



Date April 16, 2020

To The Mendocino County Board of Supervisors

From Lodging Operators COVID-19 Response Team

**Subject COVID-19 Requested Action**

#### REQUESTED ACTION

That the Mendocino County Board of Supervisors by Motion adopt the COVID-19 Transient Occupancy Tax Plan as proposed by the Lodging Operators COVID-19 Response Team.

#### RECOMMENDED PLAN

- 1 That the County of Mendocino follow the lead of the City of Fort Bragg and other destinations across the State to temporarily suspend the penalties and interest on late payments of Transient Occupancy Tax (TOT) and Business Improvement District (BID) until the end of the fiscal quarter following the County's release of the Shelter in Place Order's mandated closing of lodging to leisure travel.

For example, if the Closure of Lodging was lifted in May, no penalties or interest would accrue for late TOT and BID payments for fiscal Q3 and Q4 until the July-September 2020 quarter.

- 2 That the Tax Collector:
  - a. allow for partial payments of the TOT and BID until the final due date in order to maintain TOT funds coming to the County,
  - b. encourage and allow lodging properties to pay their TOT as soon as possible to ensure that the County is able to provide emergency services during the COVID-19 pandemic and
  - c. require that lodging properties file their TOT and BID forms by April 30, with or without payment in order to qualify for a penalty waiver
- 3 That the County Health Officer provide an estimated timeline as to when non-essential tourism employees might be allowed to return to work to prepare the properties for re-opening, as well as when the ban on leisure travel might be lifted.
- 4 That we Lodging Representatives are assigned a County liaison, either staff or Supervisor(s), to ensure that leisure travel be reinstated safely.

## BACKGROUND

As lodging owners, our first commitment is to the welfare of our community.

**We seek to partner with the County to find solutions that keep our citizens safe and address the economic needs of both the tourism industry and the County as a whole.**

We provide this detail of the situation common to almost all lodging owners so that you may understand our financial positions as of one of the County's largest industries and contributors to the General Fund.

Like many businesses, we are closed with little to no revenue. Customers make deposits or even pre-pay in-full at the time of booking for their future reservations, which is unique to the lodging industry.

As guests cancelled their travel plans due to Covid-19, processing refunds quickly drained reserves. In some cases refunds stopped. We now "borrow from the future" as we issue gift certificates as pre-paid accounts rather than offer refunds. Some properties have promised future refunds to guests after they are able to re-open creating a further threat to future liquidity. **All told, based on last year's BID revenues this outlay could amount to as much as \$30,850,000.**

With little to no remaining cash reserves, we are forced to balance paying our current bills and taxes (including TOT, BID, and property tax) against mandatory payments such as liability insurance, while maintaining sufficient funds to reopen when the time comes. It is especially difficult because we are unsure how long we will have to stay closed and afloat.

In other words, we have to remain liquid enough to survive while at the same time decide which bills to pay while under Shelter in Place orders so that we do not dig deep holes accumulating penalties, fees, and loans that become impossible to climb out of once things being to normalize.

Funding from Federal loans is uncertain, too slow in coming, or restricted as to their usage. At the time of this writing approved Federal small business relief funds have been exhausted.

Simply put, the vast majority of Mendocino County lodging properties no longer have the resources to make TOT and BID payments at this time. The decision the Board of Supervisors needs to make is whether or not to take punitive action when the taxes are not paid.

## DISCUSSION

While everyone on the planet is impacted by COVID-19, from an economic perspective the tourism industry suffers more damage than most.

**As tourism accounts for 6,984 jobs and \$482.2 million in travel-related spending** in the County, a coordinated plan for the resiliency and ongoing survival of the local lodging community is in the best interest of both Mendocino County citizens and government.

We hope to embark on a process together whereby we work to reopen tourism in our community in a thoughtful and viable way.

As leisure travel opens up our community to potential COVID-19 infection, it is imperative that lodging properties take responsibility for developing protocols that protect our employees, our guests and all residents of Mendocino County. **We ask to work with the County towards this common goal.**

A strong and mutually beneficial partnership between lodging and the County is essential in order for the community to rebuild into a vibrant economy. Our interests are aligned, and we seek your partnership in these efforts.

**We will have many vacant and bank-owned properties in the community if lodging fails.**

Visit California predicts this pandemic to be *nine times* more economically devastating than the September 11 terrorists' attacks – **failed properties could sit unoccupied for years to come.** Our businesses, livelihoods, and the jobs of our thousands of employees remain in peril. Permanent job loss will add to the decimation of the community if the businesses fail.

If we succeed in this partnership, jobs will come back, business has the opportunity to thrive once again, and the County will be in much better shape in both the medium and long-term.

We look forward to working together to rebuild the community we all cherish and to build toward better days for all.

Thank you for your time and attention to this critical issue.

Respectfully,

**John Dixon**, Glendeven inn & Lodge and The Inn at the Cobbler's Walk Mendocino

**Cally Dym**, Little River Inn

**Jon Glidewell**, Beachcomber Hotel Group

**Jitu Ishwar**, Holiday Inn Express, Marriott's Fairfield Inn & Suites, and Super 8 Ukiah

**Marcus Magdaleno**, Boonville Hotel

**Samir Tuma**, Inn at the Schoolhouse Creek and Cottages at Little River Cove