

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: RAFAEL RIVERO, ECONOMIC DEVELOPMENT SPECIALIST
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
SUBJECT: SANTA ROSA TOURISM BUSINESS IMPROVEMENT AREA
FISCAL YEAR 2018-2019 ANNUAL REPORT AND FISCAL YEAR
2019-2020 WORK PLAN

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution, accept the Santa Rosa Tourism Business Improvement Area Annual Report for Fiscal Year 2018-2019, approve the continuation of the annual assessment on Santa Rosa lodging businesses, and adopt the Fiscal Year 2019-2020 Budget and Work Plan for the Santa Rosa Tourism Business Improvement Area.

EXECUTIVE SUMMARY

The Santa Rosa Tourism Business Improvement Area (SRTBIA) was established by Ordinance 3946 on August 3, 2010, creating an assessment district on Santa Rosa lodging establishments which funds a partnership program between the City of Santa Rosa and the Santa Rosa Metro Chamber. The 3% Assessment provides for efficient and complementary destination marketing, tourism and group sales, the operation and management of the California Welcome Center in Railroad Square, and other programs that encourage overnight stays and tourism infrastructure support.

This item supports Council Goal 1, *Create a Strong, Sustainable Economic Base*, in that tourism is one of Sonoma County's key industry sectors providing a substantial economic return to the City.

BACKGROUND

1. The SRTBIA was established by Santa Rosa Ordinance 3946 on August 3, 2010, creating a public-private partnership between the City of Santa Rosa, the Santa Rosa Metro Chamber, Visit Santa Rosa, and Santa Rosa lodging businesses.

2. The SRTBIA is a 3% assessment paid by people staying at Santa Rosa lodging establishments. On a quarterly basis, the lodging establishments remit these funds to the City. After a 2% City administrative fee is deducted from the total funds remitted, the remaining 98% of the funds are disbursed as follows:
 - a. 30% of the funds collected go to the City and is managed by the Economic Development Division of the Planning and Economic Development Department
 - b. The remaining 70% goes to the Santa Rosa Metro Chamber for their Convention & Visitors Bureau and Welcome Center operations & services
3. Lodging businesses collecting the 3% assessment are those operating within the Santa Rosa city limits, and include hotels, motels, bed and breakfast inns, vacation rentals, and all similar lodging businesses.
4. The Assessment provides for efficient and complementary destination marketing, tourism and group sales, the operations and management of the California Welcome Center, and other programs and activities that encourage overnight stays and tourism infrastructure support.
5. The total percentage of assessments and taxes passed on to people staying at Santa Rosa lodging establishments is 14%. This consists of:
 - a. 9% Transient Occupancy Tax (TOT)
 - b. 2% Sonoma County Tourism Business Improvement District (*pertinent only to lodging establishments with revenues of \$350,000 or greater, and passed through to Sonoma County Tourism*)
 - c. 3% Santa Rosa Tourism Business Improvement District

PRIOR CITY COUNCIL REVIEW

On July 27, 2010, the City Council, by Resolution No. 27690, appointed the Advisory Board for the Santa Rosa Tourism Business Improvement Area, consisting of one Santa Rosa Metro Chamber employee, One City of Santa Rosa employee, and three hotel operators, at least one of whom is employed by a full-service hotel, and one of whom is employed by a select service hotel.

On August 3, 2010, the City Council, by Ordinance No. 3946, established the Santa Rosa Tourism Business Improvement Area.

On February 28, 2012, the City Council, by Resolution No. 28044, delegated authority for approval of all sponsorship invoices up to \$10,000 to the Director of Economic Development, or his designee, and to the City Manager, or his designee, for amounts for \$10,001 to \$100,000.

On May 21, 2013, the City Council, by Resolution No. 28281, authorized the Economic Development Director to approve and execute agreements where the source of funds for such agreements are SRTBIA assessments, the funds will solely be used for the purposes stated in Santa Rosa City Code Section 6-56.290, and the purposes of the agreements are approved under the SRTBIA Work Plan, as approved annually by Council.

On July 11, 2017, the City Council, by Resolution No. RES-2017-124, accepted the Fiscal Year 2016-2017 Annual Report, approved the continuation of the annual assessment on Santa Rosa lodging businesses, and adopted the Fiscal Year 2017-2018 Budget and Work Plan.

On July 24, 2018, the City Council, by Resolution No. RES-2018-123, accepted the Fiscal Year 2017-2018 Annual Report, approved the continuation of the annual assessment on Santa Rosa lodging businesses, and adopted the Fiscal Year 2018-2019 Budget and Work Plan.

ANALYSIS

1. The attached Annual Report (Attachment 1) highlights activities and expenditures that have occurred during FY 2018-2019.
2. SRTBIA programs, projects and activities are managed by the City's Economic Development Division and the Chamber's Visit Santa Rosa program and focus on:
 - a. Increasing awareness of Santa Rosa as a visitor destination through public relations, marketing, and social media campaigns.
 - b. Maximizing the effective use of SRTBIA funds through a coordinated work plan.
 - c. Conducting group sales that position Santa Rosa as the best place for conferences, reunions, sports tournaments, and tour planners.
 - d. Attracting new events that support the niche travel markets such as food and wine, arts and culture, craft breweries, Pride Week, cycling and sports.
3. The SRTBIA Advisory Board met on May 23, 2019, approving the attached Annual Report and recommending approval by Council.
4. Nearly two years after the destructive Sonoma Complex Fires, tourism indicators specific to Sonoma County and Santa Rosa remain positive. Indicators show that travel is steadily increasing in Sonoma County. Destination spending, transient occupancy tax (TOT) receipts, industry earning, and local and state tax receipts

remain relatively high. The initial influx of first responders and temporary resettlement of displaced residents at county hotels partially offset the reduction in visitor spending at restaurants and retail stores, but growth in tourism revenues slowed substantially in the final months of 2018. Some gains have been made in average occupancy rates and average daily rates, and total visitor spending and industry employment remains steady. While TOT and SRTBIA revenues had increase by approximately 10% year over year between 2011 and 2017, revenues decreased slightly in 2017 and 2018 resulting from lodging losses in the Sonoma Complex Fires. Currently there are three new hotels under construction in Santa Rosa with one expected to open in summer 2019. With those in addition to the expansion of the Hyatt Vineyard Creek and opening of the Astro Motel, Santa Rosa will soon return to its pre-fire room stock. None of the three hotels destroyed in the fires are expected to rebuild in 2019; staff remains in contact with the properties in an effort to encourage and assist with redevelopment of the sites.

5. In accordance with the Parking and Business Improvement Area Law of 1989, Section 36500 et seq. of the California Streets and Highways Code, the attached annual report includes the following:
 - a. Changes to boundaries: No changes recommended.
 - b. Improvements and activities to be provided for the upcoming fiscal year: Outlined in the attached report.
 - c. Changes to the method and basis of levying assessments: No changes recommended.
 - d. Estimated cost of providing the improvements and activities: Outlined in the attached report.
 - e. The amount of any surplus or deficit revenues to be carried forward: Outlined in the attached report.
 - f. Amount of contributions made from sources other than assessments for Visit Santa Rosa (VSR):
 - i. \$31,000 – County of Sonoma Welcome Center funding
 - ii. \$49,348 – Merchandise sales
 - iii. \$6,000 – Certified Folder Contract Fees
 - iv. \$13,100 – Ads and membership

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The SRTBIA Advisory Board met on May 23, 2019 and approved the attached Annual Report and Work Plan, recommending approval by Council.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Santa Rosa Tourism Business Improvement Area 2018-2019 Annual Report and 2019-2020 Work Plan
- Attachment 2 – 2018 Annual Sonoma County Tourism Report
- Resolution

CONTACT

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