

TO: City Council

FROM: James L. App, City Manager

SUBJECT: **San Luis Obispo County Visitor's & Conference Bureau -
Proposal to Form a County-Wide Tourism Business Improvement District**

DATE: October 17, 2006

NEEDS: For the City Council to consider allowing formation of a business improvement district (BID) to fund tourism promotion through the S.L.O. County Visitors & Conference Bureau (SLOVCB).

- FACTS:**
1. The SLOVCB proposes to form a business improvement district County-wide to fund tourism promotion.
 2. The proposed BID is a form of assessment district that allows assessments against businesses to finance activities to promote tourism.
 3. SLOVCB proposes to assess each transient occupancy business – hotels and motels - 1% of their nightly lodging revenues in order to expand lodging tourism promotion. RV Parks are not included.
 4. The BID as proposed may be formed upon approval of the County Board of Supervisors (already granted 7/16/06 – see Exhibit A) and each incorporated City.
 5. In Cities that do not consent to formation, lodging businesses located therein may not directly benefit from assessment funded lodging tourism promotion activities. Nor can they, or other community businesses, become members of the SLOVCB.
 6. Once formed, the BID is subject to veto by majority protest vote annually (business owners who constitute 50+% of the assessments).
 7. Should the BID be formed County-wide and in all seven cities, SLOVCB estimates annual assessment revenues at \$1-2,000,000.
 8. Other Cities in SLO County have not yet formally considered the BID proposal (although Pismo Beach appears disinclined).
 9. The Paso Robles Chamber of Commerce does not endorse the BID (see Exhibit B).

ANALYSIS &

CONCLUSION: According to the San Luis Obispo Visitors & Conference Bureau,

“The lodging industry in concert with the San Luis Obispo County VCB is interested in establishing a countywide tourism Business Improvement District (BID) 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. With an unprecedented number of new rooms proposed to be built countywide and occupancies slowly decelerating, the need for additional promotion has never been greater.”

“The SLO County VCB staff and the lodging industry have spent many months consulting with lodging owners and believe that they have support from the industry, especially in Paso Robles, for this proposal. The money raised through the assessment would be applied specifically for marketing purposes with the intent of increasing tourism and, therefore, revenues for the lodging industry and city and county coffers. The BID assessment would be a legal government levy that can be audited and enforced in the same fashion as taxes such as the TOT.”

A copy of SLOVCB’s 5/16/06 presentation regarding the proposed BID is attached as Exhibit C.

A petition to form the District in Paso Robles has been signed by six local motel owners (Exhibit D).

Assessments are administered like a tax. The assessments are levied against the business owner, collected by the City, and remitted to the County – for distribution to SLOVCB. Should an assessment payment be late, the City must collect. An administrative fee may be charged to cover collection costs.

POLICY

REFERENCE: The Parking & Business Improvement Area Law of 1989

FISCAL

IMPACT: Minimal – to administer annual assessment collections.

OPTIONS:

A. Council Provide Direction Regarding Business Improvement District Formation.

B. Amend, Modify, or Reject the Option Above

Exhibits: A – 7/18/06 County Board of Supervisors Resolution
B – 5/12/06 P.R. Chamber of Commerce Letter
C – 5/16/06 SLOVCB Presentation
D – 10/06/06 SLOVCB Memo Petition

**IN THE BOARD OF SUPERVISORS
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA**

PRESENT: Supervisors Harry L. Ovitt, Shirley Bianchi, Jerry Lenthall,
James R. Patterson and Chairperson E.H. 'Katcho' Achadjian
Tues day of July 18, 20 06

ABSENT: None

RESOLUTION NO. 2006-250

RESOLUTION REQUESTING CONSENT OF THE CITIES OF ARROYO GRANDE, ATASCADERO, GROVER BEACH, MORRO BAY, PASO ROBLES, PISMO BEACH, AND SAN LUIS OBISPO TO CREATE THE SAN LUIS OBISPO COUNTY TOURISM BUSINESS IMPROVEMENT DISTRICT (SLOCTBID)

WHEREAS, the Board of Supervisors of the County of San Luis Obispo desires to begin the process to form the San Luis Obispo County Tourism Business Improvement District ("SLOCTBID") pursuant to the Parking and Business Improvement Area Law of 1989, Streets and Highways Code section 36500 et seq., to fund tourism promotions and marketing programs for the San Luis Obispo tourism industry; and

WHEREAS, certain lodging business owners have requested that the Board of Supervisors of the County of San Luis Obispo create the SLOCTBID for purposes of promotion of lodging businesses in San Luis Obispo County; and

WHEREAS, the territory proposed to be included in the SLOCTBID lies within the boundaries of the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo (the "Cities"), as shown on the map attached hereto as Exhibit A and incorporated herein by such attachment; and

WHEREAS, the lodging businesses located within the Cities which lie within the boundaries of the proposed SLOCTBID will, in the opinion of the Board of Supervisors, be benefited by the proposed improvements and activities to be carried out, and the purpose sought to be accomplished by the work can best be accomplished by a single comprehensive scheme of work; and

WHEREAS, consenting cities will participate in the SLOCTBID by collecting and transferring to the County of San Luis Obispo the SLOCTBID assessment applied to lodging businesses within their jurisdictions;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of San Luis Obispo that:

Section 1: The above recitals are true and correct.

Section 2: Consent of the Cities, through their City Council, is hereby requested to create the SLOCTBID, and to grant to the Board of Supervisors of the County of San Luis

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Obispo jurisdiction for all the purposes in connection with creation and operation of the proposed SLOTBID, with input from the lodging businesses and participating cities.

Section 3: The Clerk of the Board is hereby directed to transmit a certified copy of this Resolution to the City Clerk of the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo.

PASSED AND ADOPTED at a regular meeting of the Board of Supervisors of the County of San Luis Obispo, State of California, held on this 18th day of July, 2006 by the following vote:

AYES: Supervisors Ovitt, Lenthall, Bianchi, Patterson, Chairperson Achadjian

NOES: None

ABSENT: None

ABSTAINING: None

K.H. ACHADJIAN

Chairman of the Board of Supervisors

ATTEST:

JULIE L. RODEWALD

Clerk of the Board of Supervisors

By: C.M. CHRISTENSEN Deputy Clerk
[SEAL]

APPROVED AS TO FORM AND LEGAL EFFECT:

JAMES B. LINDHOLM, JR.
County Counsel

By: [Signature]
Assistant County Counsel

Dated: 6/28/06

| |
|---|
| <p>STATE OF CALIFORNIA COUNTY OF SAN LUIS OBISPO) ss</p> <p>I, JULIE L. RODEWALD, County Clerk of the above entitled County, and Ex-Officio Clerk of the Board of Supervisors thereof, do hereby certify the foregoing to be a full, true and correct copy of an order entered in the minutes of said Board of Supervisors, and now remaining of record in my office.</p> <p>Witness, my hand and seal of said Board of Supervisors this <u>JUL 20 2006</u></p> <p><u>JULIE L. RODEWALD</u> County Clerk and Ex-Officio Clerk of the Board of Supervisors</p> <p>By: <u>[Signature]</u> Deputy Clerk</p> |
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Paso Robles

chamber of commerce

Attachment B

May 12, 2006

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

Council

RE: May 16, 2006 Agenda Item # 14
SLOCVCB B.I.D. Proposal

Dear Jim:

On behalf of the Chamber's Board of Directors, I am providing you with the enclosed statistical data regarding lodging trends in Paso Robles and how they relate to county-wide trends. This information is important as the city moves toward a vote on the Business Improvement District (B.I.D) proposed by the San Luis Obispo County Visitors and Conference Bureau (SLOCVCB).

What you will find in this data are lodging trends for Paso Robles that run counter to the trends for the city of San Luis Obispo and the county as well. In short, Paso Robles is doing quite well on the tourism front and all indicators seem to point in a positive direction.

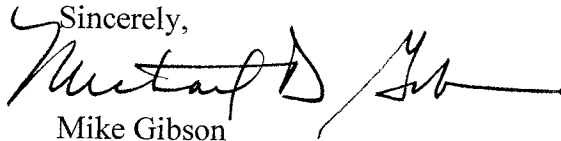
On May 16, the San Luis Obispo County Visitors and Conference Bureau will present to City Council, their proposal for a county-wide B.I.D. The Chamber's Board of Directors has, after reviewing this proposal and its implications, voted **not** to endorse it. The Board came to this decision due to some of the following concerns:

- The enclosed data clearly indicates that occupancy rates in Paso Robles have increased steadily over the past three years while those same rates have remained flat in the city of San Luis Obispo, and the county overall.
- Hoteliers that opt in through their city's agreement will no longer be required to pay dues to the SLOCVCB. This means that all other members (public and private) will be assuming the full administrative financial burden for the entire organization.
- Recreational Vehicle Parks will not be required to contribute to the B.I.D. even though they are currently contributing to the Transient Occupancy Tax, further perpetuating the inequality of the proposal.

- The SLOCVCB has not proven itself in the past to market North County effectively and there is concern that more private funding will only exacerbate this deficiency.
- Many national chain hoteliers have recently made the decision to bring their franchises to this area or expand on existing properties. This is a clear economic indicator of a high growth area for tourism.
- Should the B.I.D. be implemented, contributors must formally opt out each year to have it eliminated, meaning a non-vote is a yes-vote.
- Larger properties in Paso Robles have voted 5 to 4 against the B.I.D.

We feel strongly that these areas of concern far outweigh any positive impact that could be experienced by this proposal.

Sincerely,

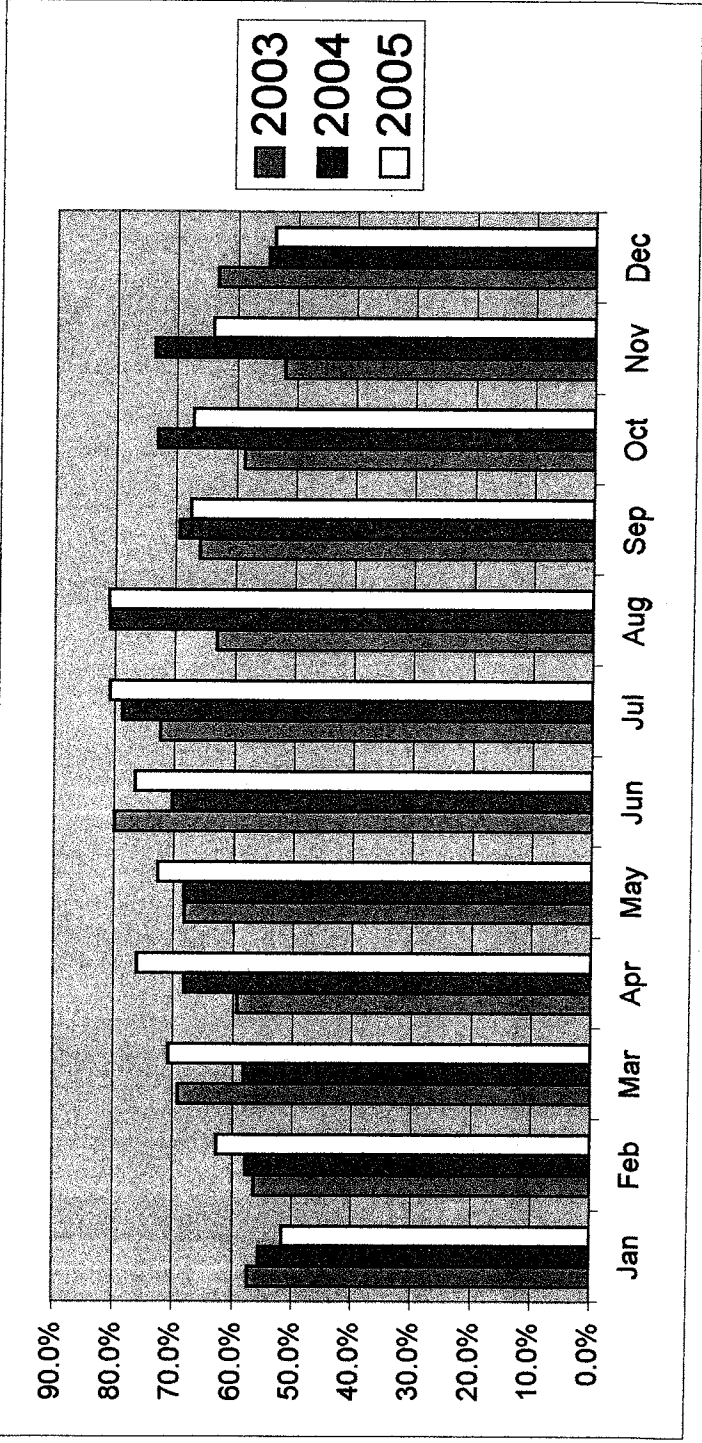
A handwritten signature in black ink, appearing to read "Mike Gibson", with a long horizontal flourish extending to the right.

Mike Gibson
President

OCCUPANCY PERCENTAGE COMPARISON - PASO ROBLES VS. SAN LUIS OBISPO COUNTY

PASO PERCENTAGE PER STR OCCUPANCY REPORTS

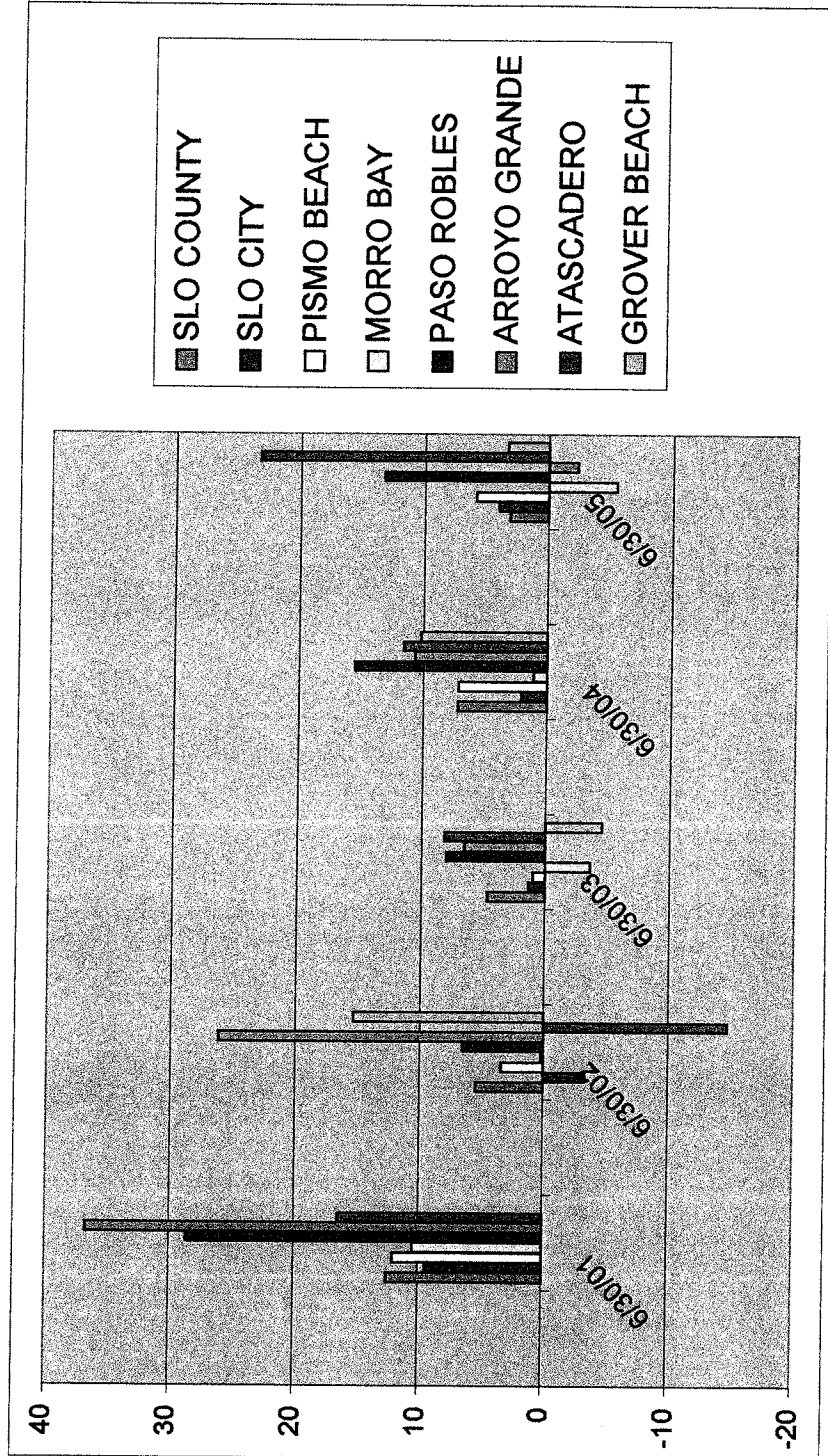
| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-----------------|-------------------|-------------|-------------|
| Jan | 57.3% | 55.5% | 51.6% |
| Feb | 56.4% | 57.8% | 62.7% |
| Mar | 69.1% | 58.2% | 70.7% |
| Apr | 59.4% | 68.1% | 76.0% |
| May | 68.1% | 68.2% | 72.6% |
| Jun | 79.9% | 70.2% | 76.4% |
| Jul | 72.3% | 78.7% | 80.7% |
| Aug | 63.0% | 80.8% | 80.9% |
| Sep | 66.0% | 69.4% | 67.5% |
| Oct | 58.6% | 73.1% | 67.1% |
| Nov | 52.0% | 73.7% | 64.0% |
| Dec | 63.2% | 54.8% | 53.8% |
| Monthly Average | Paso Robles 63.8% | 67.4% | 68.7% |
| Monthly Average | SLO CO. 63.0% | 63.0% | 63.7% |



*This analysis is only based on those Paso Robles properties that report their statistical information to Smith Travel Research.

SAN LUIS OBISPO COUNTY
 TRANSIENT OCCUPANCY TAX RATES
 PERCENTAGES SHOWN ARE INCREASES OVER PREVIOUS 12 MONTH PERIOD

| FISCAL ENDING | SLO COUNTY | SLO CITY | PISMO BEACH | MORRO BAY | PASO ROBLES | ARROYO GRANDE | ATASCADERO | GROVER BEACH |
|------------------|---------------|-------------|----------------|--------------|----------------|------------------|------------|-----------------|
| 6/30/01 | 12.55 | 9.42 | 12.04 | 10.44 | 28.59 | 36.70 | 16.45 | - |
| 6/30/02 | 5.44 | (3.31) | 3.43 | 0.24 | 6.48 | 26.16 | (14.72) | 15.31 |
| 6/30/03 | 4.63 | 1.33 | 0.98 | (3.60) | 7.96 | 6.49 | 8.13 | (4.52) |
| 6/30/04 | 7.15 | 2.07 | 7.08 | 1.09 | 15.45 | 10.64 | 11.56 | 10.18 |
| 6/30/05 | 3.11 | 4.01 | 5.83 | (5.43) | 13.23 | (2.29) | 23.20 | 3.32 |



San Luis Obispo County

Tourism BID

Presented by

San Luis Obispo County

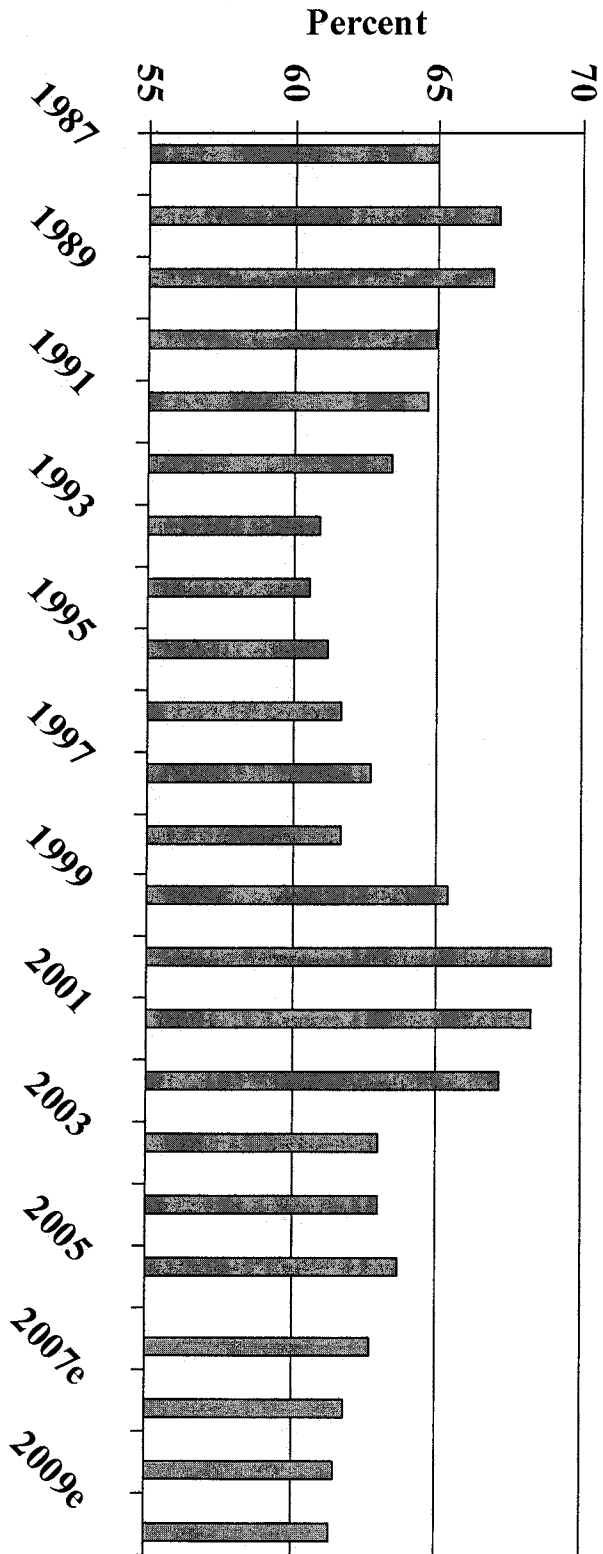
Visitors & Conference Bureau

Industry Challenges

- Current local occupancy rates
 - Average 63% countywide
 - Average 69% in City of Paso Robles
- Projected new rooms
 - Additional 3,570 (+43%) countywide
 - Additional 1,323 (+170%) in City of Paso Robles
- Competition is heating up

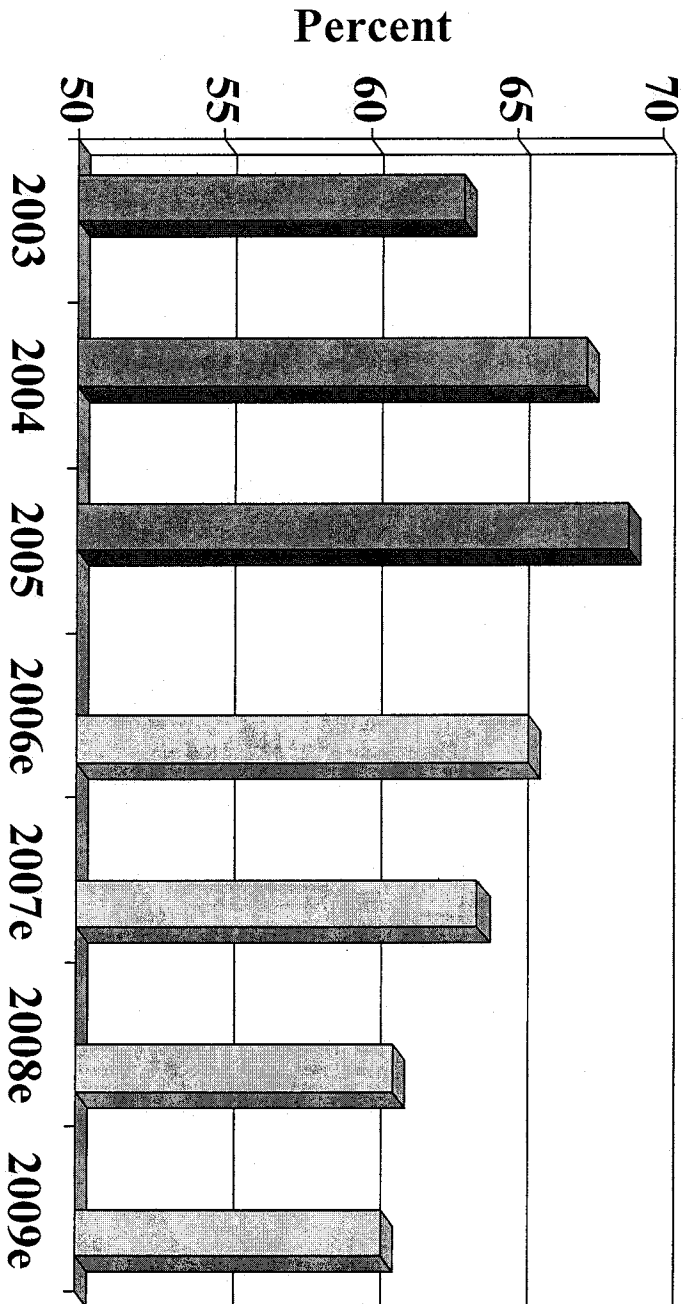
Countywide Occupancy Trend

20-Year Occupancy Trend



Data Source 1987-2005 Smith Travel Research

City of Paso Robles



Data Source: 2003-2005 Smith Travel Research

Why Do We Need More Tourism Funding?

- To launch a more competitive marketing program.
(over **\$1 million** in marketing programs is needed)
 - All boats rise in the tide
- To maintain consistent and stable tourism marketing efforts.
- To establish a fund totally dedicated to tourism promotion.
- To maximize the benefit of the major increase in rooms

Methods of Funding Tourism Promotion

- ✓ Government Allocations
- ✓ Transient Occupancy tax
- ✓ Organization Memberships
- ✓ Co-Op Marketing

- Business Improvement District

Business Improvement Districts

A group of businesses (lodging owners) agree
to **ASSESS THEMSELVES**
over a set period of time
(one year at a time)
for a defined and common purpose.

BID Benefits

- Establishes a stable and growing marketing fund.
- Delivers a more consistent marketing message, delivers it more often, and at a competitive level with our neighboring destinations.
- Businesses accomplish what they could not afford individually.
- Marketing decisions are made by the assessed businesses.
- Decisions must show demonstrable benefit.
- All boats rise in the tide, generating more tax revenues and jobs for each city.

San Luis Obispo County Tourism Business Improvement District

- Forming under the 1989 Parking and Business Improvement law.
- Countywide BID would include lodging businesses only.
- Assessment of 1% of room rate on an occupied room.
- BID funding amount projected at \$1.8 million from private sector.
- **Not intended to replace existing tourism promotion funding.**
- Annual review and approval by those who pay.

How is a BID Established?

- 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.

Who determines how the BID funds will be spent?

- **Advisory Board to County Board of Supervisors**
 - The plan calls for 7-9 appointees made up of businesses being assessed.
 - Works in concert with the SLO County VCB to develop the BID Marketing Plan
 - Advisory Board members join the SLOCCVCB Board of Directors
 - Reports to the Board of Supervisors about the activities of the BID.
- **Role of the San Luis Obispo County VCB**
 - Contracts with the County to manage and implement the BID funds
 - Implements the marketing plan that is developed in concert with the industry through the Advisory Board.

Examples of Tourism BIDs

- Sacramento - \$3.2 million BID + \$3 million
- Sonoma County - \$2.7 million BID + \$1 million
- San Mateo County - \$2.1 million
- West Hollywood - \$1.1 million

BIDs in Process or Examined

- Monterey County (est. \$2 million + \$2.6 million)
- Santa Barbara
- Santa Ynez Valley
- Napa County
- Santa Cruz

Is There Support?

- Latest survey, with 62% response rate
 - 75% are either neutral or positively in favor of the BID
 - 66% feel the decrease in tourism funding will negatively affect the competitiveness of the destination
 - 63% are concerned that major increase in lodging rooms will affect occupancy and ADR rates
 - 84% think that a \$1.8 million marketing budget will increase the destination's competitiveness

Where do we go from here

- Once the County passes the resolution of request to form the BIDD from the cities, request that the City place a resolution of consent to form a BIDD on the agenda.
- Allow the lodging industry to make the decision on the BIDD.

MEMORANDUM

Attachment D

DATE: October 6, 2006

TO: Honorable Frank Mecham, Mayor, City of Paso Robles, and
City Council Members

FROM: Jonni Biaggini, Executive Director, San Luis Obispo County VCB

CC: Jim App, City Manager, City of Paso Robles

RE: Petition to Establish the San Luis Obispo County Tourism Business Improvement District

In an effort to gauge the support of lodging properties in San Luis Obispo County for the formation of a tourism improvement district, the motels in Paso Robles, in conjunction with the San Luis Obispo County Convention & Visitors Bureau (SLOCVCB), circulated the following petition to Paso Robles lodging establishments.

A tourism improvement district will provide economic benefit to Paso Robles lodging establishments and tourism-related businesses.

* * *

Petition to Establish the San Luis Obispo County Tourism Improvement District

Dear Honorable Mayor and Members of the City Council of the City of Paso Robles:

Our lodging property, in coordination with the San Luis Obispo County Convention & Visitors Bureau (SLOCVCB), supports the proposal to establish a Tourism Business Improvement District in San Luis Obispo County.

A Tourism Business Improvement District (TBID) will enable us to establish an adequate and stable funding source to promote San Luis Obispo County as a tourism destination for year-round travel. We support the proposal of an assessment of 1% of the room rate per occupied room per night.

The Tourism District is proposed for the County of San Luis Obispo's unincorporated areas and the Cities of Atascadero, Arroyo Grande, Grover Beach, Morro Bay, San Luis Obispo, Paso Robles and Pismo Beach.

We understand these funds will be used exclusively for the tourism industry promotion in San Luis Obispo County. A Tourism District will provide economic benefit to lodging establishments, tourism related businesses, and the local jurisdictions in San Luis Obispo County.

Please take this letter of support for a Tourism District under consideration. Thank you for your time.

Sincerely,

Paso Robles Inn (100 rms)
Margaret Johnson

Travelodge (31 rms)
Ajay Patel

Holiday Inn Express (91 rms)
JP Patel

Budget Inn (28 rms)
Pravin Patel

Adelaide Inn (109 rms)
Matt Masia

Economy Inn (19 rms)
Mitesh Panchal

Attachment D

Villa Toscana (8 rms) Unincorporated area
Therese Corca