

BUDGET AND FINANCE COMMITTEE REPORT relative to potential ballot measures, options and proposals for the June and November 2026 elections to increase General Fund Tax revenue.

Recommendations for Council action:

1. APPROVE the following general revenue tax options to Strengthen Fiscal Stability and Preserve Core Services for placement on the June 2, 2026 Primary Nominating Election Ballot:

Tax Measure:	Current Rate:	Rate Increase:	Duration:	Annual Estimated Revenue Impact:
Transient Occupancy Tax (TOT)	13% General Fund 14% Total	4.0% 2.0%	4% until Dec. 2028 2% thereafter and permanent	\$89 million \$45 million
Parking Occupancy Tax (POT)	10%	5.0%	Permanent	\$67 million
Cannabis Business Tax Parity	Various	N/A	Permanent	Approximately \$70 million

2. REQUEST the City Attorney, with the assistance of the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA), to prepare and present the necessary Resolutions and Ordinances for the proposed ballot measures stated above for the June 2, 2026 Primary Nominating Election Ballot, on or before January 28, 2026, for Council adoption by no later than February 11, 2026; and, to include a separate ballot measure to close the TOT loophole regardless of the amount, as follows:

- a. Revise the definitions of tax applicability to explicitly include Online Travel Company (OTC) charges and markups as taxable charges.
- b. Add a requirement that operators disclose all OTCs providing payments.
- c. Add language clarifying the applicability of TOT to certain common fees and charges.
- d. Add language requiring any organized platform or marketplace facilitating short-term rental of property within the City to collect applicable TOT at the time of payment and remit the money collected to the City.
- e. How the City can address enforcement with OTCs, not just with the home-sharing platforms, as many of whom are working with the City in good-faith.

3. INSTRUCT the CAO to engage on-call consultants to study the following four general revenue tax options for consideration as a measure on the November 3, 2026 Ballot, or future ballots:

- a. Major Event Tax
- b. Shared Ride Tax
- c. Vacancy Tax
- d. Retail Delivery Fee

4. INSTRUCT the CAO to identify funding up to \$100,000 per study for each of the tax and fee revenue options selected by the Council for further consideration, excluding any options selected for the June 2, 2026 Ballot.

5. INSTRUCT the CLA and Office of Finance, with assistance from the Department of City Planning (DCP), to provide an update to the next scheduled Budget and Finance Committee and Planning and Land Use Management (PLUM) Committee on the status of the pending Vacation Rental

Ordinance [Council file No. (CF) 18-1246], including options to increase the citywide cap on vacation rentals, changing the geographic unit subject to concentration caps from Census tracts to community plan areas and increase said cap, increasing the maximum number of days per calendar year a vacation rental may be rented, and implementing a vacation rental application fee to fund enforcement activities.

6. STRIKE Recommendation No. 7 contained in said CAO report relative to rescinding the Council action of July 30, 2025, CF 22-0392-S1, which requests the City Attorney to prepare and present an ordinance to amend Ordinance No. 188699 relative to the establishment of a Transportation Communications Network (TCN) Revenue Fund, that would allocate 75 percent of TCN Revenue by Council District based on the percentage of total area (square feet) of operational digital displays located within each Council District, and 25 percent for citywide purposes.

Fiscal Impact Statement: The CAO reports that there is no immediate fiscal impact on the General Fund as a result of the recommendations in the report; however, recommendations identify potential future actions that may require additional appropriations through interim budget actions subject to Mayor and Council approval.

Financial Policies Statement: The CAO reports that the recommendations in the report comply with the City's Financial Policies in that the report is for informational purposes only and does not commit the City to any future expenditure of funds without further legislative action.

Community Impact Statement: None submitted

SUMMARY

At its meeting held on January 20, 2026, your Budget and Finance Committee considered the Office of Finance report, dated November 6, 2025, and CAO report, dated January 15, 2026, relative to general revenue tax options to strengthen fiscal stability and preserve core services for placement on the June 2, 2026 Primary Nominating Election Ballot and the November 3, 2026 General Municipal Election. The Office of Finance report details the proposed three phases for the potential ballot measures for the June and November 2026 Elections, which include increases to the Sales [Transaction and Use (TUT)] Tax, Transient Occupancy Tax (TOT) for hotels, with a new users' tax on ticket purchases for the 2028 Olympic and Paralympic Games events; Parking Occupancy Tax, and Cannabis Business Tax Parity on unlicensed cannabis businesses. Other proposed ballot measures for the November 2026 Election, or for future ballots, include new taxes on major events, transportation network companies and shared rides, vacant properties; and, a flat fee on the delivery of retail goods. The CAO report details the proposed rate increases, duration, and annual estimated revenue impact associated with the potential ballot measures, as well as other departmental and policy-driven revenue alternatives as additional revenue-generating and preservation opportunities.

The CAO and Office of Finance representatives presented on the proposed revenue options to protect and invest in City services, and discussed the proposed ballot measures that can be considered for the June 2, 2026 Primary Nominating Election Ballot, should the Council adopt the respective Ordinances and Resolutions by February 11, 2026. Items that can be considered include a Sales (TUT) Tax increase from 9.75 to 10.25 percent; a TOT increase for hotels from 14 to 16 percent, and 18 percent for mega events through 2028; parking tax from 10 to 15 percent; and, a cannabis business tax parity measure to extend to unlicensed cannabis businesses. Items that would require further study include the major event tax of six percent on tickets for events with more than 5,000 attendees; a shared ride fare tax; a vacancy tax on vacant properties, and, a retail delivery flat fee of \$1 on delivered goods. The Committee and CAO representatives also discussed policy issues that are within the Council's jurisdiction, which includes a Vacation Rental Ordinance update to increase the cap on each category of vacation rentals pending consideration by the PLUM Committee; and, to rescind the Council action of July 30, 2025 on CF 22-0392-S1 relative to the establishment of the TCN Fund, to update the distribution of digital billboard revenue.

Councilmember Hutt introduced a Motion, seconded by Councilmember McOsker, to amend Recommendation No. 3 contained in said CAO report to instruct the CLA and the Office of Finance, with the assistance of the DCP, to provide an update to the next scheduled Budget and Finance Committee and PLUM Committee on the status of the pending Vacation Rental Ordinance, including options as detailed in Recommendation No. 5 above.

The Committee discussed and voted separately on each proposed ballot tax measure and the recommendations contained in said CAO report for the June 2026 Primary Election. The proposed TOT increase, with additional recommendations for a separate ballot measure to close the TOT loophole as detailed in Recommendation No. 2 above; the POT increase, Cannabis Business Tax Parity for unlicensed cannabis businesses, and Councilmember Hutt's amendment reflected in Recommendation No. 5 above, were approved for the June 2026 Election by majority votes of the Committee. The proposed Sales (TUT) Tax increase was not recommended to move forward as a ballot measure for the June or November 2026 Elections. After the discussion and separate votes, and having provided an opportunity for public comment, the Committee recommended approval of the item as amended, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
YAROSLAVSKY:	YES
BLUMENFIELD:	ABSENT
HUTT:	YES
McOSKER:	YES
HERNANDEZ:	YES

AXB
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-NOT OFFICIAL UNTIL COUNCIL ACTS-