

**TO:** City Council

**FROM:** James L. App, City Manager

**SUBJECT:** **S.L.O. County Visitors & Conference Bureau;  
Tourism Business Improvement District Proposal Presentation**

**DATE:** May 16, 2006

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**NEEDS:** For the City Council to receive a presentation by the S.L.O. County Visitors & Conference Bureau (SLOVCB) concerning a proposal to establish a Business Improvement District to fund expanded tourism promotion.

**FACTS:**

1. Jonni Biaggini, Executive Director of SLOVCB, requested an opportunity to brief the City Council regarding her agency's proposal to form a Business Improvement District (BID) to fund an expansion of tourism promotion activity.
2. Ms. Biaggini has provided BID background information prepared by SLOVCB (attached).
3. California has a number of laws that permit assessment districts to be established to finance construction and maintenance of public improvements, and in some cases, activities.
4. The Parking & Business Improvement Area Law of 1989 authorizes assessments against businesses to finance activities to promote tourism.

**ANALYSIS &**

**CONCLUSION:** The San Luis Obispo Visitors and Conference Bureau is exploring the possibility of forming a Business Improvement District County-wide to fund tourism promotion. The BID appears focused upon hotel/motel businesses, e.g. they would be assessed. Their assessments would be used by the SLOVCB to fund lodging related tourism promotion County-wide.

Inasmuch as this is an informational presentation, no formal City research or analysis concerning the cost/benefit, administration, and/or policy implications of a County-wide BID for tourism promotion has been completed.

**POLICY**

**REFERENCE:** California Parking & Business Improvement Area Law of 1989.

**FISCAL**

**IMPACT:** Presentation – none; BID – not yet known.

**OPTIONS:**

- A. **Receive and File SLOVCB BID Presentation.**
- B. **Amend, Modify or Reject the Options Above.**



# San Luis Obispo County Visitors & Conference Bureau

April 13, 2006

Mr. James App  
City of Paso Robles  
1000 Spring Street  
Paso Robles, CA 93446

Dear Jim:

I would like to request to make a presentation to the City Council on May 16<sup>th</sup> on the proposed San Luis Obispo County Tourism Business Improvement District. The presentation is an informational PowerPoint outlining the lodging industry's challenges that the industry is facing and the most viable method to meet those challenges.

I will explain what a Tourism Business Improvement District is, how it is formed, and the process that will be undertaken in this county. This will include a brief discussion on the many resolutions that must be passed by each city and the county. I will also discuss the proposed structure of the BID, and the role of the City of Paso Robles as it relates to collection, enforcement and monitoring.

I have included a BID Brief Description to provide City Council with some initial background. Please let me know with whom I should be coordinating the PowerPoint presentation. Thank you for the opportunity and I look forward to seeing you on May 16<sup>th</sup> at 7:30P.M.

Sincerely,



Jonni S. Biaggini  
Executive Director

**San Luis Obispo County  
Tourism Business Improvement District  
Brief Description**

**Purpose:**

The lodging industry in concert with the San Luis Obispo County VCB is interested in establishing a countywide tourism business improvement (BID) district that will substantially increase tourism marketing programs for the destination. The tourism BID will raise funds for a specific purpose (tourism promotion), create a sustained tourism promotion budget, and enable a significant campaign to be launched that will increase visitor demand.

**Background - Market Situation**

Over the past 20 years, tourism promotion funding in San Luis Obispo County has been structured on a partnership between the public sector and the private sector, with both sides of the equation seeing record returns on the investment. Unfortunately, as local governments face significant budget challenges and shortfalls, appropriating funds for tourism promotion has decreased in priority and in dollars invested overall.

San Luis Obispo County is facing record increases in room supply over the next five years. As of January, 2006, there are approximately 8,400 hotel, motel and B&B rooms that need to be filled on a daily basis, with 3,476 more rooms proposed to be built. The new rooms represent a 43% increase in supply, the likes of which has never been seen in this county. The last major building frenzy occurred between 1986 and 1988, when the county saw about a 35% increase in supply.

If demand for our product doesn't keep pace with supply, occupancy rates across the county will drop. For 2005, occupancy rates averaged 63.7%, holding steady with the previous year but on a downward trend since 2000. Demand over the past 20 years have averaged 1% increase each year. It is not a stretch of the imagination to say that occupancies will drop if demand does not increase by 7 to 10 times each year.

**What is a BID?**

The BID is a process set by state law (1989 Parking and Business Improvement Area Law) to allow businesses to raise funds for specific purposes that will benefit those businesses. The funds, as stated in the ordinance, will be used for destination marketing programs which are developed and overseen by an Advisory Board made up of the lodging industry. Local government cannot use these funds for general purposes. The plan calls for the Advisory Board members to become members of the SLO County VCB Board of Directors to strengthen communication and streamline policy and direction.

**Structure of the San Luis Obispo County Tourism BID**

The lodging industry is recommending that the assessment district be countywide, that all lodging businesses be included, and that the assessment rate equal 1% of the room rate on an occupied room. The projected annual amount of the private sector funded BID would equal \$1.8 million. The SLO County VCB would contract with the County to implement the marketing plan developed in concert with the Advisory Board.

**BID Process**

By state law, there are certain procedures that must be followed to establish a BID. First, the lead governmental agency (in this case, the County) passes a resolution requesting that the Cities in the County form a tourism BID. Then each City must pass a resolution granting consent to the County to establish a BID. Then, the County passes a resolution of intention to form a BID, after which a public hearing is set for the public to comment. The County sends the lodging business owners that would be included in the district the notice that the BID is being formed and all related materials about the district including the methods to make comment for or against the formation. If 51% of the assessed businesses do not protest, the BID is formed for one year at a time. As each anniversary the lodging industry has the ability to dissolve or continue the BID.

Forming a BID is not a general election process. Only the assessed business owners, in this case, the lodging industry, can determine the outcome.

**Return on Investment**

A draft BID marketing plan was written this past year to address the questions from the lodging industry about how the funds could be spent. The plan proposes that 11 of the monies collected from the assessment be used for marketing programs focusing on mid-week business. Government funding would then be used for the administrative and operational expenses.

In addition, a return on investment chart was presented. At a very conservative ROI rate, the plan shows that for every dollar spent on tourism promotion, \$1.38 will be generated in incremental business.

**Other Tourism BIDs**

Establishing a tourism BID in San Luis Obispo County will not be precedent-setting. There are currently over 20 tourism BIDs already in existence in California, with more proposed as public sector funds become more scarce and expectations and desires to increase tourism become more expensive. Countywide BIDs include **San Mateo County** and **Sonoma County**. Small districts include **Sacramento, West Hollywood, Carlsbad, Huntington Beach, South Lake Tahoe, Laguna Beach, and Tri-Valley**. Communities in the process of establishing a tourism BID include **San Diego, Anaheim, Monterey County and Santa Ynez Valley**.

# FAQ's about the BID

in San Luis Obispo County

## Q: What is a BID?

A: It is a way for business to raise funds for specific activities which will benefit those businesses. In this case, the lodging community, and only lodging, in the county agrees to assess themselves a certain fee which will be used for tourism promotion.

## Q: Why do we need it?

A: There are two major reasons why we need to increase tourism promotion for the destination of San Luis Obispo County:

1. **A 43% increase in Supply.** The number of lodging rooms that are projected to be built in the county over the next five years is 43% more than we have currently. If we don't increase the demand for these rooms and attract more people to visit, we will see occupancy rates drop and rate wars to take place.

*Just to maintain our current 63% occupancy, we will have to attract 2,250 more room nights per day, or 821,000 room nights per year countywide!*

2. **Lost Market Share.** We are currently being outspent in tourism promotion by Santa Barbara and Monterey Counties by as much as 3 to 1. We share the same markets of the Los Angeles and The Bay areas. Our voice isn't being heard as loudly because their resources are so much bigger, so we will lose market share to them if visitors don't know what we have to offer.

*Monterey County currently has a budget of \$2.6 million to send one message in the marketplace. They feel this budget is inadequate and will be establishing a BID by 2007. Their budget is then expected to reach \$4.7 million.*

## Q. What is the size of the tourism budget for San Luis Obispo County?

A: The current budget to promote San Luis Obispo County with one voice, one marketing message is \$825,000. Since 1996, the staff size of the SLOCVCB has remained the same at 5 people.

## Q. How is the BID formed?

A: It is a multi-step process mandated by state law and designed to provide opportunity for business to comment.

- Business owners petition the Cities and the County to establish a BID on their behalf.
- County passes a resolution requesting the Cities to form a BID.
- Cities approve a resolution of consent to allow the County to form a BID.
- County sends a copy of the BID proposal to affected businesses (only the lodging industry).
- Public hearings are held to receive comment.
- County establishes a BID by ordinance unless 51% of the total assessments submit a written protest.

## Q: How much money would be raised in San Luis Obispo County?

A: By assessing only 1% of the room rate (on an occupied room), the BID would collect \$1.8 million per year. Add the amount that the local governments contribute to county-wide tourism promotion and the budget for San Luis Obispo County equals \$2.2 million.

**Q: Who pays the assessment?**

A: The assessment is charged to the lodging business owner who may choose to pass it along to the guest by placing it on the check-out folio.

**Q. How will the money be spent?**

A: The money will be spent on marketing programs that will be determined by the lodging industry through an Advisory Board . Working in concert with the SLO County VCB, an effective marketing plan will be determined and implemented. A draft BID Marketing plan has been developed to give an indication of how the funds could be allocated. Emphasis will be placed on increasing mid-week business.

**Q. Why don't we form a BID for just my community?**

A: The funds collected by each individual community would just not be sufficient enough to launch the level of campaign that will be necessary to drive demand. The marketing program needs a minimum of \$2 million on a consistent basis to increase the number of visitors. No one community would collect that much in a BID.

In addition, every community in ths county needs one another to offer the kinds of attractions that will keep visitors here for more than just a day. In addition to the local tourism promotion efforts, we need a substantial marketing budget to get more visitors to the county as a whole. If we don't get them here, and they decide to go to Santa Barbara instead, none of our communities win. All boats rise in the tide.

**Q. Who determines how the money will be spent?**

A: By law, an Advisory Board made up of lodging businesses must be appointed by the County Board of Supervisors. The plan calls for each supervisor district to appoint a lodging representative and there would be two at-large members appointed as well. The Advisory Board reports to the County Supervisors, maintaining accountability for the funds. The Advisory Board will become members of the SLOCVCB Board of Directors.

**Q. Who will manage the BID funds?**

A: The County Supervisors will contract with the San Luis Obispo County VCB to manage and implement the marketing plan. The SLOCVCB has a 20-year track record of fiduciary responsibility, of successful countywide tourism promotion programs, and has the organizational structure already in place.

**Q: Can the government use the funds for police and fire protection?**

A: By law, the funds can only be used by a non-profit organization for tourism promotion as stated in the ordinance.

**Q : How long will the BID last?**

A: **The BID is from year to year.** If the lodging community does not wish to continue the BID, they can mount a protest equal to 51% of the assessment total at the anniversary date and the BID will dissolve.

### New and Proposed Lodging Rooms

Total Number of rooms by 6/ 2005	8,271						
		2005	2006	2007	Pending w/approval	In Pipeline	
<b>Paso Robles = 777</b>							
Adelaid Motor Inn	42	42					
La Bellasera	61		61				
La Quinta	101		101				
Holiday Inn Express	32			32			
Marriott Courtyard	130			130			
BW Black Oak (Masia)	80				80		
Black Ranch (Masia)	280				280		
French Village Resort (Didier Copp)	80				80		
Inn at the Stables (10th and Pine)	16				16		
Paso Hot Springs	223					223	
Durand	140					140	
Inns at Vintners Village, Phase 1	138					138	
Inns at Vintners Village, Phase 2							
Inns at Vintners Village, Phase 3							
	<b>1,323</b>						
<b>Grover Beach = 156</b>							
State Park Hotel ?	180				180		
Hilton Hotels?	137			137			
	<b>317</b>						
<b>Arroyo Grande = 307</b>							
Hampton Inn	104		104				
	<b>104</b>						
<b>Atascadero = 320</b>							
Holiday Inn Express	79			79			
El Camino Real Property	80			80			
	<b>159</b>						
<b>Morro Bay = 843</b>							
Downtown Conf. Hotel							
Comfort Inn	31		31				
	<b>31</b>						
<b>Pismo Beach = 1,754</b>							
Mission Inn	120		120				
Dolphin Bay Resort	70		70				
	<b>190</b>						
<b>San Luis Obispo = 1,904</b>							
Hampton Inn	150			150			
Marriott Suites	100			100			
Garden Street Terraces	72			70			
Rossi's Warden Bldg	30			30			
Motel Inn	46			46			
Apple Farm Inn	55					55	
	<b>453</b>						
<b>SLO County Unincorporated =2,113</b>							
Avila Lighthouse Suites	54	54					
Hwy 1 and Moonstone Drive, Cambria	34		34				
Hearst San Simeon	100				100		
Cambria Pines Lodge	27		27				
Sycamore Mineral Springs	22		22				
Avila La Fonda Inn	28		28				
Woodlands Resort	500					500	
Peachy Canyon Dr.	8		8				
Cayucos	4			4			
Moonstone Beach Dr. addition	14			14			
Hill St., Nipomo	71					71	
Hwy 41 east	8			8			
Black Lake Golf Resort	125				125		
	<b>995</b>						
<b>Grand Total</b>	<b>3,570</b>	<b>96</b>	<b>606</b>	<b>880</b>	<b>861</b>	<b>1,127</b>	<b>3,570</b>
		0.51%	6.29%	9.34%	8.86%	6.03%	42.99%
as of 3/01/06							