

SONOMA COUNTY
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LIFE OPENS UP

**Responsible Tourism Assessment
Public Meeting
Sonoma County Board of Supervisors
November 1, 2022**

BIA Assessment vs. TOT Tax

How an Assessment Differs from a Tax

- Prop. 26 is a constitutional amendment that introduced the definition of what constitutes a local tax:
 - As used in this article, “tax” means any levy, charge or exaction of any kind imposed by a local government.
 - Almost any requirement imposed by a local government that results in the local government receiving revenues is a local tax. This means that the local government would need to obtain a majority approval of the voters if the revenues are to be used for general governmental purposes, or a two-thirds voter approval if the revenues are to be used for a particular purpose.

How an Assessment Differs from a Tax

- Seven exceptions temper the broad definition of “tax” in Prop. 26. The first of the seven exceptions discusses the Benefit exception:

The Special Benefit or Privilege Exception provides that a fee imposed by local government that provides a special benefit to the person paying the fee or directly grants the person some privilege is not a tax. Common examples include fees for planning permits, restricted neighborhood parking permits, and entertainment and street closure permits.

Sonoma County's Business Improvement Area (BIA)

- The Business Improvement Area (BIA), is a self-assessment initiated by the lodging industry to generate tourism marketing funds.
- The majority of SCT's funding comes from a 2% assessment on applicable lodging operator within the Sonoma County Tourism Business Improvement Area (BIA) for any property with revenue greater than \$350,000 a year.
- The BIA was initiated in 2003/2004 by area lodging properties trying to create a fund to develop synergy among Sonoma County's various municipalities and the unincorporated area.
- The Business Improvement Area includes all Sonoma County cities and unincorporated areas with the exceptions of Healdsburg and Sonoma. The BIA, by its legislative mandate, is designated exclusively for use as tourism marketing funding to drive overnight stays.
- BIA assessments are paid by guests staying at a BIA lodging properties, properties collect and remit these funds. Administration is covered by a portion of the remittance that goes to each municipality and the County.
- Funds MUST "benefit the payors" – the participating lodging properties.
- The County has an agreement with AirBnB that DOES NOT include collection for the BIA.

Proposed Revised BIA Program

What Is Being Asked?

Sonoma County Tourism is working to build a budget that will allow it to elevate the economic vitality of the County, Cities and the industry AND generate business from responsible/sustainable travelers through:

- Inviting leisure/individual travelers in direct flight markets (stay longer/spend more);
- Elevating group business (weekday);
- Restarting international travel; and
- Further developing destination stewardship/responsible travel campaigns and partner outreach.

SCT is asking its lodging property partners, municipalities and the County to revise the current Business Improvement Area (BIA) Ordinance to eliminate the \$350,000 annual revenue benchmark.

Why?

- Sonoma County is a beloved destination, but increasing competition, challenges related to natural disasters, growing social impacts and increasing marketing-related costs create a more challenging environment.
- SCT is developing a Destination Resiliency & Stewardship Plan – Action Items will need funding.
- Reaching new/responsible travelers in key flight markets is a very costly undertaking. Markets include the county's most expensive: Los Angeles, San Diego, Portland, Seattle, Phoenix, Dallas, Chicago.
- New program provides a chance for vacation rentals and small lodging properties to have a greater seat at the table.
- Estimated \$2.5 - \$3.5 million additional for SCT budget. Total budget \$11 - \$12 million.

Potential Benefits for New Participants

- Special recognition on SonomaCounty.com for vacation rentals and bed & breakfast establishments. SCT will include a Vacation Rentals navigation on its Places to Stay section that encourages travelers to search through the properties in these sectors and will include content specific to these types of businesses.
- Segment-specific content. SCT will work with owners/property management companies of short term rentals to create content that elevates understanding about short term rentals on its Place to Stay home page and in social media.
- SCT will create a committee comprised of short-term rental owners/operators and others committed to this segment to help inform sales and marketing programs and work on public affairs (without policy or legislative issues) that helps educate stakeholders about this segment.
- Continue to ensure this segment has a voice on the SCT Board of Directors and on its various program committees.
- Ensure ongoing performance data and annual economic impact data are created to meet the needs of this industry segment and convey this information on a timely basis.

Potential Benefits for New Participants

- Develop a “ Cities & Neighborhoods” program that creates customized ongoing content and promotional offerings for all of Sonoma County’s municipalities for which all or a portion of the area participates in the BIA program, and the neighborhoods within the unincorporated areas, calling out the small businesses and unique brands of each.
- Curate at least one media press trip that focuses on small businesses, houses participants at a property within this segment and showcases the unique individually owned lodging properties and businesses in the County.
- Ensure any content produced and main copy of the website is available in English, German, French and Spanish helping to connect with international travelers.
- SCT will create, as part of its annual report, an accounting of the usage of these funds and the estimated return-on-investment for the dollars spent.
- Additional benefits/programs determined through participant input.

Oct. 18 Meeting Follow-up

- GARE Equity Worksheet
- Phased-In Process/ Reduce, but Don't Eliminate Threshold
- Outreach to Municipal Advisory Councils (MACs), Citizen Advisory Councils (CACs), Chambers, potential partners

Input Process/Communications Outreach

- Communications/Outreach Prior to this meeting
 - Mailing sent to all current and potential BIA participants*
 - Email sent to current SCT database
 - Town Halls
 - Oct. 25 - evening
 - Oct. 27 – noon
 - Outreach with MACs and CACs, Chambers
 - Public notice in Press Democrat*
- Today opens the public hearing*
 - Upcoming Communications
 - Town Hall - Nov. 18 – morning
 - Continued outreach to MAC/CAC groups, Chambers
- Final hearing Dec. 13*
- Questions: BIA@SonomaCounty.com
- Website: SonomaCounty.com/partners

*Required by Ordinance