



## CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council **DATE:** July 9, 2018

**FROM:** Matthew Bronson, City Manager

**PREPARED BY:** Matthew Bronson, City Manager  
Gayla Chapman, Administrative Services Director

**SUBJECT:** Placement of Transient Occupancy Tax Measure on the November 2018 Ballot

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### **RECOMMENDATION**

- 1) Adopt the Resolution calling for the placement of a measure to increase the transient occupancy tax on the General Municipal Election to be held on Tuesday, November 6, 2018, as called by Resolution No. 18-45; and
  - 2) Adopt the Resolution setting priorities for filing a written argument regarding a City measure and directing the City Attorney to prepare an impartial analysis; and
  - 3) Adopt the Resolution providing for the filing of rebuttal arguments.
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### **BACKGROUND**

At the June 19, 2018 Council meeting, staff was directed to return with a resolution to place a measure on the November 2018 ballot that would increase the City's transient occupancy tax (TOT) on hotel accommodations within the city. This direction follows previous discussions on TOT rates and revenues at the April 16, 2018 Council meeting and February 23, 2018 Council Goals Workshop.

Following discussion at these meetings, the Council has elected to move forward to consider an increase in the City's TOT rate from 10% to 13% as proposed in the Resolution shown as Attachment 1. The City's TOT rate has not been raised previously and generates approximately \$387,000 in TOT revenue through 20 lodging establishments including voluntary submission by some vacation rental owners. The proposed increase would generate approximately \$108,000 annually in additional general revenue for City services identified by the Council including, but not limited to, fire, police, and maintenance service and as such require majority (50% + 1) approval from voters. This increase does not include the approximately 400 new hotel rooms currently in the development pipeline as these additional rooms along with additional payment by vacation rental owners in conjunction with a vacation rental ordinance would increase this amount.

The Resolution in Attachment 1 includes a draft Ordinance which would formalize this increase in the TOT rate if voters approve the ballot measure. The Council may make revisions to the Ordinance following voter approval as long as any changes to the tax amount or the methodology for imposing the tax levied by Council does not increase the tax beyond that which was approved by the voters. Given the timing of working with the County Clerk's office in placing the tax measure on the ballot, staff is recommending that the Council adopt this Resolution as proposed or with

revisions at this meeting. Council may also elect to adopt this Resolution at the July 23<sup>rd</sup> meeting though that will shorten the timeframe to meet the County Clerk's deadline of August 10 in receiving materials for the November 2018 ballot.

Lastly, the City has met with the Chamber of Commerce and the city's largest TOT generator (Holiday Inn Express) to get feedback on increasing the TOT rate from 10% to 13%. While there was general support for the direction the city is going and the funding need for City services, there were some concerns from the Chamber regarding the size of the proposed increase and whether such an increase would preclude future establishment of a tourism business improvement district (TBID) in Grover Beach. Staff can provide further information to the Council if desired.

### **FISCAL IMPACT**

The cost of placing the measure on the ballot is estimated at \$15,000. The amount of annual revenue that could be generated from this measure is estimated at \$108,000.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Adopt the Resolution placing the proposed tax measure on the ballot;
2. Provide staff with revisions to the Resolution and draft Ordinance and then adopt the document;
3. Provide staff with direction regarding major revisions and have this item brought back at the July 23, 2018 meeting; or
4. Provide alternate direction to staff.

### **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act. A copy of this staff report and the meeting agenda were provided to the Chamber of Commerce President/CEO.

### **ATTACHMENTS**

1. Resolution calling for the placement of a measure on the November 2018 ballot  
Exhibit A: Ordinance increasing the Transient Occupancy Tax rate;
2. Resolution setting priorities for filing arguments and preparation of an impartial analysis
3. Resolution providing for rebuttal arguments
4. Draft Notice to Voters for Filing Arguments

## RESOLUTION NO. 18-\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, SUBMITTING TO THE QUALIFIED ELECTORS OF THE CITY AT THE GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 6, 2018, A PROPOSED ORDINANCE AMENDING CHAPTER 6 OF ARTICLE X OF THE GROVER BEACH MUNICIPAL CODE TO INCREASE THE TRANSIENT OCCUPANCY TAX RATE FROM 10% TO 13% FOR THE PURPOSE OF RAISING REVENUE TO FUND GENERAL MUNICIPAL SERVICES.**

**WHEREAS**, the City has adopted Chapter 6 of Article X of the Grover Beach Municipal Code for the purpose of establishing a Transient Occupancy Tax; and

**WHEREAS**, the current Transient Occupancy Tax is levied for the purpose of establishing a tax revenue and a monetary exaction for the privilege of occupying a hotel/motel or other visitor accommodations within the jurisdictional boundaries of the City; and

**WHEREAS**, the typical individual that for which this tax is imposed are transient to the City and the impact of this tax is not typically born by residents of the City of Grover Beach, and

**WHEREAS**, the amount of the tax is 10% of the rent charged by the operator of the hotel/motel; and

**WHEREAS**, the City has not amended or revised this amount since 1991 and desires to increase this amount to remain consistent with other communities and to address inflationary costs associated with general governmental services.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Grover Beach that:

**Section 1. Recitals and Findings.** All of the recitals set forth above are true and correct to the best of its knowledge and are hereby adopted as findings of the City Council.

**Section 2. Call for Consolidated Election.** As set forth in Resolution No. 18-45 adopted on June 4, 2018, the City Council of the City of Grover Beach has ordered an election to be called and consolidated with any and all elections also called to be held on November 6, 2018, insofar as said elections are to be held in the same territory or in territory that is in part the same as the territory of the City of Grover Beach, and has requested that the Board of Supervisors of the County of San Luis Obispo order such consolidation under Elections Code Sections 10401 and 10403.

**Section 3. Placement of Measure on Ballot.** That the City Council, pursuant to its right and authority, does order submitted to the voters at the General Municipal Election the following question concerning an increase in the City's transient occupancy tax rate:

<p><b>CITY OF GROVER BEACH</b></p> <p><b>MEASURE __-18</b></p> <p><b>To enhance Grover Beach with funding for maintaining fire, emergency medical, and police services, repairing streets and potholes, maintaining parks, sidewalks, and bike lanes, and other general city services; shall the City of Grover Beach adopt an ordinance increasing the Transient Occupancy Tax rate charged for hotels and other visitor-serving accommodations from 10% to 13%, providing \$100,000 annually in unrestricted funding with all funds staying in Grover Beach?</b></p>	<p>Yes</p>
	<p>No</p>

**Section 4. Proposed Ordinance.** The ordinance increasing the City’s transient occupancy tax rate to be approved by the voters is as set forth in “Exhibit A” hereto. The City Council hereby approves the ordinance, the form thereof, and its submission to the voters of the City at the November 6, 2018 General Municipal Election, as required by Cal. Const. Art. XIII C, Section 2, subject to the approval of the **majority of the votes cast (50%+1)** on the measure at a combined General and Municipal election. The **entire text** of the ordinance attached hereto as Exhibit A shall be printed in the voter information portion of the sample ballot.

**Section 5. CEQA.** The City Council finds that based on all available information as of July 9, 2018, that under California Environmental Quality Act (“CEQA”) Guidelines Section 15060(c)(2), subdivisions (2) and (4) of subdivision (b), the involved action does not constitute a project under CEQA and therefore review under CEQA is not required.

**Section 6.** That in all particulars not recited in this Resolution, the election shall be held and conducted as provided by law for holding municipal elections.

**Section 7. Publication of Measure.** In accordance with Section 12111 of the Elections Code and Section 6061 of the Government Code, the City Clerk is hereby authorized and directed to cause notice of the measure to be published once in a weekly newspaper of general circulation in the City of Grover Beach.

**Section 8. Effective Date.** This Resolution shall become effective immediately upon its passage and forthwith entered into the book of original Resolutions kept and maintained by the City Clerk of the City of Grover Beach.

**Section 9. Certification.** The City Clerk is hereby authorized and directed to certify to the due adoption of this Resolution and to transmit a copy hereof so certified to the Board of Supervisors and the Registrar of Voters of San Luis Obispo County.

On motion by \_\_\_\_\_, seconded by \_\_\_\_\_, and on the following roll-call vote, to wit:

AYES: Council Members -  
 NOES: Council Members -  
 ABSENT: Council Members -  
 ABSTAIN: Council Members -

the foregoing Resolution was **PASSED, APPROVED**, and **ADOPTED** at a Special Meeting of the City Council of the City of Grover Beach, California this \_\_\_\_ day of July, 2018.

**\*\* D R A F T \*\***

\_\_\_\_\_  
JOHN P. SHOALS, MAYOR

ATTEST:

\_\_\_\_\_  
DONNA L. McMAHON, CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
DAVID P. HALE, CITY ATTORNEY

ORDINANCE NO. \_\_\_\_

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH  
AMENDING SECTION 10602 OF CHAPTER 6, ARTICLE X OF THE GROVER BEACH  
MUNICIPAL CODE RELATING TO INCREASING THE TRANSIENT OCCUPANCY TAX**

**WHEREAS**, the City has adopted Chapter 6 of Article X of the Grover Beach Municipal Code for the purpose of establishing a Transient Occupancy Tax; and

**WHEREAS**, the current Transient Occupancy Tax is levied for the purpose of establishing a tax revenue and a monetary exaction for the privilege of occupying a hotel/motel within the jurisdictional boundaries of the City; and

**WHEREAS**, the typical individuals for which this tax is imposed are transient to the City and the impact of this tax is not typically born by residents of the City of Grover Beach, and

**WHEREAS**, the amount of the tax is 10% of the rent charged by the operator of the hotel/motel; and

**WHEREAS**, the City has not amended or revised this amount since 1991 and desires to increase this amount to remain consistent with other communities and to address inflationary costs associated with general governmental services; and

**WHEREAS**, the Council is intending to increase the amount of the tax from 10% to 13%; and

**WHEREAS**, the City Council placed Measure \_\_-18 on the ballot at the November 6, 2018 General Municipal Election that proposed the City enact an increase in the City's Transient Occupancy Tax to 13%.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GROVER BEACH** does hereby ordain; and **BE IT ORDAINED BY THE VOTERS OF GROVER BEACH** as follows:

PART 1. Section 10602 of Chapter 6 of Article X of the Grover Beach Municipal Code is hereby amended to read as follows:

Sec. 10602. Tax Imposed. For the privilege of occupancy in any hotel/motel, each transient is subject to and shall pay a tax in the amount of ~~ten~~ thirteen (103%) percent of the rent charged by the operator. Said tax constitutes a debt owed by the transient to the City which is extinguished only by payment to the operator or to the City. The transient shall pay the tax to the operator of the hotel/motel at the time the rent is paid. If the rent is paid in installments, a proportionate share of the tax shall be paid with each installment. The unpaid tax shall be due upon the transients ceasing to occupy space in the hotel/motel. If for any reason the tax due is not paid to the operator of the hotel/motel, the Tax Administrator may require that such tax shall be paid directly to the Tax Administrator.

PART 2. If any section, subsection, subdivision, paragraph, sentence, clause, or phrase of this Ordinance or any part thereof is for any reason held to be in violation of the law, such decision shall not affect the validity of the remaining portion of this Ordinance or any part thereof. The City Council hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause, or phrase thereof, irrespective of the fact that any one or more

sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared in violation of the law.

PART 3. This Ordinance shall become effective thirty (30) days after the date of its adoption, and within fifteen (15) days after its adoption, it shall be published once, together with the names of the Council Members voting thereon, in a newspaper of general circulation within the City.

**INTRODUCED** at a regular meeting of the City Council held \_\_\_\_\_, 2018 and **PASSED, APPROVED, and ADOPTED** by the City Council on \_\_\_\_\_, 2018 on the following roll call vote, to wit:

AYES:	Council Members -
NOES	Council Members -
ABSENT:	Council Members -
ABSTAIN:	Council Members -

**PASSED, APPROVED, and ADOPTED** by \_\_\_\_\_ percent of the Voters of the City of Grover Beach on Tuesday, November 6, 2018.

**\*\* D R A F T \*\***

\_\_\_\_\_  
JOHN P. SHOALS, MAYOR

ATTESTS:

\_\_\_\_\_  
DONNA L. MCMAHON, CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
DAVID P. HALE, CITY ATTORNEY

**RESOLUTION NO. 18-\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, SETTING PRIORITIES FOR FILING A WRITTEN ARGUMENT REGARDING A CITY MEASURE AND DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS**

**WHEREAS**, a General Municipal Election is to be held in the City of Grover Beach, California, on Tuesday, November 6, 2018, at which there will be submitted to the voters the following measure:

<p style="text-align: center;"><b>CITY OF GROVER BEACH MEASURE __-18</b></p> <p><b>To enhance Grover Beach with funding for maintaining fire, emergency medical, and police services, repairing streets and potholes, maintaining parks, sidewalks, and bike lanes, and other general city services; shall the City of Grover Beach adopt an ordinance increasing the Transient Occupancy Tax rate charged for hotels and other visitor-serving accommodations from 10% to 13%, providing \$100,000 annually in unrestricted funding with all funds staying in Grover Beach?</b></p>	YES
	NO

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, DOES HEREBY** resolve, declare, determine, and order as follows:

**SECTION 1.** That the City Council, being the legislative body of the City of Grover Beach, hereby authorizes ALL members of the City Council to file a written argument in favor of the City measure not exceeding **300 words** regarding the City measure as specified above, accompanied by the printed names and signatures of the authors submitting it, in accordance with Article 4, Chapter 3, Division 9 of the Elections Code of the State of California. The arguments may be changed or withdrawn until and including the date fixed by the City Clerk after which no arguments for or against the City measure may be submitted to the City Clerk.

The arguments shall be filed with the City Clerk, signed, with the printed names and signature(s) of the authors submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers who is the author of the argument. The arguments shall be accompanied by the Form of Statement To Be Filed By Author(s) of Argument.

**SECTION 2.** That the City Council directs the City Clerk to transmit a copy of the measure to the City Attorney, unless the organization or salaries of the office of the City Attorney are affected.

- a. The City Attorney shall prepare an impartial analysis of the measure not exceeding **500 words** showing the effect of the measure on the existing law and the operation of the measure. If the measure affects the organization or salaries of the office of the City Attorney, the City Clerk shall prepare the impartial analysis.

- b. The analysis shall include a statement indicating whether the measure was placed on the ballot by a petition signed by the requisite number of voters or by the governing body of the city.
- c. The entire text of the measure is to be printed in the voter information portion of the sample ballot.
- d. The impartial analysis shall be filed by the date set by the City Clerk for the filing of primary arguments.

**SECTION 3.** That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

On motion by \_\_\_\_\_, seconded by \_\_\_\_\_, and on the following roll-call vote, to wit:

AYES: Council Members -  
NOES: Council Members -  
ABSENT: Council Members -  
ABSTAIN: Council Members -

the foregoing Resolution was **PASSED, APPROVED**, and **ADOPTED** at a Special Meeting of the City Council of the City of Grover Beach, California this \_\_\_\_ day of July, 2018.

**\*\* D R A F T \*\***

\_\_\_\_\_  
JOHN P. SHOALS, MAYOR

Attest:

\_\_\_\_\_  
DONNA L. McMAHON, CITY CLERK

**RESOLUTION NO. 18-\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, PROVIDING FOR THE FILING OF REBUTTAL ARGUMENTS FOR CITY MEASURES SUBMITTED AT MUNICIPAL ELECTIONS**

**WHEREAS**, Section 9282 of the Elections Code of the State of California provides for written arguments to be filed in favor of or against city measures not to exceed **300 words** in length; and

**WHEREAS**, Section 9285 of the Elections Code of the State of California authorizes the City Council, by majority vote, to adopt provisions to provide for the filing of rebuttal arguments for city measures submitted at municipal elections.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, DOES HEREBY** resolve, declare, determine, and order as follows

**SECTION 1.** That pursuant to Section 9285 of the Elections Code of the State of California, when the elections official has selected the arguments for and against the measure (not exceeding 300 words each) which will be printed and distributed to the voters, the elections official shall send a copy of an argument in favor of the proposition to the authors of any argument against the measure and a copy of an argument against the measure to the authors of any argument in favor of the measure immediately upon receiving the arguments.

The author or a majority of the authors of an argument relating to a city measure may prepare and submit a rebuttal argument not exceeding **250 words** or may authorize in writing any other person or persons to prepare, submit, or sign the rebuttal argument.

A rebuttal argument may not be signed by more than five (5) authors.

If authorized by the City Council, rebuttal arguments shall be filed with the City Clerk, signed, with the printed name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers by the date fixed by the City Clerk. The rebuttal arguments shall be accompanied by the Form of Statement To Be Filed By Author(s) of Argument.

Rebuttal arguments shall be printed in the same manner as the direct arguments. Each rebuttal argument shall immediately follow the direct argument which it seeks to rebut.

**SECTION 2.** That all previous resolutions providing for the filing of rebuttal arguments for city measures are repealed.

**SECTION 3.** That the provisions of Section 1 shall apply only to the election to be held on Tuesday, November 6, 2018, and shall then be repealed.

**SECTION 4.** That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

On motion by \_\_\_\_\_, seconded by \_\_\_\_\_, and on the following roll-call vote, to wit:

AYES: Council Members -  
NOES: Council Members -  
ABSENT: Council Members -  
ABSTAIN: Council Members -

the foregoing Resolution was **PASSED, APPROVED**, and **ADOPTED** at a Special Meeting of the City Council of the City of Grover Beach, California this \_\_\_\_ day of July, 2018.

**\*\* D R A F T \*\***

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JOHN P. SHOALS, MAYOR

Attest:

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DONNA L. McMAHON, CITY CLERK



**NOTICE TO VOTERS OF DATE AFTER WHICH NO ARGUMENTS FOR OR AGAINST A CITY MEASURE MAY BE SUBMITTED TO THE CITY CLERK**

**NOTICE IS HEREBY GIVEN** that the General Municipal Election is to be held in the City of Grover Beach on **Tuesday, November 6, 2018**, at which there will be submitted to the voters the following measure:

<p><b>CITY OF GROVER BEACH MEASURE __-18</b></p> <p><b>To enhance Grover Beach with funding for maintaining fire, emergency medical, and police services, repairing streets and potholes, maintaining parks, sidewalks, and bike lanes, and other general city services; shall the City of Grover Beach adopt an ordinance increasing the Transient Occupancy Tax rate charged for hotels and other visitor-serving accommodations from 10% to 13%, providing \$100,000 annually in unrestricted funding with all funds staying in Grover Beach?</b></p>	Yes
	No

**NOTICE IS FURTHER GIVEN** that pursuant to Article 4, Chapter 3, Division 9 of the Elections Code of the State of California, the legislative body of the City, or any member or members thereof authorized by the body, or any individual voter or bona fide association of citizens, or any combination of voters and associations, may file a written argument, not to exceed **300 words** in length, accompanied by the printed name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers who is the author of the argument, for or against the City measure(s).

**NOTICE IS FURTHER GIVEN** that, based upon the time reasonably necessary to prepare and print the arguments and Voter Information Guide for the election, the City Clerk has fixed **Thursday, July 19, 2018**, during normal office hours, as posted, as the date after which no arguments for or against the City measure may be submitted to the clerk for printing and distribution to the voters as provided in the Article 4. Arguments shall be submitted to the City Clerk, accompanied by the printed name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers who is the author of the argument, at the City Hall, 154 South 8<sup>th</sup> Street, Grover Beach, California. Arguments may be changed or withdrawn until and including the date fixed by the City Clerk.

**NOTICE IS FURTHER GIVEN** that the City Council had determined that rebuttal arguments, not to exceed **250 words** in length, as submitted by the authors of the opposing direct arguments, may be filed with the City Clerk, accompanied by the printed name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers who is the author of the argument by no later than **5:00 p.m. on Monday, July 30, 2018**.

**NOTICE IS FURTHER GIVEN** that any ordinance, impartial analysis, or direct argument filed under the authority of the Elections Code will be available for public examination in the City Clerk’s office for not less than 10-calendar days from the deadline for the filing of the arguments and analysis(es). Any rebuttal argument filed under the authority of the Elections Code will be available for public examination in the City Clerk’s office for not less than 10-calendar days from the deadline for filing rebuttal arguments.

**\*\* D R A F T \*\***

Donna L. McMahon, City Clerk

Dated: Tuesday, July 10, 2018