



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: HCD
Department No.: 055
For Agenda Of: 8/10/10
Placement: Set Hearing
Estimated Tme: 9/7/10 for 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department David Matson, Director, Housing and Community Development
Director(s)
Contact Info: David Matson (568-2068)
SUBJECT: Santa Barbara South Coast Tourism Business Improvement District

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors set a hearing for September 7, 2010 to:

- a. Receive a report on the potential formation of the Santa Barbara South Coast Tourism Business Improvement District.
- b. Consider the adoption of a Resolution of the County of Santa Barbara, State of California, granting consent to the City of Santa Barbara to form the Santa Barbara South Coast Tourism Business Improvement District that would include part of the unincorporated area of the County.
- c. If the Board adopts the Resolution of Consent, approve a Notice of Exemption pursuant to California Environmental Quality Act Guidelines, Sections 15060(c)(3) and 15378(b)(4).

Summary Text:

This item is being placed on the Board agenda to consider a request by the City of Santa Barbara that the County adopt a Resolution of Consent (Attachment A) to allow lodging establishments in portions of the unincorporated area to participate in the proposed Santa Barbara South Coast Tourism Business Improvement District (SBSCTBID). A boundary map and description of the proposed SBSCTBID is included on page seven of the Management District Plan (Attachment A, Exhibit A). Upon receipt of the Santa Barbara Conference & Visitors Bureau and Film Commission's (SBCVB) petition to form the SBSCTBID, the City of Santa Barbara agreed to serve as the lead agency and proceeded to adopt two resolutions at its July 13, 2010 meeting, which were required by law¹ in order to establish the district. The first was a Resolution of Intention to establish the TBID (Attachment B). The second was a

¹ §§ 36600-36671 of Streets and Highways Code, Div 18 - The Property and Business Improvement District Law of 1994

Resolution Requesting Consent of the City of Goleta, the City of Carpinteria and the County of Santa Barbara “to create the TBID and to grant the City of Santa Barbara jurisdiction for all purposes in connection with creation and operation of the proposed TBID” (Attachment C).

Background:

The purpose of the SBSCTBID is to create a five-year revenue source that would be used to augment existing marketing, sales and promotional efforts in order to increase the allure of the southern coast of the Santa Barbara area as a tourist, meeting and event destination. Over the last 5 years, similar TBIDs have been successfully implemented in approximately 49 jurisdictions throughout California to improve tourism and increase occupancy at local lodging establishments. To facilitate the overall operations of the SBSCTBID, the SBCVB drafted a Management District Plan, revised on July 28, (Attachment A, Exhibit A), which sets forth the proposed boundary of the SBSCTBID, a service plan and budget, and a proposed means of district governance. Review of SBCVB Management District Plan, along with the City of Santa Barbara’s legislative documentation form the basis for the recommendations contained in this staff report.

Scope of the Proposed SBSCTBID

Location: The proposed SBSCTBID would include all existing and future hotels, motels, and inns (commercial lodging businesses) with more than three units available for public occupancy within the boundaries of the Cities of Santa Barbara, Carpinteria, and Goleta, and portions of unincorporated southern Santa Barbara County (See district map on page seven of Attachment A, Exhibit A). There are currently 89 lodging business that would included in the SBSCTBID, of which nine are in the unincorporated area. The boundaries of the district can be more particularly described as: Refugio Road being the western boundary, the Santa Barbara/Ventura County line being the eastern boundary, the Pacific Ocean being the southern boundary, and Camino Cielo / Juncal Road being the northern boundary.

If formed, the SBSCTBID will place an assessment on lodging businesses for a period of five years beginning October 1, 2010. The assessment rate varies from \$.50 per occupied room per night to \$2.00 per occupied room per night, based upon the average daily rate charged by each lodging business, as illustrated below.

Average Daily Rate	Assessment Per Night
Less than \$100	\$0.50
Between \$100 and \$150	\$1.00
Over \$150 up to \$200	\$1.50
Over \$200	\$2.00

SBSCTBID Formation, Process, and Expected Outcomes

TBID formation requires submittal of petitions from lodging business owners representing more than 50% of the total annual assessment followed by a City Council hearing and an opportunity for a written protest. If there is a majority written protest, the TBID cannot be formed. The City of Santa Barbara, as the lead jurisdiction, will facilitate the formation of the district and the protest process. Prior to the Santa Barbara City Council hearing scheduled for September 14, 2010, the City of Goleta, the City of

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Carpinteria and the County will consider resolutions of consent to allow the City of Santa Barbara to form the TBID. If formed, each jurisdiction will be responsible for collecting the assessments and remitting TBID-related funds to SBCVB, under the provisions of the Management District Plan. The SBCVB manage the TBID programs as provided for in the Management District Plan and will be required to provide regular programmatic updates to the City of Santa Barbara. An annual service plan and budget will be developed and approved by the SBCVB Board to distribute funding.

The SBSCTBID funds will be managed by a committee formed within the SBCVB. The committee will be composed of a diverse group of lodging property and government representatives. Committee representation will be based on location, organizational affiliation and hotel characteristics and is provided below.

Committee Representation/Composition	Number of Seats
City of Santa Barbara – Tier 4 (ADR >\$200) with over 200 rooms 1	1
City of Goleta – Tier 4 (ADR >\$200) with over 200 rooms 1	1
Santa Barbara County – Tier 4 (ADR >\$200) with over 200 rooms 1	1
Multi-unit operator with over 300 rooms 1	1
City of Santa Barbara 3	3
City of Goleta 1	1
City of Carpinteria 1	1
Santa Barbara County 1	1
Tier 1 (ADR under \$100) 1	1
Tier 2 (ADR between \$100 and \$150) 1	1
Tier 3 (ADR over \$150 and up to \$200) 1	1

SBSCTBID revenues are projected to be \$1,820,000 annually. As currently proposed, the SBCVB will take \$182,000 (10%) to cover the costs of its administration and advocacy. The County of Santa Barbara and the cities of Goleta and Carpinteria shall each be paid a fee equal to 1% of the amount collected in their respective jurisdictions to cover the costs of the collection and administration. The City of Santa Barbara will be paid a fee equal to 3% of the amount collected in its jurisdiction. Given that 13.85% (\$252,000) of the expected revenue will come from hotels in the unincorporated parts of the County, the County Treasurer-Tax Collector would receive approximately \$2,500 to process the additional assessments each year. Discussions with the Treasurer-Tax Collector indicate that the staff-time and associated costs required to process the assessments would be low. Total administration costs are expected to fall within this allowance. SBSCTBID assessments would be given to the County by each of the nine eligible unincorporated lodging businesses along with the normal monthly collection of the Transient Occupancy Tax (TOT). The Treasurer-Tax Collector notes that these payments would be segregated and tracked, with the SBSCTBID portion remitted periodically to the SBCVB.

Outcomes of the SBSCTBID

The Management District Plan indicates that this revenue would significantly increase their investment in promoting tourism, which would result in an increase in occupancy rates. Staff concurs that additional revenue dedicated to the promotion of the local tourism industry would positively impact the regional economy, as tourism is one of the biggest economic sectors in the County. The economic impacts could include, but are no limited to:

- projected changes in room-night occupancy of participant lodging businesses,

- increases in sales tax revenue, and
- increases to Transient Occupancy Tax (TOT) revenue

This assertion remains speculative, however, given that the Management District Plan provides little information on these specific outcomes. Accordingly, staff was not able to forecast the economic impacts associated with increased overall tourism in the south coast of the Santa Barbara area that accrue as a result of this innovative approach to revenue generation offered by the SBSCTBID.

One potential area of concern is related to the amount of unincorporated territory included in District map. While speculative, there is potential that the TBID, and its specialized focus, could encourage further development of existing lodging businesses, or the siting of new businesses, within the unincorporated portions of the SBSCTBID. There are a vast range of pros and cons associated with those property-owner investment decisions, and in any scenario, the regulatory environment in place will both describe and govern that potential for development.

Staff also considered implications related to the legal framework and determined that sufficient documentation has been provided to satisfy legal requirements specifically related to the use of compelled assessments for industry promotional campaigns (*Johanns v. Livestock Marketing Assn.*, 544 U.S. 550, 553 (2005).) Because the use of compelled assessments for promotional campaigns is clearly defensible when “the government sets the overall message to be communicated and approves every word that is disseminated,” the documents provided to the County with the proposed SBSCTBID sufficiently describe a government oversight approach that has been upheld by a reviewing court.

Given the analysis above, staff recommends adoption of the Resolution of Consent. Only those jurisdictions that have adopted a Resolution of Consent by September 14, 2010 can be included in the District map. Accordingly, if the Board of Supervisors does not adopt the Resolution of Consent on September 7, 2010, the nine current lodging businesses in the unincorporated area would be excluded from the SBSCTBID. It is important to note that exclusion from the SBSCTBID may create a competitive disadvantage for lodging businesses in the unincorporated area as neighboring lodging businesses would have access to increased promotion and marketing. This lack of equilibrium may result in a disproportionate increase in the market share that would accrue to the cities of Carpinteria and Goleta and Santa Barbara.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

Narrative: The proposed assessment rate varies from \$.50 per occupied room per night to \$2.00 per occupied room per night, based upon the average daily rate charged by each lodging business, and would be in effect for a period of five years. The assessment is expected to generate over \$9 million over the proposed five-year lifespan of the SBSCTBID. Each jurisdiction would be responsible for collecting the assessment and forwarding funds to SBCVB, which is responsible for the fiscal oversight and operations of SYVTBID programming. To offset the administrative costs of collection, the County would be entitled to retain 1% of the SBSCTBID revenue collected from lodging establishments in the

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unincorporated area. This is likely to be sufficient to cover the additional costs in the Office of the Treasurer/Tax-Collector associated with processing the new assessments.

Staffing Impacts:

Legal Positions:

NA

FTEs:

NA

Special Instructions:

Attachments:

- A. Resolution of Consent of the County of Santa Barbara to Form the Santa Barbara South Coast Tourism Business Improvement District
 - Exhibit A: SBSCTBID Management District Plan (July 28, 2010)
- B. Resolution of Intention to establish the Santa Barbara Tourism Business Improvement District
- C. Resolution Requesting Consent of the City of Goleta, the City of Carpinteria and the County of Santa Barbara to create the Santa Barbara TBID
- D. Notice of Exemption pursuant to California Environmental Quality Act Guidelines, Sections 15060(c)(3) and 15378(b)(4).

Authored by:

Angie Hacker, Program Manager, Housing and Community Development

cc:

Robert Geis, Auditor-Controller

Bernice James, Treasurer-Tax Collector
