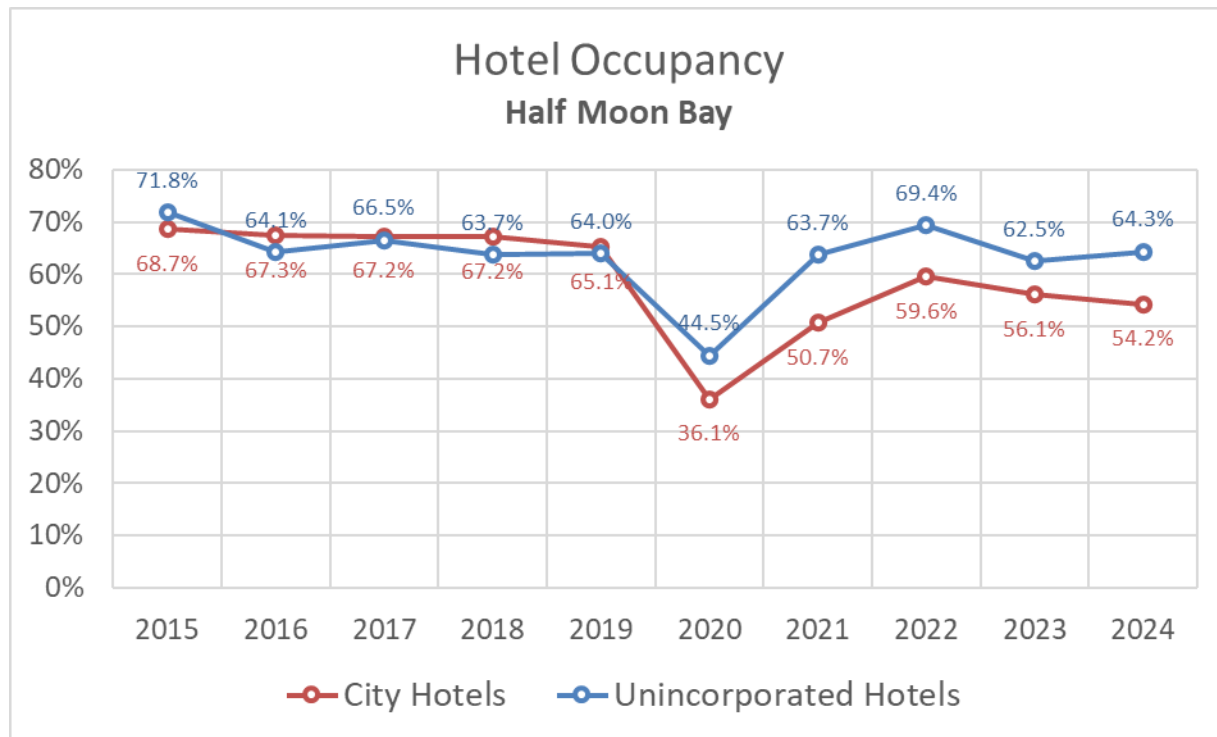


Chart data provided by the Half Moon Bay Coastal Chamber CEO



Comments:

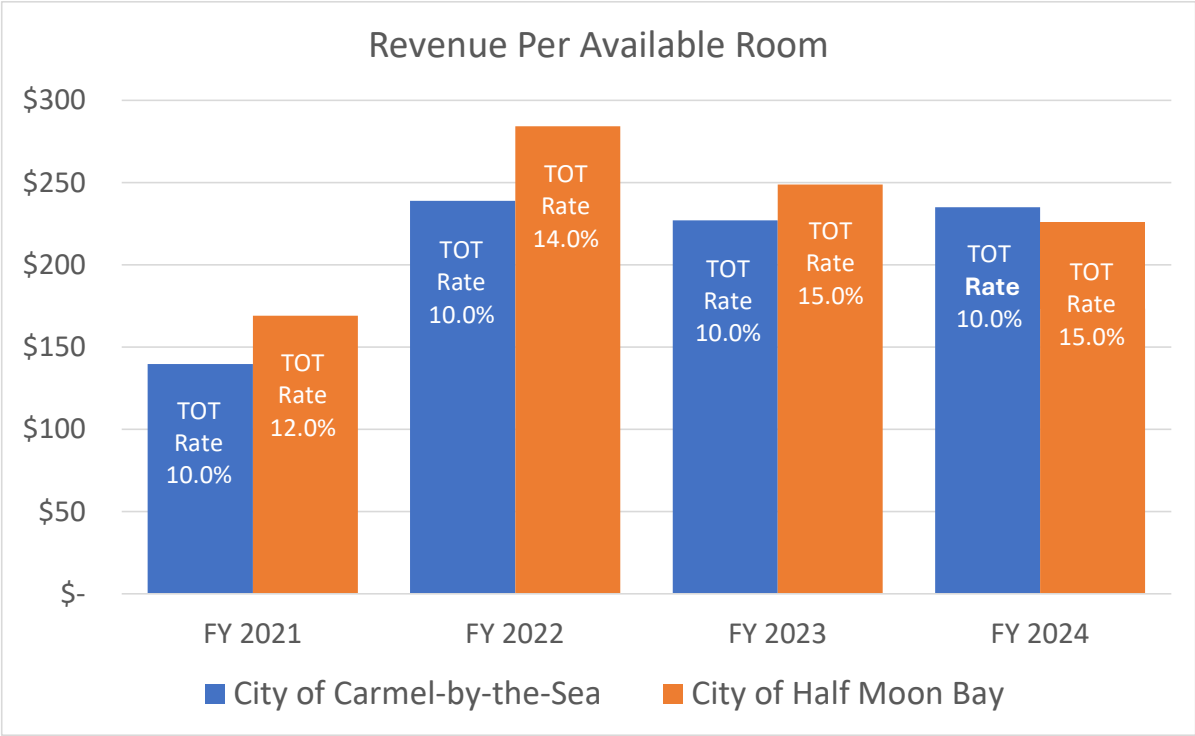
Before the pandemic, hotels inside the City of Half Moon Bay and those in nearby unincorporated areas performed similarly. From 2015 to 2019, city hotels paid a 12% hotel tax, while unincorporated hotels paid 10%, yet both areas recorded occupancy in the mid-60% range. This period establishes a clear baseline showing that the two markets were competitive prior to any tax changes. The sharp decline in 2020 reflects COVID-related shutdowns and is excluded from this comparison.

In July 2021, the City raised its hotel tax from 12% to 14%, while the unincorporated rate remained unchanged. In 2021, city hotels recorded 50.7% occupancy, compared with 63.7% in the unincorporated area. The City increased the tax again in July 2022, raising it to 15%. In 2022, city hotels occupancy reached 59.6%, while unincorporated hotels reached 69.4%. City hotels continued to underperform in 2023 and 2024, trailing the unincorporated area by roughly 8 to 10 percentage points. From 2021 through 2024, city hotels sold approximately 86,000 fewer room nights than they would have if they had matched the occupancy levels of nearby unincorporated hotels. This represents about 10% of the City's potential room nights during that period. Fewer occupied rooms translate into fewer overnight visitors in the City, which has significant implications for businesses that rely on visitor activity. While the data does not prove the tax increases caused the decline, the timing and persistence of the gap raise questions about the impact of higher hotel tax rates on lodging demand.

Exhibit B

Case Study - City of Half Moon Bay vs. Carmel-by-the-Sea

	<u>FY 2021</u>		<u>FY 2022</u>		<u>FY 2023</u>		<u>FY 2024</u>		
City of Carmel-by-the-Sea									
Rooms		1002		948		899		973	
TOT Rate		10%		10%		10%		10%	
TOT Rev	\$	5,106,437	\$	8,267,748	\$	7,454,146	\$	8,347,682	
TOT Rev/Rm	\$	5,096	\$	8,721	\$	8,292	\$	8,579	+3%
RevPAR	\$	139.62	\$	238.94	\$	227.17	\$	235.05	
City of Half Moon Bay									
Rooms		650		650		650		650	
TOT Rate		12%		14%		15%		15%	
TOT Rev	\$	4,817,532	\$	9,442,518	\$	8,852,640	\$	8,167,938	
TOT Rev/Rm	\$	7,412	\$	14,527	\$	13,619	\$	12,566	-8%
RevPAR	\$	169.21	\$	284.28	\$	248.76	\$	229.52	



This slide shows that raising the tax rate does not guarantee stronger TOT production over time.

When demand normalized in FY 2024, Half Moon Bay’s higher 15 per-cent rate coincided with a sharp decline in RevPAR and TOT per room, while Carmel’s stable 10 percent rate produced higher RevPAR and nearly the same tax revenue per room. The takeaway is that pricing power and stability, not higher tax rates, drive durable TOT outcomes.

Exhibit B-2

Case Study - City of Half Moon Bay vs. Unincorporated HMB

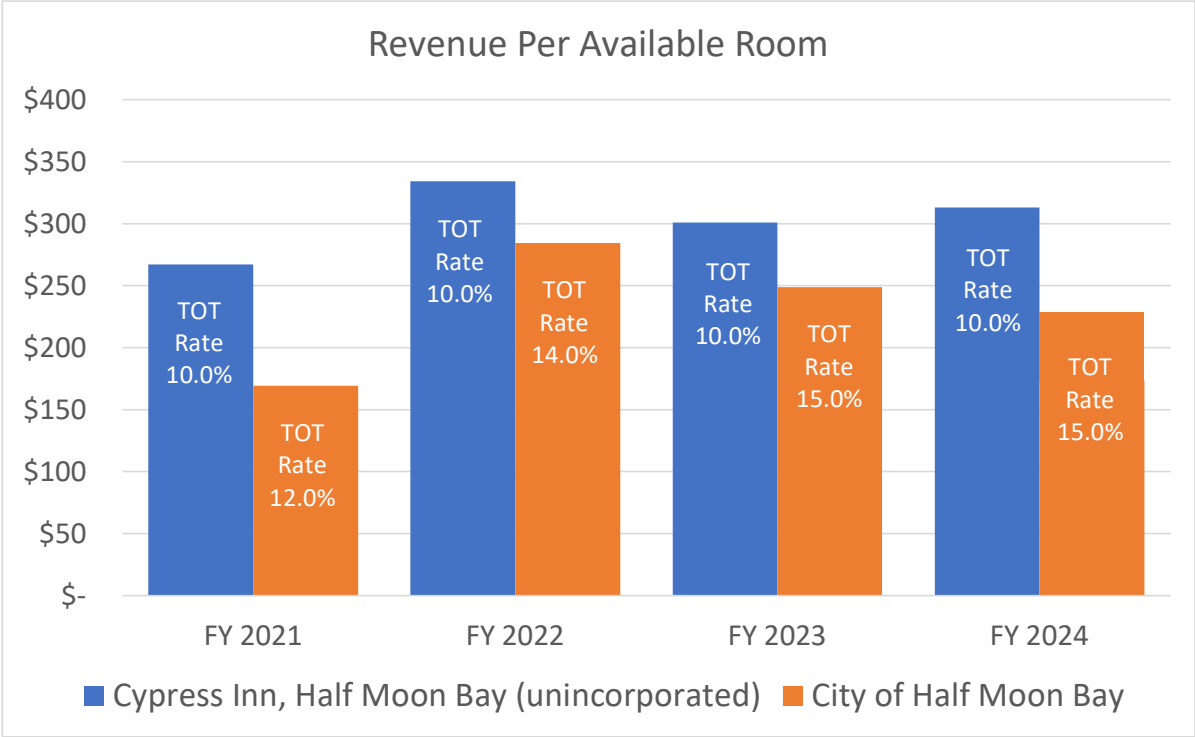
	<u>FY 2021</u>		<u>FY 2022</u>		<u>FY 2023</u>		<u>FY 2024</u>	
Cypress Inn, Half Moon Bay (unincorporated)								
Rooms *		18.0		16.7		18.0		17.0
TOT Rate		10%		10%		10%		10%
TOT Rev	\$	175,481	\$	203,994	\$	197,786	\$	194,753
TOT Rev/Rm	\$	9,749	\$	12,202	\$	10,988	\$	11,425
RevPAR	\$	267.09	\$	334.31	\$	301.04	\$	313.01

+4%

+4%

City of Half Moon Bay								
Rooms	650		650		650		650	
TOT Rate	12%		14%		15%		15%	
TOT Rev	\$	4,817,532	\$	9,442,518	\$	8,852,640	\$	8,167,938
TOT Rev/Rm	\$	7,412	\$	14,527	\$	13,619	\$	12,566
RevPAR	\$	169.21	\$	284.28	\$	248.76	\$	229.52

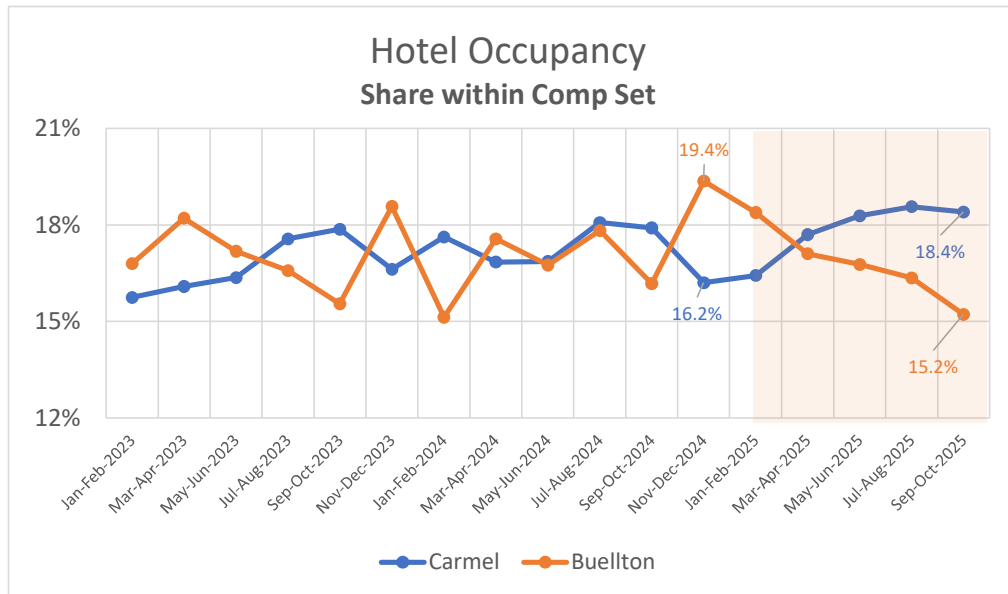
-8%



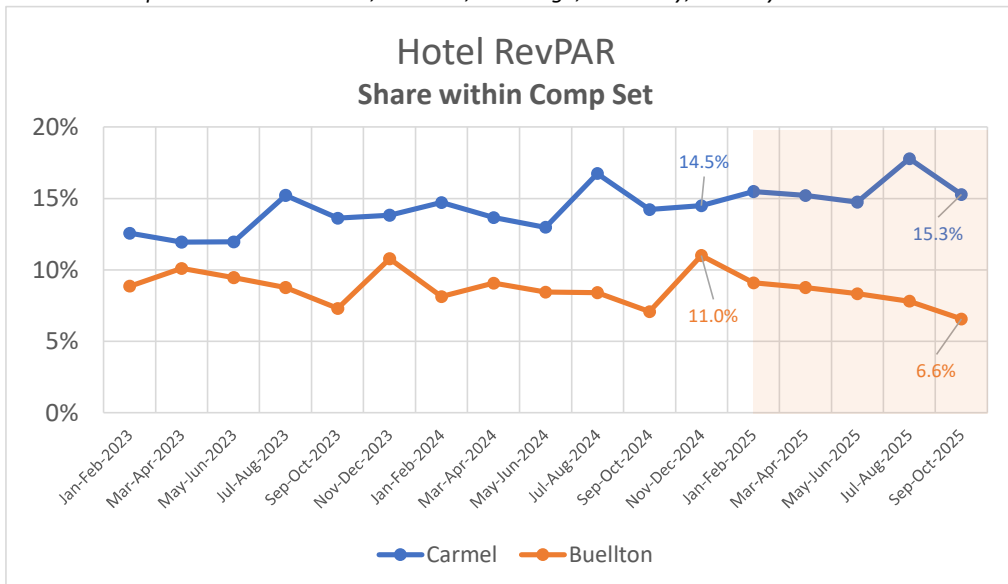
This slide isolates tax policy by comparing diverging tax rates in the same coastal market.

While the City of Half Moon Bay experienced a steep decline in RevPAR and TOT per room after raising its tax rate, the Cypress Inn, taxed at a stable county rate, increased both RevPAR and TOT production per room in FY 2024. That divergence shows demand did not leave the coast; it shifted toward the lower-taxed, more price-competitive jurisdiction.

Higher Hotel Taxes Coincided With Lower Occupancy in Buellton and Declining RevPAR Share



Comp Set includes: Carmel, Buellton, Callistoga, Monterey, SLO City and Yountville



Comp Set includes: Carmel, Buellton, Callistoga, Monterey, Santa Barbara, SLO City and Yountville

The data shows a clear divergence in performance between Buellton and Carmel following Buellton's TOT increase from 12% to 14% in February 2025. Within the competitive set, Buellton's occupancy share declined steadily through 2025, falling from a peak of about 19.4% in late 2024 to roughly 15.2% by September–October 2025. This decline is consistent with the downward pressure higher hotel taxes place on demand.

Carmel, which maintained a steady 10% TOT, did not experience the same level of demand erosion. Its occupancy share remained comparatively stable and slightly improved relative to the comp set, reaching approximately 18.4% by late 2025. The contrast suggests that avoiding additional tax pressure helped Carmel preserve demand, rather than higher taxes stimulating improved performance.

The impact is more pronounced in RevPAR share, which reflects both rate and occupancy. Buellton's RevPAR share fell sharply from about 11.0% in late 2024 to just 6.6% by fall 2025, indicating a substantial loss of market revenue. Over the same period, Carmel's RevPAR share held firm and rose to approximately 15.3%, reinforcing the conclusion that higher TOT rates reduce competitiveness and revenue capture in price-sensitive leisure markets.