

City of Half Moon Bay
City Attorney's Impartial Analysis of Measure U
(Transient Occupancy Tax)

The Half Moon Bay City Council has placed Measure U on the ballot to approve an ordinance increasing the existing transient occupancy tax (TOT), also known as a hotel tax, within City limits. This tax is paid by persons, primarily visitors, who rent a hotel room for stays of 30 consecutive days or less. A hotel is broadly defined to include hotels, inns, tourist homes, apartment houses, campgrounds, and other facilities that offer overnight accommodations.

If approved, the Measure would increase the TOT rate from its current 12% up to 15% by 2022. The increase would take place in two steps. The current rate would increase to 14% on July 1, 2021, and to 15% on July 1, 2022.

Revenues from the TOT are collected by hotel operators from guests and paid to the City. The TOT is a general tax, which means that the proceeds are deposited into the City's general fund to be used for unrestricted general revenue purposes. In placing the Measure on the ballot, the City Council indicated that the proposed tax proceeds could be used for municipal governmental purposes such as emergency response, disaster preparedness, support for local businesses and residents, addressing the impacts of tourism, and maintenance/cleaning of public areas. The Measure does not bind the City to use the proceeds for any particular City services, facilities, or programs.

The Measure if approved would generate approximately \$1,500,000 of additional revenue annually for the City's general fund.

This Measure reserves the City Council's right to reduce the TOT rate or postpone rate increases without a vote of the people, but it does not permit the City Council to raise the TOT rate above the authorized rate without additional voter approval.

A "Yes" vote on this Measure is a vote in favor of increasing the TOT rate from 12% to 14% effective July 1, 2021, and increasing the rate to 15% effective July 1, 2022.

A "No" vote on this Measure is a vote to maintain the TOT rate at the current rate of 12%.

Measure U would be approved if it receives a simple majority of "Yes" votes.

Submitted August 21, 2020

_____/s/_____

Catherine Engberg
City Attorney
City of Half Moon Bay