



Agenda Report

DATE: February 26, 2018

TO: Honorable Mayor and Council Members
FROM: Michael Ross, CEO – PCOC
SUBJECT: Resolution of Intention to Establish the Pasadena Tourism Business Improvement District

RECOMMENDATION

It is recommended that the City Council adopt a Resolution to establish the Pasadena Tourism Improvement District (PTBID) under the Property and Business Improvement Law of 1994, Streets and Highways Code § 36600 et seq., that authorizes the City to establish business improvement districts for the purposes of promoting tourism to levy assessments on hotels and set a public meeting on March 12, 2018 and a public hearing on April 16, 2018 on the formation of the PTBID and the levy of assessments on lodging businesses.

BACKGROUND

The existing PTBID was formed in 2003 pursuant to the Property and Business Improvement Area Law of 1989 ('89 Law). This effort seeks to modernize the PTBID by allowing the '89 Law PTBID to expire and re-establishing the PTBID pursuant to the Property and Business Improvement District Law of 1994 ('94 Law).

The PTBID is a benefit assessment district proposed to continue help fund marketing and sales promotion efforts for Pasadena lodging businesses. This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights. The proposed PTBID includes all lodging businesses located within the boundaries of the the City of Pasadena.

The PCOC and the hoteliers decided to pursue formation of the PTBID in order to modernize a revenue source devoted to marketing Pasadena as a tourist, meeting and event destination. If established, the PTBID would generate approximately \$3,800,000 on an annual basis for promotion of travel and tourism specific to Pasadena and to continue to fund the Pasadena Convention & Visitors Bureau.

TOURISM BUSINESS IMPROVEMENT DISTRICTS

Tourism Business Improvement District utilize the efficiencies of private sector operation in the market-based promotion of tourism. These special assessment districts allow lodging and tourism-related business owners to organize their efforts to increase tourism. Tourism-related business owners within the district fund the TBID, and those

funds are used to provide services that the businesses desire and that benefit the lodging businesses within the TBID.

TBID benefits:

- 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: Marketing of the Destination, Tourism Promotion Activities 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

In California, Tourism Business Improvement Districts are primarily formed pursuant to the '94 Law. This law allows for the creation of a special benefit assessment district to raise funds within a specific geographic area. The key difference between TBIDs and other special benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the district.

Modernizing the PTBID will result in the creation of a benefit assessment district that operates under the same '94 Law as the three existing Property and Business Improvements Districts in the City of Pasadena: Old Pasadena Management District, the South Lake Avenue District, and Pasadena's Playhouse District.

In recent years, many '89 Law TBIDs have converted to the '94 Law. A partial list is below:

- Stockton (2010);
- Sacramento (2012);
- Fairfield (2013);
- West Hollywood (2013);
- Huntington Beach (2014);
- Lodi (2015);
- Richmond (2015);
- Palm Springs (2016); and
- Yolo County (2017).

MANAGEMENT DISTRICT PLAN

The Management District Plan (**Attachment 1**) includes the proposed boundary of the PTBID, a service plan and budget and a proposed means of governance. The PTBID will include all lodging businesses, existing and in the future, available for public occupancy within the boundaries of the the City of Pasadena.

The proposed PTBID will have a five (5) year life. The assessment will be implemented beginning July 1, 2018. Once per year beginning on the anniversary of PTBID formation there is a thirty (30) day period in which business owners paying fifty percent (50%) or more of the assessment may protest and begin proceedings to terminate the PTBID.

The City will continue to be responsible for collecting the assessment on a monthly basis from each lodging business located in the PTBID boundaries. The City shall forward the assessments to the Pasadena Center Operating Company, which will have the

responsibility of managing PTBID programs as provided in this Management District Plan.

DISTRICT FORMATION PROCESS

- February 26, 2018 **RESOLUTION OF INTENTION HEARING**
Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than fifty percent (50%) of the assessments proposed to be levied, the City Council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district.
- Petition Status:* Petitions in favor of PTBID formation were submitted by 7 hotels, which represent 81.42% of the total PTBID assessment. This majority petition allows the Council to initiate proceedings for PTBID formation at the February 26, 2018 meeting.
- March 1, 2018 **NOTICE**
The '94 Law requires the City mail written notice to the owners of all businesses proposed to be within the PTBID. Mailing the notice begins a mandatory forty-five (45) day period in which owners may protest PTBID formation.
- March 12, 2018 **PUBLIC MEETING**
Allow public testimony on the establishment of the PTBID and levy of assessments. No council action required.
- April 16, 2018 **FINAL PUBLIC HEARING**
If written protests are received from the owners of businesses in the proposed district 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 year from the date of the finding of a majority protest by the Council.
- At the conclusion of the public hearing to establish the PTBID, the Council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them.
- If the Council, following the public hearing, decides to establish the proposed PTBID, the Council shall adopt a resolution of formation.

FISCAL IMPACT

The proposed PTBID programs and services have been in place since 2003. This modernization effort will:

- Continue the existing assessment of 2.89% of gross hotel room (passed through to hotel guests) to fund the Pasadena Convention & Visitors Bureau.
- Support the future stability and health of the Transit Occupancy Tax (TOT) revenues for the City and PCOC by continuing to fund tourism promotions for Pasadena.
- No increase in cost to the City's general fund or other special funds.

Respectfully Submitted:



Michael Ross
CEO, Pasadena Center Operating Company