

Meeting Date: 9/13/2016

Report Type: Consent

Report ID: 2016-00772

Title: Resolution of Intent to Renew Sacramento Tourism Marketing District No. 2016-06

Location: Citywide

Recommendation: Pass 1) a Resolution of Intention to renew the Sacramento Tourism Marketing District No. 2016-06 and set a time and place of public meeting and public hearing for October 18, 2016 and November 1, 2016 respectively; and 2) a Resolution requesting consent of the County of Sacramento to renew the Sacramento Tourism Marketing District No. 2016-06.

Contact: Sheri Smith, Program Specialist, (916) 808-7204; Mark Griffin, Special Districts Manager, (916) 808-8788, Department of Finance

Presenter: None

Department: Finance

Division: Public Improvement Finance

Dept ID: 06001321

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Schedule of Performances
- 4-Resolution of Intention
- 5-Management District Plan
- 6-Resolution Requesting County Consent

City Attorney Review

Approved as to Form
Michael W. Voss
8/30/2016 4:32:03 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 8/24/2016 4:51:30 PM

Description/Analysis

Issue: On May 22, 2012, City Council approved formation of the Sacramento Tourism Marketing District (STMD) by Resolution No. 2012-141 in order to provide marketing and sales promotions with the intent to increase tourism and to market Sacramento lodging businesses as tourist, meeting, and event destinations. The Sacramento lodging businesses have petitioned the City to renew the district for a ten-year term. If approved, the renewed district will deliver marketing and promotional services to each specific zone within the STMD. The assessment and services are further detailed in the Management District Plan (MDP) included as Exhibit C to the Resolution of Intention (ROI).

Adoption of the attached ROI to renew the STMD will set the time and place for the public meeting and the public hearing on the renewal of the STMD, the proposed assessment, and authorize staff to mail notices to all business owners within the district.

The attached Resolution requesting County consent requests that the County delegate the authority to renew the STMD to the City Council as is provided for by state law. Administration of the STMD is a cooperative effort between the City, the County, and the Sacramento Convention and Visitors Bureau (SCVB).

Policy Considerations: The actions in the recommended Resolution are required by the California Streets and Highways Code Part 7 (beginning with Section 36600) of Division 18 associated with the formation of a business improvement district.

Environmental Considerations: The renewal of a business improvement district does not constitute a project under the California Environmental Quality Act and is therefore exempt from review pursuant to Guidelines Section 15378(b)(4).

Rationale for Recommendation: Renewal of the STMD will create additional funds to be utilized for marketing and sales promotions specifically targeted to benefit each zone within the STMD.

Financial Considerations: The STMD is self-supporting and has no impact to the General Fund. Financing is provided by the levy of assessments upon businesses that benefit from the services.

The total STMD assessment budget in the first year of renewed operation is estimated to be \$5.7 million (details on Exhibit B). 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 will fluctuate with market conditions and room night sales and will be adjusted annually to reflect Council approved assessments and expenditure plans. An annual report will be presented to the City Council pursuant to Streets and Highways Code Section 36650. The district will not issue bonds.

Local Business Enterprise (LBE): Not applicable.

BACKGROUND

The STMD is a benefit assessment district formed in 2012, at the request of the lodging business owners, to provide the following services targeted to increase room night sales for each specific zone within the STMD.

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

Assessment

Annual assessment rates on lodging businesses for short term room rental (stays fewer than 31 days) are:

- Zone 1 – three percent of gross room rental revenue
- Zone 2 – two and one-half percent of gross room rental revenue
- Zone 3 – two percent of gross room rental revenue
- Zone 4 – one percent of gross room rental revenue

Additional detail is provided in Exhibit B to the Resolution.

Boundaries

The STMD is comprised of approximately 108 businesses in the City and County of Sacramento (County) and includes all lodging businesses located within the boundaries of the City of Sacramento and unincorporated areas of the County. The Boundaries and zones are shown on the Boundary Map attached to the Resolution.

Governance

The SCVB manages the STMD and has created a seven-member Tourism District Committee (Committee) to approve and manage district funds and activities. The SCVB Board Members concurrently serve as the Committee members.

**SCHEDULE OF PROCEEDINGS
SACRAMENTO TOURISM MANAGEMENT DISTRICT NO. 2016-06**

August 1, 2016	Petition Drive Kick-off
September 7, 2016	Receive Signed Petitions
September 13, 2016	City Council <ul style="list-style-type: none">• Resolution of Intention to Renew• Resolution Requesting County Consent
September 14, 2016	Mail Notices of Public Meeting and Public Hearing
October 18, 2016	City Council - Public Meeting on renewing the STMD
October 18, 2016	County Board of Supervisors – Resolution approving Formation
November 1, 2016	City Council - Public Hearing to Renew STMD
July 1, 2017	Renewed STMD begins collecting assessment

RESOLUTION NO.

Adopted by the Sacramento City Council

RESOLUTION OF INTENTION TO RENEW THE SACRAMENTO TOURISM MARKETING DISTRICT NO. 2016-06

BACKGROUND:

- A. Owners of lodging businesses within the Sacramento Tourism Marketing District (District) have submitted petitions asking that the City Council renew the District. Included with each petition was a summary of the District's Management District Plan (MDP) and a map showing the boundaries of the District (Proposed District Map). The petitions, the Proposed District Map, and the MDP are on file with the Public Improvement Finance Division (PIF Division) of the Department of Finance, designated by the City Clerk to be the repository of documents associated with special districts.
- B. The City Council finds that the City has received the petitions signed by the business owners in the proposed District who will pay more than 50 percent of the proposed total assessment. The City Council thus accepts the petitions and intends to renew the District and to levy an assessment on lodging businesses within the District boundaries in accordance with the Property and Business Improvement District Law of 1994 (PBID Law) and Sacramento City Code Section 3.92.050.
- C. Attached hereto as Exhibit C and incorporated herein by this reference is the Sacramento Tourism Marketing District No. 2016-06 MDP, which provides for marketing and promotional services with the intent of increasing the room night sales for lodging establishments within the District.
- D. At the direction of the City Council, the Fiscal Manager of the PIF Division for the proceedings for renewal of this District has filed the MDP with the PIF Division, which was prepared in accordance with the provisions of Streets and Highways Code Section 36622.
- E. The City Council preliminarily finds that the MDP satisfies all of the requirements of Streets and Highways Code Section 36622. The MDP provides for the following services within the District: (1) Promotion of Sacramento lodging businesses; (2) Marketing efforts that include internet, social media, television ads, printed promotional materials, and others; (3) Increased Convention and trade show sales efforts as well as sales blitzes; (4) Participation in industry conferences and affiliation events to promote assessed businesses; (5) Targeted zone-specific marketing to support and enhance room night sales; and (6) Other activities directly related to increasing tourism and room night sales in Sacramento. All of these services are intended to promote the District as a destination for tourism, conventions, meetings, and events, and increase room night sales for the assessed lodging businesses. The MDP proposes to fund these services through the levy of an assessment on businesses within the District.

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

- Section 1. The City Council finds and determines that the recitals set forth above are true and correct.
- Section 2. The City Manager is authorized to make any necessary budgetary adjustments associated with the approved District budget for FY2016/17.
- Section 3. The City Council finds that the business owners representing over 50 percent of the total assessment amounts signed the petitions requesting the renewal process be undertaken. The City Council thus accepts the petitions and intends to renew the District and to levy an assessment on lodging establishments within the District boundaries in accordance with the PBID Law and Sacramento City Code. In the first year of the ten-year term, the proposed assessment budget is approximately \$5.7 million as shown on Exhibit B to this resolution.
- Section 4. The City Council preliminarily finds that the MDP satisfies all requirements of Streets and Highway Code Sections 36622 and 36660.
- Section 5. The exterior boundaries of the District are shown on the Proposed District Map attached to this resolution as Exhibit A.
- Section 6. No bonds will be issued for the District.
- Section 7. The time and place for a public meeting on the renewal of the District and the proposed assessment is set for October 18, 2016, at 6:00 p.m. in the City Council Chambers, New City Hall, 915 "I" Street (first floor), Sacramento, California. The City Council may continue the public meeting from time to time.
- Section 8. The time and place for the public hearing on the renewal of the District and the proposed assessment is set for November 1, 2016, at 6:00 p.m. in the City Council Chambers, New City Hall, 915 "I" Street (first floor), Sacramento, California. The City Council may continue the public hearing from time to time.
- Section 9. The City Clerk is directed to give notice of the time and place of the public meeting and the public hearing in accordance with Streets and Highways Code Section 36623. The City Clerk is to do this by mailing (or causing to be mailed) written notices in the time, form, and manner provided by Government Code Section 54954.6 to all persons who own a business that is within the District and will be subject to the proposed assessment. The forms of the notice must be approved by the City Attorney. The City Clerk is further directed to file an affidavit with the City 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 and ballots.

Section 10. At the public hearing, the City Council will consider all objections or protests to the proposed assessment, and any interested person will be permitted to present written or oral testimony.

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Exhibit A - Proposed District Map

Exhibit B - Proposed Assessment Budget and Parcel Assessment

Exhibit C - Management District Plan

EXHIBIT A

Sacramento Tourism Marketing District Boundary Map

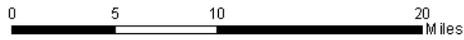
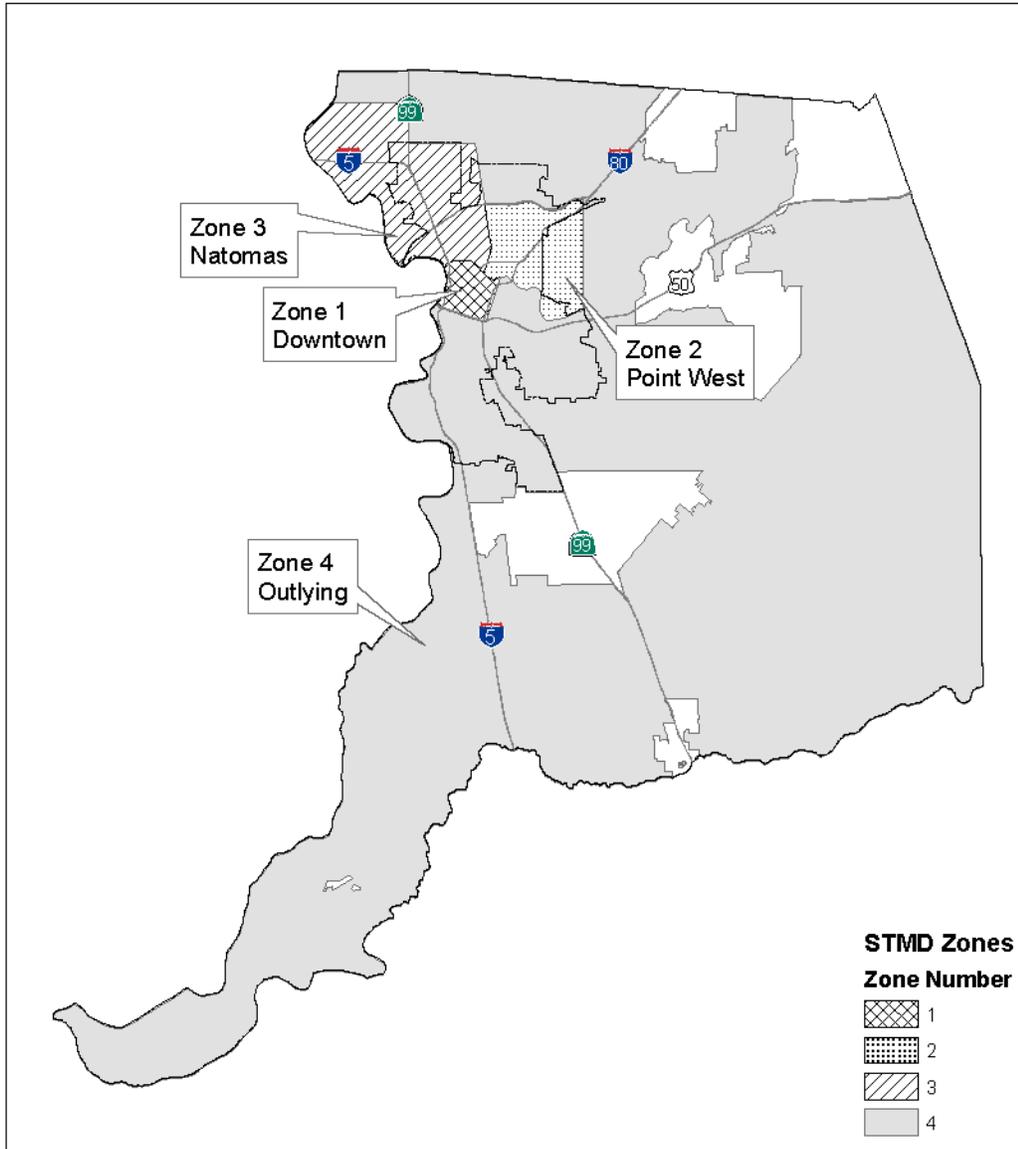


EXHIBIT B

SACRAMENTO TOURISM MARKETING DISTRICT NO. 2016-06 DISTRICT BUDGET & ANNUAL ASSESSMENT IN RENEWAL YEAR 1

Estimated Beginning Fund Balance		0
Total Assessed to Business Owners		5,700,000
	Total Resources	<u>5,700,000</u>
PBID Activities		
Estimated Disbursement		\$5,586,000
Administrative Costs		
2% Per Management Plan		\$114,000
	Total Expenditures	<u>\$5,700,000</u>
Estimated Ending Fund Balance		0
Year-Over-Year Change in Fund Balance		0

ANNUAL ASSESSMENT

Assessment Category	Assessment Rate
Zone 1	(3%) of gross short-term (stays fewer than 31 days) room rental revenue
Zone 2	(2.5%) of gross short-term room rental revenue
Zone 3	(2%) of gross short-term room rental revenue
Zone 4	(1%) of gross short-term room rental revenue

Annual assessment rates are based on specific benefit to the assessed businesses and do not exceed the reasonable costs of providing the services or programs.



SACRAMENTO TOURISM MARKETING DISTRICT MANAGEMENT DISTRICT PLAN

*Prepared pursuant to the Property and Business Improvement District
Law of 1994, Streets and Highways Code section 36600 et seq.*

July 26, 2016

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I. OVERVIEW

Developed by Sacramento Convention and Visitors Bureau (SCVB), the Sacramento Tourism Marketing District (STMD) is an assessment district proposed to provide specific benefits to payors, by funding marketing and sales promotion efforts for assessed businesses. The STMD was formed in 2012 for a five (5) year term; lodging businesses now wish to renew it for an additional ten (10) years.

Location: The renewed STMD includes all lodging businesses located within the boundaries of the City of Sacramento and the unincorporated areas of the County of Sacramento. The STMD has been divided into four (4) benefit zones, as shown on the map in Section IV.

Services: The STMD is designed to provide specific benefits directly to payors by increasing room night sales. Marketing and sales promotions will increase overnight tourism and market payors as tourist, meeting and event destinations, thereby increasing room night sales.

Budget: The total STMD annual budget for the initial year of its ten (10) year operation is anticipated to be approximately \$6,000,000. This budget is expected to fluctuate due to fluctuations in room sales and adjustments to the assessment rates, as detailed in Section V.

Cost: The annual assessment rate is a percentage of gross short-term room rental revenue on lodging businesses, varied by benefit zone. In Zone 1 the annual assessment rate is three percent (3%); in Zone 2 the annual assessment rate is two and one-half percent (2.5%); in Zone 3 the annual assessment rate is two percent (2%); and in Zone 4 the annual assessment rate is one percent (1%). Assessments will not be collected on stays of more than thirty (30) consecutive days because STMD programs are only intended to increase short-term stays. Annually, the STMD Committee may increase the assessment rate in each zone by one-half of one percent (0.5%). However, no zone assessment rate shall exceed four percent (4%) of gross short-term room rental revenue. The assessment rate may also be decreased by the STMD Committee, but shall not drop below the initial assessment rates for each zone listed above.

Collection: The City and County will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the STMD. The City and County shall take all reasonable efforts to collect the assessments from each lodging business.

Duration: The renewed STMD will have a ten (10) year life, beginning July 1, 2017 through June 30, 2027. Once per year, beginning on the anniversary of district renewal, there is a thirty (30) day period in which owners paying more than fifty percent (50%) of the assessment may protest and initiate a City Council hearing on district termination.

Management: The Sacramento Convention and Visitors Bureau will continue to serve as the STMD's Owners' Association. The Owners' Association is charged with managing funds and implementing programs in accordance with this Plan, and must provide annual reports to the City Council.

II. ACCOMPLISHMENTS

The Sacramento Convention & Visitors Bureau is charged with driving demand for Sacramento's travel marketplace sufficient to create new revenues for its hotel partners and area businesses. The SCVB's Board of Directors and its employees see a very direct correlation between their work and their ability to favorably impact room night sales.

As the SCVB entered the twenty-first century, Sacramento was struggling with destination marketing. The SCVB worked hard to increase awareness of Sacramento as a tourism destination, but was stymied by a lack of funding. In 2001, a tourism business improvement district was created to fill the funding gap that allowed for a more effective marketing of Sacramento's lodging businesses. The SCVB budget was \$2.7 million in 2001 and has grown to \$11.2 million in 2016 with the STMD contributing \$6.25 million of that growth. The enhancements generated by the new funding are outlined in the following three objectives.

Objective One: Generate Visitor-Related Economic Impact

The STMD funds generated by SCVB hotel partners fund about half of the SCVB's budget with the expectation that each year the SCVB will achieve increased measurable economic results. With this plan in place, the SCVB now renews its commitment to achieving and exceeding the results expected by its partners, and those positive results depend on a strategic business plan focused on continued and enhanced generation of overnight visitors. The business plan's strategies and programs generated by the new funding include, but are not limited to, the following:

Primary Target Audiences

Convention Meeting Planners, Sports Rights Holders, Tour Operators, Leisure Visitors, Film & Video Professionals, Event Organizers

Strategies

Face-to-Face

- Attend industry tradeshows
- Attend and/or host sales missions and sales calls
- Organize and host client familiarization trips to Sacramento
- Expand and strengthen network with location professionals throughout the state
- Contract with third-party and DMO partnerships to identify additional national associations

Lead Prospecting & Generation

- Prospect for potential meetings and conventions utilizing industry tools and best practices
- Engage with sports organizations and venue partners to identify and secure high profile events
- Identify resources for national track & field events
- Target and aggressively pursue food and agriculture conferences
- Participate in tour operator co-operative marketing opportunities
- Develop integrated media campaigns
- Mine existing and new data in customer management system to target and re-target customers

Incentives

- Offer bid support to convention and sports groups that meet citywide criteria when appropriate
- Offer value-added product or service to tour groups
- Incentivize location professionals to scout and book Sacramento for film production

Packaging

- Leverage existing events for promotion
- Develop features on the website Sacramento365.com to drive (and track) hotel bookings
- Develop sellable tourism itineraries

Programs

Tradeshows/Client Events/Sales Missions/FamTrips

- Meeting planner and association trade show attendance: PCMA, RCMA, MIC of Colorado, DMAI Destination Showcase, SGMP national and local, MPI local, golf tournament and WEC, ASAE Springtime and Annual Meeting, CalSAE Annual Conference and Seasonal Spectacular, Helms Briscoe Annual Conference, Collaborate Marketplace, Connect Marketplace, SHA golf tournament, IMEX, Rejuvenate Marketplace, UC Davis Vendor Showcase, NCBMP, Holiday Showcase
- Tour operator trade show attendance: ABA, NTA, Go West Summit, RTO Summit, IPW, SYTA
- Meeting planner client events: Kings vs Wizards (Washington, D.C.)
- Tour operator sales missions-domestic and international: i.e., Visit California events; California Cup
- Tour operator familiarization trips: i.e., United Airlines, Funway, German, United Kingdom

Research & Reports

- Ongoing subscription and utilization of industry reports for group prospecting: i.e., STR, TAP, MINT

Advertising – Media Buys

- Convention-print and digital: Meetings Focus, Smart Meetings, Aspire, Meetings & Conventions
- Travel professionals-print: Group Tour, Teach & Travel
- Leisure travel-print: Sunset, Via
- Leisure travel-digital: Expedia
- Market to interest-specific groups: i.e., family, mature, LGBT, food & wine, outdoor

Product Development & Enhancements – Packaging

- Cross-promotion of Sacramento365.com monthly “Make it a Night” promotion with links to hotels
- Develop event hotel packages: Grape Escape, PRIDE, Music Festival, Sky Spectacular
- Develop seasonal hotel packages that target need periods

Objective Two: Satisfy the Customer

To ensure long-term success in the form of repeat business, return visits and positive word of mouth, the SCVB and its stakeholders must provide excellent customer service before, during and after a customer or visitor stay, whether a convention, group tour or weekend visit. To accomplish this, the strategies and programs generated by the new funding include, but are not limited to, the following:

Primary Target Audiences

Meeting Planners, Convention Delegates, Tour Operators, Tour Group Passengers, Leisure Visitors, Film & Video Professionals, Event Organizers

Strategies

Customer Service

- Provide programs that serve the convention planning team prior to convention arrival
- Provide programs that benefit delegates while in Sacramento attending a convention
- Provide extra value, flexibility and ease for tour operators
- Assist production companies with navigating Sacramento film/video process
- Provide in-destination visitor services

Inbound Marketing

- Produce relevant content across multiple platforms
- Modernize customer-focused digital and cloud-based platforms

Product Development & Enhancements

- Create successful fan/attendee experiences as part of event
- Incorporate new features into each event where possible
- Produce brand-focused materials for customers and visitors

Stakeholder Relations

- Maximize partner usage of customer relationship database system
- Provide education and information to partners on incoming groups
- Enhance face-to-face customer events

Programs

Customer Service – Support

- Convention & meeting pre-promotional support for customers
- Provide comprehensive directory of sports venues
- Microsite tool
- Service referrals
- Coordinate convention housing
- Offer “Show Your Badge” program on mobile application
- Welcome signage program
- Information booth specialist
- Expand film location library and directory

Inbound Marketing

- Targeted microsites & landing pages on website
- Country-specific/international language microsite launch
- Quarterly educational tourism topics
- Integrate brand standards into pre-promotional customer events

Collateral – Digital & Print

- Three Official Visitors' Guides
- Meeting Planning Guide
- Profile (itinerary) sheets
- Digital asset management system
- Virtual convention center tour
- Google mapping of convention center

Stakeholder Relations – Support & Education

- Service requests
- Convention profile
- Convention calendar
- Compression calendar
- Regularly scheduled SPIN training (in-person, webinars, online guides) for partners

Objective Three: Position Sacramento for Long-Term Visitor Business

The SCVB is committed to continually improving the Sacramento region's image and visitor experience to position Sacramento for long-term success. The SCVB delivers on this commitment through brand strategy, product development and enhancements as well as tourism infrastructure advocacy efforts. The strategies and programs generated by the new funding to ensure future success include, but are not limited to, the following:

Primary Target Audiences

Meeting Planners, Tour Operators, Leisure Visitors, Civic Officials, Stakeholders

Strategies

Face-to-Face

- Increase face-to-face interaction with residents/community and stakeholders that have the ability to influence tourism policy and product development

Lead Prospecting & Generation

- Aggressively pursue meeting planners and tour operators
- Work closely with sports organizational and venue partners, as well as community leaders, to identify and secure high-profile events
- Aggressively pursue food and agriculture conferences

Marketing and Brand Management

- Integrate Sacramento and America's Farm-to-Fork Capital brand standards into marketing
- Align events with America's Farm-to-Fork Capital brand standards
- Communicate Sacramento as an ideal event destination
- Promote America's Farm-to-Fork Capital brand experience
- Produce relevant content across multiple platforms

Publicity

- Create consistent engaging editorial content related to convention, sports and tourism offerings
- Create farm-to-fork-specific editorial content
- Leverage and enhance existing social media platforms
- Utilize and enhance existing communications vehicles
- Leverage Brand USA and Visit California Programs

Product Development & Enhancements

- Champion and aggressively pursue the expansion of the Convention Center
- Support the transformation of the Community Center Theater
- Support the launch of Golden 1 Center and Downtown Commons
- Launch and own specific regional sporting events
- Set foundation to launch national track & field event
- Initiate plan to improve and/or build new product: i.e., venues and facilities
- Develop brand-specific visitor, convention product
- Include recognizable brand elements that align with the Sacramento brand
- Provide content to be published in local, regional and national media
- Align America's Farm-to-Fork Capital brand with key food leadership activities
- Partner with key leaders hosting regional speaker engagements
- Serve on community boards and committees
- Engage community and stakeholders in brand product development
- Advocate for additional product development and improvements
- Implement sports facility development initiative
- Provide support for external groups to produce overnight visitor-generating events

Programs

Lead Prospecting & Generation

- Attendance and evaluation of competitive food conferences – marry feedback from stakeholders and conference evaluations to help shape 2016 conference
- Identify resources to support an annual national track & field event

Advertising – Media Buys

- Convention/Meeting-print & digital: Meetings Focus, Smart Meetings, Aspire, Meetings & Conventions
- Travel Professionals-print: Group Tour, Teach & Travel
- Leisure travel-print: Sunset, Via
- Leisure travel-digital: Expedia
- Social media promoted posts

Inbound Marketing

- Social media
- Email
- “Meeting Planner News” – monthly
- “Travel Talk” – monthly
- Visit Sacramento – monthly
- “Dig In” – monthly
- “3-6-5” – weekly outreach to subscribers with curated content
- Blog posts

Media Relations

- Editorial calendar targeted to local, feeder, trade and national media
- Farm to Fork-specific editorial calendar
- Monthly media segments
- Media tours
- High-profile media events attendance
- Media visits

Events/SCVB-Produced

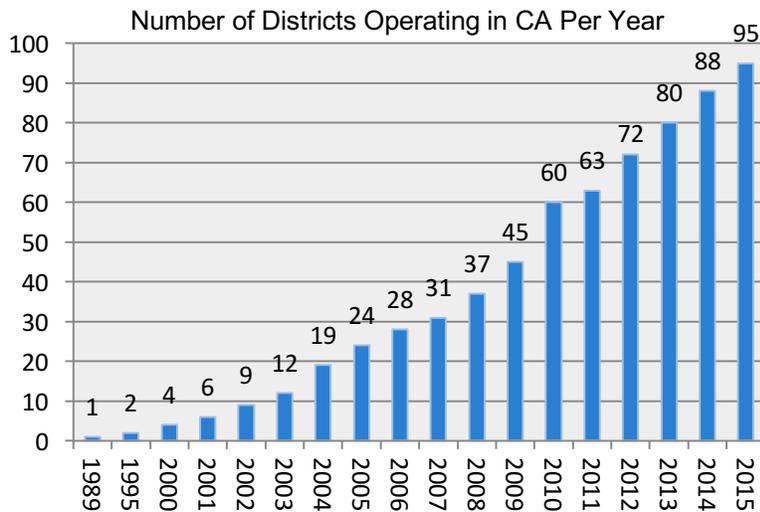
- Corporate Run 3.1 (May)
- Farm-to-Fork Taste of Summer (June)
- Gold Rush Days (Labor Day Weekend)
- Farm-to-Fork Celebration (September)
- New Year's Eve Sky Spectacular
- Quarterly Farm-to-Fork speakers' series

Events/SCVB-Supported

- Amgen Tour of California
- Sacramento Music Festival
- Aftershock
- TBD
- Juneteenth

III. BACKGROUND

TMDs are an evolution of the traditional Business Improvement District. The first TMD was formed in West Hollywood, California in 1989. Since then, nearly one hundred California destinations have followed suit. In recent years, other states have begun adopting the California model – Montana, South Dakota, Washington, Colorado, Texas and Louisiana have adopted TMD laws. Several other states are in the process of adopting their own legislation. The cities of Wichita, Kansas, and Newark, New Jersey, used an existing business improvement district law to form a TBID. And, some cities, like Portland, Oregon, and Memphis, Tennessee, have utilized their home rule powers to create TMDs without a state law.



California’s TMDs collectively raise over \$200 million for local destination marketing. With competitors raising their budgets and increasing rivalry for visitor dollars, it is important that Sacramento lodging businesses continue to invest in stable, lodging-specific marketing programs.

TMDs utilize the efficiencies of private sector operation in the market-based promotion of tourism districts. TMDs allow lodging business owners to organize their efforts to increase room night sales.

Lodging business owners within the TMD pay an assessment and those funds are used to provide services that increase room night sales.

In California, TMDs are formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of a benefit assessment district to raise funds within a specific geographic area. *The key difference between TMDs and other benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the district.*

There are many benefits to TMDs:

- Funds must be spent on services and improvements that provide a specific benefit only to those who pay;
- Funds cannot be diverted to general government programs;
- They are customized to fit the needs of payors in each destination;
- They allow for a wide range of services;
- They are **designed, created and governed by those who will pay** the assessment; and
- They provide a stable, long-term funding source for tourism promotion.

IV. BOUNDARY

The STMD will include all lodging businesses, existing and in the future, available for public occupancy within the boundaries of the City of Sacramento and the unincorporated areas of the County of Sacramento. The STMD boundary does not include the cities of Citrus Heights, Folsom, Rancho Cordova, Elk Grove, Galt and Isleton.

Lodging business means: any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, 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.

The boundary, as shown in the map below, currently includes 108 lodging businesses. A complete listing of lodging businesses within the renewed STMD can be found in Appendix 2.

The STMD is divided into four (4) benefit zones, based on the special benefits and privileges granted to lodging businesses in each zone. The boundaries of each zone are shown in the map on the following page. A description of the boundaries of each zone is provided below:

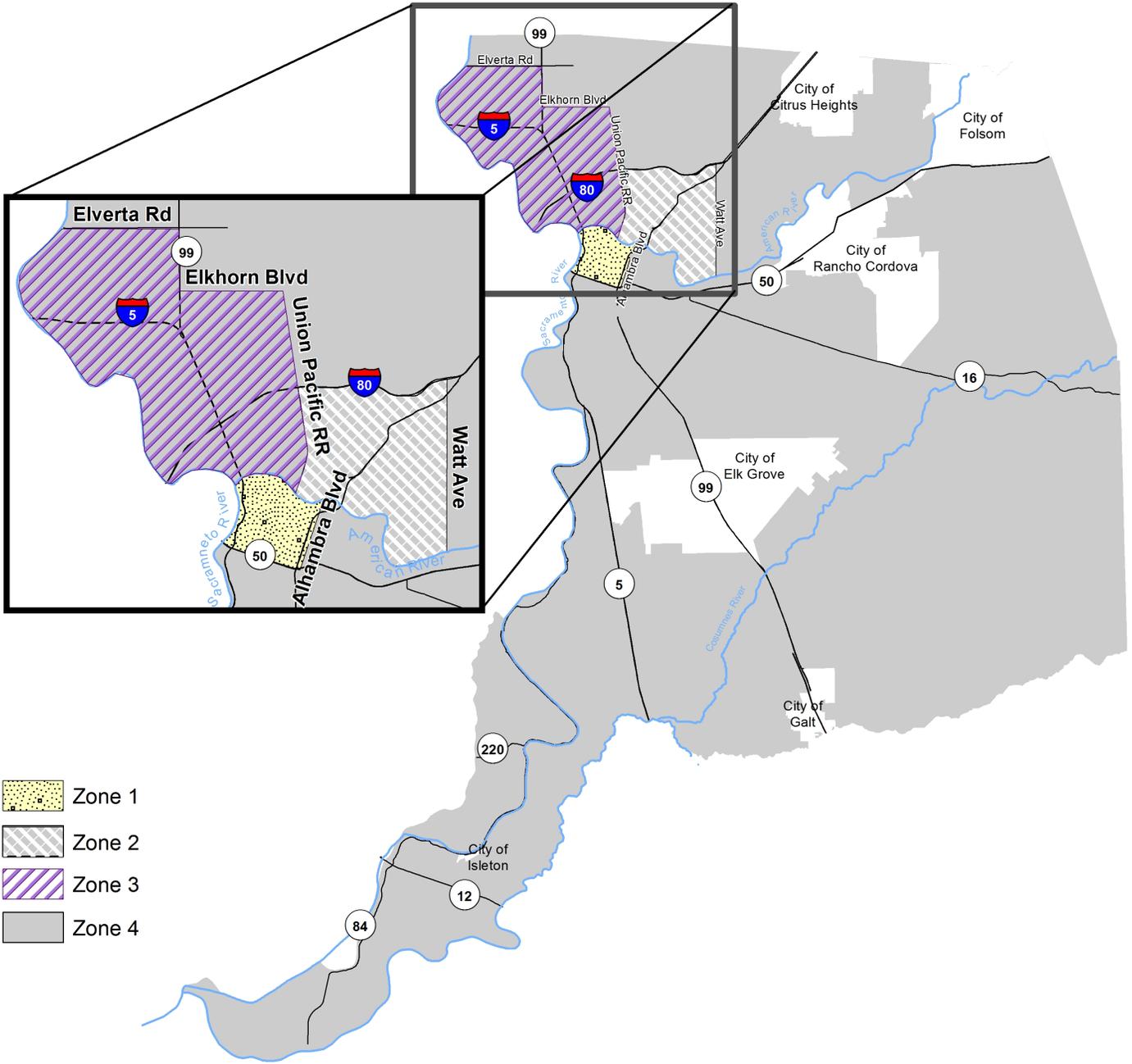
Zone 1: Includes Old Town, Downtown, and Midtown Sacramento. The western boundary is the Sacramento River; the northern boundary is the American River; the eastern boundary is Alhambra Boulevard; and the southern boundary is Highway 50.

Zone 2: Includes Noralto, Del Paso Heights, and the western portion of Arden Arcade. The western boundary is the Union Pacific Railroad; the northern boundary is Interstate 80; the eastern boundary is Watt Avenue; and the southern boundary is the American River.

Zone 3: Includes Gardenland, South Natomas, North Sacramento, North Natomas, and the Sacramento International Airport. The western boundary is the Sacramento River; the northern boundary is W Elverta Road between Garden Highway and Highway 99, Highway 99 between W Elverta Road and W Elkhorn Boulevard, and W Elkhorn Boulevard between Highway 99 and the Union Pacific Railroad; the eastern boundary is the Union Pacific Railroad; and the southern boundary is the American River.

Zone 4: Includes all remaining areas of the City and County of Sacramento. Zone 4 does not include the cities of Isleton, Galt, Elk Grove, Rancho Cordova, Citrus Heights, and Folsom.

STMD Boundary Map



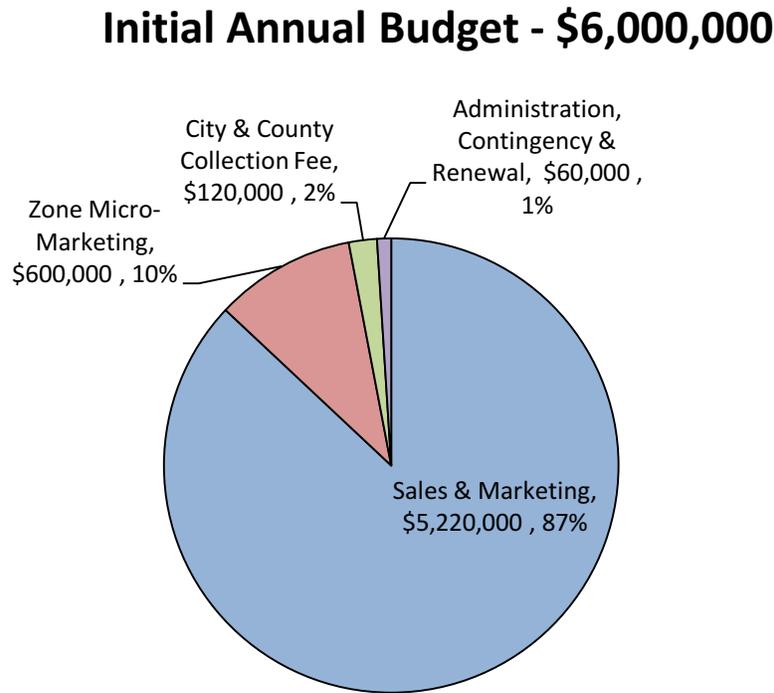
-  Zone 1
-  Zone 2
-  Zone 3
-  Zone 4

V. BUDGET AND SERVICES

A. Annual Service Plan

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly to the payors that are not provided to those not charged, and which do not exceed the reasonable cost to the City of conferring the benefits or granting the privileges. The privileges and services provided with the STMD funds are sales and marketing programs available only to assessed businesses. The assessment rate in each zone will be commensurate with privileges and services provided to assessed businesses in each zone as detailed in Appendix 3. If the assessment rate in any two (2) zones are equal, the privileges and services provided to assessed businesses in those zones will be the same.

A service plan budget has been developed to deliver services that benefit the assessed businesses. A detailed annual budget will be developed and approved by the STMD Committee and the SCVB Board of Directors. The total initial budget is \$6,000,000, and the table below illustrates the initial annual budget allocations.



Although actual revenues will fluctuate due to market conditions and assessment rate changes, the proportional allocations of the budget shall remain the same. However, the City and the SCVB board shall have the authority to adjust budget allocations between the categories by no more than fifteen percent (15%) of the total budget per year. A description of the proposed improvements and activities for the initial year of operation is below. The same activities are proposed for subsequent years. In the event of a legal challenge against the STMD, any and all assessment funds may be used for the costs of defending the STMD.

Each budget category includes all costs related to providing that service, in accordance with Generally Accepted Accounting Principles (GAAP). For example, the sales and marketing budget includes the cost of staff time dedicated to overseeing and implementing the sales and marketing program. Staff time dedicated purely to administrative tasks is allocated to the administrative portion of the budget.

The costs of an individual staff member may be allocated to multiple budget categories, as appropriate and in accordance with GAAP. The staffing levels necessary to provide the services below will be determined by the SCVB on an as-needed basis.

Sales and Marketing

A sales and marketing program will promote assessed businesses as tourist, meeting, and event destinations. The sales and marketing program will have a central theme of promoting Sacramento as a desirable place for overnight visits. The program will have the goal of increasing overnight visitation and room night sales at assessed businesses, and may include the following activities:

- Internet marketing efforts to increase awareness and optimize internet presence to drive overnight visitation and room sales to assessed businesses;
- Print ads in magazines and newspapers, television ads, and radio ads targeted at potential visitors to drive overnight visitation and room sales to assessed businesses;
- Attendance at trade shows to promote assessed businesses;
- Sales blitzes for assessed businesses;
- Familiarization tours of assessed businesses;
- Preparation and production of collateral promotional materials such as brochures, flyers and maps featuring assessed businesses;
- Attendance at professional industry conferences and affiliation events to promote assessed businesses;
- Lead generation activities designed to attract tourists and group events to assessed businesses;
- Director of Sales and General Manager meetings to plan and coordinate tourism promotion efforts for assessed businesses; and
- Development and maintenance of a website designed to promote assessed businesses.

Zone Micro-Marketing

Ten percent (10%) of the budget, or approximately \$600,000, shall be dedicated to individual zones for zone-specific tourism improvement activities, as described below.

The zone micro-marketing funds will be utilized for local zone activities that promote, support and enhance zone-based tourism marketing efforts. Each zone shall receive ten percent (10%) of the amount collected within the zone to fund eligible programs and activities. These programs are an exclusive privilege and shall provide a direct specific benefit to assessed businesses in the Zone, incremental room night sales.

Individual zone micro-marketing funding is designed to support zone-based activities that promote, support and enhance room night sales, including but not limited to:

- Internet marketing efforts to increase awareness and optimize internet presence to drive overnight visitation and room sales to assessed businesses;
- Print ads in magazines and newspapers, television ads, and radio ads targeted at potential visitors to drive overnight visitation and room sales to assessed businesses;
- Attendance at trade shows to promote assessed businesses;
- Sales blitzes for assessed businesses;
- Familiarization tours of assessed businesses;
- Preparation and production of collateral promotional materials such as brochures, flyers and maps featuring assessed businesses;
- Attendance at professional industry conferences and affiliation events to promote assessed businesses;

- Lead generation activities designed to attract tourists and group events to assessed businesses;
- Director of Sales and General Manager meetings to plan and coordinate tourism promotion efforts for assessed businesses; and
- Development and maintenance of a website designed to promote assessed businesses.

City and County Administration Fee

The City of Sacramento and the County of Sacramento shall be paid a fee equal to two percent (2%) of the amount of assessment collected, within their respective jurisdictions, to cover their costs of collection and administration.

Administration, Contingency and Reserve

The administration, contingency and reserve budget shall be utilized for administrative staffing costs, office costs, and other general administrative costs such as insurance, legal, and accounting fees. The budget includes a contingency line item to account for uncollected assessments, if any. If there are contingency funds collected, they may be held in a reserve fund or utilized for other program, administration or renewal costs at the discretion of the Owners’ Association. Policies relating to contributions to the reserve fund, the target amount of the reserve fund, and expenditure of monies from the reserve fund shall be set by the Board of Directors of the Owners’ Association. The reserve fund may be used for the costs of renewing the District.

B. Annual Budget

The total ten (10) year improvement and service plan budget is projected at approximately \$6,000,000 annually, or approximately \$68,800,000 through 2027 if assessment rates are not increased. The \$68,800,000 estimate includes a three percent (3%) increase to the budget per year due to effectiveness of STMD programs. If maximum assessment rate increases are adopted, the estimated total assessment through 2027 is \$105,900,000 through 2027. This is a required disclosure and not the anticipated course of action. This budget is expected to fluctuate as room sales change and if the assessment rate is increased. The initial assessment rate is:

Initial Zone Assessment Rates	
Zone	Assessment Rate
Zone 1	3.0%
Zone 2	2.5%
Zone 3	2.0%
Zone 4	1.0%

The STMD Committee may increase the assessment rate annually in each zone independently by a maximum of one-half of one percent (0.5%) at the direction of the lodging properties within each zone. However, no zone assessment rate shall exceed four percent (4%) of gross short-term room rental revenue. A new assessment rate cannot be increased until FY2018-19, but increases may be implemented in later years at the discretion of the STMD Committee based on the cost of specific benefits to assessed lodging businesses. The assessment rate may also be decreased by the STMD Committee, but shall not drop below the initial zone assessment rates listed in the table above. The table below demonstrates the maximum total assessment with the assumption that assessment rates will be increased by one-half of one percent (0.5%) in each zone until the maximum assessment rate of four percent (4%) has been reached, as it is a required disclosure. However, it is not the anticipated course of action. Additionally, a three percent (3%) annual increase in the total budget is shown, to account for estimated increased room night sales as a result of STMD efforts. This three percent (3%) annual increase is a conservative estimate based on the effects of similarly sized TMD budgets. If the maximum annual assessment increases are adopted by the STMD Committee, the estimated annual budget will increase as shown in the table below.

**Estimated Annual Budget if Maximum Assessment Rates Are Adopted
2017-2027**

Fiscal Year	Sales & Marketing	Zone Micro-Marketing	Collection Fee	Administration, Contingency & Reserve	Total
2017-18	\$5,220,000.00	\$600,000.00	\$120,000.00	\$60,000.00	\$6,000,000.00
2018-19	\$6,524,999.89	\$749,999.99	\$150,000.00	\$75,000.00	\$7,499,999.87
2019-20	\$7,886,743.90	\$906,522.29	\$181,304.46	\$90,652.23	\$9,065,222.88
2020-21	\$8,796,970.24	\$1,011,146.00	\$202,229.20	\$101,114.60	\$10,111,460.05
2021-22	\$9,511,254.16	\$1,093,247.60	\$218,649.52	\$109,324.76	\$10,932,476.05
2022-23	\$10,026,832.80	\$1,152,509.52	\$230,501.90	\$115,250.95	\$11,525,095.17
2023-24	\$10,556,137.08	\$1,213,349.09	\$242,669.82	\$121,334.91	\$12,133,490.90
2024-25	\$10,872,821.19	\$1,249,749.56	\$249,949.91	\$124,974.96	\$12,497,495.62
2025-26	\$11,199,005.83	\$1,287,242.05	\$257,448.41	\$128,724.20	\$12,872,420.49
2026-27	\$11,534,976.00	\$1,325,859.31	\$265,171.86	\$132,585.93	\$13,258,593.11
TOTAL	\$92,129,741.10	\$10,589,625.41	\$2,117,925.08	\$1,058,962.54	\$105,896,254.14

**Estimated Annual Budget if Maximum Assessment Rates Are Not Adopted
2017-2027**

Fiscal Year	Sales & Marketing	Zone Micro-Marketing	Collection Fee	Administration, Contingency & Reserve	Total
2017-18	\$5,220,000.00	\$600,000.00	\$120,000.00	\$60,000.00	\$6,000,000.00
2018-19	\$5,376,600.00	\$618,000.00	\$123,600.00	\$61,800.00	\$6,180,000.00
2019-20	\$5,537,898.00	\$636,540.00	\$127,308.00	\$63,654.00	\$6,365,400.00
2020-21	\$5,704,034.94	\$655,636.20	\$131,127.24	\$65,563.62	\$6,556,362.00
2021-22	\$5,875,155.99	\$675,305.29	\$135,061.06	\$67,530.53	\$6,753,052.86
2022-23	\$6,051,410.67	\$695,564.44	\$139,112.89	\$69,556.44	\$6,955,644.45
2023-24	\$6,232,952.99	\$716,431.38	\$143,286.28	\$71,643.14	\$7,164,313.78
2024-25	\$6,419,941.58	\$737,924.32	\$147,584.86	\$73,792.43	\$7,379,243.19
2025-26	\$6,612,539.82	\$760,062.05	\$152,012.41	\$76,006.20	\$7,600,620.49
2026-27	\$6,810,916.02	\$782,863.91	\$156,572.78	\$78,286.39	\$7,828,639.10
TOTAL	\$59,841,450.01	\$6,878,327.59	\$1,375,665.52	\$687,832.76	\$68,783,275.87

C. California Constitutional Compliance

The STMD assessment is not a property-based assessment subject to the requirements of Proposition 218. The Court has found, “Proposition 218 limited the term ‘assessments’ to levies on real property.”¹ Rather, the STMD assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Proposition 26 all levies are a tax unless they fit one of seven exceptions. Two of these exceptions apply to the STMD, a “specific benefit” and a “specific government service.” Both require that the costs of benefits or services do not exceed the reasonable costs to the City of conferring the benefits or providing the services.

¹ *Jarvis v. the City of San Diego* 72 Cal App. 4th 230

1. Specific Benefit

Proposition 26 requires that assessment funds be expended on, “a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”² The services in this Plan are designed to provide targeted benefits directly to assessed lodging businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific lodging businesses within the District. The activities described in this Plan are specifically targeted to increase room night sales for assessed lodging businesses within the boundaries of the District, and are narrowly tailored. STMD funds will be used exclusively to provide the specific benefit of increased room night sales directly to the assesseees. Assessment funds shall not be used to feature non-assessed lodging businesses in STMD programs, or to directly generate sales for non-assessed businesses. The activities paid for from assessment revenues are business services constituting and providing specific benefits to the assessed businesses.

The assessment imposed by this District is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is an increase in room night sales. The specific benefit of an increase in room night sales for assessed lodging businesses will be provided only to lodging businesses paying the district assessment within the District boundary, with marketing and sales programs promoting lodging businesses paying the district assessment within the District boundary. The marketing and sales programs will be designed to increase room night sales at each assessed lodging businesses. Because they are necessary to provide the marketing and sales programs that specifically benefit the assessed lodging businesses, the administration and contingency services also provide the specific benefit of increased room night sales to the assessed lodging businesses.

Although the District, in providing specific benefits to payors, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, “A specific benefit is not excluded from classification as a ‘specific benefit’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor.”³

2. Specific Government Service

The assessment may also be utilized to provide “a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.”⁴ The legislature has recognized that marketing and promotions services like those to be provided by the STMD are government services within the meaning of Proposition 26⁵. Further, the legislature has determined that “a specific government service is not excluded from classification as a ‘specific government service’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific government service to the payor.”⁶

² Cal. Const. art XIII C § 1(e)(1)

³ Government Code § 53758(a)

⁴ Cal. Const. art XIII C § 1(e)(2)

⁵ Government Code § 53758(b)

⁶ Government Code § 53758(b)

3. Reasonable Cost

District services will be implemented carefully to ensure they do not exceed the reasonable cost of such services. The full amount assessed will be used to provide the services described herein. Funds will be managed by the SCVB, and reports submitted on an annual basis to the City. Only assessed lodging businesses will be featured in marketing materials, receive sales leads generated from district-funded activities, be featured in advertising campaigns, and benefit from other district-funded services. Non-assessed lodging businesses outside the STMD boundary will not receive these, nor any other, district-funded services and benefits.

The District-funded programs are all targeted directly at and feature only assessed businesses. It is, however, possible that there will be a spill over benefit to non-assessed businesses. If non-assessed lodging businesses receive incremental room nights, that portion of the promotion or program generating those room nights shall be paid with non-District funds. STMD funds shall only be spent to benefit the assessed businesses, and shall not be spent on that portion of any program which directly generates incidental room nights for non-assessed businesses.

D. Assessment

The annual assessment rate is a percentage of gross short-term room rental revenue on lodging businesses, varied by benefit zone. In Zone 1 the annual assessment rate is three percent (3%); in Zone 2 the annual assessment rate is two and one-half percent (2.5%); in Zone 3 the annual assessment rate is two percent (2%); and in Zone 4 the annual assessment rate is one percent (1%) as shown on the table below. Assessments will not be collected on stays of more than thirty (30) consecutive days because STMD programs are only intended to increase short-term stays. Annually, the STMD Committee may increase the assessment rate in each zone by one-half of one percent (0.5%). However, no zone assessment rate shall exceed four percent (4%) of gross short-term room rental revenue. The assessment may also be decreased by the STMD Committee, but shall not drop below the initial zone assessment rates listed in the table below.

Initial Zone Assessment Rates	
Zone	Assessment Rate
Zone 1	3.0%
Zone 2	2.5%
Zone 3	2.0%
Zone 4	1.0%

Assessment rates may be subject to an annual increase of one-half of one percent (0.5%) per year. The maximum assessment rate for each Zone is:

Fiscal Year	Zone 1	Zone 2	Zone 3	Zone 4
2017-18	3.0%	2.5%	2.0%	1.0%
2018-19	3.5%	3.0%	2.5%	1.5%
2019-20	4.0%	3.5%	3.0%	2.0%
2020-21	4.0%	4.0%	3.5%	2.5%
2021-22	4.0%	4.0%	4.0%	3.0%
2022-23	4.0%	4.0%	4.0%	3.5%
2023-24	4.0%	4.0%	4.0%	4.0%
2024-25	4.0%	4.0%	4.0%	4.0%
2025-26	4.0%	4.0%	4.0%	4.0%
2026-27	4.0%	4.0%	4.0%	4.0%

The term “gross room rental revenue” as used herein means: the consideration charged whether or not received, for the occupancy of space in a lodging business 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. Gross room rental revenue shall not include any federal, state or local taxes collected, including but not limited to transient occupancy taxes.

The assessment is levied upon and a direct obligation of the assessed lodging business. However, the assessed lodging business may, at its discretion, pass the assessment on to transients. The amount of assessment, if passed on to each transient, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each transient shall receive a receipt for payment from the business. The assessment shall be disclosed as the “Tourism Assessment.” The assessment is imposed solely upon, and is the sole obligation of, the assessed lodging business, even if it is passed on to transients. The assessment shall not be considered revenue for any purposes, including calculation of transient occupancy taxes.

Bonds shall not be issued.

E. Penalties and Interest

The STMD shall reimburse the City and County of Sacramento for any costs associated with collecting unpaid assessments. If sums in excess of the delinquent STMD assessment are sought to be recovered in the same collection action by the City or County, the STMD shall bear its pro-rata share of such collection costs. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. Original Delinquency: Any lodging business that fails to remit any assessment imposed within the time required shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment.
2. Continued Delinquency: Any lodging business that fails to remit any delinquent remittance on or before a period of thirty (30) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.
3. Fraud: If the City or County determines that the nonpayment of any remittance due is due to fraud, a penalty of twenty-five percent (25%) of the amount of the assessment shall be added thereto in addition to the penalties stated in subsections 1 and 2 of this section E.
4. Interest: In addition to the penalties imposed, any lodging business that fails to remit any assessment imposed shall pay interest at the rate of one-half of one percent (0.5%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the remittance first became delinquent until paid.
5. Penalties Merged with Assessment: Every penalty imposed and such interest as accrues under the provisions of this section shall become a part of the assessment herein required to be paid.

F. Time and Manner for Collecting Assessments

The STMD assessment will be implemented beginning July 1, 2017 and will continue for ten (10) years through June 30, 2027. The City and County of Sacramento will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business located in their respective jurisdictions. The City and County shall take all reasonable efforts to collect the assessments from each lodging business. The City and County shall forward the assessments collected to the Owners’ Association.

VI. GOVERNANCE

A. Owners' Association

The City Council, through adoption of this Management District Plan, has the right, pursuant to Streets and Highways Code §36651, to identify the body that shall implement the proposed program, which shall be the Owners' Association of the STMD as defined in Streets and Highways Code §36612. The City Council has determined that Sacramento Convention and Visitors Bureau will continue to serve as the Owners' Association for the STMD. The STMD Tourism District Committee (Committee) shall continue to manage district funds and activities.

B. Committee Structure

The Committee will continue to be charged with preparing and approving the budget for STMD funds and programs. The Committee will continue to be operated in accordance with the following guidelines.

1. The Committee shall have seven (7) members. All committee members shall be representatives of assessed lodging businesses. Three (3) members shall be representatives of Zone 1 lodging businesses, two (2) shall be representatives of Zone 2 lodging businesses, one (1) shall be a representative of a Zone 3 lodging business, and one (1) shall be a representative of a Zone 4 lodging business.
2. All Committee members shall serve three-year terms.
3. Committee members may serve two (2) consecutive three (3) year terms plus one (1) partial term (less than three [3] years) if selected to fill a mid-term vacancy. No Committee member who has served two (2) full consecutive three (3) year terms shall be eligible for reappointment until one (1) year has intervened from the date of retirement from the Committee. Each Committee member shall serve until expiration of the term for which appointed and until a successor has been appointed.
4. Committee members, including those selected to fill vacancies, shall be selected by the Sacramento Hotel Association's Board of Directors. Committee members shall select a Chairperson, Vice Chairperson, and such other Committee officers as the Committee shall deem necessary.
5. No fewer than fifty percent (50%) of the SCVB's Executive Committee shall be representatives of lodging businesses paying the STMD assessment.
6. All members of the Committee shall be members of the SCVB Board of Directors.

C. Brown Act and California Public Records Act Compliance

An Owners' Association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. The Owners' Association is, however, subject to government regulations relating to transparency, namely the Ralph M. Brown Act and the California Public Records Act. These regulations are designed to promote public accountability. The Owners' Association acts as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the SCVB board and certain committees must be held in compliance with the public notice and other requirements of the Brown Act. The Owners' Association is also subject to the record keeping and disclosure requirements of the California Public Records Act. Accordingly, the Owners' Association shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

D. Annual Report

The SCVB shall present an annual report at the end of each year of operation to the City Council pursuant to Streets and Highways Code §36650 (see Appendix 1). The annual report shall include:

- Any proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses within the district.
- The improvements and activities to be provided for that fiscal year.
- An estimate of the cost of providing the improvements and the activities for that fiscal year.
- The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

APPENDIX 1 – LAW

*** This document is current through the 2016 Supplement ***
(All 2015 legislation)

STREETS AND HIGHWAYS CODE
Division 18. Parking
Part 7. Property and Business Improvement District Law of 1994

Cal Sts & Hy Code Div. 18, Pt. 7 (2016)

CHAPTER 1. General Provisions [36600 - 36617]

ARTICLE 1. Declarations [36600 - 36604]

36600. Citation of part

This part shall be known and may be cited as the “Property and Business Improvement District Law of 1994.”

36601. Legislative findings and declarations; Legislative guidance

The Legislature finds and declares all of the following:

(a) Businesses located and operating within business districts in some of this state’s communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.

(b) It is in the public interest to promote the economic revitalization and physical maintenance of business districts in order to create jobs, attract new businesses, and prevent the erosion of the business districts.

(c) It is of particular local benefit to allow business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.

(d) Assessments levied for the purpose of conferring special benefit upon the real property or businesses in a business district are not taxes for the general benefit of a city, even if property or persons not assessed receive incidental or collateral effects that benefit them.

(e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:

(1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied.

(2) Job creation.

(3) Business attraction.

(4) Business retention.

(5) Economic growth.

(6) New investments.

(f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.

(g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.

(h) The act amending this section is intended to provide the Legislature's guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts.

(1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.

(2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.

(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

36602. Purpose of part

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.

36603. Preemption of authority or charter city to adopt ordinances levying assessments

Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

36603.5. Part prevails over conflicting provisions

Any provision of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

36604. Severability

This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

ARTICLE 2. Definitions [36606 - 36616]

36606. “Activities”

“Activities” means, but is not limited to, all of the following that benefit businesses or real property in the district:

- (a) Promotion of public events.
- (b) Furnishing of music in any public place.
- (c) Promotion of tourism within the district.
- (d) Marketing and economic development, including retail retention and recruitment.
- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
- (f) Other services provided for the purpose of conferring special benefit upon assessed businesses and real property located in the district.

36606.5. “Assessment”

“Assessment” means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to properties or businesses located within a property and business improvement district.

36607. “Business”

“Business” means all types of businesses and includes financial institutions and professions.

36608. “City”

“City” means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county, or the State of California.

36609. “City council”

“City council” means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

36609.4. “Clerk”

“Clerk” means the clerk of the legislative body.

36609.5. “General benefit”

“General benefit” means, for purposes of a property-based district, any benefit that is not a “special benefit” as defined in Section 36615.5.

36610. “Improvement”

“Improvement” means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

- (a) Parking facilities.
- (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
- (c) Trash receptacles and public restrooms.
- (d) Lighting and heating facilities.
- (e) Decorations.
- (f) Parks.
- (g) Fountains.
- (h) Planting areas.
- (i) Closing, opening, widening, or narrowing of existing streets.
- (j) Facilities or equipment, or both, to enhance security of persons and property within the area.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

36611. “Management district plan”; “Plan”

“Management district plan” or “plan” means a proposal as defined in Section 36622.

36612. “Owners’ association”

“Owners’ association” means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities specified in the management district plan. An owners’ association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners’ association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners’ association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), for all records relating to activities of the district.

36614. “Property”

“Property” means real property situated within a district.

36614.5. “Property and business improvement district”; “District”

“Property and business improvement district,” or “district,” means a property and business improvement district established pursuant to this part.

36614.6. “Property-based assessment”

“Property-based assessment” means any assessment made pursuant to this part upon real property.

36614.7. “Property-based district”

“Property-based district” means any district in which a city levies a property-based assessment.

36615. “Property owner”; “Business owner”; “Owner”

“Property owner” means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. “Business owner” means any person recognized by the city as the owner of the business. “Owner” means either a business owner or a property owner. The city council has no obligation to obtain other information as to the ownership of land or businesses, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this part requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient. Wherever this part requires the signature of the business owner, the signature of the authorized agent of the business owner shall be sufficient.

36615.5. “Special benefit”

“Special benefit” means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

36616. “Tenant”

“Tenant” means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

ARTICLE 3. Prior Law [36617- 36617.]

36617. Alternate method of financing certain improvements and activities; Effect on other provision

This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

CHAPTER 2. Establishment [36620 - 36630]

36620. Establishment of property and business improvement district

A property and business improvement district may be established as provided in this chapter.

36620.5. Requirement of consent of city council

A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

36621. Initiation of proceeding; Petition of property or business owners in proposed district

(a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be included in determining whether the petition is

signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.

(b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:

- (1) A map showing the boundaries of the district.
- (2) Information specifying where the complete management district plan can be obtained.
- (3) Information specifying that the complete management district plan shall be furnished upon request.

(c) The resolution of intention described in subdivision (a) shall contain all of the following:

- (1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.
- (2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

36622. Contents of management district plan

The management district plan shall include, but is not limited to, all of the following:

(a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably determine whether a business is located within the district boundaries.

(b) The name of the proposed district.

(c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500)). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.

(d) The improvements, maintenance, and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, and activities are proposed for subsequent years shall satisfy the requirements of this subdivision.

(e) The total annual amount proposed to be expended for improvements, maintenance, or activities, and debt service in each year of operation of the district. If the assessment is levied on businesses, this amount may be estimated based upon the assessment rate. If the total annual amount proposed to be expended in each year of operation of the district is not significantly different, the amount proposed to be expended in the initial year and a statement that a similar amount applies to subsequent years shall satisfy the requirements of this subdivision.

(f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against his or her property or business. The plan also shall state whether bonds will be issued to finance improvements.

(g) The time and manner of collecting the assessments.

(h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.

(i) The proposed time for implementation and completion of the management district plan.

(j) Any proposed rules and regulations to be applicable to the district.

(k) **(1)** A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof.

(2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.

(l) In a property-based district, the total amount of all special benefits to be conferred upon the properties located within the property-based district.

(m) In a property-based district, the total amount of general benefits, if any.

(n) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.

(o) Any other item or matter required to be incorporated therein by the city council.

36623. Procedure to levy assessment

(a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with Section 53753 of the Government Code.

(b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with Section 54954.6 of the Government Code, except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business or the authorized representative. A written protest that does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners or authorized representatives of businesses in the proposed district that will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.

(c) If a city council proposes to conduct a single proceeding to levy both a new or increased property assessment and a new or increased business assessment, the notice and protest and hearing procedure for the property assessment shall comply with subdivision (a), and the notice and protest and hearing procedure for the business assessment shall comply with subdivision (b). If a majority protest is received from either the property or business owners, that respective portion of the assessment shall not be levied. The remaining portion of the assessment may be levied unless the improvement or other special benefit was proposed to be funded by assessing both property and business owners.

36624. Changes to proposed assessments

At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements, maintenance, and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements, maintenance, and activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to Section 36627.

36625. Resolution of formation

(a) If the city council, following the public hearing, decides to establish a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property, businesses, or both within the district, a statement on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities and the location and extent of the proposed district.

(2) The number, date of adoption, and title of the resolution of intention.

(3) The time and place where the public hearing was held concerning the establishment of the district.

(4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.

(5) A statement that the properties, businesses, or properties and businesses in the district established by the resolution shall be subject to any amendments to this part.

(6) A statement that the improvements, maintenance, and activities to be conferred on businesses and properties in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements, maintenance, or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district.

(7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.

(8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(b) The adoption of the resolution of formation and, if required, recordation of the notice and map pursuant to Section 36627 shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

36626. Resolution establishing district

If the city council, following the public hearing, desires to establish the proposed property and business improvement district, and the city council has not made changes pursuant to Section 36624, or has made changes that do not substantially change the proposed assessment, the city council shall adopt a resolution establishing the district. The resolution shall contain all of the information specified in Section 36625.

36627. Notice and assessment diagram

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625 or Section 36626, the clerk shall record a notice and an assessment diagram pursuant to Section 3114. No other provision of Division 4.5 (commencing with Section 3100) applies to an assessment district created pursuant to this part.

36628. Establishment of separate benefit zones within district; Categories of businesses

The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.

36628.5. Assessments on businesses or property owners

The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

36629. Provisions and procedures applicable to benefit zones and business categories

All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a property and business improvement district.

36630. Expiration of district; Creation of new district

If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and the district may be renewed pursuant to this part.

CHAPTER 3. Assessments [36631 - 36637]

36631. Time and manner of collection of assessment; Delinquent payments

The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution levying the assessment. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part may be charged interest and penalties.

36632. Assessments to be based on estimated benefit; Classification of real property and businesses; Exclusion of residential and agricultural property

(a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of determining the benefit to property of the improvements and activities provided pursuant to this part.

(b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.

(c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

36633. Time for contesting validity of assessment

The validity of an assessment levied under this part shall not be contested in any action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36626. Any appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

36634. Service contracts authorized to establish levels of city services

The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

36635. Request to modify management district plan

The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

36636. Modification of plan by resolution after public hearing; Adopting of resolution of intention

(a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with Section 36623. Notice of all other public hearings pursuant to this section shall comply with both of the following:

(1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public hearing.

(2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public hearing, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

36637. Reflection of modification in notices recorded and maps

Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

CHAPTER 3.5. Financing [36640- 36640.]

36640. Bonds authorized; Procedure; Restriction on reduction or termination of assessments

(a) The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.

(b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.

(c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

CHAPTER 4. Governance [36650 - 36651]

36650. Report by owners' association; Approval or modification by city council

(a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:

- (1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.
- (2) The improvements, maintenance, and activities to be provided for that fiscal year.
- (3) An estimate of the cost of providing the improvements, maintenance, and activities for that fiscal year.
- (4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or business for that fiscal year.
- (5) The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- (6) The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

(c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636.

The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

36651. Designation of owners' association to provide improvements, maintenance, and activities

The management district plan may, but is not required to, state that an owners' association will provide the improvements, maintenance, and activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

CHAPTER 5. Renewal [36660- 36660.]

36660. Renewal of district; Transfer or refund of remaining revenues; District term limit

(a) Any district previously established whose term has expired, or will expire, may be renewed by following the procedures for establishment as provided in this chapter.

(b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.

(c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

CHAPTER 6. Disestablishment [36670 - 36671]

36670. Circumstances permitting disestablishment of district; Procedure

(a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:

(1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.

(2) During the operation of the district, there shall be a 30-day period each year in which assesseses may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the area who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.

(b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

36671. Refund of remaining revenues upon disestablishment or expiration without renewal of district; Calculation of refund; Use of outstanding revenue collected after disestablishment of district

(a) Upon the disestablishment or expiration without renewal of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same method and basis that was used to calculate the assessments levied in the fiscal year in which the district is disestablished or expires. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.

(b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied in the immediate prior fiscal year shall be used to calculate the amount of any refund.

APPENDIX 2 – ASSESSED BUSINESSES

STMD Zone	Property	Address	Sacramento	State	Zip	City/County
1	Amber House B & B	1315 22nd Street	Sacramento	CA	95816	City
1	American Inn	626 16th Street	Sacramento	CA	95814	City
1	America's Best Value Inn-Downtown	430 16th Street	Sacramento	CA	95814	City
1	America's Best Value Inn-Old Town	221 Jibboom Street	Sacramento	CA	95814	City
1	Best Western Plus Sutter House	1100 H Street	Sacramento	CA	95814	City
1	Best Western Sandman	236 Jibboom Street	Sacramento	CA	95814	City
1	Capitol Park Hotel	1125 9th Street	Sacramento	CA	95814	City
1	Comfort Suites-Downtown	226 Jibboom Street	Sacramento	CA	95814	City
1	Congress Hotel	906 12th Street	Sacramento	CA	95814	City
1	Days Inn Sacramento	228 Jibboom Street	Sacramento	CA	95814	City
1	Delta King Hotel	1000 Front Street	Sacramento	CA	95814	City
1	Econo Lodge-Downtown	711 16th Street	Sacramento	CA	95814	City
1	Embassy Suites Hotel	100 Capitol Mall	Sacramento	CA	95814	City
1	Governor's Inn	210 Richards Blvd.	Sacramento	CA	95814	City
1	Hawthorn Suites by Wyndham Sacramento	321 Bercut Drive	Sacramento	CA	95814	City
1	Holiday Inn Capitol Plaza	300 J Street	Sacramento	CA	95814	City
1	Holiday Inn Express-Sacramento	726 16th Street	Sacramento	CA	95814	City
1	Hyatt Regency Sacramento	1209 L Street	Sacramento	CA	95814	City
1	Inn and Spa at Parkside	2116 6th Street	Sacramento	CA	95818	City
1	Inn Off Capitol Park	1530 N Street	Sacramento	CA	95814	City
1	La Quinta Inn Sacramento	200 Jibboom Street	Sacramento	CA	95814	City
1	Liestal Alley Vacation Rental	1718 Liestal Alley #100	Sacramento	CA	95811	City
1	Motel 6	623 16th Street	Sacramento	CA	95814	City
1	Motel 6 #0013 Downtown	1415 30th Street	Sacramento	CA	95816	City
1	Motel 6 #1305 Old Sacramento	227 Jibboom Street	Sacramento	CA	95814	City
1	Quality Inn Sacramento	818 15th Street	Sacramento	CA	95814	City
1	Red Lion Inn & Suites	1319 30th Street	Sacramento	CA	95816	City
1	Residence Inn By Marriott-Capitol Park	1500 L Street	Sacramento	CA	95814	City
1	Sheraton Grand Sacramento	1230 J Street	Sacramento	CA	95814	City
1	Super 8-State Capitol	216 Bannon Street	Sacramento	CA	95814	City
1	The Citizen Hotel	926 J Street	Sacramento	CA	95814	City
1	The Sterling Hotel	1300 H Street	Sacramento	CA	95814	City

STMD Zone	Property	Address
1	Vagabond Inn-Old Town	909 3rd Street
1	Vizcaya Pavilion & Mansion	2019 21st St.
2	Best Budget Inn	986 E. El Camino A
2	Budget Inn & Suites	3721 Watt Ave.
2	Canterbury Village Hotel & Suites	1900 Canterbury Rd
2	Courtyard by Marriott-Cal Expo	1782 Tribute Rd.
2	DoubleTree by Hilton Sacramento	2001 Point West W
2	Economy Inn	939 E. El Camino A
2	Extended Stay America #939	2100 Harvard Street
2	Fairfield Inn by Marriott-Cal Expo	1780 Tribute Rd.
2	Hampton Inn & Suites	2230 Auburn Blvd.
2	Hilton Sacramento Arden West	2200 Harvard Street
2	Holiday Inn Express & Suites-Cal Expo	2224 Auburn Blvd.
2	Larkspur Landing	555 Howe Ave.
2	Lexington Inn & Suites-Cal Expo	1413 Howe Ave.
2	Motel 6 #4430 Cal Expo	2224 Auburn Blvd.
2	Red Lion Woodlake & Conf. Center	500 Leisure Lane
2	Residence Inn by Marriott-Cal Expo	1530 Howe Ave.
2	Sands Motel	2160 Auburn Blvd.
2	Surf Motel	3204 Auburn Blvd.
2	Towneplace Suites Cal Expo	1784 Tribute Road
2	Tradewinds Motel	2844 Auburn Blvd.
3	Courtyard By Marriott-So. Natomas	2101 River Plaza Dr
3	Extended Stay America #936	3825 Rosin Court
3	Extended Stay America #9608	2810-2830 Gateway Oaks Dr.
3	Fairfield Inn & Suites Natomas	2730 El Centro Rd.
3	Four Points by Sheraton	4900 Duckhorn Dr.
3	Hampton Inn & Suites-Natomas	3021 Advantage Wz
3	Hilton Garden Inn-So. Natomas	2540 Venture Oaks
3	Holiday Inn Express- Natomas	2981 Advantage Wz
3	Homewood Suites-Natomas	3001 Advantage Wz
3	Quality Inn Natomas	3796 Northgate Blv
3	Residence Inn By Marriott-Natomas	2410 West El Cami Ave.
3	Sacramento 49er Travel Plaza	2828 El Centro Rd.

STMD Zone	Property	Address
3	Springhill Suites by Marriott-Natomas	2555 Venture Oaks
3	Staybridge Sacramento	140 Promenade Cir
3	Super 8-El Centro	2654 El Centro Rd.
4	America's Best Value Inn-Sacramento South	18 Massie Court
4	B & W Resort Marina	964 Brannan Island
4	Best Six Motel	5969 Stockton Blvd
4	Best Western John Jay Inn	15 Massie Court
4	Casa Linda Motel	9509 Folsom Blvd.
4	Comfort Inn & Suites	21 Howe Ave.
4	Courtyard by Marriott-Midtown	4422 Y Street
4	Courtyard Inn	3425 Orange Grove
4	Crowne Plaza	5231 Date Ave.
4	Deville Motel	2756 Stockton Blvd
4	Fairfield Inn & Suites-Elk Grove	8058 Orchard Loop
4	Good Nite Inn	25 Howe Ave.
4	Grand Island Mansion	13415 Grand Island
4	Hawthorn Suites by Wyndham	12180 Tributary Po. Dr.
4	Hotel Med Park	2356 Stockton Blvd
4	IHG Army Hotels Bldg 650 on BT Collins Army Reserve Center	8300 Santa Cruz Str
4	Johnson's Greenbrier Motel	4331 Stockton Blvd
4	La Quinta Inn #631	4604 Madison Aver
4	Laguna Del Sol	8683 Rawhide Ln.
4	Lion's Gate Hotel	3410 Westover St., 150
4	Mega Inn	4600 Watt Ave.
4	Motel 6 #1005 Central	7850 College Town Drive
4	Motel 6 #1043	7407 Elsie Ave.
4	Motel 6 #1306	5110 Interstate Ave
4	Red Roof Inn	7780 Stockton Blvd
4	Rodeway Inn	6610 Stockton Blvd
4	Royal 8 Inn	6448 Stockton Blvd
4	Ryde Hotel	14340 Hwy 160 P. O. Box 43
4	Sky Riders Motel	6100 Freeport Blvd

STMD Zone	Property	Address
4	Stardust Motel	8637 Folsom Blvd.
4	Super 8-55th	7216 55th St.
4	Super 8-Madison	4317 Madison Ave.
4	The Villas at Arden Hills	1220 Arden Hills Ln.
4	The Westin Sacramento	4800 Riverside Blvd.
4	Travelodge	9646 Micron Ave.
4	Value Place	7789 La Mancha Way
4	Vieira's Resort	15476 State Highway 160
4	Vince's Motel	9515 Folsom Blvd.

APPENDIX 3 – ZONE BENEFITS (ZB)

The Sacramento Convention & Visitors Bureau engaged Smith Travel Research (STR) to conduct a study that uses daily hotel-provided data from STR's proprietary databases to explore how the SCVB's sales programs (listed below) and room night leads impact hotels across the four STMD zones. Although the hotel-provided data from STR is used in this analysis, the findings from the study present data which is aggregated to protect the confidentiality of the individual hotels.

ZB.1 Convention Center Sales

Conventions targeted by the execution of sales programs designed to produce District lodging meeting leads and room night sales demand for convention center users include, but are not limited to, professional and/or affinity group conferences, organizations or associations of meeting planners, business group clients, third party planners and individuals. Additional activities include, but are not limited to, the deployment of a direct sales force tasked to attend sales conferences, prospect for new clients, and make sales calls on meeting planners, association and business group clients, third party planners and individuals.

- Typical expenses include District-related trade show exhibit space rental, equipment rentals, outside contractors, bid and sponsorship fees, travel and entertainment, collateral, promotional items, information technology, market intelligence, research, and performance audits. Additional direct expenses may include District-related sales personnel salary, commissions, benefits, training, travel and entertainment, remote sales offices, collateral, promotional items, information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related contractor executive management, information technology support, and general and administrative overhead.

ZB.2 Group Sales and Direct Marketing Programs

Groups targeted by the execution of sales programs designed to produce District lodging meeting leads and room night sales demand for group business include, but are not limited to, professional and/or affinity group conferences, organizations or associations of meeting planners, business group clients, third party planners and individuals. Direct Marketing activities include, but are not limited to, the placement of advertisements to targeted affinity group organizations through various mediums such as business leisure, association and trade publications to directly influence the production of District lodging meeting leads and room night sales through conferences, meeting planners, individuals, associations, and group clients.

- Typical group sales program expenses include District-related trade show exhibit space rental, equipment rentals, outside contractors, bid and sponsorship fees, travel and entertainment, collateral, promotional items, information technology, market intelligence, research, and performance audits.
- Typical group sales program indirect expenses include related contractor executive management, information technology support, and general and administrative overhead.
- Typical group sales direct marketing expenses include advertising costs, agency fees, production, printing, distribution costs, District-related personnel salary, commissions, benefits, training, travel, collateral, promotional items, information technology, market intelligence, research, and performance audits.
- Typical group sales direct marketing indirect expenses include related information technology support, and general and administrative overhead.

ZB.3 Tourism/Travel and Trade Sales

Activities related to the execution of sales programs designed to produce District group meeting leads and room night sales demand include, but are not limited to, the deployment of a direct sales force to make calls on tour operators, travel agents, group tour leaders, inbound receptive operators, and attend domestic and international travel and trade shows.

- Typical expenses include District-related sales personnel salary, commissions, benefits, training, remote international sales office representation, trade show exhibit space rental, set up and break down, collateral material, promotional items, travel and entertainment, information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related information technology support, and general and administrative overhead.

ZB.4 Sports Commission Sales

Activities related to the development and execution of sporting events dedicated to the production of District lodging meeting leads and individual room night demand include, but are not limited to, branding Sacramento as an ideal destination for a variety of sports, raising the profile of Sacramento as a world-class sports destination, owning and operating sports properties that align with our business objectives, continuing to build and grow our services package, providing sports-specific content to be published in local, regional, national and international media, and creating a successful experience for event promoters that will generate interest and eventual bookings by events rights holders, community sports groups and local venue owners.

- Typical expenses include District-related personnel salary, commissions, benefits, outside contractors, rights fees, collateral, promotional items, information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related contractor event management, information sales and marketing support, and general and administrative overhead.

ZB.5 Film Commission Sales

Activities related to the execution of sales programs designed to produce District group meeting leads and room night sales demand include, but are not limited to, the deployment of direct sales calls on location scouts, commercial production houses, production companies and studios, attend Southern California film industry trade shows, and host familiarization visits for location professionals and producers.

- Typical expenses include District-related sales personnel salary, benefits, local and state film incentives, trade show exhibit space rental, set up and break down, collateral material, promotional items, travel and entertainment, inbound site visits, market intelligence, research, and performance audits.
- Typical indirect expenses include related information technology support, and general and administrative overhead.

ZB.6 Event Management

Activities related to the development and execution of special events dedicated to the production of District lodging meeting leads and individual room night demand include, but are not limited to, branding Sacramento as an ideal event destination, raising the profile of Sacramento both internally and externally, continuing to build and support America's Farm-to-Fork Capital brand, providing content to be published in local, regional and national media, and creating a successful attendee experience that will generate interest and buy-in from event planners, business group clients, and local residents and out-of-town visitors.

- Typical expenses include District-related personnel salary, commissions, benefits, outside contractors, rights fees, collateral, promotional items, information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related contractor event management, information sales and marketing support, and general and administrative overhead.

ZB.7 Consumer Direct Marketing Programs

Activities related to the placement of web-based consumer direct advertising campaigns include, but are not limited to, advertising and dedicated Online Travel Agency (OTA) campaigns that have call-to-actions giving special privileges and benefits only to District assessed lodging businesses.

- Typical expenses include production and advertising costs, District-related personnel salary, commissions, benefits, training, travel, collateral material, promotional items, information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include information technology support, and general and administrative overhead.

ZB.8 Long-Term Convention, Sports, Tourism and Film

Activities related to the strategic development of long-term sales and marketing planning to ensure production of District lodging meeting leads and room night sales demand include, but are not limited to, strategies that ensure repeat business, return visits and positive word of mouth.

- Typical expenses could include, but are not limited to, District destination master plans, board retreats, contractor executive management, industry white papers, consultant fees, promotional items, market intelligence, research, and performance audits.
- Typical indirect expenses could include related information technology support, and general and administrative overhead.

ZB.9 Zone Marketing Dollars

The District includes zone marketing dollars for specific marketing programs in each zone. Hotel managers from each zone have a voice in how their collective zone marketing dollars are spent. Ten percent of the District budget is dedicated to individual zones proportionate to the collections in each zone for activities that promote, support and enhance marketing efforts specific to each zone. Each zone receives 10 percent of the amount collected within the zone to fund eligible programs and activities.

- Typical expenses include event support, transportation, trade show and travel expenses, collateral, promotional items, and performance audits.
- Typical indirect expenses include related information technology support, and general and administrative overhead.

<u>Benefit Category</u>	<u>Zone 1</u>	<u>Zone 2</u>	<u>Zone 3</u>	<u>Zone 4</u>	<u>Total</u>
ZB.1: Convention Center Sales	70%	20%	7%	3%	100%
ZB.2: Group Sales and Direct Marketing Programs	40%	35%	25%		100%
ZB.3: Tourism/Travel and Trade Sales	60%	8%	25%	7%	100%
ZB.4: Sports Commission Sales	29%	23%	13%	35%	100%
ZB.5: Film Commission Sales	13%	29%	35%	23%	100%
ZB.6: Event Management	40%	35%	25%		100%
ZB.7: Consumer Direct Marketing Programs	40%	35%	25%		100%
ZB.8: Long-Term Convention, Sports, Tourism and Film	35%	29%	23%	13%	100%
ZB.9: Zone Marketing Dollars	53%	27%	13%	7%	100%

RESOLUTION NO.

Adopted by the Sacramento City Council

REQUESTING CONSENT OF THE COUNTY OF SACRAMENTO TO RENEW THE SACRAMENTO TOURISM MARKETING DISTRICT

BACKGROUND:

- A. The City Council of the City of Sacramento desires to begin proceedings to renew the Sacramento Tourism Marketing District (STMD) for a ten-year term.
- B. Sacramento hotel and lodging establishment business owners have requested that the City Council (Council) of the City of Sacramento renew the STMD.
- C. A portion of the territory proposed to be included in the STMD lies within the boundaries of the County of Sacramento (County), as shown on the map attached hereto as Exhibit A and incorporated herein by such attachment.
- D. The area of the County which lies within the boundaries of the proposed STMD will, in the opinion of the Council, be benefited by the improvements and activities, and the purpose sought to be accomplished by the work can best be accomplished by a single comprehensive scheme of work.

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

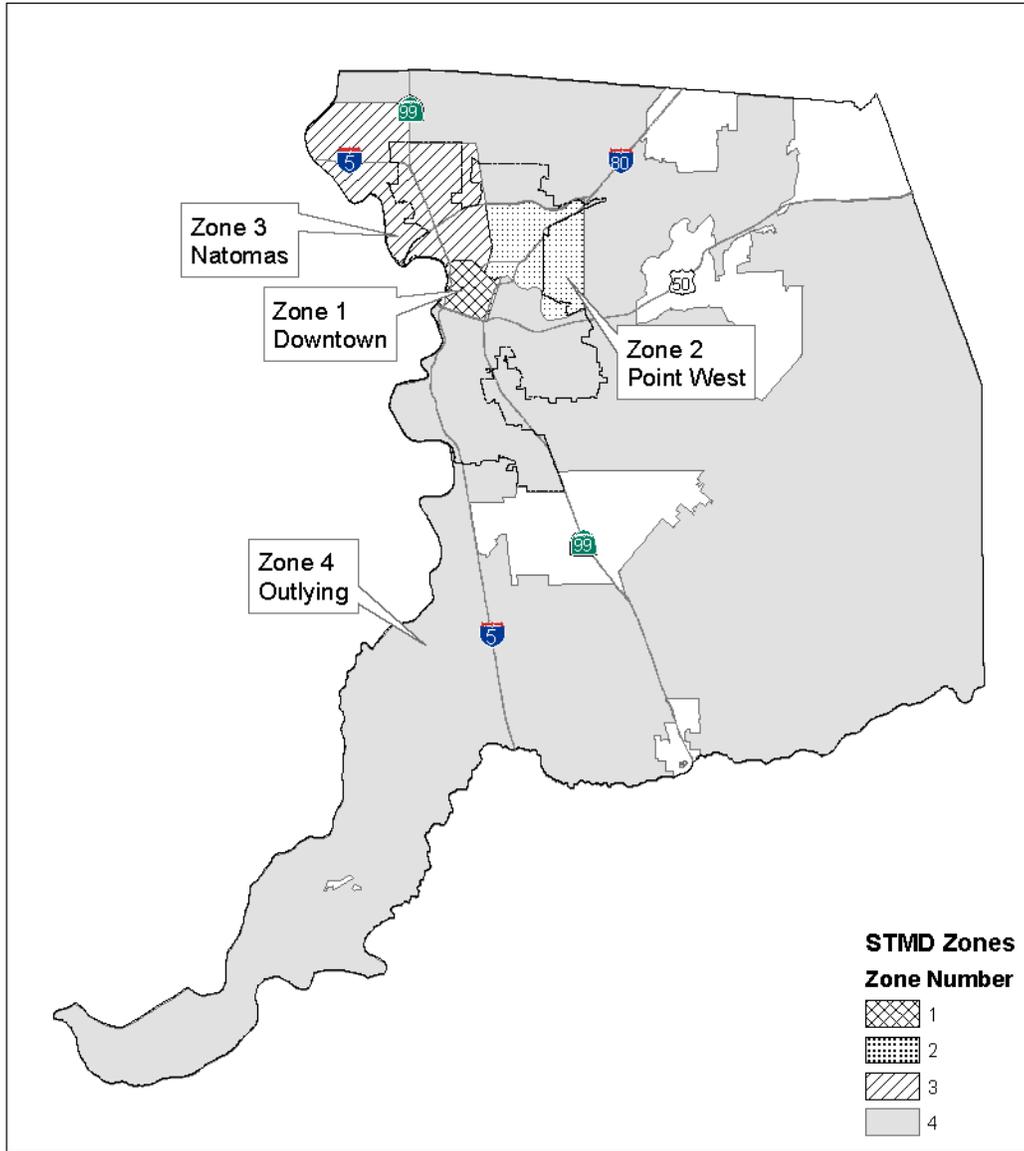
Section 1: The above recitals are true and correct.

Section 2: Consent of the County, through its Board of Supervisors, is hereby requested to renew the STMD for a ten-year term, and to grant to Council jurisdiction for all the purposes in connection with renewal and operation of the proposed STMD.

Section 3: The City Clerk is hereby directed to transmit a certified copy of this Resolution to the County Clerk of the County of Sacramento.

Exhibit A

Sacramento Tourism Marketing District Boundary Map



City of
SACRAMENTO
Finance Department
BMueller 08/05/16

0 5 10 20 Miles

