

Harbor to receive ‘hotel tax’ shortly

February 14, 2020



Two years after the transient occupancy tax, also known as Measure C or the “hotel tax,” passed, the Crescent City Harbor should finally see some of the funds.

The harbor commissioners approved the memorandum of understanding regarding the tax at its meeting Feb. 4.

The measure, which originally passed by a simple majority in 2018, allows for a 2% increase on a tax for staying in a hotel or other lodging for less than 30 days, bringing the tax from 8% to 10%. It also added a 2% tax to rented spaces in recreational vehicle parks.

Multiple lawsuits followed the passing of the tax, arguing that a special tax imposed by local government required a two-thirds majority to pass. Measure C passed with 55% approval.

However, others argued that since the measure was a voter initiative, it needed only a simple majority. In the end, the latter opinion triumphed. Meanwhile, the tax agreement has passed back and forth from the county to the harbor for amendments.

The funds accrued from the increase are set to go to the harbor for two purposes. The first is to pay off the U.S. Department of Agriculture's (USDA) disaster loan, which the harbor received following the 2006 and 2011 tsunamis. The second purpose is for funding harbor repairs and maintenance with a publicly-approved harbor facilities plan.

Since the harbor cannot tax residents itself, it needed assistance from Del Norte County to receive funds from the TOT. After months of both parties amending the agreement, the harbor has approved the terms. Once the county approves the MOU, the harbor can finally receive the funds.

"At some point, we have to acknowledge that this is a partnership with the county because we need the county," harbor district legal counsel Autumn Luna said at a Jan. 21 meeting.

One of the agreement's requirements is that the harbor must first use the funds to pay off the USDA disaster loan before using them for repairs or maintenance. The MOU states the county will ensure the funds are spent for the purposes dictated by Measure C. Luna said that as much as the harbor would like to have 100% control over the funds, this was one of the county's non-negotiable points.

"We think that the way this worked out is you still have a lot of control, just not 100%. Because some of this tax could be used for other than that purpose, they want to have some oversight," Luna said. "I think they've been pretty generous in recognizing and responding to our concerns."

Some commissioners also noted at the Jan. 21 meeting that the harbor likely would not be able to draw on the funds for anything other than the loan for roughly 25 years, so worrying about approval of the funds for maintenance projects and the like is not an immediate concern.

Once the county approves the MOU, the funds from the tax will be collected by the county and then deposited into a special account for the harbor established by the auditor.