



CITY OF CARMEL-BY-THE-SEA

DISCUSS PRIMARY ARGUMENTS IN FAVOR OF BALLOT MEASURES FOR TRANSIENT OCCUPANCY TAX (TOT) AND TRANSACTIONS AND USE (SALES) TAX AND APPROVE PRIMARY ARGUMENTS OR PROVIDE OTHER DIRECTION

City Council Regular Meeting

July 7, 2026



Background

This Agenda item is based on the direction from the City Council at its meeting on June 2, 2026 to discuss and consider on July 7, 2026 approving the Primary Argument in favor of the ballot measure for the Transient Occupancy Tax (TOT) ballot measure and the Transactions and Use (Sales) Tax ballot measure



Section 10 a i of Resolutions on TOT 2026-042 and TUT (Sales) 2026-043

- i. 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).



TOT Ballot Question

To upgrade streets/sidewalks, address beach erosion, enhance wildfire preparedness, maintain City trees, and fund other general government purposes in City of Carmel-by-the-Sea, shall the measure establishing a new 2% transient occupancy tax, paid by 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 \$11,700,000 annually, until ended by voters, be adopted?



Draft Primary Argument in Support of TOT Ballot Measure – Attachment 3

Your approval of Measure X would ask visitors staying in hotels and other overnight accommodations to contribute a little more to help improve our village. Transient Occupancy Tax (TOT) is paid entirely by overnight lodging guests. Carmel's TOT rate has remained at 10% for 28 years, and is well below neighboring cities and other comparable destination communities, which have TOT rates ranging from 12-15%, as shown below:

- Half Moon Bay – 15%
- Malibu – 15%
- Sausalito – 14%
- Marina – 14%
- Healdsburg – 14%
- St Helena – 13%
- Calistoga – 13%
- Sonoma – 13%
- Yountville – 13%
- Pacific Grove – 12%
- Monterey – 12%



Draft Primary Argument in Support of TOT Ballot Measure – continued

Carmel-by-the-Sea remains at 10%.

Measure X would increase Carmel's TOT to 12%, bringing us more in line with neighboring communities and generating approximately \$1.9 million in annual revenue for the city. This would add just \$5 to a \$250 hotel room.

Visitors support local businesses, and related taxes help fund our city government, but tourism creates impacts for our residents.

Our city's infrastructure is also heavily impacted. It is old, deteriorating, under constant stress, and in need of immediate repair. The current City Council estimates the cost to address this deferred maintenance in streets, sidewalks, facilities, stormwater management, beach hardening, and erosion control at over \$100 million. Addressing this problem is important and urgent.



Draft Primary Argument in Support of TOT Ballot Measure – continued

Before asking voters for this additional revenue, the current City Council made difficult decisions to limit operational spending, reallocating millions of dollars toward rehabilitating our aging infrastructure. But those efforts alone are not enough. We simply need more revenue to address these critical infrastructure needs and other city needs. Asking overnight lodging guests to contribute a little more will help.

Please join us by voting YES on measure X.

A little more from visitors. A lot more for Carmel.



TUT (Sales) Ballot Question

To upgrade streets/sidewalks, address beach erosion, enhance wildfire preparedness, maintain City trees, and fund other general government purposes in City of Carmel-by-the-Sea, shall the measure increasing the transaction and use tax (also known as sales tax) by 0.375%, from 1.50% to 1.875%, providing approximately \$1,800,000 annually in additional revenue and approximately \$9,400,000 annually in total revenue, and extending the total 1.875% tax until ended by voters, with independent audits and all funds benefitting Carmel-by-the-Sea, be adopted?



Draft Argument in Support of TUT Ballot Measure (Attachment 4)

Measure Y presents Carmel voters with an important choice: keep local sales tax revenue in Carmel or risk having Monterey County or another regional agency claim it instead.

The total sales tax in Carmel-by-the-Sea is 9.25%, but only a fraction comes to the city. State law has long capped the locally controlled portion of the sales tax rate, but Carmel now has an opportunity to increase its 1.50% local share by 0.375%, to 1.875%. Because this recently identified 0.375% is also available to other government entities, Measure Y presents a "use it or lose it" opportunity. If Carmel does not act first, Monterey County or another regional agency could permanently divert these locally generated tax dollars away from Carmel.



Draft Argument in Support of TUT Ballot Measure - Continued

In a tourist destination like ours, a substantial portion of sales tax is paid by visitors shopping and dining locally. Approving Measure Y would ask them to contribute a little more to help improve our village. It would add just 19 cents to a \$50 restaurant bill while generating approximately \$1.9 million in annual revenue for the city. Most food purchased in grocery stores is exempt.

Approving Measure Y would help fund long-overdue investments in critical infrastructure. Our infrastructure is old, deteriorating, and in need of immediate repair. The City Council estimates the cost to address this deferred maintenance in streets, sidewalks, facilities, stormwater management, beach hardening, and erosion control at over \$100 million. Addressing this challenge is urgent.



Draft Argument in Support of TUT Ballot Measure - Continued

Before asking voters for this additional revenue, the City Council made difficult choices to limit operational spending, reallocating millions of dollars toward rehabilitating our aging infrastructure. But those efforts alone are not enough. We simply need more revenue to address these critical infrastructure needs and other city needs.

Please join us in voting YES on Measure Y.

Keep these dollars in Carmel.

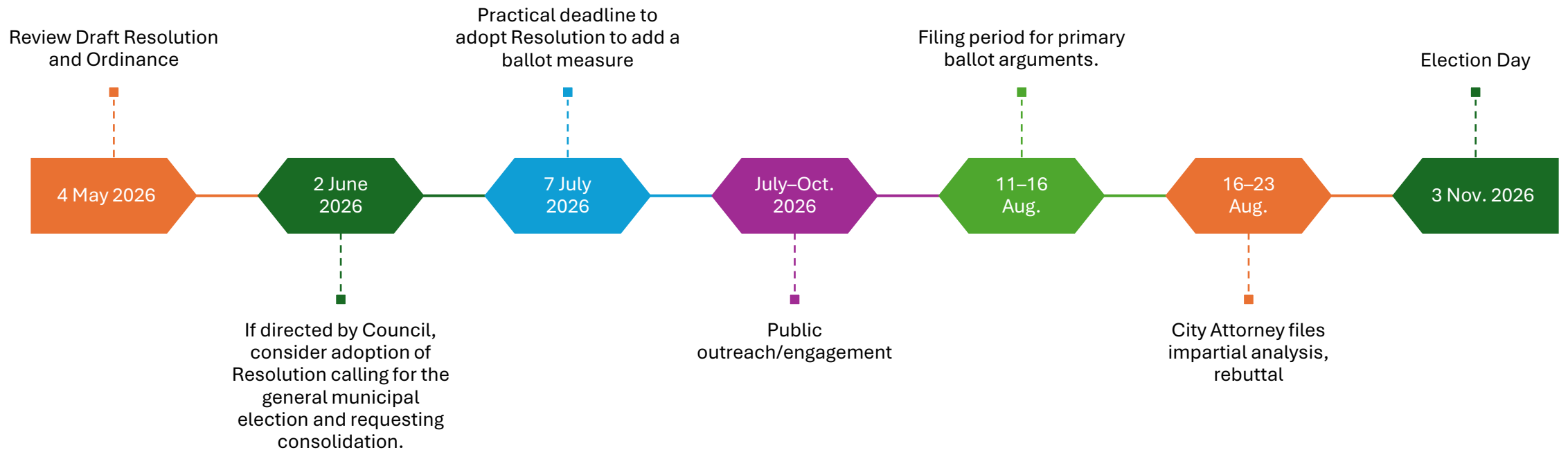


Deadline to Submit Arguments

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



Election Timeline





Recommendations

1. Motion to approve Primary Argument in Favor of TOT Ballot Measure and authorize the City Administrator to revise the Primary Argument if necessary to comply with any requirements of the Monterey County Elections Department in consultation with Mayor Pro Tem Robert Delves and Councilmember Hans Buder.
2. Motion to approve Primary Argument in Favor of TUT (Sales)Tax Ballot Measure and authorize the City Administrator to revise the Primary Argument if necessary to comply with any requirements of the Monterey County Elections Department in consultation with Mayor Pro Tem Robert Delves and Councilmember Hans Buder.



End of Presentation

Questions?