

SC eyes hotel tax increase

Task force searches for 'living wage' funds for city-worker raises

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Living Wage *5 20-00*
SANTA CRUZ — Unsuspecting tourists may be footing the bill for a living-wage ordinance in the works at City Hall.

The Santa Cruz City Council's Living Wage Task Force is hammering out a plan to present to the council later this month. Among the options under consideration is raising the transit occupancy tax, also known as the hotel tax, to finance raises for city workers.

The ordinance would raise the minimum wage for city employees including temporary workers. The task force has asked the city to calculate what it would cost to pay every city employee at least \$13 per hour.

The task force, which comprises Mayor Keith Sugar, Vice Mayor Tim Fitzmaurice and Councilman Michael Hernandez, is considering three funding mechanisms, Hernandez said.

They are:

- Increasing the hotel tax;
- Increasing the real-estate transfer tax;
- Using interest income from the council's trust fund.

Though Hernandez acknowledged he's interested in raising the hotel tax, he said this week, "It's all in the air."

Still, some area business interests are concerned, afraid that raising the room tax would drive away tourists.

A city report estimated implementation of the living-wage ordinance would cost the city \$600,000 to \$1.2 million, depending on the scope of the beneficiaries.

The present hotel tax, 10 percent of the room rate, is the same all over Santa Cruz County, but each city has the prerogative to set its own rate. The current tax rate generated \$3.175 million for the city last year.

The current discussion, according to council members, involves raising the lodging tax to anywhere from 12 percent to 15 percent, which would make it among the highest in California.

Most of California's coastal towns are at 10 percent, according to Maggie Ivy, chief executive officer of the Santa Cruz County Conference & Visitors Council. Only San Francisco and Anaheim have set their hotel taxes at 15 percent.

But Santa Cruz officials need to remember that Santa Cruz isn't San Francisco or Anaheim, said Darrell Darling, owner of the Darling House, a Santa Cruz bed and breakfast.

Those cities are such major tourist destinations that "they can charge virtually whatever the market will bear," Darling said. "Everyone nationwide knows where



Hernandez

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