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Title: 10:00 A.M. - (Continued from September 18, 2018, August 21, 2018 and August 7, 2018) - Public Hearing - Consideration of Resolution Declaring the Results of the Majority Protest Proceedings and Establishing the Lake County Tourism Improvement District (LCTID) "Resolution of Formation"

Sponsors: Administrative Office

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|------------|------|----------------------|---------|--------|
| 10/23/2018 | 1 | BOARD OF SUPERVISORS | Adopted | Pass |

MEMORANDUM

TO: Board of Supervisors

FROM: Carol J. Huchingson, County Administrative Officer

DATE: October 23, 2018

SUBJECT: (Continued from September 18, 2018, August 21, 2018 and August 7, 2018) - Consideration of Resolution Declaring the Results of the Majority Protest Proceedings and Establishing the Lake County Tourism Improvement District (LCTID) "Resolution of Formation"

EXECUTIVE SUMMARY:

Staff have been working with local lodging businesses since fall 2017 to develop a Tourism Improvement District for Lake County (LCTID). On July 24, 2018 during the Public Hearing portion of this process, a group of local hoteliers who had previously provided written petitions of support for the LCTID submitted letters to withdraw their support and to express that they felt the proposed 3% assessment would be a detriment to their ability to book hotel rooms. As the Public Hearing is not a format for extended discussion, a continuance was requested to allow time for an analysis to be written and a presentation made to these hoteliers. The contribution of tourism to Lake County's economy is without question and the discussion of how to support and grow that economic generator is more important than ever in the wake of the devastating Mendocino Complex fire which occurred within peak tourism season.

BACKGROUND:

Lake County Tourism Improvement District (LCTID) is a benefit assessment district proposed to help fund marketing and sales promotion efforts for Lake County, Lakeport, and Clearlake 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 LCTID includes all lodging businesses located within the boundaries of the cities of Lakeport and Clearlake and the unincorporated area of Lake County.

Hoteliers decided to pursue formation of the LCTID in order to create a dedicated revenue source devoted to marketing Lake County as a tourist, meeting, and events destination. If established, the LCTID would generate approximately \$340,000 on an annual basis for promotion of travel and tourism specific to Lake County.

TOURISM IMPROVEMENT DISTRICTS

Tourism Improvement Districts (TIDs) 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. Lodging business owners within the district fund the TID through non-tax room assessments, and those funds are used to provide services that the businesses desire and that benefit the lodging businesses within the TID.

TID 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
- Formation of a board representing lodging business owners and hoteliers

In California, TIDs are formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of special benefit assessment districts to raise funds within a specific geographic area.

The Management District Plan (**Attachment 1**) includes the proposed boundary of the LCTID, a service plan and budget and a proposed means of governance. The LCTID will include all lodging businesses, existing and in the future, available for public occupancy within the boundaries of the cities of Lakeport and Clearlake and the unincorporated area of Lake County.

The proposed LCTID will have a five (5) year life. The assessment will be implemented beginning September 1, 2018. Once per year beginning on the anniversary of LCTID 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 LCTID.

The County and cities will be responsible for collecting the assessment on a monthly or quarterly basis from each lodging business located in the LCTID boundaries. The County and cities shall forward the assessments to Visit Lake County California, which will have the responsibility of managing LCTID programs as provided in the Management District Plan. The County and cities shall retain a fee equal to two percent (2%) of the amount of assessment collected to cover their costs of collection and administration.

DISTRICT FORMATION PROCESS

June 19, 2018 RESOLUTION OF INTENTION HEARING (**COMPLETED**)

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 Board of Supervisors 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 district formation were submitted by 22 hotels, which represent 58.6% of the total LCTID assessment. This majority petition allows the Board to initiate proceedings for LCTID formation at the June 19, 2018 meeting.

RESOLUTION REQUESTING CONSENT (**COMPLETED**)

The Property and Business Improvement District Law of 1994 requires the County to obtain the consent of any other jurisdictions that are proposed to be included in the LCTID boundary. Adopting this resolution will formally request the consent of the cities of Lakeport and Clearlake to be included in the LCTID. Each city must grant their consent to be included in the proposed LCTID prior to the final public hearing.

June 22, 2018 NOTICE (**COMPLETED**)

The Property and Business Improvement District Act of 1994 requires the County mail written notice to the owners of all businesses proposed to be within the LCTID. Mailing the notice begins a mandatory forty-five (45) day period in which owners may protest LCTID formation.

July 24, 2018 PUBLIC MEETING (**COMPLETED**)

Allow public testimony on the establishment of the LCTID and levy of assessments. No Board action required.

August 7, 2018 FINAL PUBLIC HEARING (**COMPLETED**)

If written protests are received from the owners of businesses in the proposed LCTID 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 (1) year from

the date of the finding of a majority protest by the Board.

At the conclusion of the public hearing to establish the LCTID, the Board 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 Board, following the public hearing, decides to establish the proposed LCTID, the Board shall adopt a resolution of formation.

ALTERNATIVES

The Board could choose not to adopt the Resolution Declaring the Results of the Majority Protest Proceedings and Establishing the Lake County Tourism Improvement District. Staff does not recommend this option.

FISCAL IMPACT: ___ None ___ Budgeted 2% of the TID assessment in the unincorporated areas
Non-Budgeted

FISCAL IMPACT (Narrative):

The County will receive a fee of two percent (2%) of the amount of TID assessment collected within the unincorporated areas to cover its costs of administration.

STAFFING IMPACT (if applicable): None

RESULT OF RECOMMENDED ACTION:

Adoption of this Resolution will result in the formation of the Lake County Tourism Improvement District.

Hold a final hearing, declare results of majority protest proceeding, and adopt Resolution Declaring the Results of the Majority Protest Proceedings and Establishing the Lake County Tourism Improvement District.