



Council Agenda Report

FROM: Nat Rojanasathira, Assistant City Manager

SUBJECT: Adopt a Resolution Declaring the City of Monterey's Intention to Renew the Monterey County Tourism Improvement District (MCTID), to Levy an Assessment on Lodging Businesses Within Such District; and Fixing the Time and Place of a Public Hearing Thereon and Giving Notice Thereof; Adopt a Resolution Requesting Consent of the County of Monterey and cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Pacific Grove, Salinas, Sand City, Seaside, and Soledad to Renew the Monterey County Tourism Improvement District (MCTID); and Adopt a Resolution Adopting Procedural Guidelines for the Formation of Property and Business Improvement Districts Under the Property and Business Improvement District Law of 1994 (Not a project under CEQA Article 20, Section 15378 and under General Rule Article 5, Section 15061)

RECOMMENDATION:

That the City Council adopt a resolution declaring the City of Monterey's intention to renew the Monterey County Tourism Improvement District (MCTID), to levy an assessment on lodging businesses within such district, and setting a public hearing to renew the MCTID and levy of assessments; adopt a resolution requesting consent of the County of Monterey and cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Pacific Grove, Salinas, Sand City, Seaside, and Soledad to renew the MCTID; and adopt a resolution adopting procedural guidelines for the formation of property and business improvement districts under the Property and Business Improvement District Law of 1994

VALUE DRIVER:

Serve as stewards of the City's financial resources through sound economic vitality efforts, streamlining operations, reasonable revenue enhancements, visionary long-term planning, fiscal transparency, and community partnerships.

POLICY IMPLICATIONS:

The City Council's adoption of a Resolution of Intention to Renew the MCTID is part of the MCTID renewal process that would follow with a public meeting on January 17, 2023 and a public hearing on February 21, 2023 on the renewal of the MCTID and the levy of assessments on certain lodging businesses. Renewal of the MCTID requires approval from the City Council, and this step is necessary since the City of Monterey is serving as lead agency. Adoption of a Resolution Requesting Consent is needed from the County of Monterey and the cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Pacific Grove, Salinas, Sand City, Seaside, and Soledad requesting their consent to include their jurisdiction in the renewed MCTID. Adoption of a Resolution Adopting Procedural Guidelines is needed to specify the petition and protest process, and tabulation process for the formation of Property and Business Improvement Districts.

FISCAL IMPLICATIONS:

If the MCTID is renewed, the City would continue to receive one percent (1%) of the amount collected within the City of Monterey toward the cost of administration. Because the MCTID programs are intended to increase visitation to the City, this action would likely result in an increase to the City's Transient Occupancy Tax (Hotel Tax) and Sales Tax.

ENVIRONMENTAL DETERMINATION:

The City of Monterey determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CCR, Title 14, Chapter 3 (CEQA Guidelines), Article 20, Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or any reasonably foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

ALTERNATIVES CONSIDERED:

The City Council may choose not to adopt the resolution, which would stop the MCTID renewal process. This is not recommended since lodging business owners in Monterey have decided to pursue renewal of the MCTID, and there is no direct cost to the City.

DISCUSSION:

First launched in 2006 under the Property and Business Improvement Area Law of 1989 ('89 Law), the Monterey County Tourism Improvement District (MCTID) is a benefit assessment district proposed to continue as a revenue source to help fund marketing and sales promotion efforts for lodging businesses in Monterey County. In 2018, an effort to modernize the MCTID led to the disestablishment of the '89 Law district and re-establishing the MCTID pursuant to the Property and Business Improvement District Law of 1994 ('94 Law). The five-year term of the MCTID will expire in 2023, and the required number of lodging business owners have submitted a written petition to renew the district.

The City of Monterey serves as the lead public agency administering the MCTID countywide.

Tourism improvement districts have been used successfully in other destination areas throughout the state to enhance tourism marketing and drive additional room nights to assessed lodging businesses. The renewed MCTID includes all lodging businesses located within the boundaries of the unincorporated areas of Monterey County and the cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Pacific Grove, Salinas, Sand City, Seaside, and Soledad. The MCTID is funded through an assessment on lodging businesses based on room night stays in the lodging businesses and does not utilize City funding.

Lodging business owners decided to pursue renewal of the MCTID in order to continue a revenue source devoted to marketing Monterey County as a tourist, meeting, and event destination. If renewed, the MCTID would generate an initial annual budget of approximately \$8,856,266, increasing biennially as assessment rates increase, for the promotion of travel and tourism specific to Monterey County.

Benefits of Tourism Improvement Districts

Tourism Improvement Districts (TIDs) are special assessment districts that allow lodging business owners to organize their efforts to fund and coordinate tourism marketing. 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 include:

- Funds cannot be diverted for other government programs
- 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
- They provide a stable funding source for tourism promotion

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 (Attachment 4) includes the proposed boundary of the renewed MCTID, a service plan and budget, and a proposed means of governance. The MCTID shall include all lodging businesses, existing and in the future, located within the boundaries of the unincorporated areas of Monterey County and the cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Pacific Grove, Salinas, Sand City, Seaside, and Soledad. The MCTID is divided into two (2) benefit zones as described in the Plan.

The renewed MCTID would have a ten (10) year term, beginning July 1, 2023, and end ten (10) years from its start date. Once per year, beginning on the anniversary of district renewal, there is a 30-day period in which lodging business operators paying fifty percent (50%) or more of the assessment may protest and initiate proceedings to terminate the MCTID.

The cities and County shall be responsible for collecting the assessment on a monthly, bi-monthly, or quarterly basis (including any delinquencies, penalties, and interest) from each lodging business located within the boundaries of the MCTID. The cities and County shall make all reasonable efforts to collect the assessments from each lodging business. The cities and County shall forward the assessments to Monterey County Destination Marketing Organization, Inc. d.b.a. Monterey County Convention and Visitors Bureau (MCCVB), serving as the MCTID Owner's Association, which will have the responsibility of managing MCTID programs as provided in the Management District Plan. The cities and the County may retain a fee equal to

one percent (1%) of the amount of the assessment collected within their respective jurisdictions to cover their costs of collection and administration.

MCTID Renewal Process

December 20, 2022 RESOLUTION OF INTENTION TO RENEW (Attachment 1)

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

Petition Status: Petitions in favor of MCTID renewal were submitted by lodging businesses that represent more than fifty percent (50%) of the total MCTID assessment.

December 20, 2022 RESOLUTION REQUESTING CONSENT (Attachment 2)

The City Council must request consent from the County of Monterey and cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Pacific Grove, Salinas, Sand City, Seaside, and Soledad to be included in the renewed MCTID. Consent must be received from the cities and County prior to the final public hearing for their jurisdiction to be included in the renewed MCTID.

December 20, 2022 RESOLUTION ADOPTING PROCEDURAL GUIDELINES (Attachment 3)

Procedural guidelines for the formation of the MCTID will be proposed in a separate resolution. These guidelines cover the petition process, protest submittals, protest requirements, protest withdrawals, majority protest, and tabulation process.

January 7, 2023 NOTICE

Written notice shall be mailed to the owners of all businesses proposed to be within the renewed MCTID.

January 17, 2023 PUBLIC MEETING

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

February 21, 2023 FINAL PUBLIC HEARING; POTENTIAL ADOPTION OF RESOLUTION OF FORMATION

If written or oral protests are received from the owners of lodging businesses in the renewed MCTID 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 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 protests totaling less than 50% proposed assessments are received, the Council, following the public hearing, may decide to renew the MCTID, and then shall adopt a resolution of formation.

Attachments: 1. Resolution of Intention
2. Resolution Requesting Consent
3. Resolution Adopting Procedural Guidelines
4. MCTID Management District Plan
5. Petitions Received as of December 15, 2022

c: City Attorney
MCTID Executive Director, c/o Monterey County Convention & Visitors Bureau

Writings distributed for discussion or consideration on this matter within 72 hours prior to the meeting, pursuant to Government Code § 54957.5, will be made available at the following link: <https://monterey.org/Submitted-Comments>