

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: RAISSA DE LA ROSA,
ECONOMIC DEVELOPMENT DIVISION DIRECTOR
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
SUBJECT: ADMINISTRATIVE AGREEMENT FOR COLLECTION OF
ASSESSMENTS FOR SONOMA COUNTY TOURISM BUSINESS
IMPROVEMENT AREA, RETROACTIVE TO JULY 1, 2019
**(CONTINUED FROM THE SEPTEMBER 29, 2020,
REGULAR MEETING)**

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution: 1) approve the Administrative Agreement for Collection of Assessments for Sonoma County Tourism Business Improvement Area, retroactive to July 1, 2019; 2) authorize the remittance of any assessment funds collected from Santa Rosa lodging establishments but not remitted between July 2019 and September 2020; and 3) authorize the City Manager to execute the Administrative Agreement.

EXECUTIVE SUMMARY

Since 2004 the City of Santa Rosa has participated in the Sonoma County Tourism Business Improvement Area (SCTBIA) that allows a levy of two percent (2%) of rent charged by Santa Rosa lodging operators to be assessed on those operators generating total gross rent greater than \$350,000 in the preceding fiscal year. The Sonoma County Tourism Bureau administers the funds, which are used for programs that encourage tourism and overnight stays to the benefit of the assessed lodging establishments.

As the prior agreement terminated on June 30, 2019, assessments were collected by the City but not remitted to the County from July 1, 2019 to date. This resolution requests the approval of a new agreement retroactive to the termination date of the last agreement, as well as the release of unremitted funds. The new agreement waives any penalty for late remittance of the funds through June 2020. Assessments collected between July-September 2020 are due 60 days after the end of that quarter.

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BACKGROUND

In 2001, the County of Sonoma initiated a collaborative process to develop a structure to support and increase the vitality of the tourism industry sector. From this, the Sonoma County Tourism Bureau was created, and the interest in a special county-wide tourism business assessment emerged.

Santa Rosa City Council passed Resolution Number 25954 on May 4, 2004, consenting to the inclusion of Santa Rosa within the proposed Sonoma County Tourism Business Improvement Area. All other incorporated Sonoma County cities except Healdsburg and Sonoma passed similar resolutions. Subsequently Ordinance Number 5525 of the Board of Supervisors of the County of Sonoma was passed, officially establishing the SCTBIA on November 2, 2004.

The first administrative agreement for collection of assessments for SCTBIA between the County and the City was entered into on December 28, 2004. This agreement remained in effect until the November 2006 second agreement which amended and restated the original agreement, clarifying some minor points, and changing the agreement dates from calendar year to fiscal year, with the termination of that particular contract being June 30, 2009.

The third, fourth and fifth agreements each lasted three years, with an increase in the months between termination and renewal. The third agreement was dated August 10, 2009 to June 30, 2012, the fourth agreement dates were from November 29, 2012 to June 30, 2015 and the fifth agreement dates were from July 1, 2015 to June 30, 2019. No substantive changes were made in these agreements compared to the 2006 agreement.

The history of assessments collected by calendar year as of January 31, 2020, are as follows:

	TOTAL SCTBIA	2% Admin Fee	NET SCTBIA
CY 2019	\$1,236,733	\$24,734	\$1,211,999
CY 2018	\$1,203,368	\$24,067	\$1,179,301
CY 2017	\$1,292,140	\$25,842	\$1,265,579
CY 2016	\$1,291,407	\$25,828	\$1,265,579
CY 2015	\$1,166,438	\$23,329	\$1,143,109
CY 2014	\$1,056,095	\$21,122	\$1,034,973

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CY 2013	\$946,911	\$18,938	\$927,972
CY 2012	\$828,964	\$16,579	\$812,385
CY 2011	\$724,945	\$14,499	\$710,446
CY 2010	\$684,921	\$13,698	\$671,223
CY 2009	\$648,521	\$12,970	\$635,551
CY 2008	\$800,166	\$16,003	\$784,163
CY 2007	\$837,462	\$16,749	\$820,713
CY 2006	\$795,402	\$15,908	\$779,494
CY 2005	\$725,942	\$14,519	\$711,423

PRIOR CITY COUNCIL REVIEW

On May 4, 2004, the Council, by Resolution No. 25954, consented to inclusion of the territorial jurisdiction of the City of Santa Rosa within a BIA to be established by the Sonoma County Board of Supervisors substantially as set forth in the attached ordinance. (See Attachment 2)

On February 14, 2017, the Council, by Resolution No. RES-2017-024, approved a retroactive agreement for collection of assessments on Santa Rosa lodging establishments resulting from participation in the SCTBIA, and authorizing the remittance of any assessment funds collected but not remitted.

ANALYSIS

While the Office of the Sonoma County Auditor-Controller/Treasurer-Tax Collector has not submitted a proposed amended administrative agreement for collection of assessments for the SCTBIA, Finance staff noted the end of the agreement and held the funds until a new agreement was approved. To accomplish this, and to avoid a repeat of the agreement expiring without an extension in place, the agreement terms and termination clause has been changed from a date certain end date to remaining in effect until or unless the City or County notifies the other party of its intent to terminate the agreement at the end of the fiscal year. Notice of termination must be given no later than 60 days before the end of the fiscal year for termination to be effective. This is consistent with the other participating cities' agreements.

Since the expiration of the disbursement agreement, \$1,205,890.00 in assessment funds were collected between July 2019 through June 2020 in bulk; the amount is not reflective of the 2% City administration fee deduction allowed by law. An additional \$96,289.00 was collected between July 2020 through August 2020.

Funds from the 2% assessment on lodging establishments earning more than \$350,000/year are used to support the Sonoma County Tourism Bureau (SCTB). SCTB is a destination marketing organization focused on “travel choice inspiration” and group sales. While Santa Rosa has its own Tourism Business Improvement Area, the net revenues from which are split between the Santa Rosa Metro Chamber (70% for their Visit Santa Rosa program) and the City of Santa Rosa (30%, administered by the Economic Development Division), SCTB funded programs and efforts are designed to work in a complementary fashion with local chambers and visitor centers. The Santa Rosa Metro Chamber President/CEO has a voting seat on the SCTB board of directors, and the Chamber’s tourism arm, Visit Santa Rosa, coordinates with the Bureau on sales leads and marketing plans so as not to duplicate efforts. Because the City does not, and should not, have a sales team focused on converting visitor interest into sales for our local hotels, the Economic Development Division focusses the City’s portion of the Santa Rosa TBIA funds primarily toward a destination awareness agenda that aligns with, but does not duplicate the Chamber and County programs.

Between the Transient Occupancy Tax (TOT) and the two tourism business improvement areas, the total amount of taxes and assessments passed on to overnight visitors in Santa Rosa is 14%, on par with the majority of jurisdictions within the County. The breakdown is as follows:

9%	TOT
2%	Sonoma County Tourism Business Improvement Area Assessment
3%	Santa Rosa Tourism Business Improvement Area Assessment

Tourism and hospitality are an integral part of Santa Rosa’s and Sonoma County’s economy. Countywide, government revenue in the form of taxes from tourism is typically around \$150 million/year. In Santa Rosa, the CY 2019 Transient Occupancy Tax revenues alone were \$5,888,299.

FISCAL IMPACT

The City of Santa Rosa retains an administrative fee equal to two percent (2%) of the amount of assessments collected.

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

ENVIRONMENTAL IMPACT

The proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and that no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Sonoma County Ordinance No. 5525
- Attachment 2 – Santa Rosa City Council Resolution No. 25954
- Attachment 3 – Santa Rosa City Council Resolution No. RES-2017-024
- Attachment 4 – Administrative Agreement for Collection of Assessments for Sonoma County Tourism Business Improvement Area
- Attachment 5 – 2006 Administrative Agreement for Collection of Assessments for Sonoma County Tourism Business Improvement Area
- Resolution/Exhibit A - Administrative Agreement

CONTACT

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