



Agenda Report

18-929

Agenda Date: 8/28/2018

REPORT TO COUNCIL

SUBJECT

Public Hearing: Action on the Santa Clara Tourism Improvement District (TID)

BACKGROUND

On January 11, 2005, City Council approved final passage of Ordinance No. 1797 (the "Ordinance") amending the Santa Clara Municipal Code and establishing the Tourism Improvement District ("TID"). The Ordinance established the boundaries of the TID, which currently includes the following nine hotels near the Santa Clara Convention Center: Avatar Hotel, Biltmore Hotel & Suites, Embassy Suites, Hilton Santa Clara, Hyatt House, Hyatt Regency, Marriott Santa Clara, The Plaza Suites, and TownePlace Suites by Marriott.

The Ordinance also established a District Advisory Board (the "Advisory Board") to administer the affairs of the TID. The Advisory Board is constituted of representatives of businesses within the TID. All hotel properties located within the District boundaries collect a \$1.00 fee from hotel guests on each occupied hotel/motel room night.

The TID was formed under the Parking and Business Improvement Law of 1989, Sections 36500 et seq. of the California Streets and Highways Code (the "Code"). The Code authorizes cities to establish Parking and Business Improvement Districts to promote tourism and to levy a benefit assessment on all participating businesses within such district.

Pursuant to Section 36533 of the Code and Santa Clara City Code ("SCCC") 16.10.1220, the Advisory Board is required to file with the City Clerk and submit to City Council by April 1st of each year an annual report that includes improvements and activities during the current fiscal year, the amount of any surplus or deficit to be carried over from a previous fiscal year, and a TID budget for the following fiscal year. The TID Annual Report was submitted to City staff on June 5, 2018. The City received a final signed copy of the report on July 9, 2018. The City Council approved the Annual Report (Attachment 1), which includes the FY 2018/19 TID Budget (Attachment 2) at the July 16, 2018 meeting.

After the approval of the Annual Report, the City Council must follow the resolution, notice, and hearing process outlined in Sections 36534-36535 to levy the annual assessment for the upcoming fiscal year. A public hearing is to be held in order to receive any written or oral protests against the continuation of the District. On July 16, 2018, the City Council adopted a Resolution of Intention setting a public hearing for August 28, 2018.

DISCUSSION

The TID has been in effect for thirteen years and was put into place to fund activities such as marketing campaigns to attract travelers, tourists, cultural groups, and conventions; print ads in travel

publications; outdoor advertising campaign; and fund administrative costs of the program. Currently the Santa Clara Chamber of Commerce administers the program.

A public hearing is being held to allow lodging businesses subject to the assessment an opportunity to submit comments, voice concerns, and protest the assessment. As set forth in Sections 36524 and 36525 of the Code, the City Council has the ability to continue the TID at this public hearing, unless written protests are received from lodging businesses that pay 50% or more of the proposed assessments. In that event, the Council cannot consider continuation of the TID for at least one year. At the time of publication of this report, no protests had been submitted to the City Clerk.

Section 36535 of the Code provides that at the conclusion of the hearing, a Resolution confirming the levy of the assessment for the fiscal year be adopted if there is no legally sufficient protest.

As reported to the City Council on July 16, 2018, as part of the Santa Clara TID Organization Bylaws ("Bylaws"), the Chamber of Commerce ("Chamber") currently serves as the fiscal agent for a TID reserve of approximately \$600,000. In addition, the City currently has possession of the fourth quarter TID revenue in the amount of \$201,884. Since the TID funds were collected without following the appropriate steps as outlined by State law, the reserves funds must be preserved for one year from the date of the proper levy of the assessment. Once the one year has elapsed, the funds can be released for use.

In order to be in compliance with the one year requirement, the Advisory Board submitted an amended 2018/19 Budget for Council approval which removed the use of reserve funds. Article VII Finances, Sections 1 and 2 of the TID Bylaws, authorizes the Chamber to deposit and disburse TID funds as provided in the budget. Therefore, absent a Bylaw amendment, the Chamber will remain the TID's fiscal agent and the City will continue to issue the assessment funds to the Chamber on the TID's behalf.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

If the TID assessment is successfully approved the levy will resume effective September 1, 2018, the 2018/19 TID Budget has been revised to reflect ten months of revenue and expenses. The projected TID assessment for Fiscal Year 2018/19 is \$627,500.

COORDINATION

This report has been coordinated with the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's

Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

In addition, this item was noticed and scheduled to run in the Santa Clara Weekly publication on August 15, 2018 for the August 28, 2018 Council agenda. The City has complied with the noticing requirements of Section 36523 of the Code.

RECOMMENDATION

1. Approve the Tourism Improvement District Fiscal Year 2018/19 Amended Budget
2. Adopt a Resolution to levy an annual assessment for the Santa Clara Tourism Improvement District (TID) for Fiscal Year 2018/19.

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. TID Annual Report
2. TID Fiscal Year 2018/19 Amended Budget
3. Resolution levying an annual assessment for the Santa Clara Tourism Improvement District (TID) for Fiscal Year 2018/19