



City of Sacramento City Council

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Meeting Date: 5/1/2012

Report Type: Staff/Discussion

Title: Sacramento Tourism Marketing District No. 2012-07
Report ID: 2012-00248

Location: Citywide

Recommendation: 1) Conduct a public meeting regarding the proposed formation of a new Sacramento Tourism Marketing District No. 2012-07; **2)** Pass a Resolution of Intention to disestablish the existing Sacramento Tourism Business Improvement District; and **3)** Pass for publication an Ordinance repealing Sacramento City Code Chapter 3.98 disestablishing the Sacramento Tourism Business Improvement District.

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Presenter: Sheri Smith, Program Specialist, (916) 808-7204, Finance Department

Department: Finance

Division: Public Improvement Finance

Dept ID: 06001321

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Boundary Map
- 4-Schedule of Proceedings
- 5-Resolution of Intention to Disestablish
- 6-Ordinance Repealing Sacramento City Code Chapter 3.98

City Attorney Review

Approved as to Form
Jeffrey Heeren
4/19/2012 2:35:47 PM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
4/12/2012 12:42:50 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 4/18/2012 10:36:26 AM

Description/Analysis

Issue:

Currently, Sacramento has a Tourism Business Improvement District (BID) that includes the City, unincorporated County and the City of Isleton. The Sacramento lodging businesses have petitioned to replace this district with a new district in order to reconfigure services and benefit zones as well as to change the method of assessment and increase total revenue. The new district will be formally named the Sacramento Tourism Marketing District 2012-07 (STMD) and the existing BID will be repealed.

Formation of a new Sacramento Tourism Marketing District:

On March 27, 2012, City Council (Council) approved the Resolution of Intention and set May 1 and May 22, 2012 as the dates for the required public meeting and public hearing respectively for the proposed formation of the STMD.

The public meeting is an additional venue, required by state law, for affected business owners to speak in support or opposition of the proposed STMD. The public meeting requires no formal action by City Council.

Disestablishment of Existing BID:

Adoption of the attached Resolution of Intention to Disestablish the BID will set the time and place for the public hearing on disestablishment and authorize staff to mail notices to all business owners within the district as well as to publish the resolution as required. Also required to disestablish the BID is the attached ordinance repealing Sacramento City Code Chapter 3.98. Staff recommends passing this ordinance for publication.

Both the public hearing for the formation of the STMD and the adoption of the ordinance repealing the existing BID are scheduled for May 22. The attached Schedule of Proceedings illustrates this parallel process.

Policy Considerations: Formation of the new STMD and disestablishment of the existing BID will create additional funds to be utilized for marketing and sales promotions with the intent to increase tourism and to market Sacramento lodging businesses as tourist, meeting, and event destinations.

Environmental Considerations:

California Environmental Quality Act: Under CEQA guidelines, initiation of a business improvement district does not constitute a project and is therefore exempt from review.

Sustainability: There are no sustainability considerations applicable to the formation or renewal process and administration of an assessment district.

Commission/Committee Action: On March 20, 2012, The Law and Legislation Committee approved passing an ordinance for Council consideration repealing Sacramento City Code, Chapter 3.98 to disestablish the existing BID.

Rationale for Recommendation: The recommended actions for formation of the STMD are required by Sections 36600 to 36671 of the California Streets and Highways Code, entitled "Property and Business Improvement District Law of 1994" and Government Code section 54954.6 2 of 10

The recommended actions for disestablishment of the BID are required by the California Streets and Highways Code Part 6 (beginning with Section 36550) of Division 18 associated with the disestablishment of a business improvement district and the Sacramento City Code Section 3.98.110.

Financial Considerations: The existing BID has an approximate annual budget of \$2.7 million in district revenues, which will cease upon disestablishment. The new STMD is expected to generate significantly more funds for marketing and promoting the district. Financing for the new STMD will be provided by the levy of assessments upon businesses that benefit from marketing and sales promotions. Lodging businesses will be assessed a rate of one, two, two and one-half, or three percent (1%, 2%, 2.5%, or 3%) of gross short-term (stays fewer than 31 days) room rental revenue for lodging businesses based on benefit zone.

The total STMD assessment budget in the first year of operation is estimated to be \$5.2 million. The City of Sacramento will retain two percent (2%) of the amount of assessment collected from businesses within the City to cover the costs of collection and administration. The operating budget for the STMD, which will fluctuate with market conditions and room night sales, will be adjusted annually to reflect annually-approved Council assessments and expenditure plans. An annual report that sets the assessment will be presented to the City Council pursuant to Streets and Highways Code Section 36650.

Emerging Small Business Development (ESBD): City Council approval of these proceedings is not affected by City policy related to the ESBD Program.



BACKGROUND

Sacramento has had a Tourism Business Improvement District (BID) in place to provide marketing and promotion services for Sacramento lodging establishments since 2000. The Sacramento hotels and lodging establishments petitioned to pursue formation of a new district in order to reconfigure services and benefit zones as well as to change the method of assessment and increase total revenue to promote Sacramento as a destination for tourism, conventions, meetings, and events. The new district will be formally named the Sacramento Tourism Marketing District 2012-07 (STMD) and will replace the existing BID.

Assessment

The existing BID currently assesses a flat, per room, rate that ranges from 20 cents to \$1.50 per night, depending on the establishment's location and size of business. The new STMD will assess businesses from 1% to 3% of gross room revenue depending on their benefit zone. The new percentage-based assessment will provide additional funds to allow for increased capacity for marketing and sales efforts as well as for increased zone specific marketing.

Services

The proposed STMD will be a benefit assessment district formed by the business owners to fund services such as:

- Promotion of Sacramento lodging businesses;
- Marketing efforts that include internet, social media, television ads, printed promotional materials, and others;
- Increased Convention and trade show sales efforts as well as sales blitzes;
- Creation of educational programs for the hospitality industry;
- Targeted zone-specific marketing to support and enhance room night sales; and
- Other activities directly related to increasing tourism and room night sales in Sacramento.

This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights.

Boundaries

The STMD is comprised of approximately 114 businesses in the City and County of Sacramento (County) and includes all lodging businesses located within the boundaries of the the City of Sacramento and unincorporated areas of the County. The Boundaries and zones are shown on the attached Boundary Map.

Governance

The Sacramento Convention and Visitors Bureau (SCVB) will manage the STMD and will create a seven-member tourism district committee to manage district funds and activities. The Tourism District Committee members will concurrently serve as SCVB Board Members.

The City will work closely with the SCVB in the assessment administration of the STMD and will have the following responsibilities:

- Collect assessment payments for lodging establishments located within City limits and post deposits in the City's cashiering system.
- Forward delinquent accounts to the City's collection agent.

The County will collect assessment payments for the lodging establishments located outside of the City.

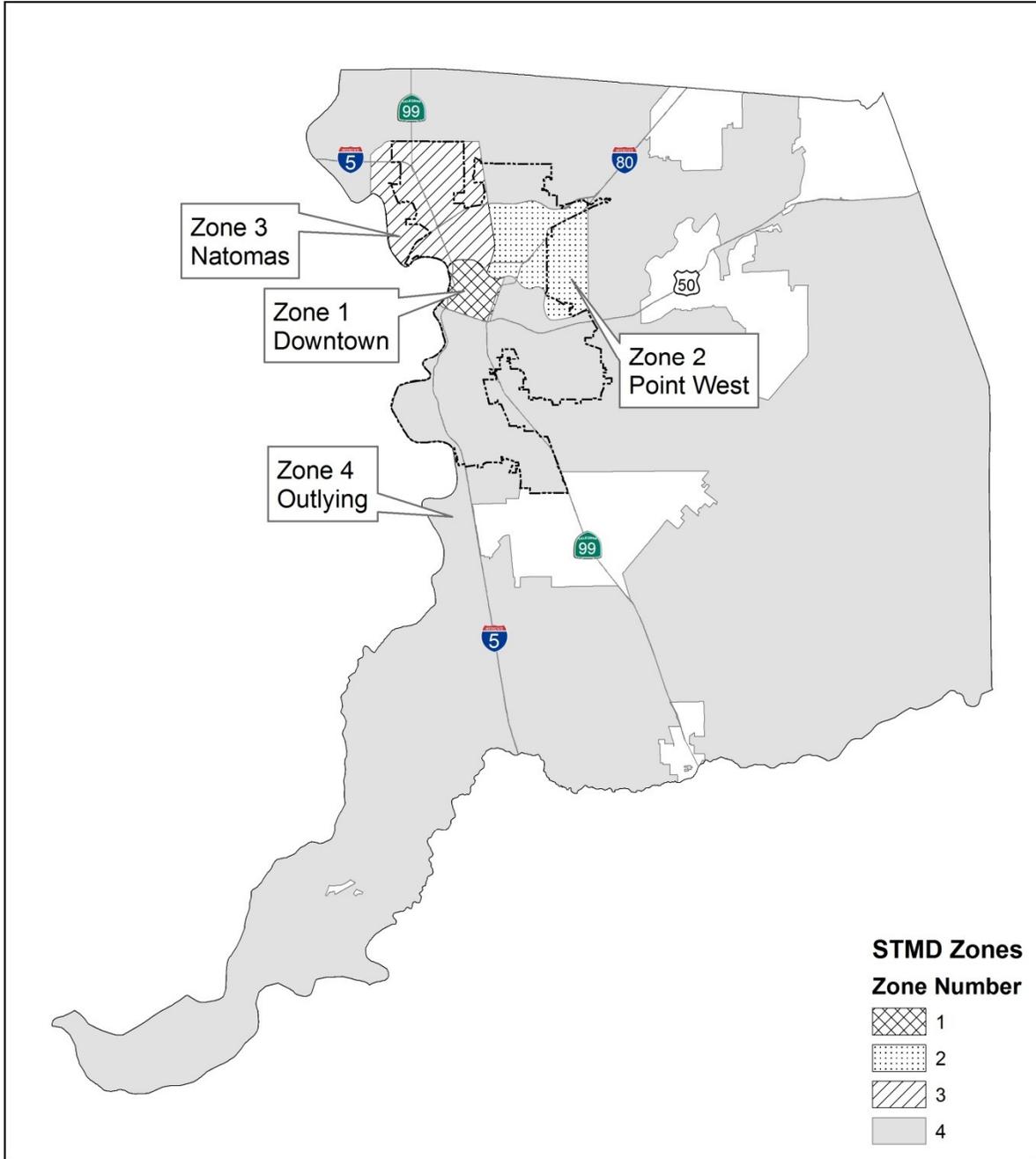
Disestablishment and Formation

The original BID was formed Pursuant to the “Parking and Business Improvement District Area Law of 1989,” Streets and Highways Code Section 36500 and City Code Section 3.98.110. The attached Resolution of Intention to Disestablish the BID will set the time and place for a required public hearing regarding disestablishment. The resolution will be published and mailed as provided by law and the public hearing will be held by the City Council at its regular meeting on May 22, 2012, to disestablish the BID. The attached ordinance repealing Sacramento City Code Chapter 3.98 is also necessary to disestablish the BID.

Business Improvement Districts may be formed pursuant to California’s “Property and Business Improvement District Law of 1994” (PBID Law). The new STMD will be formed pursuant to PBID Law, and the formation process is running concurrently with the disestablishment process, as the new STMD is intended to replace the existing BID.

On March 27, 2012, City Council approved the Resolution of Intention to Establish the STMD and set May 1, 2012 and May 22, 2012, respectively, as the dates for the public meeting and public hearing. The Joint Notice of Public Meeting and Public Hearing was mailed to known business owners in the proposed STMD on March 28, 2012.

Sacramento Tourism Marketing District Boundary Map





**SCHEDULE OF PROCEEDINGS
SACRAMENTO TOURISM MANAGEMENT DISTRICT NO. 2012-07**

March 16, 2012 Petition Drive Kick-off

March 23, 2012 Receive Signed Petitions

March 20, 2012 Law & Legislation Committee – Disestablish Existing District

March 27, 2012 Resolution of Intention to Form – City Council
Resolution Requesting County Consent

March 28, 2012 Mail Notices of Public Meeting and Public Hearing to Form

May 1, 2012	Public Meeting to Form – City Council Resolution of Intent to Disestablish Existing District Pass for Publication – Ordinance to Disestablish
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May 2, 2012 Mail Notices of Intent to Disestablish
Publish Resolution of Intent to Disestablish

May 22, 2012 Public Hearing to Form – City Council
Adopt Ordinance to Disestablish

May 23, 2012 Publish Notice of Disestablishment

June 30, 2012 Existing District is Disestablished

July 1, 2012 STMD 2012-07 Begins Operations



RESOLUTION NO.

Adopted by the Sacramento City Council

RESOLUTION OF INTENTION TO DISESTABLISH THE SACRAMENTO TOURISM BUSINESS IMPROVEMENT DISTRICT

BACKGROUND:

- A. On December 5, 2000, the City Council (“Council”) adopted Ordinance No. 2000-051 establishing the Sacramento Tourism Business Improvement District (“District”) to market and promote tourism in Sacramento.
- B. The Parking and Business Improvement Area Law of 1989 (“89 Law”), Streets and Highways Code Section 36500 et seq., allows the Council to disestablish the District.
- C. On March 27, 2012, Council approved a Resolution of Intention to form the Sacramento Tourism Marketing District 2012-07 (“STMD”) in accordance with the Property and Business Improvement District Law of 1994, (“PBID Law”) Streets and Highways Code Section 36600 et seq. and Sacramento City Code Section 3.92.050.
- D. It is intended that the STMD will reconfigure District services and benefit zones, change the method of assessment, and increase total revenue to promote Sacramento as a destination for tourism, conventions, meetings, and events and will replace the existing District.
- E. The STMD will include the same businesses as the District, excepting the lodging establishments located within the City of Isleton.
- F. State law requires that remaining balances of disestablished districts be returned to payors to the district unless the governing body proposes a plan to credit the remaining funds to the new district. Remaining funds can be passed to the successor district because the new district includes the same territory as the old district, with the exception of the City of Isleton. Businesses in the City of Isleton, however, have not paid into the existing district since December 2004. Any funds that were collected from Isleton businesses have been expended. Therefore, the Council proposes transferring any remaining revenue to the STMD to be used for marketing and promotion efforts that benefit those businesses which paid the assessment.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE COUNCIL RESOLVES AS FOLLOWS:

- Section 1.** The Council finds and determines that the Background Sections A through F, above, are true.
- Section 2.** The Council declares its intention to disestablish the District.
- Section 3.** The Council intends to disestablish the District contingent on the formation of the STMD.
- Section 3.** The Council proposes to pass the District’s remaining funds to the STMD.

Section 4. The time and place for a public hearing on the disestablishment of the District is set for May 22, 2012, at 6:00 p.m. in the City Council chambers, New City Hall, 915 "I" Street (first floor), Sacramento, California. The Council may continue the public hearing from time to time.

Section 5. The Clerk is directed to give notice of the time and place of the public hearing in accordance with Streets and Highways Code Section 36523. The Clerk is to do this by publishing and mailing (or causing to be mailed) the Resolution of Intention in the time, form, and manner stipulated in Streets and Highways Code Section 36523. The Clerk is further directed to file an affidavit with the Council when all notices have been mailed, setting forth the time and manner of her compliance with the requirements of law for mailing the notices.



ORDINANCE NO. 2012-

Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE REPEALING SACRAMENTO CITY CODE CHAPTER 3.98 RELATING TO THE SACRAMENTO TOURISM BUSINESS IMPROVEMENT DISTRICT

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. Authority

This ordinance is adopted pursuant to the "Parking and Business Improvement Area Law of 1989," Streets and Highways Code section 36500 et seq., and Resolution No. 2012-_____, adopted by the City Council on May 1, 2012, entitled "Resolution of the City of Sacramento Declaring Its Intention to Disestablish the Sacramento Tourism Business Improvement District." That resolution was published and mailed as provided by law, and a public hearing was held by the City Council at its regular meeting on May 22, 2012, at which time all persons desiring to be heard and all objections made or filed were fully heard. The City Council duly concluded the hearing on May 22, 2012.

SECTION 2. Area Disestablished and Advisory Board Dissolved

The City Council finds and determines that the public convenience and necessity require disestablishment of the Sacramento Tourism Business Improvement District for the reasons given in Resolution No. 2012-_____. Pursuant to Streets and Highways Code section 36550 et seq., the Sacramento Tourism Business Improvement District is disestablished. The existing Sacramento Tourism Business Improvement Advisory Board is dissolved.

SECTION 3. Repeal

Chapter 3.98 of the Sacramento City Code is repealed.

SECTION 4. Effective Date

This Ordinance shall take effect June 30, 2012.