



Council Agenda Report

From: Tom Frutchey, City Manager
Subject: Restructuring of Tourism Business Improvement District
Date: February 21, 2017

Facts

1. The City of Paso Robles Tourism Business Improvement District (TBID) was formed in 2008 by City Ordinance 952 N.S. at the request of all hotels inside city limits. The City collects a 2% assessment per room night from each hotel, with all funds dedicated to marketing Paso Robles as a tourist destination.
2. The Travel Paso Robles Alliance (TPRA) is the advisory body that oversees marketing operations for the TBID and advises the City Council.
3. The TBID was formed under California's Parking and Business Improvement Area Law of 1989, which requires an annual renewal of the structure.
4. The TPRA would like to continue the TBID but collect the assessment under the Property and Business Improvement District Law of 1994, which allows for a 5-year renewal.
5. Concurrently, the TPRA is considering changing their current structure from a City advisory body to a 501(c) 6 non-profit corporation.
6. Under the new structure, a 7- or 9-person board of directors would include hotel-owner representatives, as well as representatives of short-term rentals, and other City tourism-related businesses, including restaurants and attractions. The City would hold an advisory position on the Board and could contract to provide financial, accounting, and legal services. The scope and services of the new destination marketing organization (DMO) would include marketing Paso Robles as a tourism destination, as well as other visitor-serving and visitor-attracting programs, such as public relations, group sales, cooperative promotions, visitor services, etc. (similar to a Visitors and Conference Bureau).
7. The TPRA is in the early stages of planning the new DMO structure. The TPRA is planning the petition drive and outreach for February through mid-April. Upon completion of the petition drive and outreach, the TPRA will determine if there is sufficient support among all lodging business owners to support the restructuring and will bring forward their recommendation for Council consideration at the May, 16, 2017 City Council meeting.
8. A complete DMO structure and 5-year marketing plan is concurrently in development. Upon City Council approval of the new district structure, a working structure will be in place to oversee marketing by July 1, 2017.
9. In order for the conversion process to be completed by July 1, 2017, significant legal advice will be necessary, in order to convert from the 1989 law to the 1994 Law, run the petition process, establish the 501(c)(6), and initiate the articles of incorporation and bylaws for the new Destination DMO. The Civitas law firm, based in Sacramento, specializes in the creation and conversion of DMOs. BBK does not have the necessary resources available in this specialty area.
10. City Council is required to give consent to the formation of a TBID under the Property and Business Improvement District Law of 1994.

Options

1. Receive and file this report, with formal recommendation from TPRA coming in May, 2017;
2. Provide alternative direction to the TPRA, such as requiring regular annual TBID renewal

Analysis and Conclusions

Paso Robles has been promoting tourism without a DMO since 2006. With the growth in tourism due to TBID marketing efforts, this proposed structure change is a necessary step in continuing to grow as a destination and to increase visitor services to increase length of stay and encourage return visitation. The initial decrease in marketing funds will likely be recouped quickly through the increase in dedicated tourism promotion efforts (mid-week programs, group sales, etc.)

Fiscal Impact

TBID assessments do not go into the General Fund. The \$46,000 required for the Civitas contract will come from the TBID fund balance. A successful restructuring will decrease City "soft costs" with the considerable decrease in staff time currently required for administration of the current TBID structure. Under a DMO structure, a portion of the current TBID marketing budget would need to be dedicated to staffing and operations, those projections will be brought forward to City Council in a "Management District Plan" in May.

Recommendation

1. Authorize the TBID to continue its efforts, providing any desired direction.
2. Authorize the City Manager to execute an agreement with Civitas to provide all of the legal advice necessary to convert from the 1989 law to the 1994 Law, run the petition process, establish the new destination marketing organization (DMO) as a 501(c) 6, and initiate the articles of incorporation and bylaws for the new DMO.

Attachments

1. Ordinance 952 N.S
2. Restructuring Time Line (draft)

ORDINANCE NO. 952.N.S.

AN ORDINANCE OF THE CITY OF EL PASO DE ROBLES
ESTABLISHING THE PASO ROBLES TOURISM AND LODGING PROMOTIONS
BUSINESS IMPROVEMENT DISTRICT PURSUANT TO THE PARKING AND BUSINESS
IMPROVEMENT AREA LAW OF 1989

WHEREAS, on October 7, 2008 the City Council for the City of El Paso de Robles ("City") adopted Resolution No. 08-146 a Resolution of Intention to Establish the Paso Robles Tourism and Lodging Promotions Business Improvement District ("District") pursuant to the Parking and Business Improvement Area Law of 1989; and

WHEREAS, in accordance with Resolution No. 08-146 the City Clerk of the City has caused a complete copy of the Resolution to be mailed, by first-class mail, to each hotel business within the proposed District;

WHEREAS, Resolution No. 08-146 set December 2, 2008, at 7:30 p.m., at the Paso Robles Library/City Hall Conference Center, 1000 Spring Street, El Paso de Robles, California, as the time and place for a hearing to be held by the City Council to consider the establishment of said District; and

WHEREAS, at the hearing, all protests, both written and oral, made or filed, were considered and duly overruled and denied and the City Council determined that there was no majority protest within the meaning of California Streets and Highways Section 36525; and

WHEREAS, in the opinion of the City Council, the hotel establishments within the District will benefit by the expenditure of the funds raised and the assessment levied hereby, in the manner prescribed herein; and

NOW THEREFORE, the City Council of the City of El Paso de Robles does ordain as follows:

Section 1. Chapter 3.22, Tourism and Lodging Promotions Business Improvement District, is hereby added to Title 3 of the El Paso de Robles Municipal Code to read as follows:

Chapter 3.22 TOURISM AND LODGING PROMOTIONS BUSINESS IMPROVEMENT DISTRICT.

3.22.010 Intent and Purpose

This chapter shall be known as the "Paso Robles Tourism and Lodging Promotions Business Improvement District." This chapter recognizes the importance of the tourism industry to the economic well-being of both the region and the City, and in particular, the establishments that provide lodging for tourists, as well as employment for City residents. The purpose of the formation of the District is to provide revenue to defray the costs of services, activities and programs promoting tourism which will specifically benefit the operators of tourist lodging establishments in the District. It is the intent of this chapter to provide a supplemental source of funding for the promotion of tourism in the District and it is not intended to supplant any other existing sources of revenue which may be used by the City for the promotion of tourism. Therefore, the city council finds and declares that the establishment of the District will help promote the public health, morals, safety and welfare of the City, as provided in this chapter.

3.22.020 Establishment of the District.

Pursuant to the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code Section 36500 et seq.), a business improvement district area designated as the "Paso Robles Tourism and Lodging Promotions Business Improvement District" ("District") is hereby created and established. The boundaries of the District are the boundaries of the City of El Paso de Robles.

3.22.030 Levy of Assessment.

An assessment shall be imposed and levied annually against all tourist lodging establishments within the District boundaries to pay for the improvements and activities of and within the District. As used in this Chapter, "tourist lodging establishments" shall mean hotels, as defined in Section 21.08.250 of the El Paso de Robles Municipal Code, but not bed and breakfast establishments, as defined in Section 21.15.220 of the El Paso de Robles Municipal Code, nor campgrounds or recreational vehicle parks.

The amount of the assessment shall be TWO PERCENT (2%) of the gross room rental revenue charged by all existing and new tourist lodging establishments per room per night for all transient occupancies. As used in this Chapter, "transient occupancy" shall mean the use or possession, or the right to the use or possession, of any room or rooms or portion thereof, in any hotel for dwelling, lodging or sleeping purposes, for a period of thirty consecutive calendar days or less. Transient occupancies by federal government employees on government business will be exempt from the levy of assessment. Extended stays, defined as more than thirty (30) consecutive calendar days, shall be exempt from the levy of assessment. Assessments levied pursuant to this Chapter shall not be included in gross room rental revenue for the purpose of determining the amount of the transient occupancy tax. The levy shall begin on July 1, 2008.

3.22.040 Reporting and Remitting of Assessment.

Assessments shall be collected monthly, or in such other installments as determined by the City Council, based upon the total room rental revenues of the previous month and paid to the City's Department of Administrative Services. Each operator of a tourist lodging establishment shall on or before the last day of the month report to the City's Department of Administrative Services the total gross room rental revenue charged in the previous month. At the same time, the operator shall remit to the City the assessment in the amount of TWO PERCENT (2%) of the gross room rental revenue charged per room per night for all transient occupancies not otherwise exempted under this article. Operators shall report the total gross room rental revenue charged and remit the assessment due in the same manner as the operator reports and remits the Transit Occupancy Tax, per Chapter 5.06 of the El Paso de Robles Municipal Code, to the extent possible.

All assessments shall be held by the City in a separate account established for the District.

3.22.050 Penalty for delinquent payment

For failure to pay a benefit assessment when due, the City shall add a penalty of twenty percent (20%) of the assessment amount in addition to the assessment. Any additional collection costs incurred by the City or collection agent acting on behalf of the City shall be added to the assessment amount due. Such additional costs may include, but are not limited to, attorney fees, court costs, agent fees, and servicing fees.

3.22.060 Advisory Board.

The City Council shall appoint an Advisory Board pursuant to Section 36530 of the California Streets and Highways Code in order to make recommendations to the City Council on the expenditure of revenues derived from the levy of assessments, on proposed improvements and activities and on the method and basis of levying assessments. The City Council may, by resolution, adopt bylaws governing the membership and operations of the Advisory Board.

3.22.070 Annual report and review of assessments.

The Advisory Board shall prepare an annual report in accordance with the requirements of Section 36533 of the Streets and Highways Code. Upon approval of the annual report, the City Council shall follow the procedures set forth in Section 56534 *et seq.* of the Streets and Highways Code for the conduct of a public hearing on the assessments for the fiscal year referred to in the report.

3.22.080 Use of assessments.

The Advisory Board shall prepare an annual Marketing Plan, specifying the expenses, services, activities, and programs to be funded by the assessment. Upon the City Council's approval of the Marketing Plan, no portion of the revenues from the assessments within the District shall be used for any purpose other than for the purposes of the expenses, services, activities, and programs specified in the Marketing Plan, as approved by the City Council, and in the Resolution of Intention to form the District, or as modified by the City Council pursuant to compliance with Sections 36534 and 36535 of the California Streets and Highways Code. No portion of the revenues from the assessments within the District shall be used for activities outside of the District.

Section 2. Publication. The City Clerk shall cause this ordinance to be published once within fifteen (15) days after its passage in a newspaper of general circulation, printed, published and circulated in the City in accordance with Section 36933 of the Government Code.

Section 3. Effective Date. This ordinance shall go into effect and be in full force and effect at 12:01 a.m. on the 31st day after its passage.

Section 4. Inconsistency. To the extent that the terms or provisions of this Ordinance may be inconsistent or in conflict with the terms or conditions of any prior City ordinance(s), motion, resolution, rule, or regulation governing the same subject matter thereof, such inconsistent and conflicting provisions or prior ordinance, motions, resolutions, rules, and regulations are hereby repealed.

Section 5. Severability. If any section, subsection, sentence, clause, or phrase of the Ordinance is, for any reason, found to be invalid or unconstitutional, such finding shall not affect the remaining portions of this Ordinance.

The City Council hereby declares that it would have passed this Ordinance by section, subsection, sentence, clause or phrase irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases are declared invalid or unconstitutional.

Introduced at a regular meeting of the City Council of the City of El Paso de Robles held on December 2 2008, and passed and adopted on the 16th day of December, 2008 by the following roll call vote:

AYES: Gilman, Hamon, Steinbeck, Strong and Picanco

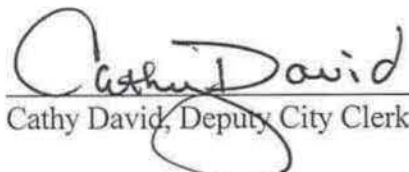
NOES:

ABSTAIN:

ABSENT:


Duane J. Picanco, Mayor

ATTEST:


Cathy David, Deputy City Clerk

TPRA
Restructuring Timeline

Status	Date	Action	Responsible Party
February 2017			
	Feb 7	First Steering Committee meeting, kick-off call	Civitas
	Feb-Apr 14	Hotel Outreach	Steering Committee
	Feb 16	Steering Committee meeting	Steering Committee
	Feb 17	Draft MDP due, City reviews petition and resos	Civitas
	Feb 21-24	Review MDP and conversion timeline/process	Steering/City
	Feb 23	Tourism Summit	City
	Feb 23	DMO Transition Meeting	SMG/Steering/City
	Feb 24	DMO Transition Meeting 2	SMG/Big Red
	Feb 27	TPRA Meeting	TPRA
	Feb-Mar	Annual report on TPRA efforts	Augustine
March 2017			
	Mar 17	Final MDP, Petition, and Resolutions approved by City	City
	Mar 20-Apr 14	Petition Drive	Steering Committee
	Mar 28	TPRA Meeting	SMG/TPRA
April 2017			
	Apr 14	Submit Petitions totaling over 50% + 1 of assessment to City	Civitas
	Apr 25	TPRA meeting	TPRA
		If proceeding with DMO, go to May 2, if not go to Apr 25-B	City
	Apr 25-B	TPRA Meeting	TPRA
May 2017			
DMO	May 2	Formation Resolution of Intention	City
DMO	May 2	Steering Committee Meeting	Civitas
DMO	May 3	Mail - Formation Notice of Public Meeting/Hearing	City
DMO/Renewal	May 5	Staff report due to City Manager	City/Augustine
DMO	May 16	Public Meeting on Formation of DMO or May 16-B	City
Renewal	May 16-B	Notice of Intent to Hold Public Hearing for TBID renewal	City
DMO/Renewal	May 23	TPRA Meeting	TPRA
June 2017			
	Jun 20	Formation Public Hearing & Adopt Resolution of Formation	City
	Jun 20	Steering Committee meeting	Civitas
	Jun 30	Old district ceases to exist, Big Red Marketing destination management contract ends	