



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 6/6/2023

To: Board of Supervisors of Sonoma County of Sonoma
Department or Agency Name(s): Economic Development Board (EDB)
Staff Name and Phone Number: Lauren Cartwright (707) 565-7170
Vote Requirement: Majority
Supervisory District(s): Countywide

Title:

Annual Tourism BIA Assessment Report & Continuation of Tourism Assessment without Change in Fiscal Year 2023-24

Recommended Action:

A) Conduct a public hearing to confirm Sonoma County Tourism Bureau's annual tourism assessment report to support the continuation of the tourism assessment in Fiscal Year 2023-24; and

B) Adopt a resolution confirming the Tourism Bureau's Annual Report and continuing without change the levy of the tourism assessment for the Sonoma County Tourism Business Improvement Area for Fiscal Year 2023-24.

C) Authorize the Board of Supervisors Board Chair to execute an agreement to provide services and programs promoting tourism in Sonoma County, funded by assessments from within the Sonoma County Tourism Business Improvement Area from July 1, 2023, to June 30, 2024.

D) Authorize the Economic Development Executive Director, in coordination with the County Administrator and County Counsel, to execute a three-year funding agreement with Sonoma County Tourism Bureau, Inc. for services and programs promoting tourism in Sonoma County for the period of July 1, 2023, to June 30, 2026. Estimated funding provided through the agreement would be \$2.67 million for FY 2023-24, based upon Sonoma County Tourism Bureau's share of 1.25% of the first 9% of Transient Occupancy Tax Collected, and estimated collections of \$19.2 million.

Executive Summary:

Staff recommends the Board approve a resolution confirming the Annual Report prepared by the Sonoma County Tourism Bureau and continuing the program and assessments as levied without change for fiscal year 2023-24. The request includes executing an amendment with the Sonoma County Tourism Bureau (SCTB), which includes expenditure policy restrictions to carry out the services, activities and programs promoting tourism funded by the assessments for the specific benefit of the lodging establishments within the Sonoma County Tourism Business Improvement Area. In addition, staff recommends a three-year funding agreement with SCTB for tourism services and promotion activities for the period of July 1, 2023, to June 30, 2026. Funding provided through the agreement for FY 2023-24 is estimated to be \$2.67 million of the county's unincorporated area Transient Occupancy Tax (TOT). This three-year funding agreement will also include an annual \$500,000 allocation to fund the countywide visitor center program. Additional funds may be available

from within the agreement to cover necessary infrastructure and service upgrades for participating visitor centers.

Discussion:**Sonoma County Tourism Business Improvement Area Assessment Continuation**

On November 2, 2004, the Sonoma County Board of Supervisors adopted the ordinance creating the Sonoma County Tourism Business Improvement Area (Business Improvement Area) in various cities and in the unincorporated areas of the county. Under the ordinance, lodging establishments generating annual room revenue of \$350,000 or more must pay an assessment equal to 2% of such revenue. The levy of the assessment and program to promote tourism has continued without change in the Business Improvement Area (BIA) since its adoption.

The Sonoma County Tourism Bureau (SCTB) is a private, non-profit organization dedicated to increasing overnight stays in Sonoma County. In June 2005, the Sonoma County Board of Supervisors executed an agreement with SCTB to carry out services, activities, and programs promoting tourism to Sonoma County, funded by assessments from within the Business Improvement Area.

As it has done every year since 2004, SCTB has submitted its Annual Report, which contains information on the activities and corresponding expenditures to carry out in the upcoming fiscal year. The Report also contains a budget showing projected revenue from assessments and all other sources sufficient to carry out the services, programs, and activities set forth in the plan. The Annual Report for Fiscal Year 2023-24 is attached as Attachment 1.

Collection of Tourism Assessment

The Sonoma County Treasurer-Tax Collector collects the BIA assessment from all qualifying entities in the unincorporated areas of the County as well as remittances from member cities, which include the Cities of Santa Rosa, Rohnert Park, Petaluma, Cloverdale, Cotati, and Sebastopol, and the Town of Windsor. The City of Sonoma and the City of Healdsburg have not approved consent resolutions to join the BIA.

County staff is continuing efforts with SCTB and other stakeholders to review opportunities to coordinate efforts to expand enforcement and collection efforts of the business improvement assessment. In the meantime, County staff recommend proceeding with the annual process to continue the levy of the business improvement assessment without change. Staff requests that the Board confirm the SCTB's annual tourism assessment report to support the continuation of the tourism assessment in fiscal year 2023-24 and continue without change the BIA assessment.

Award of Transient Occupancy Tax

In addition to BIA funds, SCTB receives funding from the County's Transient Occupancy Tax (TOT). TOT is authorized under State Revenue and Taxation Code Section 7280, as an additional source of non-property tax revenue to local government. The TOT tax levied in Sonoma County is at a rate of 12% for accommodations at lodging and camping facilities in the unincorporated areas of the County. TOT is a general tax, and its funds are therefore discretionary, in that the Board of Supervisors may direct use of these funds for any legitimate county expense and may grant funds that benefit the community in accordance with Government Code

section 26227.

To stabilize funding, retain staffing and offer services to visitors, SCTB has proposed to include visitor center funding and operational support into its programming. Participating entities will continue to operate as separate organizations and will need to continue the reporting requirements currently in place within the EDB funding structure. This will include an annual report highlighting operational and financial transparency and will be provided to SCTB and the County as part of the SCTB annual report. The intent is to raise the opportunity for visitor centers to operate at a higher level and reach their potential as professional organizations.

This funding will be for visitor centers, but not for entities that operate solely as Chambers of Commerce. For those entities that operate both functions, SCTB will provide support for the visitor center operations of the organization and can do so only through use of TOT funds, as BIA funds cannot be used to directly benefit businesses outside of the allocating entities.

To undertake this effort, SCTB requests a commitment to retain its current TOT allocation of 1.25 percentage points of the first 9% of TOT collected in the unincorporated Sonoma County throughout the duration of this proposed three-year term (July 1, 2023, to June 30, 2026).

SCTB has proposed an annual baseline funding allocation from the TOT. Based on results of a pending visitor center study, SCTB will also identify appropriate amounts of funding for both brick and mortar and experiential upgrades. See table below.

Estimated Program Funding	FY 23-24	FY 24-25	FY 25-26
Infrastructure/Services Upgrades	Up to \$100,000	TBD	TBD
General Funding	\$500,000	\$500,000	\$500,000

Included in each year of the proposed funding plan:

- SCTB staffer to administer the program - \$50,000 to be allocated through the Personnel category and used as half-time for this program

Visitor centers that wish to operate outside the parameters of this program are welcome to do so - the overall program funding will reflect the participation level. SCTB's role is to support, elevate, and provide benefit to the areas and businesses served by each visitor.

Findings and Recommendations

Staff and SCTB, in its capacity as the Advisory Board, recommends that the Board accept and confirm this Annual Report and continue the assessments as levied without change for the Business Improvement Area in Fiscal Year 2023-2024 pursuant to the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code section 36500, et seq.), subject to the following findings and recommendations:

1. That the boundaries of the Business Improvement Area should remain the same, with the recognition that the cities of Santa Rosa, Petaluma, Rohnert Park, Sebastopol, Cloverdale and Cotati, and the Town of Windsor, have not withdrawn their consent to be included within the boundaries of the Business Improvement Area.

2. The Tourism Bureau continues to serve as the Advisory Board for the Business Improvement Area.
3. That the method and basis of levying the assessment remain unchanged and continue in Fiscal Year 2023-24.
4. That the revenues generated by the assessment be used in accordance with the requirements of Sonoma County Code section 33-4 to conduct marketing activities including funding of programs, services, and activities outside of the County designed to increase the number of overnight visits to the County.
5. The Tourism Bureau will provide an annual audit of travel and meal expenses per their most recent updated travel and meal reimbursement policy.

Written and Oral Protests

In advance of this public hearing, written protests may be submitted to Lauren Cartwright, Interim Deputy Director, 141 Stony Circle, Suite 110, Santa Rosa CA, 94501, by 5:00 p.m. on June 5, 2023. At the public hearing, the Board will consider all protests, both written and oral, presented to the Board prior to the closing of the hearing. The form and manner of protests shall comply with Streets and Highways Code sections 36524 and 36524. Staff will publish notice in the newspaper as directed by the Board and as required by Streets and Highways Code section 36534(b).

Staff recommends the Board confirm the Annual Assessment Report for Fiscal Year 2023-24 and adopt the resolution supporting the continuation of the tourism assessment without change.

Agreement for Services to Promote Tourism from 7/1/2023 to 6/30/2024

Business Improvement Districts are important to California's economy and provide a number of tourism-related services to California's tourism industry, including marketing of assessed businesses, tourism promotion, and special events to attract tourists. Sonoma County Code section 33-4 requires that revenues from Business Improvement Area assessments must be used to conduct marketing activities designed to increase overnight visits to the area. The term "area" is defined as the territory within the boundaries of the Business Improvement Area, and the term "marketing activities" is defined as activities designed to market the area as a tourist destination, including the expenditure of funds to place advertising in any media, conduct public relations campaigns, perform marketing research, promote conventions and trade shows, and foster improved contacts within the travel industry, for the purpose of promoting tourism within the area. Revenues from assessments may be used for programs, services, and activities outside the area, if such programs, services, and activities are designed to promote and encourage overnight visits to the area. Revenues from assessments may also be used to pay the ongoing reasonable administrative costs associated with the marketing activities.

The focus on increasing overnight visits to the area constitutes a specific benefit to the lodging establishments that pay the assessments. The fact that others may receive incidental benefits from the expenditure of assessments, such as restaurants serving more patrons, does not change the characterization of assessments as a specific benefit to lodging establishments because no additional cost is imposed on the lodging establishments to provide those incidental benefits.

The type of activities intended to be funded by the Tourism Bureau's Business Improvement Area assessment and Transient Occupancy Tax revenues include:

(1) advertising; (2) marketing materials and distribution; (3) tradeshow and sales missions; (4) sales and marketing promotions; (5) destination development; (6) research and development; (7) public relations; (8) sales and marketing tools; (9) labor; and (10) administrative expenses.

Staff recommends executing an agreement with SCTB to provide tourism promotion activities financed with Business Improvement Area annual assessment and supplemented with a funding agreement of a portion of the county's TOT, consistent with [the Community Investment Fund Policy](https://sonomacounty.ca.gov/CAO/Services/Community-Investment-Program/Community-Investment-Program-Policy/) [<https://sonomacounty.ca.gov/CAO/Services/Community-Investment-Program/Community-Investment-Program-Policy/>](https://sonomacounty.ca.gov/CAO/Services/Community-Investment-Program/Community-Investment-Program-Policy/) and equates to 1.25 percentage points of the first 9% TOT recommended budget revenue included in the County's FY 2023-24 budget. The new term of the Business Improvement Area assessment agreement ends on June 30, 2024 for an estimated \$4 million Business Improvement Area assessment; and the new three-year term for the funding agreement for TOT is estimated to be \$2.67 million TOT collected.

Strategic Plan:

N/A

Racial Equity:**Was this item identified as an opportunity to apply the Racial Equity Toolkit?**

Yes

Applying a racial equity lens to integrate explicit consideration of racial equity policy in decisions can help to develop strategies and actions that reduce racial inequities and improve success for underserved members in our community. To implement the Board's direction to advance racial equity, the Board expects race equity impact analysis for some significant items on the Board calendar, including this item.

This item is renewing, without change, the long-existing Business Improvement Area Assessment (Parking and Business Improvement Area Law of 1989; California States and Highways Code section 36500, et seq.), which is levied at a rate of 2% for those lodging establishments that generate more than \$350,000 annually in revenue. Current number of affected operators is 84 (4% of the businesses that file Transient Occupancy Tax returns) throughout the County, including both unincorporated County and the participating Cities.

In the future, staff will review evaluation procedures for assessing items where a racial equity lens should be applied. If an adjustment to the Business Improvement Area Assessment is proposed in the future, an in-depth analysis will be conducted.

Prior Board Actions:

5/9/2023 - The Board accepted the Sonoma County Tourism Bureau's annual tourism assessment report and adopted a resolution of intention to levy an annual assessment for FY 23/24 and to hold a public hearing on June 6, 2023 to confirm the report and continue the BIA assessment without change.

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY23-24 Projected	FY 24-25 Projected
Budgeted Expenses			

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Additional Appropriation Requested		\$2,670,000	
Total Expenditures		\$2,670,000	
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other: Transient Occupancy Tax		\$2,670,000	
Use of Fund Balance			
Contingencies			
Total Sources		\$2,670,000	

Narrative Explanation of Fiscal Impacts:

Business Improvement Area assessment continuation is estimated to generate \$4,000,000 in revenues, which is supplemented with \$2.67 million sourced from the TOT collected in unincorporated Sonoma County per existing the Community Investment Fund Policy

<https://sonomacounty.ca.gov/CAO/Services/Community-Investment-Program/Community-Investment-Program-Policy/>.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

1. 2023-24 Sonoma County Tourism Bureau Annual Report and Budget
2. Resolution to Continue BIA Assessment without Change for Fiscal Year 2023-24
3. 2023-24 BIA Agreement
4. 2023-24 TOT Services Agreement

Related Items "On File" with the Clerk of the Board:

None