

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Luke Watson, Deputy City Manager

DATE: September 24, 2024

SUBJECT: Initiate Proceedings to Renew the Visit Temecula Valley Tourism Business Improvement District Under the Property and Business Improvement District Law of 1994

PREPARED BY: Robin Harris, Assistant City Attorney
Betsy Lowrey, Assistant to the City Manager

RECOMMENDATION: That the City Council adopt a resolution entitled:

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA DECLARING ITS INTENTION TO RENEW THE VISIT TEMECULA VALLEY TOURISM BUSINESS IMPROVEMENT DISTRICT PURSUANT TO THE PARKING AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994 AND FIXING THE TIME AND PLACE OF A PUBLIC HEARING THEREON AND GIVING NOTICE THEREOF

BACKGROUND: In 2005, the Temecula City Council, with the unanimous consent of the lodging businesses within the City, established the Temecula Valley Tourism Business Improvement District pursuant to the Parking and Business Improvement Area Law of 1989 (the “1989 Act”). The 1989 Act district implemented a 2% assessment on the room rents for the lodging businesses which, with unanimous support, was increased to 4% in 2009.

In 2015, the Visit Temecula Valley (“VTV”), formerly known as The Convention and Visitor’s Bureau, along with all of the lodging businesses within the City, requested the City to undertake proceedings to convert the 1989 Act district to a business improvement district formed under the Parking and Business Improvement District Law of 1994 (the “1994 Act”). On February 10, 2015, the City Council adopted a resolution establishing the Visit Temecula Valley Tourism Business Improvement District pursuant to the 1994 Act (the “VTVTBID”). The initial VTVTBID duration was a five-year term that commenced on March 1, 2015 and expired on February 29, 2020.

On January 28, 2020, following a request by VTV and all of the lodging businesses within the City, the City Council adopted a resolution renewing the VTVTBID for a second term by following the procedures in the 1994 Act that the City followed in 2015 when it established the VTVTBID. The renewed assessment has a duration of five years that will expire on December 31, 2024.

The VTV and all of the lodging businesses within the City have requested the City Council to initiate proceedings to again renew the VTVTBID for a third term and, accordingly, the City Council may do so in accordance with the procedures in the 1994 Act that the City followed in 2015 when it established the VTVTBID, and when it renewed the VTVTBID in 2020. The third term will again have a five-year duration, to commence on January 1, 2025 and expire on December 31, 2029. These five-year durations of the VTVTBID have allowed VTV to project revenues and develop long range projects for advertising and promotions for the benefit of lodging businesses within the City.

The current assessment levied within the VTVTBID is 4% and the proposed assessment will remain 4% on the rent charged by the operator per occupied room per night. VTV is responsible for managing the funds and implementing the activities specified in each annual report that VTV must prepare for the VTVTBID. The assessment revenues are collected by the lodging establishments and remitted to the City monthly along with the City's Transient Occupancy Tax. The City remits the monthly assessment to VTV, less a 2% administration fee, pursuant to the Management District Plan. The assessment revenues must be used for marketing and promotions to increase tourism and market the Temecula Valley as a tourist destination that specially benefits lodging businesses located and operating within the City limits.

PROCEDURE FOR RENEWING THE VTVTBID:

Petition. The 1994 Act provides that the City Council may initiate proceedings to renew the VTVTBID upon the submission of a petition signed by owners of lodging businesses who will pay more than 50% of the assessments proposed to be levied. The City has determined that the petitions have been signed by the owners of all the lodging businesses who will pay the assessments proposed to be levied (signed petitions attached). Renewal proceedings will be initiated by the City Council adopting the attached Resolution.

Management District Plan. The petition includes a summary of the attached Management District Plan which was originally prepared by the VTV and updated for the proposed term beginning January 1, 2025 and expiring December 31, 2029. The Management District Plan includes the boundaries of the district, a description of the activities proposed for each year of operation of the renewed VTVTBID, the assessment rate, the total estimated amount proposed to be expended for the activities each year, the time and manner of collecting the assessments, the number of years (5) in which the assessment will be levied, and a list of the lodging businesses to be assessed. The boundaries, activities, and assessments are the same as set forth in the Management District Plans that were prepared in connection with the establishment of the VTVTBID in 2015 and the renewal of the VTVTBID in 2020. There were 15 lodging businesses when the VTVTBID was established

in 2015, 18 lodging businesses when the VTVTBID was renewed for a second term in 2020, and there currently are 20 lodging businesses. New lodging businesses established within the boundaries of the VTVTBID after the beginning of any fiscal year are not exempt from the levy of assessment.

Public Meeting and Public Hearing. The City Council must hold a noticed public meeting and a subsequent public hearing on the proposed renewal of the VTVTBID and the levy of the assessments for a new five-year term. The public meeting will be held at the October 22, 2024 City Council meeting and the public hearing will be held at the November 12, 2024 City Council meeting. The joint notice of public meeting and public hearing must be mailed to the lodging businesses at least 10 days prior to the date of the public meeting and 45 days prior to date of the public hearing. The public hearing must take place no earlier than 7 days after the public meeting.

Protest of Assessment. If written protests are received by the City from the owners or authorized representatives of lodging businesses in the proposed renewed VTVTBID that will pay 50% or more of the assessments proposed to be levied for the new five-year term, the City Council may not take any further proceedings to renew the VTVTBID and levy the new assessment against such businesses for a period of one year from the date of the finding of the majority protest.

Resolution of Renewal. Following the public hearing and a finding that there is not a majority protest filed against the renewal of the VTVTBID and the levy of the assessment for a new five-year term, the Council may adopt a resolution renewing the VTVTBID and levying the assessment.

Owners' Association. The Management District Plan provides that the VTV, as the owners' association, will provide the activities for the VTVTBID. This means that if the City renews the VTVTBID, the City will continue to contract with the VTV to provide the services for the VTVTBID. The VTV will prepare a report each year, commencing with the second year, which will describe the proposed activities for that year.

FISCAL IMPACT: Upon renewal of the VTVTBID, the new assessment will be the same as the current assessment levied within the VTVTBID and the renewal expenses and administrative expenses will be paid from the assessments. Lodging businesses will continue to collect a 4% assessment on room rents following the same process as used for the collection of the City's transient occupancy tax.

- ATTACHMENTS:**
1. Resolution
 2. Proposed Management District Plan
 3. Petition
 4. Signed Petitions