



## Agenda Report

18-1622

Agenda Date: 12/11/2018

### REPORT TO COUNCIL

#### SUBJECT

Action on the Appointment of the Tourism Improvement District (TID) Advisory Board and Authorize the City Manager with Approval Authority to Pay TID Invoices

#### BACKGROUND

In 1989, the State Legislature passed the Parking and Business Improvement Area Law, which added Sections 36500, et seq., to the California Streets and Highways Code ("Code"). The Code was created to "promote the economic revitalization and physical maintenance of the business districts of its cities in order to create jobs, attract new businesses, and prevent erosion of the business districts." The Code had the further goal of promoting tourism. To achieve this goal, the Code allowed cities to fund property related improvements and activities through the levy of assessments upon the businesses which benefit from those improvements and activities.

Pursuant to the authority granted under the Code, on January 11, 2005, City Council adopted Ordinance No. 1797 (the "Ordinance") amending the Santa Clara City Code to add Article IX entitled "Santa Clara Tourism Improvement District" to Chapter 16.10 ("Local Improvements -Acquisition and Improvement Procedure"), establishing the Tourism Improvement District ("TID") and its boundaries. The TID 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 TownPlace Suites by Marriott. The Ordinance also requires that a District Advisory Board (the "Advisory Board") be established to administer the affairs of the TID. Per the ordinance, the advisory board shall be constituted of representatives of businesses within the district.

Although the City Council established the Advisory Board, the City Council has not had the opportunity to appoint the Board as required by the Code (Section 16.10.1120 (b)). Additionally, upon the City Council's appointment of the TID Advisory Board members the meetings will require Brown Act compliance and staff support to administer these advisory efforts.

Further, on November 27, the City Council accepted the audit by TAP International titled "City of Santa Clara Tourism Improvement District - Governance, Internal Controls and Oversight Needed." One of the audit's recommendations is for the City Manager to consider the feasibility of having the TID managed by City staff or contracting the management of the TID to a third party.

#### DISCUSSION

Streets and Highways Code Section 36530 states that the City Council shall appoint an advisory board which shall make a recommendation to the City Council on the expenditure of revenues derived from the levy of assessments, on the classification of businesses, as applicable, and on the method and basis of levying the assessments. The Code further states, the City Council may limit

the membership of the advisory board to persons paying the assessment.

As mentioned previously, the TID is made up of nine hotels and the Advisory Board was established to include representatives from each of the hotels within the TID district.

The proposed Advisory Board is as follows:

<b>Board Member</b>	<b>Title</b>	<b>Hotel</b>
Mark Salquist	General Manager	Avatar Hotel
Jon Siebring	General Manager	Biltmore Hotel & Suites
Peter Hart	General Manager	Embassy Suites
Joseph Eustice	General Manager	Hilton Santa Clara
Alan Mass	General Manager	Hyatt House
Eron Hodges	General Manager	Hyatt Regency
Callette Nielsen	General Manager	Marriott Santa Clara
Jean-Philippe Rolle	General Manager	The Plaza Suites
Virginia Scimeca	General Manager	TownPlace Suites by Marriott

Upon the appointment of the TID Advisory Board, any changes to the TID Advisory Board will be recommended to the Council by City staff for formal approval of amendments, appointment, or any other reconfigurations.

### **TID Funds**

The TID removed the Chamber of Commerce ("Chamber") as fiscal agent and forwarded reserve funds in the amount of approximately \$570,000 to the City for fiscal safekeeping. In addition, the City currently has possession of the fourth quarter (April-June 2018) TID revenue in the amount of \$202,000. 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 appropriated for use.

The TID was able to begin legally collecting the TID assessment of \$1.00 for hotel guests on each occupied hotel/motel room night on September 1, 2018. The City is in possession of these legally collected funds in the amount of \$95,000 and these funds can be used to pay existing TID contracts and outstanding payments. Staff is requesting that the City Manager be given the authority to pay TID invoices, within the authority of the City Council approved TID budget.

### **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**

There is no fiscal impact to this report.

**COORDINATION**

This report was 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) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

**ALTERNATIVES**

1. Appoint the Tourism Improvement District (TID) Advisory Board
2. Authorize the City Manager with the Approval Authority to pay TID invoices
3. Only appoint a subset of the representatives of the nine hotels to the Tourism Improvement District (TID) Advisory Board

**RECOMMENDATION**

Alternatives 1 and 2:

1. Appoint the Tourism Improvement District (TID) Advisory Board
2. Authorize the City Manager with the Approval Authority to pay TID invoices

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Resolution Appointing the Tourism Improvement District (TID) Advisory Board