

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: RAISSA DE LA ROSA,
ACTING ECONOMIC DEVELOPMENT MANAGER
PLANNING AND ECONOMIC DEVELOPMENT
SUBJECT: ADMINISTRATIVE AGREEMENT FOR COLLECTION OF
ASSESSMENTS FOR SONOMA COUNTY TOURISM BUSINESS
IMPROVEMENT AREA, RETROACTIVE TO THE TERMINATION
DATE OF THE LAST AGREEMENT ON JUNE 30, 2015, TO
ACCOMMODATE ASSESSMENTS REMITTED BETWEEN JULY
2015 AND MARCH 2016; AND REMITTANCE OF ANY
ASSESSMENT FUNDS COLLECTED BUT NOT REMITTED
BETWEEN JUNE 30, 2015, AND THE SIGNING OF A NEW
AGREEMENT

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution, approve a retroactive agreement for collection of assessments on Santa Rosa lodging establishments resulting from Santa Rosa's participation in the Sonoma County Tourism Business Improvement Area (SRTBIA) per Resolution Number 25954. It is further recommended that the Council, by resolution, authorize the remittance of any assessment funds collected but not remitted between June 30, 2015, and the signing of a new agreement.

EXECUTIVE SUMMARY

Through Sonoma County Code Chapter 33, the County has formed a Tourism Business Improvement Area (SCTBIA) that allows a levy of two percent (2%) of rent charged by lodging operators to be assessed on lodging operators generating total gross rent greater than \$350,000 in the preceding fiscal year (July 1 to June 30). The City of Santa Rosa (City) consented to the formation of the SCTBIA and to the collection of BIA assessments from lodging operators located within the City through Resolution No. 25954, passed by a vote of 6-0-1 by City Council on May 4, 2004. The Sonoma County Tourism Bureau administers the funds through marketing and promotions programs that encourage tourism and overnight stay to the benefit of the assessed lodging establishments.

ADMINISTRATIVE AGREEMENT FOR COLLECTION OF ASSESSMENTS FOR SONOMA COUNTY TOURISM BUSINESS IMPROVEMENT AREA, RETROACTIVE TO THE TERMINATION DATE OF THE LAST AGREEMENT ON JUNE 30, 2015, TO ACCOMMODATE ASSESSMENTS REMITTED BETWEEN JULY 2015 AND MARCH 2016; AND REMITTANCE OF ANY ASSESSMENT FUNDS COLLECTED BUT NOT REMITTED BETWEEN JUNE 30, 2015, AND THE SIGNING OF A NEW AGREEMENT
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Due to the prior agreement's termination on June 30, 2015, assessments totaling \$870,735.49 were collected by the City and remitted out of contract between July 2015 and March 2016. An additional \$740,191.94 was collected but not remitted between April to September 2016. Hence the request to approve a new agreement retroactive to the termination date of the last agreement and the additional request of Council to release the remaining unremitted funds. The new agreement waives any penalty for late remittance of the funds through March 2017. The October to December 2016 assessments will be collected and reconciled in February 2017, and are unknown at the writing of this report.

Tourism is one of the key industry sectors in Santa Rosa, and a focus of the Economic Sustainability Strategy as it produces a revenue stream through Transient Occupancy Tax, sales tax, and the Santa Rosa Tourism Business Improvement Area assessment. As such, programs that increase tourism and enhance destination awareness are consistent with and further Council Goal One: Create a Strong, Sustainable Economic Base.

BACKGROUND

In 2001, recognizing the current and potential impact of the tourism industry, the County of Sonoma initiated a public/private collaborative process to develop a structure to support and increase the vitality of this industry sector. From this process, the Sonoma County Tourism Bureau was created, and the possibility of creating a special county-wide tourism business improvement area emerged.

With advocacy by the Sonoma County Lodging Association, to which many, if not all, of Santa Rosa's lodging establishments belonged, Santa Rosa City Council passed Resolution Number 25954 on May 4, 2004, consenting to the inclusion of the City of Santa Rosa within the proposed Sonoma County Tourism Business Improvement Area. With this and similar resolutions passed by all other incorporated Sonoma County cities except for Healdsburg and Sonoma, the subsequent 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.

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The third and fourth 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, and the fourth agreement dates were from November 29, 2012 to June 30, 2015. 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, 2017, are as follows:

	TOTAL SCTBIA	2% Admin Fee	NET SCTBIA
YTD 2016	\$1,181,656.31	\$23,633.13	\$1,158,023.18
CY 2015	\$1,166,437.60	\$23,328.75	\$1,143,108.85
CY 2014	\$1,056,094.85	\$21,121.90	\$1,034,972.95
CY 2013	\$946,910.50	\$18,938.21	\$927,972.29
CY 2012	\$828,964.40	\$16,579.29	\$812,385.11
CY 2011	\$724,945.34	\$14,498.91	\$710,446.43
CY 2010	\$684,921.47	\$13,698.43	\$671,223.04
CY 2009	\$648,520.98	\$12,970.42	\$635,550.56
CY 2008	\$800,166.30	\$16,003.33	\$784,162.97
CY 2007	\$837,462.19	\$16,749.24	\$820,712.95
CY 2006	\$795,401.56	\$15,908.03	\$779,493.53
CY 2005	\$725,942.25	\$14,518.85	\$711,423.41

PRIOR CITY COUNCIL REVIEW

On May 4, 2004, the City 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)

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ANALYSIS

The Office of the Sonoma County Auditor-Controller/Treasurer-Tax Collector submitted a proposed amended administrative agreement for collection of assessments for the SCTBIA in May 2016. While this proposed amendment was submitted nearly 11 months after the termination date of the previous agreement, the delay in addressing the issue was further compounded by staff changes. The Economic Development Division began working first with the County Auditor-Controller/Treasurer-Tax Collector in September 2016, and then with the County Administrator's Office in November 2016, on a revised agreement.

During the time between the June 30, 2015, end of the last contract and the development of this proposed contract, three quarterly assessment disbursements were made to the County: July-September 2015, October-December 2015, and January-March 2016. The City has continued to collect but hold in trust quarterly assessment funds from April 2016 to present, necessitating the further recommendation that the Council authorize the remittance of those assessment funds.

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 Chamber of Commerce (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 complimentary fashion with local chambers and visitor centers. The Santa Rosa Chamber of Commerce 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 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

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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 almost \$150 million/year. In Santa Rosa, the FY 2016-2017 projected Transient Occupancy Tax revenues alone are expected to exceed \$5.5 million. Additionally, the tourism industry is one of the largest private employers in the county, making up approximately ten percent of the county total.

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

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

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Sonoma County Ordinance No. 5525
- Attachment 2 – Santa Rosa City Council Resolution No. 25954
- Attachment 3 – Administrative Agreement for Collection of Assessments for Sonoma County Tourism Business Improvement Area
- Resolution

CONTACT

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