

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Peter Thorson, City Attorney

DATE: January 28, 2020

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

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

RESOLUTION NO. 2020-

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 LAW OF 1994 AND APPROVING AN
AGREEMENT BETWEEN THE CITY AND VISIT TEMECULA
VALLEY TO ADMINISTER THE ASSESSMENT REVENUES

BACKGROUND: On November 12, 2019, the City Council adopted a resolution declaring its intention to renew the existing property and business improvement district designated the Visit Temecula Valley Tourism Business Improvement District pursuant to the Property and Business Improvement Law of 1994.

DISCUSSION: 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.

The activities for the renewed VTVTBID include tourism promotions and marketing promotions that specially and specifically benefit the lodging businesses within the VTVTBID by increasing tourism and marketing the Temecula Valley as a tourism destination.

VTV is responsible for managing the funds and implementing the activities specified in each annual report that VTV must prepare for the renewed 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 existing 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 existing 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 annual assessment rate to be levied on each lodging business within the proposed renewed VTVTBID, which is based on the estimated benefit to the lodging businesses to be assessed, is 4% of gross room rental revenue. For purposes of levying and collecting assessments within the renewed VTVTBID, a fiscal year shall commence on March 1st and end on the following February 28th (or 29th); provided that the last fiscal year for the renewed VTVTBID shall end on December 31, 2024 and provided further that the City Council may, by resolution, designate the fiscal year as July 1st to June 30th of the following year, or any other fiscal year, subject to all applicable requirements of the 1994 Act.

The amount of the annual assessment proposed to be levied in year one totals approximately \$1,720,000. This amount is expected to fluctuate over the remaining four years of the five-year term of the assessment for the renewed VTVTBID in accordance with occupancy rates and rents charged by the operators of the lodging businesses within the 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.

The procedures for renewing the VTVTBID are described below.

Petition and Resolution of Intention. 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 previously determined that a petition has been signed by the owners of all of the lodging businesses who will pay the assessments proposed to be levied (signed petition attached).

Renewal proceedings were initiated by the City Council adopting its Resolution No. 19-68 on November 12, 2019, declaring its intention to renew the VTVTBID.

Management District Plan. 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.

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 was held at the January 14, 2020, City Council meeting and the public hearing will be held at the January 28, 2020 City Council meeting. A joint notice of public meeting and public hearing was mailed to the lodging businesses in accordance with legal requirements.

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 VTVTBID and the levy of assessments within the VTVTBID. The Council may adopt a resolution renewing the VTVTBID 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 VTVTBID 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 a majority protest is received by the City, the City Council may not take any further proceedings to renew the VTVTBID and levy the assessment against such businesses for a period of one year from the date of the finding of the majority protest.

Resolution Reestablishing the VTVTBID. 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 the attached resolution renewing the VTVTBID and levying the assessment.

Owner's Association; Agreement Between the City and VTV. The Management District Plan

provides that VTV, as the owner's 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. The attached resolution approves an agreement between the City and VTV to administer the assessment revenues.

FINANCIAL 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. Proposed Resolution Renewing VTVTBID
2. Exhibit A – Boundary Map
3. Exhibit B – Management Agreement
4. Resolution No. 19-68
5. Petitions
6. Financial Report
7. Management Plan
8. Notice of Public Meeting and Public Hearing
9. Proof of Service by Mail