



Legislation Text

File #: 2022-1156, **Version:** 1

To: Sonoma County Board of Supervisors
Department or Agency Name(s): Economic Development
Staff Name and Phone Number: Ethan Brown (707) 565-7170
Vote Requirement: Informational Only
Supervisory District(s): Countywide

Title:

Sonoma County Tourism Business Improvement Area Ordinance No. 5525

Recommended Action:

Hold a public meeting, as required by Government Code section 54954.6, to allow public testimony regarding a proposed modification to the existing Sonoma County Tourism Business Improvement Area Ordinance No. 5525.

Executive Summary:

On October 18, 2022, the Sonoma County Board of Supervisors adopted a Resolution of Intention to modify the existing Sonoma County Tourism Business Improvement Area (BIA) Assessment Ordinance No. 5525. As part of the action on October 18, 2022, and in accordance with Government Code section 54954.6 requiring both a public meeting and public hearing, the Board set the date of November 1, 2022 for a public meeting to hear comments from the public regarding modification of the BIA ordinance, and set a public hearing date of December 13, 2022. As required by code, the businesses affected by the proposed modification were notified via mail within seven days of adoption of the Resolution of Intention.

In order to diversify revenue sources financing supporting services for the lodging industry through the attraction of overnight guests, the Sonoma County Tourism Bureau (SCTB) proposes to remove the current \$350,000 minimum revenue threshold, which identifies which operators must collect the current assessment rate of 2%. The assessment rate would remain unchanged as part of this effort.

SCTB estimates that this change would result in an additional \$2.1 - \$2.5 million collected per calendar year from the lodging operators located in the seven participating cities and in the unincorporated area. Currently, SCTB collects approximately \$6 million annually lodging operators who meet the \$350,000 minimum revenue threshold. The boundaries of the BIA would also remain unchanged, and include the cities of Santa Rosa, Petaluma, Rohnert Park, Sebastopol, Cloverdale and Cotati, the Town of Windsor, and the unincorporated area of the county. Each participating city has passed a Resolution of Consent to the proposed County ordinance.

Discussion:

This public meeting is an opportunity for members of the public to comment on the proposed modifications to the Sonoma County Business Improvement Area (BIA) Assessment.

Following the public meeting, on December 13, 2022, there will be a public hearing where the Board will

consider protests and determine whether to adopt an ordinance modifying the BIA Assessment.

Public Hearing Information

As provided by [California Streets and Highways Code, Section 36523](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=SHC§ionNum=36523) [\(<https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=SHC§ionNum=36523>.](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=SHC§ionNum=36523), the notice of the December 13, 2022 public hearing will be published in a newspaper of general circulation at least seven days before the hearing. Within seven days of the adoption of the resolution of intention on October 18, 2022, SCT mailed a notice and copy of the resolution to approximately 3,800 owners of lodging establishments within the BIA boundaries. It is estimated that there are approximately 2,200 operators within the unincorporated area of the County plus additional operators within incorporated areas who will be impacted by the proposed lowering of the minimum threshold.

In advance of the public hearing, written protests may be submitted to Ethan Brown, Interim Executive Director, Sonoma County Economic Development Board, 141 Stony Circle, Suite 110, Santa Rosa, CA 95401 by 5:00 p.m. on December 12, 2022. At the public hearing, to be held in person if allowed by state health order, or virtually by video and/or telephone, the Board will consider all protests, both written and oral, presented to the Board.

Each written protest shall contain a description of the business, property address, and if a person submitting the protest is not shown on the official records as the owner of the business, the protest shall contain or be accompanied by written evidence that the person submitting the protest is the owner of the business. A written protest which does not comply with this section shall not be counted in determining a majority protest.

If written protests are received from the owners of businesses within the SCT BIA boundaries that will pay assessments that total more than 50% of estimated revenue to be collected under the revised ordinance, and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to increase the tourism assessment shall be taken for a period of one year from the date of the finding by the Board of Supervisors that a majority protest exists.

If there is not a majority protest as described herein, the proposed modification to the tourism assessment ordinance shall be adopted pursuant to Streets and Highway Code Section 36541.

Background

On November 2, 2004, the Sonoma County Board of Supervisors (Board) adopted Ordinance No. 5255 creating the Sonoma County Tourism Business Improvement Area (SCT BIA). Under the ordinance, lodging establishments generating annual room revenue of \$350,000 or more must pay an assessment equal to 2% of such revenue. Proceeds from assessments are disbursed to SCTB, which uses the revenues to pay for marketing and other efforts to increase overnight visitors to the county.

In January 2005, the Board appointed five members to the SCTB, which is charged with advising the Board of Supervisors on the amount of the Area's Assessments and on the services, programs and activities to be funded by the Assessments. In February 2005, the Board appointed eight (8) of the 22-member body to the Sonoma County Tourism Bureau (SCTB) Board of Directors. In June 2005, the Board executed an agreement with the SCTB to carry out services, activities, and programs promoting overnight stays in Sonoma County,

funded by assessments from within the SCT BIA.

In accordance with the ordinance and state law, each year the SCTB Board submits to the Board of Supervisors an [Annual Report <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=5654010&GUID=D6AB010C-B5DB-468C-9F87-F7098E561D61&Options=&Search=>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=5654010&GUID=D6AB010C-B5DB-468C-9F87-F7098E561D61&Options=&Search=>). The Report contains information on the activities and corresponding expenditures to carry out in the corresponding fiscal year. The Report also contains the SCTB budget showing the revenues from assessments and all other sources sufficient to carry out the services, programs, and activities set forth in the plan, as well as an independent audit from the last completed fiscal year.

Purpose and Specific Benefit

The Ordinance requires that revenues from 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 SCT BIA, 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. These revenues may also be used to pay the ongoing 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.

As noted in the attached Notice of Proposed Modification of Assessment from SCT and in Board Resolution No. 22-0434, the increased assessment proposed by this amendment will allow SCT to provide greater marketing support, visibility, tools and insights for smaller properties such as short-term rentals. This proposed assessment will also allow SCT to perform its evolving destination stewardship role referred to as the Responsible Tourism Assessment (RTA). The RTA will fund programs designed to shape consumer behavior and ultimately protect and preserve Sonoma County’s cultural and natural resources ([<https://www.sonomacounty.com/sustainable>](https://www.sonomacounty.com/sustainable>)).

Activities, Marketing, Advertising, and Public Relations Program Expenditures

The type of activities intended to be funded by the SCT BIA and TOT 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.

Below, and in the included attached financial statements, are the BIA and TOT revenues received by SCT over the past five (5) years:

Fiscal Year 2017-18

BIA - \$5,300,032
TOT - \$3,117,576
Total - \$8,417,608

Fiscal Year 2018-19

BIA - \$6,376,961
TOT - \$2,107,840
Total - \$8,484,801

Fiscal Year 2019-20

BIA - \$4,207,935
TOT - \$1,677,202
Total - \$5,885,137

Fiscal Year 2020-21

BIA - \$3,643,836
TOT - \$2,263,883
Total - \$5,907,719

Fiscal Year 2021-22

BIA - \$6,245,589
TOT - \$3,824,197
Total - \$10,069,786

Annual Reports prepared by Sonoma County Tourism are attached and provide detail on how these funds have historically been used.

Strategic Plan:

N/A

Prior Board Actions:

10/18/2022 - Adopted Resolution No. 22-0434 to modify the existing Sonoma County Tourism Business Improvement Area Assessment, including setting 11/1/2022 for a public meeting and 12/13/2022 for a public hearing

11/2/2004 - Ordinance No. 5525 establishing the Sonoma County Tourism Business Improvement Area

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY23-24 Projected	FY 24-25 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			

General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

N/A

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. Board of Supervisors Resolution 22-0434
2. Draft Ordinance
3. Draft Ordinance with markup
4. Notice of Proposed Modification of Assessment
5. Fiscal Year 2018-19 Sonoma County Tourism Annual Report
6. Fiscal Year 2019-20 Sonoma County Tourism Annual Report
7. Fiscal Year 2020-21 Sonoma County Tourism Annual Report
8. Fiscal Year 2021-22 Sonoma County Tourism Annual Report
9. Fiscal Year 2022-23 Sonoma County Tourism Annual Report
10. Fiscal Year 2017-18 Sonoma County Tourism Financial Statements
11. Fiscal Year 2018-19 Sonoma County Tourism Financial Statements
12. Fiscal Year 2019-20 Sonoma County Tourism Financial Statements
13. Fiscal Year 2020-21 Sonoma County Tourism Financial Statements
14. Fiscal Year 2021-22 Sonoma County Tourism Financial Statements

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

N/A