



ITEM NO. 11
RES 26-054

FY 2026-27

**Board of Supervisors
Tax Measures**

4.14.2026

Presented by:
County Administrative Office
Budget Team

Recommendation

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- **Evaluation of Revenue Measures**
 - Property Transfer Tax initiative to support workforce and missing middle housing
 - Transient Occupancy Tax Increase
- **Authorization of Consultant Services**
 - Approval sought for \$83,500 contingency funds to support polling and strategic guidance for revenue measures feasibility.
- **Implementation and Feasibility Planning**
 - Board directs staff to provide detailed feasibility findings and timelines after completion of polling and strategic assessments.

Property Tax Measure Discussion

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- **Tax Threshold Impact**
 - Lowering the tax threshold from \$10M to \$5M increases taxable transactions and doubles sales volume.
- **Market Behavior Responses**
 - High-value sellers may delay sales or shift outside jurisdictions due to transfer taxes.
- **Policy Considerations**
 - Fairness, public perception, and exemptions for agriculture and nonprofits are key policy issues.
- **Revenue Stability and Risks**
 - Expanding the tax base may stabilize revenue but risks volatility and underperformance remain.



Tax Threshold Impact Historical

Category	\$5M+ Properties	\$10M+ Properties
3-Year Transaction Count (2023–2025)	108	30
Average Annual Transactions	36	10
2023 Total Sales Volume	\$302.5M	\$175.5M
2024 Total Sales Volume	\$407.8M	\$192.4M
2025 Total Sales Volume	\$343.9M	\$155.6M
3-Year Combined Sales Volume	\$1,054M	\$523.5M
Average Annual Sales Volume	\$351.4M	\$174.5M

Tax Threshold Impact Revenue Projections



Tax Rate	\$5M+ Properties	\$10M+ Properties
0.50%	1,756,937	872,642
1%	3,513,874	1,745,283
2%	7,027,749	3,490,567
3%	10,541,623	5,235,850
4%	14,055,498	6,981,133
5%	17,569,372	8,726,417

Property Transfer Tax Policy Considerations



- **Benefits and Risk of Lower Threshold**
 - Lowering the tax threshold to \$5 million expands the taxable base and increases revenue, stabilizing community funding.
 - Case studies suggests Housing Market Sales decline
- **Voter Perception and Risks**
 - Voters may support targeting high-value real estate, but broader inclusion risks opposition and fairness concerns.
- **Measure Structure Guidance**
 - The measure may exempt agricultural and nonprofit properties and include a value escalator for housing appreciation.

General Fund Revenue increase

Transient Occupancy Tax

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Each 1% Increase is
approx. \$3.8M



Jurisdiction	TOT Rate (%)
Monterey County Unincorporated	10.50%
City of Monterey	12.00%
City of Marina	14.00%
City of Pacific Grove	12.00%
City of Seaside	12.00%
City of Carmel-by-the-Sea	10.00%
City of Salinas	7.00%
City of Watsonville	12.00%
City of Santa Cruz (hotels/motels)	12.00%
City of Santa Cruz (residential STRs)	14.00%
Santa Cruz County (hotels/motels)	12.00%
Santa Cruz County (Vacation Rentals)	14.00%

GENERAL FUND 3-YEAR FORECAST

ITEM	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Revenue	924,298,912	941,054,960	966,136,617
Expenditure	1,043,174,381	1,084,356,488	1,128,140,177
PROJECTED SHORTFALL	(118,875,469)	(143,301,528)	(162,003,560)
Remove Vacant Positions	78,264,295	81,445,357	85,095,540
SHORTFALL LESS VACANCIES	(40,611,174)	(61,856,171)	(76,908,020)

Consultant Support for Revenue Measures

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Property Transfer Tax Transient Occupancy



- **Public Opinion Polling**
 - **Initial Support of tax measures**
 - Property Transfer Tax
 - Interest in Supporting Workforce and Missing Middle Income Housing
 - \$10M versus \$5M
 - Special Tax versus General Tax Options
 - Polling by EMC Research will gather public feedback to guide decision-making
- **Community Education, Strategic, and Political Assessment**
 - Engagement with stakeholders to understand political landscape and community views.
 - Fiscal and Economic Modeling
 - Strategic advancement options

Next Steps to Prepare for Tax Measures

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1. Feasibility & Policy Analysis

- Assess legal, financial, and operational feasibility
- Ensure alignment with County policy goals

2. Tax Structures & Ballot Options

- Draft potential structures and rate scenarios
- Prepare alternative ballot language

3. Fiscal & Economic Modeling

- Project revenues under varying market conditions
- Analyze potential behavioral and market impacts

4. Community & Stakeholder Engagement

- Gather input from residents, businesses, and key stakeholders
- Refine proposal and build support

5. Board Review & Recommendations

- Present findings, proposed structures, and stakeholder feedback
- Recommend next steps toward ballot placement

Recommendation

- **Direction on Revenue Measures**
 - Property Transfer Tax
 - Transient Occupancy Tax
- **Authorization of Initial Funding Support**
 - Approval sought for \$83,500 contingency funds to support polling and strategic guidance for revenue measures feasibility.
- **Develop and Return to the Board the following:**
 - Polling Data and synthesis
 - Feasibility analysis both tax measures
 - Implementation Timeline
 - Options for consideration



QUESTIONS/COMMENTS

