Impartial Analysis by the Monterey City Attorney
Measure Y

The City Council of the City of Monterey has placed this measure on the ballot to ask the voters whether to approve an ordinance amending the City’s Municipal Code to increase transient occupancy tax ("TOT" or "Hotel Tax") from 10% to 12% within the City of Monterey. The City Council unanimously approved placing the proposed tax on the ballot; however, a two-thirds majority of voters must also approve it before it can take effect.

The TOT is a tax charged to guests of hotels, motels, and similar lodgings who stay for a period of 30 days or less. Hotel operators or their agents collect the tax when guests pay for their rooms and then pay it to the City.

The City’s current TOT rate (10%) was established in 1985. In 1988, the voters of the City of Monterey established the Neighborhood and Community Improvement Program. Under this program, 15% of the TOT proceeds are allocated to the Neighborhood and Community Improvement Program, and 84% of the tax proceeds are allocated to the City’s general fund. The proposed tax increase is a "special tax" with legal restrictions as to its use. This is because the measure would continue to allocate 16% of the tax to the Neighborhood and Community Improvement Program, to improve the residential neighborhoods of the City and to provide for capital projects of community-wide benefit, and allocate 84% of the proceeds to the general fund, which may be used for any lawful City purpose, including but not limited to: parks, recreation, library, emergency response, facility rehabilitation, and other general fund expenses.

The measure updates the City’s Municipal Code to specify that the tax applies to the full rent paid by the hotel guest for occupancy, whether the payment is made directly to a hotel operator or to a third-party agent for booking purposes, including but not limited to online travel companies, such as Priceline.com, Expedia, and Travelocity.

The measure updates the City’s Municipal Code to specify that the tax applies to vacation rentals, such as those marketed by VRBO and Airbnb, whether or not such rentals are permitted to operate within the City of Monterey.

The measure also updates the City’s Municipal Code to specify that the tax applies to charges for amenities, including but not limited to, movie fees, telephone fees, resort fees, rollaway beds, and internet fees.

If approved by the voters, this measure would result in an increase of tax revenue of approximately $2.8 to $5.6 million annually.

The TOT cannot be increased without further voter approval.

A “yes” vote favors increasing the TOT to from 10% to 12%.

A “no” vote opposes the increase and maintains the TOT at 10%.

The tax will be effective until repealed by voters.

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