

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Peter Thorson, City Attorney

DATE: January 14, 2020

SUBJECT: Conduct Public Meeting to Consider the Renewal of the Visit Temecula Valley Tourism Business Improvement District and the Levy of an Assessment on Lodging Businesses within the District Pursuant to the Parking and Business Improvement District Law of 1994

PREPARED BY: Peter Thorson, City Attorney

RECOMMENDATION: That the City Council conduct the requisite public meeting to hear testimony regarding the proposed renewal of the Visit Temecula Valley Tourism Business Improvement District (“VTVTBID”) pursuant to the Parking and Business Improvement District Law of 1994.

BACKGROUND: In 2005, the 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 VTVTBID functions similar to the 1989 Act district except that the initial assessment for the VTVTBID has a duration of five years instead of the assessments needing to be levied every year. Like the 1989 Act district, the assessment levied within the VTVTBID is 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 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. The five-year duration of the assessment has allowed VTV to project revenues over a five year

period and to develop long range projects for advertising and promotions for the benefit of lodging businesses within the City. The VTVTBID has been very successful and has succeeded in its goal of substantially increasing hotel stays in the City of Temecula.

The assessment for the VTVTBID commenced with the fiscal year that began on March 1, 2015 and ended on February 28, 2016, and the term of the assessment will expire on February 29, 2020. The 1994 Act provides that any district previously established whose term has expired or will expire may be renewed by following the procedures for establishment of a district. The 1994 Act provides that upon renewal, a district shall have a term (i.e., the number of years in which the assessment may be levied) not to exceed 10 years.

Accordingly, the City Council may renew the VTVTBID by following the procedures in the 1994 Act that the City followed in 2015 when it established the VTVTBID. The VTV and all of the lodging businesses in the City have requested the Council to undertake proceedings to renew the VTVTBID, with the assessments to have a new five-year term. The assessments are proposed to be based on the same fiscal year as for the existing assessment (March 1st to February 28th or 29th), but with the term to expire on December 31, 2024 instead of on February 28, 2025 so as to ultimately align the VTVTBID's fiscal year with the calendar year.

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 Director of Finance has determined that the petitions have been signed by the owners of all of the lodging businesses who will pay the assessments proposed to be levied (signed petition attached). The petition includes a summary of the Management District Plan which was prepared by the VTV. 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 plan that was prepared in connection with the establishment of the VTVTBID in 2015. There were 15 lodging businesses when the VTVTBID was established and there currently are 18 lodging businesses.

At your November 12, 2019 meeting, the City Council adopted a resolution declaring its intent to renew the VTVBID. As part of its consideration of this item, the City Council set the date for a public meeting on January 14, 2020, and scheduled a public hearing for January 28, 2020. A joint notice of the public meeting and public hearing was sent to all 18 of the affected lodging establishments.

The purpose of the public meeting is to provide 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. No final decisions will be made at the January 14th meeting. At the January 28th public hearing, the City Council will be asked to consider protests and then vote whether to renew the VTVBID provided there is not a majority protest.

FISCAL IMPACT: Upon renewal of the VTVTBID, the new assessment will be the same as the current assessment levied within the VTVTBID and the formation expenses and administrative expenses will be paid from the assessments. Lodging business 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 of Intention
2. Petitions
3. Management Plan
4. Financial Report
5. Notice of Public Meeting and Public Hearing
6. Proof of Service by Mail