Title: Sacramento Tourism Infrastructure District No. 2018-04 (Noticed on 09/07/2018)

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, pass a Motion directing the City Clerk to 1) tabulate the number of protests submitted and not withdrawn before the close of the hearing; and 2) return with a consent item on October 30, 2018 tabulating the results.

Contact: Sini Makasini, Administrative Analyst, (916) 808-7967; Sheri Smith, Special Districts Manager, (916) 808-7204, Department of Finance

Presenter: Sini Makasini, Administrative Analyst, (916) 808-7967, Department of Finance

Attachments:
1-Description/Analysis
2-Background
3-Schedule of Proceedings
Description/Analysis

Issue Detail:Owners of lodging businesses within the proposed Sacramento Tourism Infrastructure District No. 2018-04 (STID) have petitioned the City to form the STID to assess themselves to provide funding for capital improvements, specifically the construction of a ballroom as part of the Sacramento Convention Center, and other infrastructure projects and marketing (if funds allow) designed to increase room night sales for assessed lodging businesses, all as detailed in the Management District Plan (MDP). The proposed capital improvements will increase overnight tourism and desirability of the Sacramento Convention Center as a tourist, meeting, and event destination, causing an increase in room night sales.

The annual assessment rate on lodging businesses is (1%) of gross short-term room rental (stays fewer than 30 days) revenue.

On September 4, 2018, City Council (Council) approved the Resolution of Intention (City Resolution No. 2018-0366) to establish the STID and set September 25, 2018 and October 23, 2018 as the dates for the public meeting and public hearing respectively for the proposed formation of the STID. A joint notice of public meeting and public hearing was mailed to the relevant business owners in the STID on September 7, 2018.

On September 25, 2018, Council held the required public meeting as a venue for public testimony regarding the proposed assessment with no formal action taken by Council.

Policy Considerations: The public hearing and majority protest process are required by the Property and Business Improvement District Law of 1994, Part 7 (beginning with Section 36600) of Division 18 of the California Streets and Highways Code, for the establishment of a business improvement district.

Economic Impacts: None.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under CEQA Guidelines, administration of the STID does not constitute a project, and is therefore exempt from review (14 Cal. Code Regs. §15378(b)(4)).

Sustainability: None.

Commission/Committee Action: None.
**Rationale for Recommendation:** Establishment of the STID will create additional funds that may be used to finance the construction of a ballroom for the Sacramento Convention Center and other infrastructure projects and marketing (if funds allow) designed to increase room night sales for assessed lodging businesses.

**Financial Considerations:** Financing is provided through levying of assessments upon lodging businesses that benefit from the STID. The total STID assessment budget in the full first year of operation is estimated to be $3.14 million. Assessment revenue in excess of what is needed to pay principal and interest on the bonds or other obligations issued or incurred to fund the Convention Center ballroom, replenish reserve funds, and pay administrative expenses related thereto shall be used in the following manner and in the following order of priority, as detailed in the Management District Plan: (1) to make payments to the City and County for the costs of collecting the assessment and administering the STID, (2) to reimburse the City for costs related to the design of the Convention Center ballroom, (3) to reimburse the City for additional construction costs of the Convention Center ballroom, and (4) to fund tourism infrastructure projects and marketing programs. The STID is self-supporting and will have no impact on the General Fund.

The operating budget for the STID will fluctuate with market conditions and room night sales and will be adjusted annually to reflect Council approved assessments and expenditure plans. Future budgets allocating revenues in excess of debt service will be developed cooperatively by the City of Sacramento, Visit Sacramento, and the STID governing committee. An annual report will be presented to the Council pursuant to Streets and Highways Code Section 36650.

**Local Business Enterprise (LBE):** Not applicable.
Attachment 2

Sacramento Tourism Infrastructure District (STID) Background:

• **Assessment**
  Annual assessment rates on lodging businesses is one percent (1%) of gross short-term room rentals (stays fewer than 30 days) revenue.

• **Bonds**
  Bonds will be issued by the City for the benefit of the STID to finance the costs of the ballroom improvements which are part of the broader Convention Center Complex financing. Assessments will be levied until the final maturity of the bonds, which shall not exceed 40 years from the date of the issuance of the first series of bonds to finance the capitals improvements. Pursuant to Sacramento City Code Section 3.92.050, the City Council has augmented the Property and Business Improvement District (PBID) Law by adopting ordinance no. 2018-0025, which enables the City Council to authorize, and establish the procedures for, the use of assessment revenues generated by the STID for the payment of bonds, notes, loans, interim certificates, debentures, installment purchase agreements, leases, and other obligations that the City issues or incurs.

• **Boundaries**
  Within the STID there are approximately 268 lodging businesses in the City and portions of the unincorporated areas of the County of Sacramento. The Boundaries are shown on the attached Boundary Map.

• **Governance**
  Visit Sacramento (VS) will manage the STID and will have a seven-member Tourism District Committee (Committee) to approve and manage district funds and activities. The VS Board Members concurrently serve as the Committee members.

• **Lodging Business**
  Lodging business is defined as: any structure, or any portion of any structure that is permitted by the City or County of Sacramento for short-term rentals, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, motel, vacation rental, home sharing unit, or other similar structure or portion thereof.

Civitas Advisors has prepared the Management District Plan (MDP), which is on file with the Public Improvement Finance Division of the Department of Finance, designated by the City Clerk to be the repository of documents associated with special districts. The MDP is a comprehensive document that describes the process of forming the STID, levying the assessment, and providing the services identified by the business owners. The MDP also includes a benefit study prepared by SMG Consulting.
Majority Protest Criteria:

After the close of the public hearing, scheduled for October 23, 2018, the City Clerk will certify whether a majority protest exists with regard to the formation of the STID. Section 36623 of California Streets and Highways Code provides that a majority protest exists if the owners or authorized representatives of businesses that will pay 50% or more of the proposed assessments submit written protests against formation of the District (and such protests are not withdrawn so as to reduce the protests to less than 50%) prior to the close of the public hearing. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. If a majority protest exists, Council is required to abandon the formation proceedings and take no further action to levy an assessment on the businesses within the boundaries of the STID for at least one year.

The City’s established procedures for the calculation of the protest weight are as follows. Each business subject to the assessment is assigned a protest weight equal to the amount of the individual business’s proposed assessment as a percentage of the total proposed assessment. The individual business’s proposed assessment is equal to the assessment submitted to the City over a 12-month period. For new businesses, with less than 12 months of payments to the City, the payment data is annualized to project 12 months of payments. For new businesses with no payments to the City, the business’s proposed assessment is estimated based on payments made by businesses of a similar size and product. The assigned weight for each business reflects the amount of the estimated payments that will be remitted by the businesses during the first full year of formation.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 12, 2018</td>
<td>City Council - Pass for Publication an Ordinance Adding Section 3.92.055 to the Sacramento City Code, Relating to Sacramento Tourism Infrastructure District No. 2018-04</td>
</tr>
<tr>
<td>June 19, 2018</td>
<td>City Council – Adopt an Ordinance Adding Section 3.92.055 to the Sacramento City Code, Relating to Sacramento Tourism Infrastructure District No. 2018-04</td>
</tr>
<tr>
<td>August 23, 2018</td>
<td>Revised STID Management District Plan (MDP)</td>
</tr>
<tr>
<td>August 23, 2018</td>
<td>Petition Drive Kick-off</td>
</tr>
<tr>
<td>September 4, 2018</td>
<td>Signed Petitions to City</td>
</tr>
<tr>
<td>September 4, 2018</td>
<td>Resolution of Intention – City Council</td>
</tr>
<tr>
<td>September 7, 2018</td>
<td>Mail Notices of Public Meeting and Public Hearing</td>
</tr>
<tr>
<td>September 25, 2018</td>
<td>City Council – Public Meeting</td>
</tr>
<tr>
<td>October 23, 2018</td>
<td>City Council - Public Hearing (Minimum 45 Days After Noticing)</td>
</tr>
<tr>
<td>October 30, 2018</td>
<td>County Board of Supervisors – Resolution approving Formation</td>
</tr>
<tr>
<td>October 30, 2018</td>
<td>City Council – Resolution declaring results of the majority protest proceedings and establishing the STID.</td>
</tr>
</tbody>
</table>