



**COUNTY OF SAN LUIS OBISPO  
BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 1/14/2020	(3) CONTACT/PHONE Nikki J. Schmidt 805/781-5496	
(4) SUBJECT Hearing to consider a resolution declaring the results of majority protest proceedings, renewing the San Luis Obispo County Tourism Marketing District (TMD) within the County of San Luis Obispo and levy of assessments. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> <li>1. Conduct a public hearing to receive protests to the renewal of the San Luis Obispo County Tourism Marketing District;</li> <li>2. If a majority protest does not exist, adopt the resolution renewing the San Luis Obispo County Tourism Marketing District;</li> <li>3. Levy an assessment on all lodging businesses that pay transient occupancy tax within the boundaries of San Luis Obispo County in the amount of one and half percentage (1.5%); and</li> <li>4. Approve the Management District Plan.</li> </ol>			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? no
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Hearing (Time Est. <u>30 minutes</u> ) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date 12-10-19	
(17) ADMINISTRATIVE OFFICE REVIEW The Administrative Office prepared this report.			
(18) SUPERVISOR DISTRICT(S) All Districts			



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Nikki J. Schmidt, Administrative Office

DATE: 1/14/2020

SUBJECT: Hearing to consider a resolution declaring the results of majority protest proceedings, renewing the San Luis Obispo County Tourism Marketing District (TMD) within the County of San Luis Obispo and levy of assessments. All Districts.

### **RECOMMENDATION**

It is recommended that the Board:

1. Conduct a public hearing to receive protests to the renewal of the San Luis Obispo County Tourism Marketing District;
2. If a majority protest does not exist, adopt the resolution renewing the San Luis Obispo County Tourism Marketing District;
3. Levy an assessment on all lodging businesses that pay transient occupancy tax within the boundaries of San Luis Obispo County in the amount of one and half percentage (1.5%); and
4. Approve the Management District Plan.

### **DISCUSSION**

This item continues the process to renew the San Luis Obispo County Tourism Marketing District (TMD) by asking the Board to consider the resolution of renewal and levy of assessments.

### **Background**

The Board approved the formation of the TMD on June 10, 2015. The TMD included all lodging businesses that pay transient occupancy tax (TOT) located within the boundaries of the County (unincorporated area and within the seven cities). Collection of the 1% assessment began on July 1, 2015.

The TMD was formed under the Parking and Business Improvement District Law of 1994, Streets and Highways Code Section 36600 et seq (the Law), sets out the sequence of events required for the formation and renewal of a TMD. Specifically, among other provisions, the Law sets out the term of a tourism management district as well as the determination of whether there is a majority of lodging businesses in support and/or in protest of a TMD. Specially,

- (1) The Law sets out the initial term of a tourism management district as five (5) years. The subsequent renewal of a tourism management district can be a term not to exceed 10 years. The TMD will expire as of June 30, 2020 as will the agreement with the San Luis Obispo County Visitors and Conference Bureau (Visit SLOCal);
- (2) The Law provides that if there is written support, in form of a petition, from owners of lodging businesses within the district, that pay more than 50% of the proposed assessment, the process will move to the protest phase. The same weight is given for lodging businesses that protest. In the event of a success protest, the applicants (Visit SLOCal) may reapply to reform the TMD after a period of one year. If there is not such a majority protest, the renewal of the TMD will be considered by the Board at the public hearing.

The mission of the TMD continues to provide specific benefits to the lodging businesses that pay the assessment. They do this by marketing and advertising the district in order to increase the sale of room nights. The TMD is “designed to provide specific benefits directly to payers by increasing room night sales. Marketing, sales, promotions and advertising will increase overnight tourism and market payers as tourist, meeting, and event destinations, thereby increasing room night sales.”

The Law requires the development of a Management District Plan (Plan). The Plan describes how the district is structured including the structure of its governing body and how assessments are collected. Specific details can be found in the proposed 2020-2030 Plan which is included as an attached to this staff report. There were no changes to the Management District Plan at the December 10, 2010 public meeting.

Petition Process

As reported on November 19, 2019, as of October 21, 2019, approximately 510 petitions were in support of the TMD renewal were received. As the chart noted, 73.18% of lodging businesses that pay, cumulatively, 50% or more of the proposed assessment and who submitted petitions are in support of the renewal of the TMD.

<b>Jurisdiction</b>	<b>Percentage Lodging Businesses (based on taxable rents) in support</b>
County (Unincorporated)	60.93%
Arroyo Grande	83.28%
Atascadero	77.11%
Grover Beach	78.66%
Morro Bay	61.93%
Paso Robles	66.69%
Pismo Beach	90.24%
City of SLO	75.62%
<b>Total</b>	<b>73.18%</b>

Assessment

Visit SLOCal has proposed that the assessment be increased from 1% to 1.5%. As noted, the assessment will be remitted by all lodging businesses that pay Transient Occupancy Tax (TOT) within both the unincorporated and incorporated portions of the County. Lodging businesses are defined as hotels, motels, bed and breakfasts, vacation

rentals, and RV Parks. The assessment is proposed to be collected based on the paid rent charged per occupied room per night with consecutive stays of 30 days or more excluded. Visit SLOCal projects approximately \$6 million in revenue for the initial year of the ten-year term or \$60 million through 2030. The additional assessment would be used to focus on growing the district's market. This will be done by increased marketing, advertising, sales support (e.g. trade shows, FAM trips, working with meeting and conference planners etc.) and an increase presence of the district in the international market.

### Duration

According to the Law (Section 36622(h)), the maximum number of years the assessment can be levied in a newly formed TMD is five years. At the conclusion of the initial five years, the TMD can be renewed for one additional five-year term but the term cannot exceed ten years. The process to renew the TMD is the same as the initial formation according Section 36660 of the 1994 Law. Visit SLOCal has proposed that the TMD be renewed for ten (10) years.

### **Public Meeting**

A public meeting was held on December 10, 2019 where the Board received public testimony regarding the intention to renew the District and levy assessments in the unincorporated and consenting jurisdictions. The purpose of the meeting was to receive oral and written protests by the owners of lodging businesses within the proposed District.

### Protest Process

As noted above, the renewal of a tourism marketing district follows the same process as its formation. The first step in the renewal was submittal of written petitions signed by lodging business owners who support the formation of the proposed district and who cumulatively pay more than 50% of the assessments proposed to be levied.

The resolution of intention approved by your Board on November 19, 2019 instructed the Clerk to provide notice of the public meeting and future public hearing. A notice of proposed assessment, along with a copy of the executed resolution of intention and a protest form, were sent by the County to all owners of lodging businesses (approximately 2,600) within the proposed district, setting December 10<sup>th</sup> as the public meeting to consider all written and oral protest and January 14, 2020, as the date of the public hearing to consider the renewal of the TMD. All written protests are required to be received by the Clerk at or before the start of the January 14, 2020 public hearing on the resolution renewing the TMD.

The format for the calculating the percentage of protest vote will follow the format used during the petition phase. As any information related to taxable rents that can be tied to any particular business is proprietary, the staff from the Auditor-Controller-Treasurer-Tax Collector (ACTTC) developed a process by which percentage support could be calculated and still maintain the confidentiality of individual lodging businesses taxable rents was used. Specifically,

1. Cities were asked to submit their calendar year 2018 total taxable rents. Total taxable rents were used due to the variance among Transient Occupancy Tax (TOT) rates between the various jurisdictions within the County;
2. Cities were emailed the names of the lodging businesses within their jurisdiction who submitted petitions with a request to provide the total 2018 taxable rents paid by those lodging businesses. This information will then be used to calculate the percentage of protest for the renewal of the TMD;
3. If there was only one (1) petition submitted by a lodging business within a city, it will not be used in the overall calculation to preserve the confidentiality of individual lodging businesses' taxable rents.

As noted above, all written protests are required to be received by the Clerk at or before the start of the January 14, 2020. As of the writing of this staff report (January 2), we have received a total of 129 protest forms. The chart below illustrates the number of protest forms received by jurisdiction.

	<b># of Protest forms received</b>	<b># of lodging businesses within jurisdiction</b>	<b>Percentage of protest forms returned per jurisdiction</b>
Unincorporated County	65	1,732	3.75%
Arroyo Grande	3	37	8.11%
Atascadero	10	61	16.39%
Grover Beach	1	22	4.55%
Morro Bay	18	283	6.36%
Paso Robles	26	314	8.28%
Pismo Beach	1	72	1.39%
San Luis Obispo	5	102	4.90%
<b>TOTALS</b>	<b>129</b>	<b>2,623</b>	<b>4.92%</b>

We are unable to provide the total amount of taxable rents by protestor, as any information related to taxable rents that can be tied to any particular business is propriety. The chart below provides the percentage of lodging businesses, by jurisdiction, protesting the formation of the TMD based on the total amount of taxable rents.

<b>Jurisdiction</b>	<b>Percentage Lodging Businesses Protesting (based on total taxable rents)</b>
Unincorporated County	1.91%
Arroyo Grande	0.87%
Atascadero	0.31%
Grover Beach	**
Morro Bay	23.15%
Paso Robles	**
Pismo Beach	**
San Luis Obispo	9.82%
<b>Totals</b>	<b>2.52%</b>

\*\* Percentage information from jurisdiction had not been received as of January 2, 2020. Staff will provide an update at the January 14<sup>th</sup> hearing.

Next Steps

The purpose of this hearing is to receive any oral or written protest of renewing the TMD and the continuing levying the assessments. Written protest must be received prior to the start of the hearing.

During the hearing, the Board may make changes to the Management District Plan as well as the proposed assessment. At this time, State law requires both a public meeting and a public hearing.

If there is not a majority protest and the Board approves the resolution of renewal, the levy of assessments, increased to 1.5%, will begin July 1, 2020. Staff will bring an Owners' Association renewal agreement for the TMD for the Board consideration at a future Board meeting.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

Staff from the Administrative Office, the Auditor-Controller-Treasurer-Tax Collector, and County Counsel has participated in this process.

### **FINANCIAL CONSIDERATIONS**

Visit SLOCal proposes to increase the 1% assessment currently levied on the paid rent charged per occupied room per night, with consecutive stays of 30 days or more excluded to 1.5% and the district be renewed for ten (10) years. They projected that \$6 million per year or \$60 million for the ten (10) year term in revenue will be generated. The County and cities administrative fee of 2% would remain the same. Since the formation of the TMD in 2015, \$15,594,919.71 in assessments has been collected. To provide additional information on how these monies were used, Visit SLOCal has provided the above referenced ROI report for their tourism and marketing efforts over the past five (5) years.

### **RESULTS**

The County will not be establishing any performance criteria beyond the legal contractual obligation to expend the funds for identified purposes. The onus would be on the contracted owners' association to meet the expectations included in the Plan as well as those of the lodging business owners collecting the assessment. It is expected the owners' association Board of Directors will develop measures that will track the success of the management district plan programs.

### **ATTACHMENTS**

- 1 Attachment 1 - TMD Boundary
- 2 Attachment 2 - Resolution of renewal
- 3 Attachment 3 - Sequence of Events
- 4 Attachment 4 - Management District Plan
- 5 Attachment 5 - 1994 Streets and Highway Code Section 36600 set seq.
- 6 Attachment 6 - Correspondence received as of 1-2-2020