


Agenda Report Reviewed by:
City Manager: 

CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM REPORT

Meeting Date: September 6, 2022
To: Honorable Mayor and Honorable City Councilmembers
From: City Administration
Subject: Resolution of Consent to modify the Sonoma County Tourism (SCT) Business Improvement Area (BIA) assessment to remove the \$350,000 revenue threshold for establishments entirely. All lodging operators in the BIA would pay 2% of their collected rents, including vacation rental income, as an assessment to promote responsible tourism and marketing efforts by Sonoma County Tourism, the County’s Destination Stewardship Organization.
Recommendation: Approval of Resolution
Funding: Currently Budgeted: _____ Yes _____ No X N/A
Net General Fund Cost:
Amount: \$ _____

Account Code/Costs authorized in City Approved Budget (if applicable) AK (verified by Administrative Services Department)

PURPOSE/INTRODUCTION:

This item requests that the City Council consider adoption of a Resolution of Consent to modify the Sonoma County Tourism (SCT) Business Improvement Area (BIA) assessment to remove the \$350,000 revenue threshold for establishments entirely. All lodging operators in the BIA would pay 2% of their collected rents, including vacation rental income, as an assessment to promote responsible tourism and marketing efforts by Sonoma County Tourism, the County’s Destination Stewardship Organization.

BACKGROUND:

The Resolution of Consent is required by the participating BIA cities for the change in the County of Sonoma Ordinance 5255 to be considered by the Board of Supervisors. Established on November 2, 2004, with resolutions of consent from the Cities of Santa Rosa, Rohnert Park, Petaluma, Cloverdale, Cotati, and Sebastopol, and the Town of Windsor, the Sonoma County Tourism Business Improvement Area was formed.

The BIA was adopted pursuant to the “Parking and Business Improvement Area Law of 1989,” Sections 36500 et seq. of the California Streets and Highways Code, and Resolution Nos. 04-0850 and 04-0984, adopted by the Board of Supervisors on September 14, 2004, and October 12, 2004. The purpose of forming the Area as a business improvement area under the Law is to provide revenue to defray the costs of services, activities, and programs that promote and encourage tourism within the Area, which will benefit the Operators of Lodging establishments paying Assessments in the Area through the promotion of the scenic, recreational, cultural, and other attractions in the Area. Revenues from Assessments shall be used to conduct Marketing Activities designed to increase overnight visits to the Area.

Sonoma County Tourism is requesting an update to its existing BIA to remove the existing revenue threshold of \$350,000 annually for participating in collection of the BIA.

DISCUSSION:

Sonoma County Tourism (SCT) exists to drive overnight visitation into Sonoma County lodging properties and drive revenue into the county through tourism activities. Through a strategic approach and highly efficient sales and marketing programs and campaigns, SCT is able to reach potential visitors in key consumer target audiences and within specified travel professional groups. In recent years, SCT has shown that its programming provides a significant return-on-investment, generating \$14 in local taxes for every \$1 invested in tourism marketing. Every additional dollar spent in marketing will benefit the overall brand awareness of the county and drive business into the doors of customer-facing businesses.

At present, SCT is working within the framework outlined in its current funding structure, that being receiving 1.25% of the first 9% of Transient Occupancy Tax (TOT) collected in unincorporated Sonoma County and 2% of county-wide overnight lodging revenue for properties with an excess of \$350,000 per year in revenue, save the towns of Sonoma and Healdsburg as assessed through the Business Improvement Area (BIA).

Seeking ways to help ensure the organization has a sustainable funding model, SCT is seeking to revise the structure of the BIA program. Under the mantle of the Responsible Tourism Assessment, SCT proposes a change to the current structure that would bring an estimated additional \$2.3 million into the organization.

These funds would allow SCT the ability to laser focus on responsible travelers and as an addition to SCT's current sales and marketing programs. While the responsible travel message is always a part of the messaging, these funds will allow for additional messaging and campaign components aimed directly at responsible travelers.

Throughout the year, SCT operates its consumer campaigns during the time periods that drive business. SCT is mandated to drive business November through April. It's during this time period that the majority of the paid advertising has and will occur. These funds will help augment the campaigns run during that time with a travel responsibly message. During the remainder of the year, May – October, the chief messaging will be around responsible travel. The need to drive business is not as acute during this "high season" time, but the need to tout responsible and sustainable travel takes the forefront. These funds will help ensure each campaign time frame is as effective as possible.

Sonoma County's agricultural community has long had a commitment to sustainability, but finding and inviting like-minded travelers on the consumer side is a recent undertaking. Attracting new visitors is always a more costly proposition than inviting travelers from core markets (San Francisco Bay to Sacramento) who are very familiar with the destination and its marketing messages. Also, as the cost of purchasing media time continues to rise, the key consumer markets for Sonoma County are San Francisco, Los Angeles, San Diego, Dallas, Phoenix, Portland and Seattle – represent some of the most expensive markets in the country. Additional funds will help SCT be more effective in connecting with the responsible traveler target audiences within these coveted traveler markets.

CITY COUNCIL AND/OR GENERAL PLAN GOALS:

Goal 5: Provide Open and Responsive Municipal Government Leadership

5.3.3. Encourage and increase public awareness of City Policies, decisions, programs and all public processes and meetings, by investigating effective methods of communication and obtaining feedback from the community.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, if staff receives public comment from interested parties following the publication and distribution of this staff report such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of this item.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date.

FISCAL IMPACT:

The City of Sebastopol already collects the BIA and remits it to the County. Staff time would be required to collect BIA from short-term rentals. The City is able to retain an administrative fee of 2% for the time associated with collection of the BIA.

RECOMMENDATION:

Staff is requesting City Council consider adoption of a Resolution of Consent to modify the Sonoma County Tourism (SCT) Business Improvement Area (BIA) assessment to remove the \$350,000 revenue threshold for establishments entirely. All lodging operators in the BIA would pay 2% of their collected rents, including vacation rental income, as an assessment to promote responsible tourism and marketing efforts by Sonoma County Tourism, the County's Destination Stewardship Organization.

Attachment:

Resolution with Exhibit

Presentation from BIA

RESOLUTION NO. XXXX-2022

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL CONSENTING TO AMENDMENT OF THE SONOMA COUNTY ORDINANCE CREATING THE SONOMA COUNTY TOURISM BUSINESS IMPROVEMENT AREA (“SCTBIA”) AND AUTHORIZING COLLECTION AND REMITTANCE OF ASSESSMENTS

WHEREAS, in 2004 the Sonoma County Board of Supervisors adopted Ordinance number 5525 (enrolled as sections 33-1 to 33-17 of the Sonoma County Municipal Code), forming the SCTBIA in accordance with the Parking and Business Improvement Area Law of 1989 (Streets and Highways Code Sections 36500, et seq. [the “Law”]); and

WHEREAS, prior to adoption of the Ordinance, the City of Sebastopol consented to inclusion of the territory within the City of Sebastopol limits in the SCTBIA. The City of Sebastopol currently has an administrative agreement with the County pursuant to which SCTBIA assessments are collected from lodging facilities and remitted to the County, with reimbursement of City of Sebastopol expenses from assessment proceeds as authorized by the Law; and

WHEREAS, the County is considering adoption of an amendment to the 2004 Ordinance removing the \$350,000 threshold for application of the assessment to a lodging property. A copy of the proposed amendment is attached as Exhibit A. The proposed amendment is referred to as the Responsible Tourism Assessment, and is intended to provide funding for increased destination stewardship efforts to promote sustainable tourism; and

WHEREAS, the Law requires consent of this City Council before the effectiveness of the Responsible Tourism Assessment may be extended to include the territorial limits of this City; and

WHEREAS, this City already collects Transient Occupancy Taxes (“TOT”) from the same lodging establishments within its territorial jurisdiction that will be subject to the amended assessment.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Sebastopol consents to the amendment of the Ordinance forming the SCTBIA removing the \$350,000.00 threshold for application of the assessment to a lodging property and directs collection and remittance of the assessments authorized by the amended SCTBIA to the County of Sonoma in accordance with the provisions of the attached amendment and the terms and conditions of the administrative agreement.

The above and foregoing Resolution was duly passed, approved and adopted at a meeting by the City Council on the 6th day of September, 2022.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by City of Sebastopol City Council following a roll call vote:

VOTE:

Ayes:

Noes:

Absent:

Abstain:

APPROVED:

Mayor Patrick Slayter

ATTEST: _____
Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM:
Larry McLaughlin, City Attorney

EXHIBIT A

ORDINANCE NO. _____

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SONOMA AMENDING CHAPTER 33, SECTION 33-5(a) OF THE SONOMA COUNTY CODE, REGARDING SONOMA COUNTY TOURISM BUSINESS IMPROVEMENT AREA ASSESSMENTS

THE BOARD OF SUPERVISORS OF THE COUNTY OF SONOMA, STATE OF CALIFORNIA, DOES ORDAIN AS FOLLOWS:

SECTION I:

- (a) On November 2, 2004, the Board of Supervisors adopted Ordinance No. 5525 (the "Ordinance"), pertaining to the creation of the Sonoma County Tourism Business Improvement Area, in accordance with the terms of the Parking and Business Improvement Area Law of 1989 (Streets & Highways Code Section 36500, et seq., the "Act").
- (b) Section 33-5(a) of the Ordinance imposed an assessment on lodging establishments equal to 2% of the rent charged. The assessment only applies to lodging establishments that generate over \$350,000 in the preceding fiscal year (July 1 to June 30). Assessment proceeds may only be used to pay for marketing activities that increase overnight visits to Sonoma County. In the 15 years since the assessment began, tourism in Sonoma County has dramatically increased, with TOT funds rising more than 63% surpassing \$48 million annually, economic impact reaching \$2.3 billion, and employment in the tourism and hospitality sectors topping 22,200.
- (c) During the last few years, natural disasters have taken a heavy toll on the tourism industry in Sonoma County. The Tubbs Fire in 2017, Russian River floods and the Kincaid Fire in 2019, and the Corona virus in 2020, have changed travel plans for millions of potential visitors and consequently stressed local hospitality businesses. Moreover, evolving trends in tourism have also stressed resources within Sonoma County, highlighting the importance of attracting responsible visitors that will engage in sustainable tourism, respecting both the natural resources and local residents of Sonoma County. The increased assessment proposed by this amendment will allow the Sonoma County Tourism Bureau to perform its evolving destination stewardship role and is hence referred to as the Responsible Tourism Assessment ("RTA").
- (d) In recognition of the need to increase marketing efforts, the same hoteliers who spearheaded adoption of the original assessment have joined again to propose an amendment to the Ordinance designed to increase available funding. Specifically, this proposed amendment to the Ordinance will remove the \$350,000.00 threshold for collection of the assessment.
- (e) Pursuant to the Act, on October 4, 2022, this Board adopted Resolution No. _____, declaring its intention to amend the Ordinance by removing the \$350,000.00 threshold for collection of the assessment.
- (b) Resolution No. _____ was duly published, and copies thereof were mailed, as provided by the Act.
- (c) As specified in Resolution No. _____, a public meeting concerning the proposed amendment was held on [EITHER OCTOBER 18 or 25], 2022, before this Board in the Board's chambers at 575 Administration Drive, Santa Rosa.
- (d) As further specified in Resolution No. _____, a public hearing concerning the proposed amendment was held on December 13, 2022 before this Board in the Board's chambers at 575 Administration Drive, Santa Rosa. At the hearing, all protests, both written and oral, made or filed, were considered and duly

overruled and denied, and this Board determined that there was no majority protest to the proposed amendment within the meaning of Section 36523 of the Act.

(e) Pursuant to Section 36521.5 of the Act, the County of Sonoma may not collect assessments under a business improvement area formed within the territorial jurisdiction of a city without the consent of the city council of that city. The Board has received resolutions providing consent to the proposed amendment from each of the following cities: [list].

SECTION II:

Section 33-5(a) of Chapter 33 of the Sonoma Code, as adopted in Section II of Ordinance No. 5525, is hereby amended to read in its entirety as follows:

(a) Each operator of a lodging establishment generating rent during the preceding fiscal year (July 1 to June 30) shall pay as an assessment a sum equal to two percent (2%) of the rent charged by the operator.

SECTION III:

If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be unconstitutional and invalid, such decision shall not affect the validity of the remaining portion of this Ordinance. The Board of Supervisors hereby declares that it would have passed this Ordinance, and every section, subsection, sentence, clause or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional or invalid.

SECTION IV:

This Ordinance shall be, and the same is hereby declared to be in full force and effect from and after 30 days after its passage and shall be published once before the expiration of 15 days after said passage, with the names of the Supervisors voting for or against the same in a newspaper of general circulation published in the County of Sonoma, State of California.

In regular session of the Board of Supervisors of the County Sonoma passed and adopted this 13th day of December, 2022, on regular roll call of the members of the Board by the following vote:

SUPERVISORS:

Gorin _____	Rabbitt _____	Coursey _____
Gore _____	Hopkins _____	
Ayes _____	Noes _____	Abstain _____
		Absent _____

SO ORDERED

By: _____
Chair, Board of Supervisors
County of Sonoma
State of California

SONOMA COUNTY
• CALIFORNIA •
LIFE OPENS UP

Responsible Tourism Assessment

Sonoma County Tourism Background

Sonoma County Tourism (SCT) is the county's official Destination Stewardship Organization.

- **Mission:** Inspire overnight travel to Sonoma County that bolsters the region's economy and encourages responsible stewardship of the community's abundant resources.
- **Vision:** Sonoma County will be the premier destination in North America for responsible travelers who enjoy, protect and preserve the area's bountiful natural and cultural resources.

Original mandate: Drive overnight visitation during non-peak timeframes, November – April. This has evolved as we needed to manage numerous crises.



In 2018, SCT evolved from being a destination marketing organization (DMO) to a destination stewardship organization (DSO). First in the nation to do so.



Goal is to ensure all programming is in the best interest of Sonoma County.



Core programming around sales & marketing remain, but activities and plans show strong leadership for the long-term sustainability of the County and its residents.

A Place Worth Visiting is a Place Worth Protecting

How Does SCT Benefit Sebastopol?

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City Council Meeting Packet of: September 6, 2022
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How SCT Benefits Sebastopol

- Sebastopol is represented on the SCT Board by Kirk Lok (Fairfield Inn & Suites).
- 8 referrals were sent to meeting planners representing 12 Sebastopol partners in 2021.
- **Social Media**
 - In 2021 Sebastopol partners were included in more than 24 posts and blogs
 - To date in 2022, Sebastopol partners have been included in more than 9 posts and blogs
- **Content on SonomaCounty.com**
 - Sebastopol was listed in the title of 6 articles on the website:
 - Guide to Wine Tasting in Sebastopol
 - Shops in Downtown Sebastopol
 - Sebastopol Arts and Culture
 - Sebastopol Offers Some of the Best Vegan and Vegetarian Restaurants
 - Sebastopol Farmers Markets and Farms

How SCT Benefits Sebastopol

- Sebastopol has 231 businesses listed on SonomaCounty.com

Partner Pitches & Other Opportunities

- More than 634 partner pitches were made in 2021. At least 31 Sebastopol partners were mentioned in those pitches.
- In 2021, 53 earned media articles featured a Sebastopol business.
- In 2022 to date, 20 earned media articles feature a Sebastopol business
- Highlighted Media Mentions include:
 - Get lost with lindsey (2021)
 - Style & Society (2021)
 - Wander with Wonder (2021)
 - Travel + Leisure (2022)
 - Passport Online (2022)
 - Travel Curator (2022)

How SCT Benefits Sebastopol

- SCT provides ongoing research, including the annual Dean Runyan Economic Impact of Tourism (2021) for Sebastopol:

Total Expenditure	Earnings	Employment	Local Tax	State Tax	Total Taxes
\$21M	\$7.9M	188	\$1.2M	\$912.2K	\$2.1M

- Sebastopol partners are featured in a variety of initiatives, including:
 - Radical Family Farms was featured in our Cultivated series (2021)
 - Downtown Sebastopol and the Barlow were filmed extensively for content during our last B-roll film shoot (2022)
 - Inclusion in our intentional itinerary series (2022)
 - Shot featured content with the “Travel Mom” Emily Kaufman (2022)

Responsible Tourism Assessment



Business Improvement Area (BIA)

- The Sonoma County Tourism Business Improvement Area (BIA), is a self-assessment initiated by the lodging industry to generate tourism marketing funds.
- The majority of SCT's funding comes from a 2% assessment on applicable lodging rooms within the Sonoma County Tourism Business Improvement Area (BIA) for any property with revenue greater than \$350,000 a year.
- The Business Improvement Area includes all Sonoma County cities and unincorporated areas with the exceptions of Healdsburg and Sonoma. The BIA, by its legislative mandate, is designated exclusively for use as tourism marketing funding to drive overnight stays.
- BIA assessments are paid by guests staying at a BIA lodging properties, properties collect and remit these funds. Administration is covered by a portion of the remittance that goes to each municipality and the County.
- Funds MUST “benefit the payors” – the participating lodging properties.
- The County has an agreement with AirBnB that DOES NOT include collection for the BIA.

Transient Occupancy Tax (TOT)



TRANSIENT OCCUPANCY TAX (TOT) IS GENERATED (ONLY) FROM INDIVIDUALS STAYING AT LODGING PROPERTIES.



SCT RECEIVES 1.25% OF THE FIRST 9% OF TOT COLLECTED (ONLY) WITHIN THE UNINCORPORATED AREAS OF THE COUNTY.



TOT (GENERALLY) GOES INTO THE GENERAL FUND OF THE PLACE IT IS COLLECTED.

What?

Sonoma County Tourism is working to build a budget that will allow it to elevate the economic vitality of the County, Cities and the industry AND generate business from responsible/sustainable travelers through:

- Invite leisure/individual travelers in direct flight markets (stay longer/spend more);
- Elevate group business (weekday);
- Restart international travel; and
- Further develop destination stewardship/responsible travel campaigns and partner outreach.

SCT is asking its lodging property partners, municipalities and the County to revise the current Business Improvement Area (BIA) to eliminate the \$350,000 annual revenue benchmark

Why?

- Evolution in the vacation rental industry since 2004
 - Vacation rentals benefit from SCT's destination marketing
 - Level the playing field among lodging properties
- Inflation, rising gas prices, pending recession + HIGH desire to travel = complicated messaging.
- SCT is developing a Destination Resiliency & Stewardship Plan – Action Items will need funding.
- Reaching new/responsible travelers in key flight markets is a very costly undertaking. Markets include the county's most expensive: Los Angeles, San Diego, Portland, Seattle, Phoenix, Dallas, Chicago.
- Agency of record developed a marketing plan to reach sustainable/responsible travelers – new marketing channels, new audiences...

Why?

Market	Estimated SCT Primary Audience Size	8.7x Frequency	15x Frequency	20x Frequency
Los Angeles	3,500,000	\$700,000	\$900,000	\$1,150,000
Seattle	1,000,000	\$150,000	\$350,000	\$400,000
Portland	500,000	\$75,000	\$150,000	\$200,000
San Diego	600,000	\$85,000	\$200,000	\$245,000
Phoenix	600,000	\$100,000	\$225,000	\$275,000
Dallas	750,000	\$125,000	\$325,000	\$400,000
Denver	750,000	\$110,000	\$225,000	\$300,000

These estimates provide a range of spend levels based on frequency against the primary SCT audience in each market and assumes multiple tactics such as video, display, audio, social, travel-endemic digital and online travel agencies.



Budget

- Sonoma County Tourism's Estimated Budget for FY22-23 is: \$9,212,518
 - BIA: \$6,160,496
 - TOT: \$3,052,022
- Additional BIA funding for SCT:
 - Eliminating the \$350K benchmark: \$2M
- Other Similar Destination Budgets:
 - Santa Barbara: \$11.5M
 - Napa Valley: \$7.7M
 - Newport Beach: \$10.5M
 - San Luis Obispo: \$11M
 - Palm Springs: \$28M

How this will benefit <\$350k Revenue

- **Special recognition on SonomaCounty.com for vacation rentals and bed & breakfast establishments.** SCT will place a tile on its Places to Stay section that encourages travelers to search through the properties in these sectors and will include content specific to these types of businesses.
- **Curate at least one media press trip that houses participants at a property within this segment** and showcases the unique individually owned lodging properties and businesses in the County.
- **Ensure any content produced and main copy of the website is available in English, German, French and Spanish** helping to connect with international travelers.
- **Develop a vacation rental committee** that focuses on issues and opportunities inherent to this industry segment.
- **Continue to ensure this segment has a voice on the SCT Board of Directors** and on its various program committees.
- **SCT will create an accounting of the usage of these funds** and the estimated return-on-investment for the dollars spent – included in Annual Report.

How this will benefit Sebastopol

- Additional BIA funding will help all lodging properties through elevated marketing and sales programming
- Enhance Sebastopol's section on SonomaCounty.com with amplified content, updated offerings and storytelling.
- Ensure ongoing performance data and annual economic impact data are created to meet the needs of this industry segment and convey this information on a timely basis.
- Additional benefits will continue to be created.

Timeline

Action	Date
Outreach to Cities and Stakeholders	Ongoing
Hearing dates calendared by Board of Supervisors	August 2, 2022
City councils to adopt Resolutions of Consent before September 20, 2022	(in time for the BOS agenda packet for the meeting on October 4, 2022)
Adoption of Notice of Intention by Board of Supervisors	October 4, 2022
Mailing to all lodging properties	(within 7 days of adoption of Notice of Intention and at least 10 days before public meeting) by October 11, 2022
Public meeting at Board of Supervisors	(at least 45 days before public hearing and more than 10 days after mailing). Must occur before October 26, 2022
Public hearing and adoption of Ordinance amending existing BIA Ordinance	At least 45 days after public meeting BOS December 13, 2022
Changes go into effect	January 1, 2023