PROPOSED ORDINANCE 545

AN ORDINANCE OF THE CITY OF SOLANA BEACH, CALIFORNIA, AMENDING CHAPTER 3.36 OF TITLE 3 OF THE SOLANA BEACH MUNICIPAL CODE TO UPDATE THE CITY'S TRANSIENT OCCUPANCY (HOTEL) TAX AND TO INCREASE THE TRANSIENT OCCUPANCY TAX RATE FROM 13% TO 14%

WHEREAS, Solana Beach's local economy is based in strong part on visitors and tourism and ensuring that visitors who stay in local hotels and short-term lodging contribute towards addressing the impacts of tourism, is a responsible long-term approach for the City and community's fiscal stability and quality of life; and

WHEREAS, the City cannot depend on the State or Federal Government to take care of local needs and a stable source of locally controlled funding can help to provide essential services for residents and local businesses; and

WHEREAS, the City of Solana Beach ("City") imposes, upon guests of hotels, motels, inns, tourist homes, and other temporary transient accommodations, a transient occupancy tax of 13% of the rent charged by an operator of such accommodations pursuant to Chapter 3.36 of Title 3 of the Solana Beach Municipal Code ("TOT") wherein the revenue are spent as follows:

A. TOT revenue collected pursuant to Solana Beach Municipal Code ("SBMC") Section 3.36.010(A) is used for general governmental purposes.

B. TOT revenue collected pursuant to SBMC Sections 3.36.010(B), 3.36.010(C), and 3.36.010(D) is used for the purposes described in SBMC Section 3.36.015(B); and

WHEREAS, this Ordinance increases the TOT tax rate by 1% and provides that this 1% increase is a general tax in which the revenue is to be used for general governmental purposes; and

WHEREAS, this Ordinance updates and modernizes the TOT Ordinance; and

WHEREAS, the TOT is only paid by transient guests who stay in local lodging facilities, and ensures tourists pay their fair share to use and benefit from the City's services and amenities during their stay; and

WHEREAS, TOT revenues remain in the City, are controlled by the City, and are used for unrestricted general municipal purposes; and

WHEREAS, this measure will provide funding to address community identified priorities such as preventing trash from entering local beaches and lagoons, keeping beaches, parks, and trails safe clean, and well-maintained, keeping public restrooms well-maintained and clean, maintaining lifeguards at local beaches and upgrading life-saving emergency medical equipment and technology.

NOW, THEREFORE, the People of the City of Solana Beach, California, do hereby ordain as follows:

Section 1. **Findings**. The recitals set forth above are true and correct, and incorporated herein as findings by this reference.

Section 2. **New Solana Beach Municipal Code ("SBMC") Section 3.36.010.5**. Section 3.36.010.5 entitled "Transient Occupancy Tax Increase of 2026" is hereby added to Chapter 3.36 of Title 3 of the Solana Beach Municipal Code as follows:

Section 3.36.010.5 Transient Occupancy Tax Increase of 2026.

Beginning on January 1, 2027, for the privilege of occupancy in any hotel, each transient is subject to and shall pay a tax in the amount of one percent of the rent charged by the operator. The tax imposed by this section shall be in addition to the tax imposed by SBMC 3.36.010.

Such tax constitutes a debt owed by the transient to the city, which is extinguished only by payment to the operator of the hotel at the time the rent is paid. If the rent is paid in installments, a proportionate share of the tax shall be paid with each installment. The unpaid tax shall be due upon the transient's ceasing to occupy space in the hotel. If for any reason the tax due is not paid to the operator of the hotel, the city manager may require that such tax shall be paid directly to the city manager.

Section 3. **New Section 3.36.015.5**. A new Section 3.36.030.5 entitled "Utilization of tax revenues from tax imposed by SMBC 3.36.010.5" is hereby added to Chapter 3.36 of Title 3 of the Solana Beach Municipal Code as follows:

Section 3.36.030.5 Utilization of tax revenues from tax imposed by SMBC 3.36.010.5.

All revenues collected pursuant to the transient occupancy tax imposed by the city under SBMC 3.36.010.5 (as adopted by Ordinance No. 545) shall be used for general governmental purposes.

Section 4. **Amendment to SBMC Section 3.36.030(A)**. Section 3.36.030(A) of Chapter 3.36 of Title 3 of the Solana Beach Municipal Code is hereby amended in its entirety as follows:

"Hotel" means any structure or any portion of any structure occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, including any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, short-term vacation rental, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location or other similar structure or portion thereof. “Short-term vacation rental” includes any single-family dwelling, multi-family unit, bedroom of a primary residence, accessory dwelling unit, or junior accessory dwelling unit, which is rented to a transient pursuant to this chapter.

Section 5. **Amendment to SBMC Section 3.36.030(E)**. Section 3.36.030(E) of Chapter 3.36 of Title 3 of the Solana Beach Municipal Code is hereby amended in its entirety as follows:

“Rent” means the consideration charged, whether or not received, for the occupancy of space in a hotel, valued in money, whether to be received in money, goods, labor or otherwise, including all receipts, cash, credits and property and services of any kind or nature, without any deduction therefrom whatsoever. For the purposes of clarity, “rent” includes any cleaning fees, resort fees, parking fees, pet fees, extra guest fees, cancellation charges, WIFI/Internet charges, and any other fees, rates and charges as part of the total “rent” charged. However, any fees, rates and charges not collected directly by the operator, including service, booking and other transaction fees charged by hosting platforms, online travel companies, and third-party booking vendors, are excluded from the definition of “rent” for purposes of this Chapter.

Section 6. **Amendment to SBMC Section 3.36.040**. Section 3.36.040 of Chapter 3.36 of Title 3 of the Solana Beach Municipal Code is hereby amended in its entirety as follows:

Section 3.36.040 Collection of tax.

A. Each operator shall collect the tax imposed by this chapter to the same extent and at the same time as the rent is collected from every transient. The amount of tax shall be separately stated from the amount of rent charged, and each transient shall receive a receipt for payment from the operator. A duplicate receipt shall be kept by the operator. No operator of a hotel shall advertise or state in any manner, whether directly or indirectly, that the tax or any part thereof will be assumed or absorbed by the operator, or that it will be added to the rent, or that, if added, any part will be refunded except in the manner provided in this chapter. If the operator collects the rent but fails to collect the tax for any reason, the operator shall be responsible for paying the tax.

B. For purposes of this Section, if the operator uses a web- or application-based hosting platform, online travel company, or third-party booking vendor that facilitates rentals and payments for hotel rentals, the hosting platform, online travel company, or third-party booking vendor shall be considered an agent of the operator for purposes of collecting and remitting the tax to the City.

Section 7. **Amendment to SBMC Section 3.36.110**. Section 3.36.110 of Chapter 3.36 of Title 3 of the Solana Beach Municipal Code is hereby amended in its entirety as follows:

Section 3.36.110 Records and inspection.

A. It shall be the duty of every operator liable for the collection and payment to the city of any tax imposed by this chapter to keep and preserve, for a period of three years, all records as may be necessary to determine the amount of such tax as he may have been liable for the collection of and payment to the city, which records the city manager shall have the right to inspect at all reasonable times.

B. Pursuant to Government Code Section 50990(b), the provisions of the Short-Term Rental Facilitator Act of 2025 (commencing at California Government Code Section 50990 et seq.) shall be applicable within the City of Solana Beach's jurisdictional boundaries.

Section 8. **Conflicts with Prior Ordinances**. If the provisions in this Ordinance conflict in whole or in part with any other City regulation or ordinance adopted prior to the effective date, the provisions in this Ordinance will control.

Section 9. **Declarative and Clarification of Existing Law**. The People of Solana Beach hereby find and determine that Sections 4 and 5 of this Ordinance are declarative of, and clarify, existing law.

Section 10. **Severability**. If any section, subsection, paragraph, sentence, clause, phrase or term (each a "Provision") in this Ordinance, or any Provision's application to any person or circumstance, is held illegal, invalid or unconstitutional by a court of competent jurisdiction, all other Provisions not held illegal, invalid or unconstitutional, or such Provision's application to other persons or circumstances, shall not be affected. The People of the City of Solana Beach hereby declare that they would have passed this Ordinance, and each Provision therein, whether any one or more Provisions be declared illegal, invalid or unconstitutional.

Section 11. **Council Authority to Amend**. Pursuant to California Elections Code Section 9217, the City Council has the right and authority to amend this Ordinance to further its purposes and intent (including, but not limited to, amendment for more efficient administration as determined by the City Council) in any manner that does not increase a tax rate, or otherwise constitute a tax increase for which voter approval is required by Article XIIIC of the California Constitution.

Section 12. **Effective Date**. Pursuant to California Constitution Article XIIIC, Section (2)(b) and California Elections Code Section 9217, this Ordinance shall be considered adopted on the date that the City Council declares that the voters of the City of Solana Beach have approved the Ordinance by a vote of no less than a majority of the votes cast by the electors voting at the General Municipal Election held on Tuesday, November 3, 2026, and shall go into effect ten (10) days thereafter.

Section 13. **Environmental**. The City finds that the adoption of this Ordinance is not in-and-of-itself a “project” pursuant to the California Environmental Quality Act, Public Resources Code section 21000 et seq., including without limitation California Code of Regulations, Title 14, Sections 15378(b)(4) and 15061(b)(3), as it can be seen with certainty that there is no possibility that the adoption of this Ordinance itself may have a significant effect on the environment. This Ordinance relates to a transient occupancy tax and relates to the creation of City funding mechanisms and City fiscal activities, which does not involve any commitment to any project which may result in a potentially significant physical impact on the environment.

Section 14. **Execution**. The Mayor is hereby authorized to attest to the adoption of this Ordinance by signing where indicated below.

I hereby certify that the foregoing Ordinance was **PASSED, APPROVED and ADOPTED** by the people of the City of Solana Beach voting on the 3rd day of November, 2026.

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Lesa Heebner
Mayor

Attest:

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Angela Ivey
City Clerk