



MEMORANDUM

TO: City Council

FROM: Whitney McDonald, City Manager

BY: Sarah Lansburgh, Deputy City Clerk

SUBJECT: Public Hearing to Consider a Resolution Levying an Annual Assessment for the Arroyo Grande Tourism Business Improvement District (AGTBID)

DATE: May 24, 2022

SUMMARY OF ACTION:

Conduct the public hearing to levy an annual assessment for Fiscal Year 2022-23 to defray the costs of services, activities, and programs promoting tourism for the benefit of lodging businesses within the Arroyo Grande Tourism Business Improvement District (AGTBID).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Based on the anticipated year-end results for 2021-22, the assessments expected to be collected total approximately \$246,200 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:

1) Conduct a public hearing to receive testimony regarding the City Council's intention to continue the AGTBID and levy an annual assessment for Fiscal Year 2022-23; 2) Determine whether a legally sufficient number of protests have been made; and 3) If a legally sufficient protest is not made, adopt a Resolution levying an annual assessment for the AGTBID for FY 2022-23.

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.

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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 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.

ANALYSIS OF ISSUES:

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 AGTBID 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 is contracted to administer 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, issued a Request for Proposals (RFP) for marketing, communications, website management, and social media services for Visit Arroyo Grande. The RFP was published on April 7, 2022, and closed May 13, 2022, at 5:00 p.m. the AGTBID Advisory Board will conduct interviews of submitting agencies at a Special Meeting on May 23, 2022, and a recommendation will be made to the City Council for approval of a contract with a preferred vendor for ongoing marketing services in June 2022.

On March 28, 2022, the Advisory Board reviewed and approved the Annual Report and forwarded it to the City Council for consideration at the April 26, 2022 Council meeting. The City Council approved the Annual Report and adopted a Resolution of Intention to levy and collect assessments within the AGTBID area for Fiscal Year 2022-23 (Resolution 5176). A date of May 24, 2022 was set for a public hearing in accordance with Streets and Highways Code Section 36534.

Today's public hearing will allow lodging businesses subject to the assessment an opportunity 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 implement the AGTBID at this public hearing, unless written protests are received from the lodging businesses that pay 50% or more of the

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proposed assessments. In that event, Council cannot consider continuation of the AGTBID for at least one year. If the required number of written protests is not received, Streets and Highways Code Section 36535 provides that at the conclusion of the hearing a Resolution levying an annual assessment for the AGTBID for FY 2022-23 may be adopted. The statute further provides that the adoption of the Resolution constitutes the levy of the assessment for the fiscal year. A Resolution has been prepared for Council's consideration and adoption if there is no legally sufficient protest.

ALTERNATIVES:

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

1. Conduct the public hearing, determine whether a legally sufficient number of protests have been made, and if a legally sufficient protest has not been made, adopt a Resolution levying an annual assessment for the AGTBID for the FY 2022-23; or
2. Conduct the public hearing, determine whether a legal sufficient number of protests, and if a legally sufficient protest has been made, the Council cannot consider continuation of the AGTBID for at least one year; or
3. Provide other direction to staff.

ADVANTAGES:

The recommended actions will enable the City to extend the AGTBID, which provides a mechanism to generate funding to promote lodging stays and tourism in the City, which increases transient occupancy tax revenue and supports local businesses.

DISADVANTAGES:

Levying the assessment will continue to impose a cost on tourists and visitors to Arroyo Grande who pay the assessment. There are no other disadvantages identified by levying the assessment for another year.

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.

Attachments:

1. Proposed Resolution
2. Annual Report