



CITY OF CARMEL-BY-THE-SEA

Consideration of Resolution 2026-042 relating to a potential ballot measure establishing a new 2% City's Transient Occupancy Tax in addition to the existing 10% and Direction regarding the submission of such ballot measure to the City's voters at the November 3, 2026, general municipal election or, in the alternative provide direction and Motion to approve draft Primary Argument

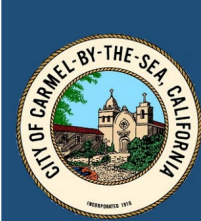
City Council Regular Meeting

June 2, 2026



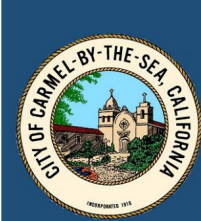
Background

This Agenda item is based on the direction from the City Council at its meeting on May 4, 2026 that Council City Council at its meeting on June 2, 2026 discuss and consider adopting the Resolution 2026-042 (Attachment 1) which would submit to the City’s qualified voters a ballot measure that would adopt a new 2% Transient Occupancy Tax (TOT) in addition to the existing 10% TOT rate if approved by a majority of the voters.



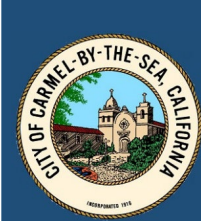
Ballot Question – Option 1

“Shall the measure providing additional funding for City of Carmel-by-the-Sea general government purposes by establishing a new transient occupancy tax of 2%, paid by lodging guests to the operators of hotels and hostelries, in addition to the existing 10% transient occupancy tax, so the total tax rate is 12%, with the new 2% tax providing approximately \$1,900,000 annually and the 12% providing approximately \$11,700,000 annually in total until ended by voters, be adopted?”



Ballot Question – Option 2

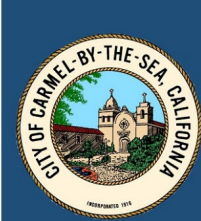
“To upgrade streets/ ~~and~~ sidewalks, address beach erosion, enhance wildfire preparedness, maintain City trees, and fund other general government purposes in Carmel-by-the-Sea, shall the measure establishing a new 2% transient occupancy tax, paid by ~~hotel~~/lodging guests, in addition to the existing 10% transient occupancy tax, increasing the total tax rate to 12%, with the new 2% tax generating approximately \$1,900,000 annually, and the total 12% tax generating approximately \$11,700,000 annually, until ended by voters, be adopted?”



Votes Required

Under Proposition 218, the City may only increase a general tax if:

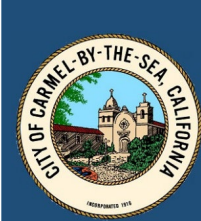
- (a) Two-thirds of the members of the City Council (which would be four affirmative votes) approving placing a tax measure on the ballot for voter consideration, and
- (b) The ballot measure is approved by a majority vote of the electorate at a general municipal election (for the election of members of Council). The next general election is November 3, 2026



Submitting Measure to Voters

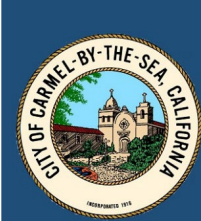
In order to submit a TOT measure to the voters at the November 3, 2026, general municipal election, the City Council must adopt a resolution that:

- 1) submits the measure to the voters and include the TOT ordinance establishing a new TOT of 2% in addition the existing 10% TOT
- 2) requests the consolidation of such general municipal election with the Statewide General Election on November 3, 2026; and
- 3) authorizes the drafting of primary arguments by all or some councilmembers, directs the City Attorney to draft an impartial analysis of the measure, and authorizes rebuttal arguments.



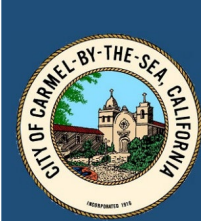
Section 2 of Resolution

Submission of Measure. Pursuant to the laws of the State of California, including, but not limited to, Elections Code Section 9222 and 10201, the City Council, pursuant to its right and authority, does hereby order the submission to the voters of the City at the General Municipal Election to be held on November 3, 2026, which was called pursuant to Resolution No2026-040, a ballot measure that, if approved, establishes a new 2% transient occupancy tax that is in addition to the existing 10% transient occupancy tax so the total tax rate is 12%, with the new 2% tax providing approximately \$1,900,000 ~~\$1,952,981~~ annually and the 12% providing approximately \$11,700,000 ~~\$11,717,886~~ annually in total and will be effective until ended by voters ("Measure"). As required by Elections Code Section 13247, the abbreviated form of the Measure to appear on the ballot is specified below in Section 3.



Section 10 a. i of Resolution

Pursuant to Elections Code Section 9282, the City Council authorizes the Mayor and City Councilmembers to author and submit the primary argument in favor of the Measure not exceeding 300 words, accompanied by the printed name(s) and signature(s) of the author(s) submitting it, in accordance with Article 4, Chapter 3, Division 9 of the Elections Code, and authorizes the Mayor and City Councilmembers, to submit a rebuttal argument to the argument against the Measure pursuant to Section 10(c) if time permits or, in the alternative, the rebuttal argument shall be submitted by the Mayor and Mayor Pro Tem



Deadline to Submit Arguments

- The deadline to submit the Primary Argument to the City Clerk is August 7, 2026, at 5:00 pm and the deadline to submit the Rebuttal Argument if an Opposition Primary Argument has been submitted is August 17, 2026 at 5:00 pm
- Two choices in regard to Section 10 a i of Resolution:
 - (1) Revise to read: Mayor and City Councilmembers shall submit a rebuttal argument. This would require setting a special meeting of the City Council to approve the Rebuttal Argument, most likely August 12 to 14 or
 - (2) Revise to read: The persons authorized to submit the Rebuttal Argument are: insert two names.



Draft Primary Argument in Support of Ballot Measure (Attachment 6)

Transient Occupancy Tax (TOT) is paid entirely by visitors staying in hotels and other overnight accommodations. It is not paid by Carmel residents.

At 10%, Carmel's TOT has not been raised in 30 years, and is now well below neighboring cities and comparable destination communities, as shown below:

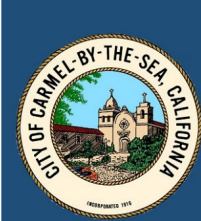
- Half Moon Bay – 15%
- Sausalito – 14%
- Marina – 14%
- Healdsburg – 14%
- St Helena – 13%
- Calistoga – 13%
- Sonoma – 13%
- Pacific Grove – 12%
- Monterey – 12%
- Sand City – 12%
- Santa Barbara – 12%
- Laguna Beach – 12%
- Carmel-by-the-Sea – 10%

Raising Carmel’s TOT by 2% to 12% will bring us more in line with comparable communities and generate approximately \$1.9 million in sorely needed revenue for the City, while adding just \$5 to a \$250 hotel room.

Our economy depends on tourism. Visitors support local businesses, and related taxes help fund our city government. Visitors are welcome here, but tourism also creates unwelcome impacts for our residents. Congestion, pollution, noise and trash are daily realities. The busiest days produce gridlock and heightened tensions. Sometimes our private property is disrespected.

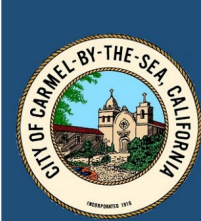
Our city’s infrastructure is heavily used. It is old and has been ignored. We have over \$100 Million in deferred maintenance. For the current City Council, addressing this problem is important and urgent. We’ve already implemented a “Capital First” approach to annual budgeting where at least 15% of annual revenues must be devoted to rehabilitating aging infrastructure. We’ve seen results. Street paving, sidewalk leveling, and wildfire management have been accelerated. New projects will address beach access and erosion, storm drainage and improving city buildings. The challenge is daunting, and to address it with all due urgency, we simply need more revenue. Raising this tax paid by non-residents will help.

Join us. Vote yes on measure X.



3.32.020: Tax Imposed

A. For the privilege of occupancy in any hostelry, each transient is subject to and shall pay a tax in the amount of 10 percent of the rent charged by the operator, plus a new tax in the amount of 2 percent of the rent charged by the operator, for a total tax in the amount of 12 percent of the rent charged by the operator. The tax constitutes a debt owed by the transient to the City which is extinguished only by payment to the operator or to the City.



Section 3.32.130: Disposition of Proceeds

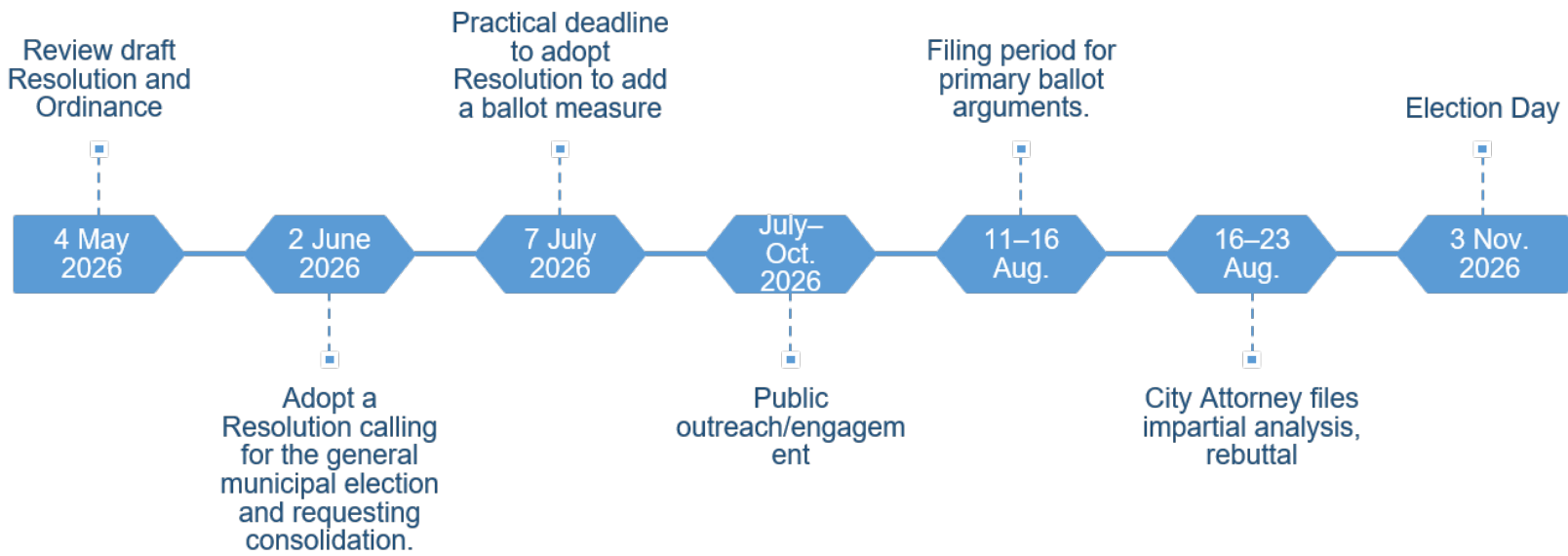
C. The additional two percent added by Ordinance No. 26-003 shall be added to the General Fund for usual and current expenses.

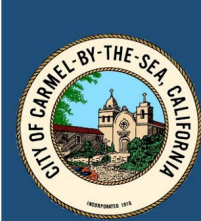


Informational Activities

After a measure is “certified to appear” on a particular election ballot, the City is prohibited from spending any City resources to support or oppose the ballot measure.

The City is able to provide information to the public in a neutral and unbiased manner and in a format that is not argumentative. This involves utilization of the City’s standard methods of communication with the public.





Recommendation

1. If the Council decides to submit the TOT ballot measure to the voters, then Motion to adopt Resolution 2026-042 relating to a potential ballot measure to establish a new TOT of 2% in addition to the existing 10%
2. Motion to approve draft Primary Argument in Support of TOT Ballot Measure
3. Motion to revise Section 10 a i of Resolution 2026-042 by one of the following: (1) Mayor and City Councilmembers are authorized to submit a rebuttal argument or (2) The persons authorized to submit the Rebuttal Argument are: **insert two names.**



End of Presentation

Questions?