



DATE: October 2, 2023

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Ingrid Alverde, Director of Economic Development & Open Government

SUBJECT: Introduction (First Reading) of an Ordinance of the City Council of the City of Petaluma Amending Chapter 6.08 of the Petaluma Municipal Code to Renew the Petaluma Tourism Improvement District

RECOMMENDATION

It is recommended that the City Council Open public testimony to allow members of the public to provide comments on the renewal of the PTID and move to introduce and conduct the first reading of the Ordinance to renew the PTID and levy the assessment.

BACKGROUND

The PTID is a benefit assessment district proposed to continue a revenue source to help fund marketing, sales, communications, and destination development programs for Petaluma lodging businesses. This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights to assessed lodging businesses. The renewed PTID includes all lodging businesses, existing and in future, available for public occupancy located within the boundaries of the City of Petaluma.

Lodging business owners decided to pursue renewal of the PTID in order to continue a revenue source devoted to marketing Petaluma as a tourist, meeting and event destination. If renewed, the PTID would generate approximately \$680,000 on an annual basis for promotion of travel and tourism specific to Petaluma.

DISCUSSION

TOURISM IMPROVEMENT DISTRICTS

Tourism Improvement Districts (TIDs) allow lodging business owners to organize their efforts to increase tourism. Lodging business owners within the TID fund the TID, and those funds are used to provide services that are desired by and benefit the lodging businesses within the TID.

TID benefits:

- They are customized to fit the needs of each destination;
- They allow for a wide range of services; including: destination marketing, tourism promotion, and sales lead generation;
- They are designed, created and governed by those who will pay the assessment; and
- They provide a stable funding source for tourism promotion

In California, TIDs are primarily formed pursuant to the Property and Business Improvement District Law of 1994 (94 Law). This law allows for the creation of a special benefit assessment districts to raise funds within a specific geographic area. The key difference between TIDs and other special benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the TID.

MANAGEMENT DISTRICT PLAN

The Management District Plan (**Exhibit A to Attachment 1**) includes the proposed boundary of the PTID, a service plan and budget and a proposed means of governance. The PTID will include all lodging businesses, existing and in the future, available for public occupancy within the boundaries of the City of Petaluma.

The annual assessment rate is two percent (2%) of gross short-term sleeping room rental revenue. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays by any officer or employee of a Federal, state, or foreign government who is exempt by reason of express provision of federal or state law or international treaty.

The renewed PTID will have a ten (10) year term, beginning January 1, 2024, or as soon as possible thereafter, and ending ten (10) years from its start date. The assessment will be implemented beginning January 1, 2024. Once per year beginning on the anniversary of PTID renewal there is a thirty (30) day period in which lodging business owners paying fifty percent (50%) or more of the assessment may protest and begin proceedings to terminate the PTID.

The PLA will be responsible for contracting with a service for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the PTID. The service shall take all reasonable efforts to collect the assessments from each assessed lodging business. The City shall be paid a fee equal to three percent (3%) of the amount of assessment collected to cover its costs of administration related to the agreement with the PLA for administering the PTID and agreements governing operation of the Visitors Center and other administrative activities related to the PTID.

PTID RENEWAL PROCESS

September 11, 2023 RESOLUTION OF INTENTION HEARING (COMPLETED)

Upon the submission of a written petition, signed by the lodging business owners in the renewed PTID who will pay more than fifty percent (50%) of the assessments proposed to be levied, the Council may initiate proceedings to renew the PTID by the adoption of a resolution expressing its intention to renew the PTID.

September 13, 2023 NOTICE (COMPLETED)

The 94 Law requires the City to mail written notice to the owners of all lodging businesses proposed to be within the PTID. Mailing the notice begins a mandatory forty-five (45) day period in which lodging business owners may protest PTID renewal.

October 2, 2023 PUBLIC MEETING AND INTRODUCTION OF ORDINANCE

Allow public testimony on the renewal of the PTID and levy of assessments. No Council action required.

Following the public meeting, the Council will introduce and conduct the first reading of the Ordinance renewing the PTID and levying the assessment.

November 6, 2023 FINAL PUBLIC HEARING AND SECOND READING/FINAL ADOPTION OF THE ORDINANCE

If written protests are received from the owners of lodging businesses in the renewed PTID which will pay more than fifty percent (50%) of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than fifty percent (50%), no further proceedings to levy the proposed assessment against such lodging businesses shall be taken for a period of one (1) year from the date of the finding of a majority protest by the Council.

If the Council, following the public hearing, decides to establish the renewed PTID, the Council shall adopt a resolution of formation.

The Council shall also conduct the second reading of and final adoption of the Ordinance renewing the PTID and levying the assessment. Upon successful passage of the Ordinance, the PTID shall be renewed, and the Ordinance shall go into effect thirty (30) days after the adoption of the Ordinance.

PUBLIC OUTREACH

This agenda item appeared on the City's tentative agenda document on September 18, 2023, which was a publicly noticed meeting.

COUNCIL GOAL ALIGNMENT

Promote Petaluma as a destination for both locals and visitors – Support and leverage promotion efforts of the Petaluma Tourism Improvement Districts.

CLIMATE ACTION/SUSTAINABILITY EFFORTS

Destination development funds could support future sustainability efforts, particularly in the downtown area.

ENVIRONMENTAL REVIEW

The proposed action is statutorily exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges) as the renewal of the District involves the establishment, modification, restructuring, or approval of rates and charges, as identified and analyzed in the Plan, including rates and charges to obtain funds for meeting operating expenses, purchasing or leasing supplies, equipment or materials, meeting financial reserve needs and requirements and/or obtaining funds for capital projects necessary to maintain service within existing service areas. Additionally,

renewing the District is categorically exempt pursuant to CEQA Guidelines Section 15061(b)(3) because there is no possibility that their adoption will have a significant effect on the environment.

FINANCIAL IMPACTS

If extended, the City will receive approximately \$20,400 annually to pay for administrative expenses and \$115,600 annually to pay for destination development improvements.

ALTERNATIVES

Do not declare the intention to renew the District and do not extend the District.

ATTACHMENTS

1. Ordinance
2. Exhibit A - Management Plan