



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 7/10/2018
Agenda Placement: 9E
Set Time: 10:30 AM PUBLIC HEARING
Estimated Report Time: 15 Minutes

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Mary Booher for Minh Tran - County Executive Officer
County Executive Office

REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112

SUBJECT: First Reading and Intent to adopt an Ordinance proposing to increase the Transient Occupancy Tax (TOT), subject to voter approval

RECOMMENDATION

First reading and intent to adopt an Ordinance amending Section 3.32.030 of the Napa County Code, increasing the Transient Occupancy Tax from 12% to 13% and requiring any funds generated as a result of the imposition of this increase in the Transient Occupancy to be treated as the proceeds of a special tax and spent on workforce and affordable housing programs and services. The Ordinance will be presented at a later Board meeting for second reading and adoption and placement of the Ordinance on the November 6, 2018 ballot for voter approval. The TOT increase would not be effective unless and until adopted by two thirds vote of the voters and would not be implemented until January 1, 2019 if approved by the voters.

EXECUTIVE SUMMARY

On May 8, 2018, the Board of Supervisors received a presentation from Visit Napa Valley and appointed Supervisors Gregory and Pedroza to continue to engage in conversations with Visit Napa Valley and the other jurisdictions on the possibility of increasing the Transient Occupancy Tax in each jurisdiction by 1% with the additional proceeds being treated as a special tax. As of July 3, 2018, the cities and town in Napa County are moving through their process to place a ballot measure on the November 2018 ballot to increase the TOT on lodging facilities in the incorporated areas from 12% to 13%, with revenues from the increase dedicated to workforce and affordable housing programs and services.

An ordinance increasing the TOT rate to 13% in the unincorporated area is presented today for a first reading. The ordinance will be brought back for a second reading and for placement on the November 6, 2018 ballot at a future Board meeting. The ordinance, which will be known as "Measure E," would become effective on January 1, 2019 if approved by the voters.

PROCEDURAL REQUIREMENTS

1. Open Public Hearing.
2. Staff reports.
3. Public comments.
4. Close Public Hearing.
5. Clerk reads the Ordinance Title.
6. Motion, second, discussion and vote to waive the balance of the reading of the ordinance.
7. Motion, second, discussion and vote on intention to adopt the ordinance.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Transient Occupancy Tax Revenues
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	This item is discretionary in that there is no mandate to increase the Transient Occupancy Tax. The recommended action would increase the Transient Occupancy Tax by 1% with all funds generated going to workforce and affordable housing programs and services. Housing is a critical need in Napa County and additional funds will increase and preserve the affordable housing stock.
Is the general fund affected?	No
Future fiscal impact:	If approved by the voters, the revenue source would continue in perpetuity.
Consequences if not approved:	If this item is not approved, the voters will not have the opportunity to vote on whether to increase the Transient Occupancy Tax by 1% with revenues dedicated to workforce and affordable housing programs.
Additional Information:	

ENVIRONMENTAL IMPACT

The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable. Additionally, it can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable [14 CCR 15061(b)(3)].

BACKGROUND AND DISCUSSION**Background**

In 2017, Supervisors Pedroza and Gregory were appointed to a subcommittee to discuss the future of the Special Projects Funds, particularly in terms of redirecting funding previously committed to tourism marketing to support

housing for the County's workforce. This subcommittee returned to the Board of Supervisors with a revised policy that was subsequently adopted. The new Special Projects Fund policy allocates 20% (approximately \$340,000) to the Affordable Housing Fund for the support of the lodging industry workforce.

At the Board of Supervisors meeting on April 24, 2018, Supervisor Pedroza reported that the discussions with Visit Napa Valley had led to the idea to explore an increase in the Transient Occupancy Tax in the form of a tax for workforce housing. Supervisor Pedroza requested that a discussion item be calendared for the Board of Supervisors to review the proposed idea and provide direction to staff on how to proceed in participating in discussions.

On May 8, 2018, the Board of Supervisors received a presentation from Visit Napa Valley and appointed Supervisors Gregory and Pedroza to continue to engage in conversations with Visit Napa Valley and the other jurisdictions on the possibility of increasing the Transient Occupancy Tax in each jurisdiction from 12% to 13%, with the proceeds of the increase being treated as a special tax. As of July 3, 2018, the cities and town in Napa County are moving through their process to place a ballot measure on the November 2018 ballot to increase the TOT on lodging facilities in the incorporated areas, with the increase to be dedicated to workforce and affordable housing programs and services.

Transient Occupancy Tax

Transient occupancy tax ("TOT") is levied on the privilege of using a hotel accommodation. The tax was originally designed to compensate local governments for the increased public service costs incurred by serving visitors. TOT is generally recognized as a stable source of funds for local governments. To date, there is no statutory cap on the tax rate under the state enabling legislation, However, any new or increased TOT now requires a vote of the electorate.

Revenue and Taxation Code 7280 authorizes the levying of TOT on hotels, inns, tourist homes and houses, motels or other lodging businesses unless the occupancy is for more than 30 days. The tax, when levied by the County, only applies to the unincorporated area of the county. The County may not pass a countywide TOT that applies to the cities and town in Napa County. However, each of the cities and town are authorized to levy and increase the TOT that would apply within their jurisdictional limits.

The TOT can be levied as a general tax or a special tax. A general tax is used for general fund purposes and requires approval by majority vote of the electorate voting in the election. A special tax is imposed for a specific purpose and requires two thirds vote of the electorate voting in the election.

Napa County's Transient Occupancy Tax

In November 2004, Napa County's voters approved a general tax TOT increase for the unincorporated area from 10.5% to 12%. While the tax is a general purpose tax, the Board of Supervisors has adopted a policy to appropriate the 1.5%, approximately \$1.8 million annually, for Parks and Open Space, Visitor Management (transitioning to workforce housing for lodging industry employees in Fiscal Year 2018-2019) and Arts and Culture. The Board of Supervisors has the ability to redirect these funds for any purpose at any time.

In addition to the 12% TOT, in 2010 Napa County lodging properties assessed themselves 2% through a Tourism Improvement District (TID) assessment (also known as a Property and Business Improvement District) for five years. In 2015 the lodging properties extended the TID assessment for an additional 10 years. The TID assessment is authorized by the Streets and Highway Code and the Property and Business Improvement District laws. The TID must be approved by a simple majority of business owners who will pay more than 50% of the proposed assessments The purpose of the TID is to provide a special and direct benefit to the businesses paying the assessment per an approved District Management Plan. The established purpose of the TID in Napa County is

tourism and destination marketing.

Today's Requested Action

An ordinance increasing the TOT rate from 12% to 13% in the unincorporated area is presented today for discussion, first reading and intent to adopt. The Board should conduct a first reading of the ordinance if the Board decides to proceed with the proposal to increase the TOT rate. The ordinance will be brought back for a second reading and for placement on the November 6, 2018 ballot at a future Board meeting.

State law, including but not limited to sections 53722 et seq. of the Government Code and Article XIII C of the California Constitution (more commonly known as Proposition 218), provides that no local government may impose a special tax unless and until such special tax is submitted to the electorate and approved by a two-thirds vote of the voters.

Financial Impact

If the voters approve the increase in TOT, the total levy on hotels in the unincorporated area will be 13% plus the 2% TID for a total of 15%. The amount of funds generated annually would be roughly \$1.1 million for Napa County and approximately \$5 million total annually if all jurisdictions are successful in passing their measures.

SUPPORTING DOCUMENTS

A . Ordinance

CEO Recommendation: Approve

Reviewed By: Molly Rattigan