

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Luke Watson, Deputy City Manager

DATE: November 12, 2024

SUBJECT: Approve Renewal of the Visit Temecula Valley Tourism Business Improvement District

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

RECOMMENDATION: That the City Council conduct a public hearing and adopt a resolution entitled:

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA RENEWING THE VISIT TEMECULA VALLEY TOURISM BUSINESS IMPROVEMENT DISTRICT PURSUANT TO THE PARKING AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994 AND APPROVING A MANAGEMENT AGREEMENT BETWEEN THE CITY AND VISIT TEMECULA VALLEY TO ADMINISTER THE ASSESSMENT REVENUES

BACKGROUND: Visit Temecula Valley (“VTV”) and all of the lodging businesses within the City have requested the City Council to initiate proceedings to renew the Visit Temecula Valley Tourism Business Improvement District (“VTVTBID”) 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 for a second term. The third term will have a five-year duration to commence on January 1, 2025 and expire on December 31, 2029.

DISCUSSION: 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, VTV, 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.

VTV and all of the lodging businesses within the City have once again requested the City Council to initiate proceedings to renew the VTVTBID for a five-year term effective January 1, 2025. Accordingly, at the September 24, 2024 City Council Meeting, the City Council adopted Resolution 2024-64 (attached) declaring its intent to renew the VTVTBID District pursuant to the Property and Business Improvement Law of 1994. On September 25, 2024, a Joint Notice of the Public Meeting and Public Hearing was sent to all 20 of the affected lodging establishments by U.S. Mail to both their physical and mailing addresses. The City Council conducted a Public Meeting on October 22, 2024, providing an opportunity for the City Council, lodging operators, and the public to receive further information and to discuss this item prior to the public hearing. At the November 12, 2024 Public Hearing, the City Council will be asked to consider protests, if any, and then vote whether to renew the VTVTBID provided there is not a majority protest.

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. 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 amount of revenues raised by the annual assessment proposed to be levied in year one of the renewed VTVTBID is anticipated to be approximately \$2,480,000. The annual revenues for each year of the remaining four years of the renewed VTVTBID’s five-year term are expected to fluctuate in accordance with occupancy rates and rents charged by the operators of the Lodging Businesses within the renewed VTVTBID, but the amount is not anticipated to be significantly different each year. The City shall not issue bonds in connection with the renewed VTVTBID.

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 must be used for marketing and promotional activities to increase tourism and market the Temecula Valley as a tourist destination that specially and specifically benefits lodging businesses located and

operating within the VTVTBD, which are the same boundaries as the City limits.

The procedures for renewing the VTVTBD are described below.

Petition and Resolution of Intention. The 1994 Act provides that the City Council may initiate proceedings to renew the VTVTBD 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 previously 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 were initiated by the City Council adopting its Resolution No. 2024-64 on September 24, 2024, declaring its intention to renew the VTVTBD.

Management District Plan. The petition includes a summary of the Management District Plan which was originally prepared by 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 VTVTBD, 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 VTVTBD in 2015 and the renewal of the VTVTBD in 2020. There were 15 lodging businesses when the VTVTBD was established in 2015, 18 lodging businesses when the VTVTBD was renewed for a second term in 2020, and there now currently are 20 lodging businesses. New lodging businesses established within the boundaries of the VTVTBD 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 VTVTBD and the levy of the assessments for a new five-year term. The public meeting was held during 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 was mailed to the lodging businesses in accordance with legal requirements (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. At the public hearing, the City Council must hear the testimony of all interested persons for or against the renewal of the VTVTBD and the levy of assessments within the VTVTBD. The Council may adopt a resolution renewing the VTVTBD in the absence of a majority protest. A majority protest will exist if written protests are received from the lodging business owners (or their authorized representatives) within the VTVTBD that will pay 50% or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50%. If written protests are received by the City from the owners or

authorized representatives of lodging businesses in the proposed renewed VTVTBDID 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 VTVTBDID 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 VTVTBDID and the levy of the assessment for a new five-year term, the Council may adopt the attached resolution renewing the VTVTBDID and levying the assessment.

Owners' Association; Agreement Between the City and VTV. The Management District Plan provides that VTV, as the owners' association, will provide the activities for the VTVTBDID. This means that if the City renews the VTVTBDID, the City will continue to contract with VTV to provide the services for the VTVTBDID. The VTV will prepare a report each year, commencing with the second year, which will describe the proposed activities for that year. The attached resolution approves an agreement between the City and VTV to administer the assessment revenues.

FISCAL IMPACT: Upon renewal of the VTVTBDID, the new assessment will be the same as the current assessment levied within the VTVTBDID 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. Proposed Resolution Renewing VTVTBDID
2. Management Agreement
3. Exhibit A - Management District Plan
4. Resolution No. 2024-64 - Resolution of Intention
5. Signed Petitions
6. Notice of Public Meeting and Public Hearing