

CITY OF SACRAMENTO -- COUNTY OF SACRAMENTO



APPROVED
BY THE CITY COUNCIL

SEP 21 1999

OFFICE OF THE
CITY CLERK



August 19, 1999

To: Sacramento County Board of Supervisors
Mayor, Members of Sacramento City Council

From: Robert P. Thomas, City Manager
Terry Schutten, County Executive

**SUBJECT: COUNTY WIDE HOTEL BUSINESS IMPROVEMENT DISTRICT
FEASIBILITY STUDY**

LOCATION AND COUNCIL DISTRICT: Countywide

RECOMMENDATION:

It is recommended that the Sacramento County Board of Supervisors and the Sacramento City Council authorize the County and the City to investigate the feasibility of imposing a Countywide surcharge on hotel rooms in the form of the establishment of a business improvement district, and to report back to the Board of Supervisors and the City Council in six months.

CONTACT PERSON: John O'Farrell, Administrator, County of Sacramento, 874-6474,
and
Thomas V. Lee, Deputy City Manager, 264-5291

FOR COUNCIL MEETING OF: September 21, 1999

SUMMARY:

This report provides information on a joint County and City proposal to investigate the

feasibility and ramifications of imposing a Countywide surcharge on hotel rooms to be used in marketing the City and County of Sacramento as part of an increased Visitor Attraction program through the Sacramento Convention and Visitors Bureau (SCVB). The SCVB supports this concept as an effective and reasonable method of increasing its budget for marketing Sacramento at no cost to the City or the County.

It is recommended that the Board of Supervisors and the City Council authorize County and City staff to report back to the Board and Council in six months with the findings of the proposed surcharge investigation. Preliminary findings suggest that a minimal surcharge averaging \$1.50 per room might generate new Countywide revenue of as much as \$1 million annually.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

At the present time, funds for marketing the City and County of Sacramento as a convention destination are primarily derived from an allocation of the Transient Occupancy (T.O.) tax. However, much of the revenue from this tax is used by the City and County to fund a variety of other projects. In order to maximize opportunities for generating revenue from tourism, a dedicated source of funding specifically earmarked for promotion and marketing of convention business and tourism is essential. The ideal vehicle for such funding is one which will be imposed on hotels and motels, and which is not subject to the approval requirements of Proposition 218.

In June of 1999, the City and the County of Sacramento were approached by the Sacramento Hotel Association (SHA) representing its membership who unanimously support the creation of a special business improvement district with revenue collected from its membership used to market Sacramento as a tourist destination. The law firm of Gregory D. Thatch representing the SHA, conducted research on the creation of such a special business district, and provided the following information to the offices of the City Attorney and the County Counsel consideration:

- The creation of a business improvement district formed pursuant to the Parking and Business Improvement Area Law of 1989, found in Streets and Highways Code Sections 36500 to 36551 (the "1989 District") has been determined to be the most suitable vehicle.
- The law governing 1989 Districts was amended in 1991 to specifically provide

that one of its purposes was to provide a method for financing public programs to stimulate tourism in specific areas. According to legal research under review by the City Attorney's office, the assessments imposed by a 1989 District are only upon the businesses operating within the district, not the property owners, and as such, are not controlled by the procedures, voting and protest provisions of Proposition 218.

- A 1989 District may be established only by a city council or board of supervisors on its own initiative, through the passage of a Resolution of Intention which specifies the boundaries of the 1989 District (S&H Code 36522). No special requirements exist for serving on the advisory board, however, it is recommended that the membership be limited to hotel owners and operators.
- The S&H Code provides that prior to the adoption of the Resolution of Intention, an advisory board should be appointed to recommend the proposed assessment amounts and methodology to be contained in the resolution of intention, and further, that prior to the imposition of assessments, the advisory board must make recommendations on the methods of assessments, the businesses subject to the assessments, and the expenditure of the revenue so collected.

The SHA supports the creation of a 1989 District, subject to the following conditions:

1. Revenue shall be collected by the City and the County of Sacramento and passed through for the benefit of the special districts;
2. The budget shall be reviewed annually and approved by the City Council and the County Board of Supervisors;
3. Revenue collected by the creation of a 1989 District shall not supplant revenue already collected by the T.O. tax.

At the request of the SHA, this report recommends that the Sacramento County Board of Supervisors and the Sacramento City Council authorize the County and the City to investigate the feasibility of imposing a Countywide surcharge on hotel rooms in the form of the establishment of a business improvement district, pursuant to the 1989 District laws, and to report back to the Board of Supervisors and the City Council in six months.

Some of the policy issues to be examined during the six month investigation period include:

- How revenues will be collected and deposited;
- What body will determine how funds will be spent (SCVB, SHA, City Council, County Board of Supervisors);
- The respective roles of each of the above groups;

- Limitations, if any, on how the funds can be spent;
- Whether the potential surcharge will augment or replace existing TO contributions;
- How funds will be separated between City and unincorporated areas (or whether they should be separated);
- Legal issues such as whether such a district can legally be established without a vote.

If the finding of the County and the City support the establishment of a 1989 District, the report back will include recommendations on procedures for adoption of a Resolution of Intent, and of the formation of an advisory board.

FINANCIAL CONSIDERATIONS:

Preliminary findings suggest that a minimal surcharge averaging \$1.50 per room might generate new Countywide revenue of as much as \$1 million annually, however, substantive research is required to more accurately predict actual revenues.

ENVIRONMENTAL CONSIDERATIONS:

The action recommended in this report is exempt from CEQA review pursuant to Section 15262, "feasibility or planning studies with no legally binding effect on possible future actions."

POLICY CONSIDERATIONS:

The authorization to conduct an investigation into the feasibility of a possible policy change is consistent with County and City policy to investigate innovative means to generate revenue from tourism at no cost to the public.

ESBD CONSIDERATIONS:

None. No goods or services are being purchased. The only action requested is the dedication of staff time to research the feasibility of a potential change to a policy.

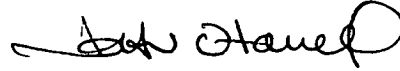
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Respectfully submitted,



Thomas V. Lee, Deputy City Manager

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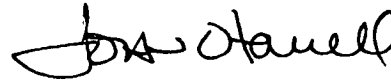
John O'Farrell, Administrator
Sacramento County Community
Development and Neighborhood
Assistance Agency

RECOMMENDATION APPROVED:



fr _____
Robert P. Thomas
City Manager

RECOMMENDATION APPROVED:



Terry Schutten
County Executive

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RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**COUNTY WIDE HOTEL BUSINESS IMPROVEMENT DISTRICT
FEASIBILITY STUDY**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO THAT:

- 1. The City Manager is authorized to investigate the feasibility of imposing a Countywide surcharge on hotel rooms in the form of the establishment of a business improvement district.
- 2. The City Manager is directed to report the findings of the investigation to City Council in six months.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____