



COUNTY OF HUMBOLDT

For the meeting of: March 21, 2017

Date: February 10, 2017
 To: Board of Supervisors
 From: Amy S. Nilsen, County Administrative Officer *AN*
 Subject: Process for Renewal of Humboldt County Tourism Business Improvement District

RECOMMENDATION(S):

That the Board of Supervisors:

1. Consider the proposed Management District Plan ("Plan") shown in Attachment 1 for the Humboldt County Tourism Business Improvement District ("District") and find that the Plan satisfies the requirements of Streets and Highways Code Section 36622;
2. Determine that no changes to the Plan are desired and certify – on the basis of the finding letter presented by the Treasurer-Tax Collector (Exhibit A to Attachment 2) – that the County has received written petitions signed by the business owners who will pay more than 50 percent of the assessments proposed to be levied in the District;
3. Adopt the Resolution contained in Attachment 2 declaring the Board's intention to renew the District for a ten year term and setting a public hearing for May 16, 2017;

Prepared by Karen Meynell, Economic Development Specialist

CAO Approval *Elisha Hayes*

REVIEW:

Auditor _____ County Counsel _____ Human Resources _____ Other _____

TYPE OF ITEM:

☒ Consent
☐ Departmental
☐ Public Hearing
☐ Other _____

PREVIOUS ACTION/REFERRAL:

Board Order No. L-1

Meeting of: 5-22-12

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
 Upon motion of Supervisor _____ Seconded by Supervisor _____

Ayes
 Nays
 Abstain
 Absent

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: _____

By: _____
 Kathy Hayes, Clerk of the Board

4. Adopt the Resolution contained in Attachment 3 requesting the consent of the cities of Arcata, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad to create the District, with such consent to be indicated by the passage by the City Councils of each of the respective cities of a resolution substantially in the form of the sample resolution shown in Attachment 4 and returning a certified copy thereof to the Clerk of the Board no less than 24 calendar days prior to the May 16, 2017 public hearing; and
5. Direct the Clerk of the Board to publish the Notice of Public Meeting on April 18, 2017 and Public Hearing on May 16, 2017 contained in Attachment 5 and to mail out majority protest notices in conformity with Streets and Highways Code Section 26623 and Government Code Section 54954.6.

SOURCE OF FUNDING:

Assessment of Affected Businesses

DISCUSSION:

California State law, under Streets and Highways Code Sections 36620 *et seq.*, provides that local jurisdictions may establish business improvement districts for the purpose of levying assessments to support activities that enhance the affected businesses. One such type of business improvement district is a tourism business improvement district, which levies assessments on lodging businesses that are used to promote tourism in the area and thereby attract additional guests to the lodging businesses. The assessments are customarily passed along to overnight guests and collected on the guests' bills in a manner similar to the transient occupancy tax.

On May 22, 2012 the Board of Supervisors adopted the Resolution (12-38) establishing the Humboldt County Tourism Business Improvement District ("District") for a five year term. The resolution became effective July 1, 2012 and will expire June 30, 2017. The proposed renewal of the District will be for a 10 year term, beginning July 1, 2017 and ending June 30, 2027. The District includes all lodging businesses located within the boundaries of the County of Humboldt, including the cities of Arcata, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad and provides a continued revenue source devoted to marketing Humboldt County as a tourist, meeting and event destination.

The District is administered by the Humboldt Lodging Alliance (the "Alliance"). In January, lodging businesses responded to a petition by the Alliance with a majority of those who will pay more than 50 percent of the assessment favoring renewal of the District for a ten year term. If renewed, the proposed assessment rate would be 2% of gross revenue for short-term room rental and the District would generate approximately \$1,136,000 on an annual basis for promotion of travel and tourism specific to Humboldt County. Once per year beginning on the anniversary of district formation there is a 30-day period in which business owners paying more than 50 percent of the assessment may protest and begin proceedings to terminate the district.

The District will operate in accordance with the Management District Plan ("Plan") shown in Attachment 1. The Plan must include all the criteria set forth in Streets and Highways Code Section 36622 which includes the name and map of district and description of district boundaries, the activities proposed for the operation of the district and the annual operational costs, the proposed source of financing, the time and manner of collecting assessments, the number of years the assessment will be levied, the proposed rules and regulations of the district and a list of businesses to be assessed. The proposed Plan was available for review by all persons or entities eligible to sign the petitions in favor of the renewal of the District.

Staff has reviewed the Plan for the ten year renewal and believes it meets the minimum requirements of Street and Highways Code Section 36622. However, the Board of Supervisors has the discretion under State law to require additional provisions in the Plan if the Board believes such provisions would be beneficial to the renewal and administration of the district. Generally, changes to the Plan the Board may wish to make must be made prior to the adoption of the resolution of intent to renew the district. Staff is not recommending any changes to the Plan at this time.

The Alliance has submitted signed written petitions requesting renewal of the District to the Treasurer-Tax Collector who has tallied the petitions and verified the petitions meet the threshold necessary to allow for the Board to declare its intent to renew the District by Resolution. A draft Resolution for this purpose is included as Attachment 2. Because the District is proposed to include lodging businesses within the incorporated cities as well as in the unincorporated area, the county is required under Streets and Highways Code Section 36620.5 to seek the consent of the cities. A draft Resolution requesting this consent is included as Attachment 3, and a sample resolution for city councils to provide such consent is contained in Attachment 4. Consent is being sought from the cities of Arcata, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad. Because the cities' resolution have the effect of an ordinance, they are not effective until 30 days after passage. Therefore, the county is requesting the the cities provide their consent early enough so that the resolutions will be effective at the time the Board actually votes whether to renew the District.

Once the cities have expressed their consent, the Board will be required to hold two public sessions. The first is a public meeting under Government Code Section 54954.6(c) to allow for public comment regarding the establishment of the District and the assessments. The second, to be held a minimum of seven days after the first, is a public hearing for the purpose of renewing the District and the assessments. At the public hearing (second session), the Board may exclude additional territory from the boundaries of the District and may modify the Plan only for the purpose of lowering the proposed assessment. Other substantive changes to the Plan would not be possible at that time. Proposed changes to the Plan should be made prior to adopting the resolution of intent to renew the District.

The proposed resolution of intent sets a date for the first public meeting on April 18, 2017 and the public hearing for the final approval of the District on May 16, 2017. These dates will comply with the notice requirements for the public hearing and give the cities time to provide the consent that will be a prerequisite to renew the District.

The county and cities will be responsible for collecting the assessment on a monthly or quarterly basis from each lodging business in their respective jurisdictions located in the District boundaries. The county and cities shall forward the assessments to Humboldt Lodging Alliance, which will have the responsibility of managing District programs as provided in the Management District Plan. The county and cities shall be paid a fee equal to one percent (1%) of the amount of assessment collected, within their respective jurisdictions, to cover their costs of collection and administration.

FINANCIAL IMPACT:

The proposed Board action has no direct effect on the County's budget. The county (and cities) will be paid a fee of one percent (1%) of the amount collected, within their respective jurisdictions, to cover the costs of administration. The major financial impact of District renewal will be on affected businesses and ultimately, lodging guests who would bear the cost of the assessments.

Approval of staff's recommendations supports the Board's Strategic Framework to facilitate the establishment of local revenue sources to address local needs.

OTHER AGENCY INVOLVEMENT:

City of Arcata, City of Eureka, City of Ferndale, City of Fortuna, City of Rio Dell, City of Trinidad and Humboldt Lodging Alliance

ALTERNATIVES TO STAFF RECOMMENDATIONS:

1. The Board could decide that renewal of the District is not in the best interest of the county and stop the process at this point. This alternative is not recommended because more than 50 percent of the businesses affected by the District's assessments are in support of forming the District.
2. The Board could revise the Plan to lower the proposed assessment or change the District boundary. Section 36624 of the Streets and Highways Code authorizes the Board to make these two changes up until the final public hearing on May 16, 2017. Revising the Plan would inhibit the effectiveness of the District so staff does not recommend any such changes at this time.
3. The Board could alter the schedule, for example to provide the Humboldt Lodging Alliance time to gather additional support from lodging businesses in specific areas of the county. Substantial delay in the schedule would mean the District would not be renewed by July 1, 2017 and therefore would collect less than a full year of revenue.

ATTACHMENTS:

Attachment 1: Proposed Management District Plan

Attachment 2: Resolution Declaring Intention to Establish the Humboldt County Tourism Business Improvement District and Setting a Public Hearing

1. Findings Letter from Treasurer-Tax Collector
2. Written Petitions Signed by Business Owners

Attachment 3: Resolution Requesting the Consent of the Cities of Arcata, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad to Create the Humboldt County Tourism Business Improvement District

Attachment 4: Sample Resolution for City Councils

Attachment 5: Notice of Public Hearing