



## MEMORANDUM

**TO:** City Council

**FROM:** Whitney McDonald, City Manager

**BY:** Sarah Lansburgh, Deputy City Clerk

**SUBJECT:** Consideration of Annual Report and Adoption of a Resolution of Intention for Levy of Annual Assessments for the Arroyo Grande Tourism Business Improvement District (AGTBID)

**DATE:** April 26, 2022

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### **SUMMARY OF ACTION:**

Receive and approve the Annual Report, which provides information on the activities of the AGTBID during the past year, and adopt a Resolution that would continue the levy of annual assessments for AGTBID for another year.

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

Based on the anticipated year-end results for 2021-22, the assessments expected to be collected total approximately \$230,000 for Fiscal Year 2021-22. The AGTBID budget provides \$5,000 to the City to cover a portion of the City's cost associated with supporting a Community Services Specialist position for vacation rental code compliance. The AGTBID budget also provides \$3,000 to the City for administrative support.

### **RECOMMENDATION:**

The AGTBID Advisory Board recommends the City Council: 1) Receive and approve the Annual Report; 2) Adopt a Resolution of Intention to levy and collect assessments within the AGTBID area for Fiscal Year 2022-23; and 3) Set the date for a public hearing for May 24, 2022, in accordance with Streets and Highways Code Section 36534.

### **BACKGROUND:**

In May 2013, the City Council adopted an Ordinance establishing the AGTBID. The AGTBID was formed under the Parking and Business Improvement Law of 1989, Sections 36500 et. seq. of the Streets and Highways Code and incorporated into the Arroyo Grande Municipal Code (AGMC) in Title 3, Chapter 3.46.

The purpose of forming the AGTBID was to provide revenue to defray the cost of services, activities, and programs promoting lodging businesses in the AGTBID through the

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promotion of scenic, recreational, cultural, and other attractions in the AGTBID as a tourist destination. An assessment is levied on all lodging businesses within the AGTBID boundaries and is based upon two percent of the rent charged by the operator per occupied room per night for all transient occupancies.

In December 2014, the City Council adopted an Ordinance amending Chapter 3.46 of the Arroyo Grande Municipal Code to provide that the same exemptions that apply to the Transient Occupancy Tax apply to AGTBID assessments and amended the definition of "lodging" to include vacation rentals and homestays.

**ANALYSIS OF ISSUES:**

In accordance with the provisions in the Streets and Highways Code and AGMC Section 3.46.100, the City Council appointed an Advisory Board. Pursuant to Streets and Highways Code Section 36533, the Advisory Board is to prepare an annual report, which is to be submitted to the City Council for its review and approval. AGMC Section 3.46.060 also provides that the assessments for the AGTBID are to be reviewed annually by the City Council based upon the Annual Report of the Advisory Board, and after approval of the Annual Report, the City Council is to follow the hearing process outlined in Streets and Highways Code Section 36534 for the annual assessment for the upcoming fiscal year. Section 36534 provides for the adoption of a Resolution to levy an annual assessment for that fiscal year. The Resolution also sets a public hearing date in order to receive any written or oral protests against the continuation of the AGTBID as required by the applicable statute.

The AGTBID has been in effect for almost nine (9) years and has been considered successful. In January 2018, the City Council combined the Tourism Marketing Committee, which was coordinated by the Chamber of Commerce, and the Advisory Board, increasing the number of members of the Advisory Board from a minimum of three (3) to not more than nine (9). The Advisory Board implements the programs and activities funded through the AGTBID. The South County Chamber of Commerce administers the AGTBID program; therefore, minimal staff time has been required by the City.

In June 2018, the Council approved an Agreement with Verdin Marketing for tourism marketing services to provide a fresh perspective and innovative ideas given the current economic climate and needs of Arroyo Grande's tourism market. Since that time, a tourism website, rebranding of Visit Arroyo Grande, a monthly e-newsletter, advertising campaigns, a tourism strategic plan, and other marketing efforts have been developed and implemented. The term of the current contract with Verdin Marketing will expire on June 30, 2022. Therefore, the City, on behalf of the AGTBID, has issued a Request for Proposals (RFP) for marketing, communications, website management, and social media

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services for Visit Arroyo Grande. The RFP was published on April 7, 2022, and will close May 13, 2022, at 5:00 p.m.

On March 28, 2022, the Advisory Board reviewed and approved the Annual Report and has forwarded it to the City Council for consideration. The Advisory Board recommends extending the assessments and continuing the program. As noted above, following approval of the Annual Report and adoption of the Resolution, the next step in the process is to schedule a public hearing for May 24, 2022. The public hearing will allow lodging businesses subject to the assessment to submit comments, voice concerns, and protest the assessment. As set forth in Sections 36524 and 36525 of the California Streets and Highways Code, the City Council has the ability to continue to levy and collect the proposed citywide AGTBID assessment at the May 24, 2022 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 AGTBID for at least one year.

**ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

1. Approve staff recommendations;
2. Request changes or clarification to the Annual Report; or
3. Do not approve staff recommendations; or
4. Provide other direction to staff.

**ADVANTAGES:**

The recommendations will enable the City to extend the AGTBID, which provides a mechanism to generate funding to promote lodging stays and tourism in the City, in turn increasing transient occupancy tax revenue and supporting local businesses.

**DISADVANTAGES:**

No disadvantages with approving the Annual Report and adopting the Resolution levying the assessment for another year are identified.

**ENVIRONMENTAL REVIEW:**

No environmental review is required for this item.

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

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Attachments:

1. Proposed Resolution
2. Annual Report