




**City Council
Special Meeting**

Item #4
**Discussion and Direction
on the Santa Clara Tourism
Improvement District**
(RTC # 20-452)

April 8, 2020

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**City of
Santa Clara**
The Center of What's Possible

Agenda

1. Background
2. Current Status
3. Options
4. Staff Recommendation

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Background

- Santa Clara TID was formed in 2005 pursuant to the Parking and Business Improvement Area Law of 1989 (Ordinance No. 1797).
- Established boundaries and includes 11 lodging businesses.
- Hotels collect a \$1.00 per occupied room night.
- In 1994, the State Legislature passed the Property and Business Improvement Law allowing for additional provisions.

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Background (continued)

- November 12, 2019 – TID decided to pursue formation of a new district under the 1994 Law.
- February 11, 2020 – Council provided direction to allow for a change to the TID assessment to 1.5% of gross short-term rental revenue.
- March 24, 2020 – Amid the unknown impacts due to COVID-19, Council directed staff to return with flat rate assessment options for consideration vs. proceed with percentage based assessment.

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Current Status

- Formation process under the 1994 Law commenced
- Proposed Management District Plan completed in 2/2020
 - Five year term effective July 1, 2020
 - Owners' association identified
 - Initial annual assessment rate of 1.5%; option to increase to 2%
 - Signed petitions received from the lodging businesses who would collectively pay more than 50% of the 1.5% assessment

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Flat Rate Options

1. Continue with formation of the new District and the levy of a flat rate assessment under the 1994 Law
2. Defer formation of the new District under the 1994 Law and renew the current District

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Option 1:

Continue with formation of the new District and the levy of a flat rate assessment under the 1994 Law

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Requirements

- Update proposed Management District Plan to reflect a flat rate assessment and updated annual budget.
- Lodging businesses restart petition process as petitions submitted to City needs to reflect the flat rate assessment.
- Once petitions are submitted, Council can initiate formation process as outlined under the 1994 Law.
- At a future date, Council can propose to levy a new or increased assessment.

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Timeline

- May 19 – Upon submission of petitions from the lodging businesses, Council would adopt a Resolution of Intention to establish the new District.
- June 2 – Public Meeting to receive comments regarding the formation of the new District. No Council action required.
- July 7 – Public Hearing to obtain public testimony or comment before adopting the Resolution of Formation.
- If approved on July 7, the new District and levy will be effective July 8, 2020.

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Considerations

- Aggressive schedule dependent upon the timing of the Management District Plan update and completed petition process.
- District would be established after the June 30, 2020 expiration date of current District.
- Minimum of one week where there is no assessment collected.

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Option 2:

Defer formation of the new District under the 1994 Law and renew the current District

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Requirements

- TID Advisory Board prepares Annual Report and proposed FY 2020/21 Budget and submits to City.
- TID Advisory Board presents Annual Report and proposed FY 2020/21 Budget to Council.
- Complete renewal process under the 1989 Law.

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Timeline

- May 19 – Approval of the Annual Report and adoption of the Resolution of Intention for levy of annual assessment.
- June 23 – Public Hearing regarding the Annual Report and the levying of a proposed assessment within the TID.
- If approved on June 23, the levy will be effective July 1, 2020.

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Considerations

- District would be renewed July 1, 2020.
- Provides time for staff to assess City's overall economic situation and outlook.
- Would be temporary until later determined the formation process of the new District could resume.

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Summary

	1989 Law	1994 Law
TID Reserve Fund: \$1.56 million (as of 4/3/2020)		
Term	Annual renewal	Initial 5-year term (up to)
Governance	TID Advisory Board	DMO manages via MDP
Assessment	\$1.00 fee from hotel guests on each occupied hotel/motel room night	1.5% of gross revenue
Annual Revenue	Approximately \$800,000	Approximately \$2.8 million
Annual City fee	\$3,000	Approximately \$75,000

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Alternatives

1. Direct staff to proceed with the formation of a new tourism improvement district and the levy of a flat rate assessment under the 1994 Law.
2. Direct staff to proceed with the renewal of the current Santa Clara Tourism Improvement District.
3. Any other action as determined by Council.

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Staff Recommendation

Alternative 2: Direct staff to proceed with the renewal of the current Santa Clara Tourism Improvement District.

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