TOWN COUNCIL STAFF REPORT

Title: Adopt the resolutions and introduce the ordinance to add a ballot measure to the November 5, 2024 General Municipal Election regarding a two percent increase to the Transient Occupancy Tax (TOT).

Meeting Date: July 17, 2024

Prepared by: Rob Patterson, Town Manager

RECOMMENDATION:

It is recommended that the Town Council take the following actions:

1. Adopt the resolution ordering the submission to the qualified electors of the Town a certain measure relating to a two percent increase in the Transient Occupancy Tax rate at the General Municipal Election to be held on Tuesday, November 5, 2024.
2. Waive the reading and introduce by title only the ordinance increasing the Transient Occupancy Tax to Fifteen Percent.
3. Adopt the resolution setting priorities for filing a written argument regarding a Town measure and directing the Town Attorney to prepare an impartial analysis.

BACKGROUND:

The Town Council has been reviewing ballot language to include on the November election. This project was initiated from work done on the STR Advisory Committee seeking additional funding for affordable workforce housing to support Town operations as well as the success of our business community. Affordable workforce housing has been identified as one of the biggest challenges facing the business community. The Town Council is focused on this critical need in developing the Housing Now! initiatives to support the endeavor. Housing Now! is a multi-faceted approach to housing needs, targeting specific subsidy or development options based on Area Median Income (AMI) standards. The State of California has a number of programs to support AMI of 80% and below but often 100% - 200% AMI is necessary for housing opportunities in our region. Those levels usually do not qualify for State level funding, leaving the Town as the only source of funding.

The Town Council has done a great job for several years in allocating available revenue to these one-time projects. This is dependent on maintaining a budget discipline that controls the growth of the Town's operating budget, tied to strategic investment in core services over availability of funds. This practice has provided investment of one-time funds of over $20M in the last three fiscal years combined. However, as the expenses of Town operating

budget continue to rise, the availability of revenue remains dynamic and dependent on visitation. A reduction in visitation will likely drive higher competition within the lodging community, driving down the nightly rates in search of nightly renters. This doubling effect can have a significant effect on our ability to fund general operations as well as continue these important investments in these important community needs.

The Town is proposing a general tax of 2% be added to the ballot to provide additional project funding for the next 10 years. The 10-year sunset to this tax was developed through analysis of currently identified needs and through conversation with the business community. The adjustment to the ballot language is a direct result of those conversations.

ANALYSIS:

Housing Needs
The Housing Now! initiatives have annual ongoing program expenses, such as supporting subsidies for home ownership, leasing to locals, land acquisition, development partnerships, and down payment assistance. These annual programs have an average cost of $2.3M annually, dynamically shifted between the elements that are most effective at the time. In addition to these annual programs, the Town is engaged in long-term projects like The Parcel, and small site development for middle income home ownership. The land acquisition has been completed for a number of these projects, and funding for actual build out as well as subsidy, cost of construction vs deed restricted sales price to make the homes affordable is still needed. Staff has estimated the amount of need for these special projects to be $45M over the next 10 years.

The Parcel (phase 3 – 6) $38M
60 – Joaquin - $800,000 – 4 units
Chaparral / Manzanita - $2.6M – 13 units
Foundation Property - $3.6M – 24 units

The combination of annual programs and project costs is estimated to be $68M over the next 10 years for full build out and sale.

Revenue Potential – Ballot Initiative Proceeds Across 10 years
With lodging gross receipts close to $200M on an annual basis, the potential revenue generated from this ballot measure would be $4M annually or $40M across the 10-year period. This does not cover the cost of programs, leaving a deficit of $28M that will need to be funded through the current process of budget discipline, quarterly review, and allocation of available resources to housing. The Town Council, through their dedication and strategic planning focus, has committed to continuing this investment and we believe the $2.8M annual funding target is within our capabilities.

There have been discussions on seeking a smaller increment to the TOT rate out of concerns of affordability and where that would put the Town in published TOT rates within the State. The suggestions of a 1% increase, under the gross receipt assumptions above, would generate $2M annually or $20M across the 10-year period. This amount would

leave a $48M deficit for the Town to fund through other contributions to fulfill the current programs and identified projects. A 1.5% tax rate would provide approximately $3M annually or $30M over 10 years against our $68M goal. With these deficits, combined with a tight window of 10 years, staff are recommending the 2% as the most viable option to achieve our housing goals. Ultimately the rate presented to the voter is based on Town Council decision and the rate can be adjusted from the current 2% if desired.

Limited Term

As stated earlier, the sunset of this tax in 10-years, which was determined by compromise between opportunities with an unending tax measure as well as acknowledgement that much will change in the next 10 years and a re-evaluation of community needs will be necessary. A shorter period of 5 years, generating half of the anticipated revenues outlined above, would place a larger strain on our existing funding sources. Staff suggestion of a 10-year time is optimal to achieve the identified needs and provide an end date to the increment. Ultimately the term of the incremental tax presented to the voter is based on Town Council decision and can be adjusted from the current language if desired.

General Tax vs Special Tax

The selection of a general tax initiative is purely based on voter thresholds necessary to pass, with the General Tax requiring 50% +1 and a Special Tax requiring 66-2/3% of the voters to approve. Historically Special Tax initiatives have been difficult to pass and require a strong campaign, backed by community sponsors investing financial resources and time to the campaign process. Key initiatives like Measure R and Measure U are prime examples of these campaign efforts and financial investment. With the expected voter turnout historically seen in Mammoth during presidential elections, the difference between a special tax and a general tax is more than 500 votes. Staff have included the language, broad to core services to the Town, in order for this to be a general tax initiative.

Recommended Ballot Question

> *To support general town services — without increasing taxes on Mammoth Lakes residents — such as providing affordable workforce housing to sustain the local economy, supporting public safety, enhancing disaster preparedness, repairing roads, improving recreation amenities and supporting snow removal, shall the Town of Mammoth Lakes' measure increasing the transient occupancy tax by 2% be adopted, generating approximately $4,000,000 annually for 10-years, paid only by hotel and short- term rental guests, with annual audits and all funds staying local?*

CONCLUSION:

The Town Council can adjust any aspect of the ballot initiative during the meeting. The resolutions and ordinance attached would also need to be updated as they all align with the language stated above. This language, the resolutions, and the ordinance must be adopted and transmitted to the County Clerk by July 22, 2024, in time to place the request on the Mono County Board of Supervisors agenda before the August deadline.