



# COUNTY OF HUMBOLDT

For the meeting of: 9/17/2019

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File #: 19-1238

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Consent

**SUBJECT:**

Resolution of Intention to Modify the Humboldt County Tourism Business Improvement District Management District Plan

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Adopt the attached Resolution contained in Attachment 1 declaring the Board's intention to modify the Humboldt County Tourism Business Improvement District Management District Plan, which will result in a public hearing on October 15, 2019.

**SOURCE OF FUNDING:**

Humboldt County Tourism Business Improvement District (HCTBID)

**DISCUSSION:**

The HCTBID is a benefit assessment district to help fund marketing and sales promotion efforts for Humboldt County lodging businesses. Currently, the district includes all lodging businesses within the boundaries of Humboldt County, including the cities of Arcata, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad. This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights.

The Humboldt Lodging Alliance, serving as the HCTBID Owner's Association, has requested that the Board of Supervisors modify the HCTBID Management District Plan (MDP) to eliminate lodging businesses with less than five rentable units at a single location from the MDP. The Humboldt Lodging Alliance (HLA) requested this change to the MDP as an effort to re-set the organizational structure of the HCTBID and the HLA to its original intent; namely to provide specific benefits through sales and marketing programs designed to increase overnight visitation and room night sales at assessed lodging businesses. The HLA stated that the proposed modification "will ensure that the HCTBID (and the HLA) are able to continue providing these specific benefits to assessed [lodging] businesses within the HCTBID."

The proposed modification will have no effect on Humboldt County Transient Occupancy Tax (TOT)

collections. TOT will still be collected from all lodging businesses within the unincorporated areas of Humboldt County, including lodging businesses with less than five rentable units at a single location.

If your Board approves the proposed modification, then lodging businesses with less than five rentable units must be notified to stop collecting the HCTBID and be removed from the HCTBID collection processes currently in place at all participating jurisdictions. In addition, the Airbnb Voluntary Collection Agreement (VCA) must be amended so HCTBID assessments are no longer collected along with TOT which will continue to be collected from all lodging businesses facilitated by Airbnb.

That approval will cause the Treasurer-Tax Collector (T-TC) to request your Board to amend the VCA whereby Airbnb will no longer collect the HCTBID effective January 1, 2020. The T-TC Department will also notify all effected lodging businesses (those with less than five rentable units) to no longer collect the HCTBID as of January 1, 2020. Since TOT and HCTBID collections are due quarterly it follows that any modification to TOT or HCTBID would begin at the beginning of a new quarter.

The Humboldt Lodging Alliance has provided outreach letters to the city managers of the cities of Arcata, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad informing them of the proposed HCTBID modification. A copy of the outreach letter (Attachment 3) is included with this item.

### **HCTBID MODIFICATION PROCESS**

#### September 17, 2019 RESOLUTION OF INTENTION

Upon the written request by the HCTBID Owners' Association, the Humboldt Lodging Alliance, the Board of Supervisors may adopt a resolution of intention which states the proposed modification to the HCTBID MDP. The Humboldt Lodging Alliance provided a written request for the proposed modification to the Board of Supervisors dated Nov. 15, 2018. Receipt of this written request allows the Board of Supervisors to initiate proceedings for HCTBID MDP modification at the September 17, 2019 meeting.

#### October 4, 2019 NOTICE

The Property and Business Improvement District Law of 1994 requires the county to publish the Resolution of Intention in a newspaper of general circulation in the County at least seven days before the public hearing and mail a complete copy of the Resolution of Intention to each business owner affected by the proposed modification at least 10 days before the public hearing.

#### October 15, 2019 PUBLIC HEARING & RESOLUTION OF MODIFICATION

The Board of Supervisors shall hold a public hearing on the proposed HCTBID MDP modifications. If the Board of Supervisors, following the public hearing, decides to modify the HCTBID MDP, the Board of Supervisors shall adopt a Resolution of Modification.

FINANCIAL IMPACT:

There is minimal cost to adopting a resolution of intention to modify the HCTBID Management District Plan. Lodging businesses subject to the assessment would experience no change in the amount they would be assessed. However, if the proposed changes are ultimately adopted, the fee collected by the county for administering collection of the HCTBID assessment will be increased from 1 percent to 2 percent of the total amount collected within its jurisdiction in order to recover the costs needed to administer the program due to the estimated 24% reduction of HCTBID collections to the county. This will result in increased revenue to the county from approximately \$4,600 to \$7,000 annually.

As of August 19, 2019, there was \$127,260.84 in the HCTBID Fund. Funds are distributed to the HLA on a quarterly basis. The proposed modification will have no effect on Humboldt County Transient Occupancy Tax (TOT) collections. The proposed modification is estimated to reduce the HCTBID annual budget by \$185,577, as shown in the following table.

| <b>Jurisdiction</b>            | <b>Total 2018 HCTBID Assessments</b> | <b>2018 HCTBID Assessments on Lodging Businesses with Less than Five (5) Rentable Units at a Single Location</b> |
|--------------------------------|--------------------------------------|--|
| Unincorporated Humboldt County | \$456,867                            | \$109,346  |
| City of Arcata                 | \$326,303                            | \$26,604   |
| City of Eureka                 | \$548,470                            | \$12,479   |
| City of Ferndale               | \$33,653                             | \$9,606  |
| City of Fortuna                | \$125,473                            | \$0  |
| City of Rio Del                | \$2,982                              | \$492  |
| City of Trinidad               | \$27,050                             | \$27,050   |
| <b>TOTAL</b>                   | <b>\$1,520,798</b>                   | <b>\$185,577</b>   |

STRATEGIC FRAMEWORK:

This action supports your Board’s Strategic Framework by supporting business, workforce development and creation of private-sector jobs .

OTHER AGENCY INVOLVEMENT:

Humboldt Lodging Alliance; Humboldt County Tourism Business Improvement District

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to adopt the attached resolution to modify the MDP and hold a public

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hearing. This alternative is not recommended as the HLA has submitted written notice to your Board to consider this modification.

ATTACHMENTS:

1. Resolution of Intention
2. Resolution for HCTBID Modification
3. Outreach Letter to City Managers
4. HCTBID MDP

PREVIOUS ACTION/REFERRAL:

Board Order No.: K-1

Meeting of: 5/23/17

File No.: N/A