

CITY OF SANTA CRUZ
CITY ATTORNEY’S IMPARTIAL ANALYSIS OF MEASURE P
TRANSIENT OCCUPANCY TAX (“TOT”) INCREASE

The Santa Cruz City Council has placed Measure P on the ballot to ask the City’s voters to approve an increase to the City’s Transient Occupancy Tax (“TOT”).

Under the California Constitution and other related state laws, general taxes may be levied by cities and counties if submitted to and approved by at least a majority of voters within their boundaries.

Currently, TOT is charged at the rate of eleven (11%) percent when a visitor pays to stay in a hotel, motel, inn, tourist home or house, vacation rental or other lodging within the City for a period of less than 30 days. If approved, Measure P would result in two changes to the TOT. First, the tax would increase from eleven percent (11%) to twelve percent (12%) for occupancy in hotels, motels, inns, and other related commercial lodging facilities. Secondly, it would increase from eleven percent (11%) to fourteen percent (14%) for occupancy in vacation rental properties, i.e., residences rented out on a short-term basis on vacation rental platforms like Airbnb or VRBO.

This measure distinguishes between traditional commercial lodging properties and vacation rental properties on the grounds that vacation rental properties require greater regulatory oversight, impact residential neighborhoods and other areas not typically subject to the impacts of commercial businesses, and avoid development impact fees and permit costs usually required of commercial lodging properties.

If approved, the City Council has determined the revenue raised from Measure P would be used for general governmental purposes. This includes, but is not limited to, essential services such as wildfire prevention, public safety, emergency response, creeks/streams protection, parks, public facilities and street and sidewalk maintenance, affordable housing and homelessness response. It is estimated that approximately \$1.4 million annually would be added to the City’s General Fund through this tax increase. If approved, the new tax rates would take effect on January 1, 2023.

A “yes” vote on Measure P is a vote to approve raising the TOT from eleven percent (11%) to twelve percent (12%) for hotels, motels, inns, and other related commercial lodging facilities, and from eleven percent (11%) to fourteen percent (14%) for vacation rental properties.

A “no” vote on Measure P is a vote against raising the tax and a vote to keep the TOT at the current rate of eleven percent (11%) for all types of lodging subject to the TOT.

The above statement is an impartial analysis of Measure P.

Date: August 19, 2022

Tony Condotti, City Attorney