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DATE: JANUARY 23, 2018

TO: HONORABLE BOARD OF SUPERVISORS

FROM: SHARI L. SCHAPMIRE, TREASURER-TAX COLLECTOR

**SUBJECT: PROPOSED TRANSIENT OCCUPANCY TAX ON
CAMPGROUNDS AND RECREATIONAL VEHICLE PARKS**

Background

SB 1984, adopted in 1983, provided the authorization for cities and counties to impose Transient Occupancy Tax (TOT) on privately operated campgrounds and RV parks, thereby excluding all public entities. However, the tax could only be levied in the event of a successful ballot measure. The Board of Supervisors contemplated pursuing a ballot measure in both 1993 and 2009; in both instances, the Board did not move forward with the approval of a ballot measure. Based on discussions at the time, it was determined there were adverse economic impacts to private campgrounds and RV parks as their direct competitors were exempt from the imposition of this tax. Most particularly, in 2009, it was determined the imposition of this tax may impact the homeless population; this was a real concern at that time due to the economic meltdown.

With the continual development of more and more online rental platforms over the past decade, greater efforts are required to ensure compliance with local ordinances. Since 2015, dedicated staffing has been utilized to pursue the enforcement and collection of tax revenue derived from non-compliant short-term rental operations. Short-term rentals at campgrounds and RV parks have become more elaborate and popular; the rental rates continue to increase as demand surges.

Enforcement Projects

Project One

The first project encompassed an extensive review of short-term rentals that utilized the Vacation Rentals by Owner (VRBO) platform; this project was completed solely in-house and was extremely labor intensive. Beginning in May 2015, staff located 291 possible unregistered short-term rentals, 59 were further identified as being non-compliant: all 59 have been brought into full compliance with a total of \$389,859 collected to date - \$146,643 originally, with recurring revenue of \$243,216 from July 2015 through September 2017.

Project Two

The second project addressed other online platforms for short-term rentals, such as Airbnb and Flipkey, where the location of the rental property and operator name was obscured on the web. To assist with the project the County contracted with Host Compliance to obtain screen shots,

records, location information or other general information that allowed staff to further locate non-compliant operators. Beginning in March 2017, staff reviewed 815 listings and located 130 unregistered properties; to date, 97 have been brought into full compliance, with \$203,228 collected (payment in full or the initiation of a payment plan). At this time, the estimated recurring revenue from this project is approximately \$200,000 - \$250,000 annually.

Project Three

During the enforcement projects, private campgrounds were recognized as operating short-term rentals; however, the current TOT ordinance did not address many of the rental activities conducted by these operators. In April 2017, it was determined staff could move forward pursuing enforcement on campground cabins or structures, but not on tent sites and RV sites. As of June 2017, staff has located 126 campground cabins or structures and collected \$87,654 to date.

Research on Campgrounds & RV Sites

On May 15, 2017, the Board of Supervisors directed the Treasurer-Tax Collector to pursue a ballot measure to collect TOT from private campgrounds. It has been determined there are 27 private campgrounds which include a total of 354 tent sites and 1,110 RV sites (dual use). These figures do not include the current cabins or structures in private campgrounds which are already being enforced through the existing TOT ordinance (Project Three above). The average nightly rate for a tent site is \$45.14 and a RV site is \$47.36.

To calculate the possible TOT revenue, occupancy rates were examined and estimated at 67% occupancy during the year, and then further reduced by 50% for tent sites to account for the peak seasons typically running from April through October. This figure was further adjusted, based off past experience, to account for non-compliance and other factors. It is estimated TOT revenue derived from tents and RV sites would increase annual revenue by \$1,000,000. Clearly, this opportunity would be extremely beneficial for the County.

Recommended Action/Motion

Adopt Resolution to present to the voters of the County a measure adopting the Ordinance amending Mendocino County Code Chapter 5.20 for collection of Transient Occupancy Tax on private campgrounds and recreational vehicle parks at the June 5, 2018 general election; introduce and waive reading of the Ordinance; and authorize Chair to sign same.

Business Improvement District (BID) Assessment Ordinance Modification

In the event the Board does move forward with the recommended action, the Treasurer-Tax Collector will work in conjunction with the Department of Planning and Building Services to bring an item to the Board to modify the existing language contained in the BID ordinance to also include campgrounds and RV parks. If the ballot measure is successful, efforts will be made to coordinate the effective date.