, the county has a contract through the end of Fiscal Year 2022-23 with Redwood Region Entertainment and Education Liaisons, LLC (RREEL) for 5% of TOT received in the prior year, plus an additional \$20,000 per year for film and video production and promotion of Humboldt County. Any change in the amount of TOT received by the county would affect the distributions for these agencies pursuant to the terms of their respective contracts.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by facilitating the establishment of local revenue sources to address local needs.

OTHER AGENCY INVOLVEMENT:

Humboldt County Convention and Visitors Bureau, Humboldt County Film Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to place the measure on the ballot, however, without the funding that could be generated by these measures your Board would have find other sources of revenue to address community priorities.

ATTACHMENTS:

1. Ordinance No. ____, Amending Sections 712-2(b) and 712-3 of Chapter 2, Division 1 of Title VII to the Humboldt County Code Relating to the Transient Occupancy Tax
2. Summary for Publication before Adoption of the Ordinance
3. Summary for Publication after Adoption of the Ordinance

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1
Meeting of: June 15, 2021
File No.: 21-756