



Agenda Report

March 27, 2023

TO: Honorable Mayor and City Council
FROM: Pasadena Center Operating Company
SUBJECT: RESOLUTION DECLARING RESULTS OF MAJORITY PROTEST PROCEEDINGS AND RENEWING THE PASADENA TOURISM BUSINESS IMPROVEMENT DISTRICT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the resolution of formation proposed herein is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(3) (common sense exemption) that there is no possibility for causing a significant effect on the environment.
2. Hold a final hearing and declaring results of majority protest proceedings.
3. Adopt a Resolution of Formation to declare results of majority protest proceedings and renew the Pasadena Tourism Business Improvement District (PTBID).

RESULT OF THE RECOMMENDED ACTION:

Holding the final hearing, declaring results of the majority protest proceedings, and adopting this Resolution will result in the renewal of the Pasadena Tourism Business Improvement District (PTBID) and the levy of assessments on lodging businesses.

BACKGROUND:

Developed by Pasadena lodging businesses and the Pasadena Center Operating Company (PCOC), the PTBID is an assessment district proposed to continue to provide specific benefits to payors, by funding marketing and sales promotion efforts for assessed lodging businesses. This approach has been used successfully in other destination areas throughout the country to provide the benefit of additional room night sales directly to payors. The PTBID was initially formed in 2003 pursuant to the Property and Business Improvement Area Law of 1989 ('89 Law) and converted in 2018 pursuant to the Property and Business Improvement District Law of 1994 ('94 Law) for a

five (5) year term. PCOC and Pasadena lodging businesses now wish to renew the PTBID for a ten (10) year term.

The PTBID is a benefit assessment district proposed to continue a revenue source to help fund marketing and sales promotion efforts for Pasadena lodging businesses. The renewed PTBID includes all lodging businesses, existing and in the future, located within the boundaries of the City of Pasadena.

The PCOC and lodging business owners decided to pursue renewal of the PTBID in order to continue a revenue source devoted to marketing Pasadena as a tourist, meeting and event destination. If renewed, the PTBID would generate approximately \$5,250,000 in its initial year for promotion of travel and tourism specific to Pasadena and continue to fund the Pasadena Convention & Visitors Bureau and to support the sales and marketing efforts of the Rose Bowl Stadium.

TOURISM BUSINESS IMPROVEMENT DISTRICTS

Tourism Business Improvement Districts (TBIDs) utilize the efficiencies of private sector operation in the market-based promotion of tourism. These special assessment districts allow lodging business owners to organize their efforts to increase tourism. Lodging business owners within the TBID fund the TBID, and those funds are used to provide services that are desired by and 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: destination marketing, tourism promotion, 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, TBIDs are primarily formed pursuant to the Property and Business Improvement District Law of 1994 ('94 Law). This law allows for the creation of a special benefit assessment districts 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 TBID.

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 renewed PTBID will include all lodging businesses, existing and in the future, located within the boundaries of the City of Pasadena.

The initial annual assessment rate is 3.89% in year one (FY 2023-24) and 4.89% in years two through ten (FY 2024-25 through FY 2032-33) of gross short-term sleeping room rental revenue. Based on the benefit received, the assessment shall not be collected on: stays of more than thirty (30) consecutive days; and stays by any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

The renewed PTBID will have a ten (10) year term, beginning July 1, 2023, or as soon as possible thereafter, and ending ten (10) years from its start date. The assessment will be implemented beginning July 1, 2023. Once per year beginning on the anniversary of PTBID renewal there is a thirty (30) day period in which lodging business owners paying fifty percent (50%) or more of the assessment may protest and begin proceedings to terminate the PTBID.

The City will be responsible for collecting the assessment on a monthly basis from each lodging business located in the PTBID boundaries. The City shall continue to forward the assessments to PCOC, which will have the responsibility of managing PTBID programs as provided in the Management District Plan.

PTBID RENEWAL PROCESS

February 6, 2023 RESOLUTION OF INTENTION HEARING (COMPLETED)

Upon the submission of a written petition, signed by the lodging business owners in the renewed district who will pay more than fifty percent (50%) of the assessments proposed to be levied, the City may initiate proceedings to renew a district by the adoption of a resolution expressing its intention to renew a district.

February 7, 2023 NOTICE (COMPLETED)

The '94 Law requires the City to mail written notice to the owners of all lodging businesses proposed to be within the PTBID. Mailing the notice begins a mandatory forty-five (45) day period in which owners may protest the PTBID renewal.

March 6, 2023 PUBLIC MEETING (COMPLETED)

Allow public testimony on the renewal of the PTBID and levy of assessments. No Council action required.

March 27, 2023 FINAL PUBLIC HEARING

If written protests are received from the owners of lodging businesses in the renewed PTBID 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 lodging businesses shall be taken for a period of one (1) year from the date of the finding of a majority protest by the Council.

If the Council, following the public hearing, decides to establish the renewed PTBID, the Council shall adopt a resolution of formation.

FISCAL IMPACT:

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

- Levy an initial assessment of 3.89% of gross short-term sleeping room rental revenue (passed through to hotel guests) to fund the Pasadena Convention & Visitors Bureau's and the Rose Bowl Stadium sales and marketing efforts;
- 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; and
- No increase in cost to the City's general fund or other special funds.

Respectfully submitted,



MICHAEL ROSS
CEO
Pasadena Center Operating Company

Attachment:

Attachment 1 – PTBID Management District Plan