

CITY OF YUBA CITY
STAFF REPORT

Date: June 4, 2019

To: Honorable Mayor & Members of the City Council

From: Development Services Department

Presentation By: Darin Gale, Interim Development Services Director
Steve Young, Geweke Hospitality (Hampton Inn & Suites)

Summary

Subject: Yuba Sutter Lodging Association 2019 Annual Report

Recommendation: A. Adopt a Resolution approving the Annual Report and preliminary budget for the Yuba Sutter Tourism Improvement District for FY 2019 as recommended by the Yuba Sutter Lodging Association

B. Provide staff direction regarding matching funds

Fiscal Impact: None related to levy and collection of annual assessments. As part of a request from the Yuba Sutter Lodging Association, the City provided a 10% match annually from its Transient Occupancy Tax as part of the Council's annual budget adoption but the City is not contractually obligated to make this match.

Purpose:

To accept the annual report of the Yuba Sutter Tourism Improvement District as required by State law.

Background:

This item was considered by the City Council on March 19th and the Council requested the item return at the June 4, 2019 Council Meeting.

Established in March 2017, the Yuba-Sutter Tourism Improvement District (District) is a benefit assessment district to fund marketing and sales promotion efforts for Yuba-Sutter lodging businesses. This approach is successfully used in other destination areas throughout the State to improve tourism and drive additional room nights. Our local District includes all lodging businesses located within the boundaries of the cities of Yuba City, Marysville, Live Oak, and Wheatland; and the unincorporated areas of Yuba and Sutter counties. Hoteliers chose to pursue formation of the District in order to create a revenue source devoted to marketing Yuba-Sutter as a tourist, meeting and event destination. As part of the District's formation our Yuba City hotel operators stated they would be willing to establish a tourism improvement district if the City would dedicate 10% of our transient occupancy tax (TOT) (although this request was made by Yuba City based lodging partners, the City is not contractually obligated to project a TOT match).

The local District set a 2% fee on each room night and established the Yuba Sutter Lodging Association (Association). The Association has met regularly since the approval of the District, but did not receive their first assessments until October of 2017. The Association planned to be

up and running at full speed already but did not meet that timeline because it was unable to secure the former www.visitubasutter.com website and other marketing materials until last year.

Analysis:

Under the Property and Business Improvement District Law of 1994 (California Streets and Highways Code section 36600 et.seq.), the City Council must accept an Annual Report prepared by the Business Improvement District Owners' Association with a proposed budget for the next year. Accordingly, this evening, the Association has provided the City Council with the attached Annual Report and Draft Budget for consideration. The attached Annual Report and Draft Budget only include funding from the business improvement district.

At the March 19th City Council meeting, the YSLA Board was directed to reach out to other jurisdictions in the region and request similar matching funds. To date members of the YSLA board have met with Yuba and Sutter County Supervisors regarding this request but at this time no funding has been approved by those agencies. YSLA is currently scheduled to present to the Yuba County Board of Supervisors on July 9th. The YSLA Board President and Vice President will be in attendance at the Council meeting and will provide the Council with an update on their requests for funding from the other entities in the region.

At this time, the new Hard Rock Hotel & Casino at Fire Mountain in Yuba County is not subject to the Tourism Improvement District since the project is on sovereign tribal land. The YSLA Board requested they voluntarily assess a 2% assessment on their guests and submit those funds to YSLA to promote the region for tourism efforts. If they do not voluntarily participate with YSLA no tourism dollars can be spent promoting their facility.

Fiscal Impact:

None related to levy and collection of annual assessments; however, as part of a request from the Yuba Sutter Lodging Association, the City provided a 10% match annually from our Transient Occupancy Tax as part of the Council's annual budget adoption but the City is not contractually obligated to make this match.

Alternatives:

Do not approve the Annual Report & Budget as presented and recommend changes

Recommendation:

- A. Adopt a Resolution approving the Annual Report and preliminary budget for the Yuba Sutter Tourism Improvement District for FY 2019 as recommended by the Yuba Sutter Lodging Association
- B. Provide staff direction regarding matching funds

Attachments:

- 1. Resolution Approving the Annual Report and Proposed Budget for the Yuba Sutter Tourism Improvement District for 2019
- 2. 2019/20 Annual Report & Budget

Prepared By:

/s/ Darin E. Gale

Darin E. Gale
Interim Development Services Director

Submitted By:

/s/ Diana Langley

Diana Langley
Interim City Manager

Reviewed by:

Finance

City Attorney

RB

SLC by email

ATTACHMENT 1

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
APPROVING THE ANNUAL REPORT AND PROPOSED BUDGET OF
THE YUBA-SUTTER TOURISM IMPROVEMENT DISTRICT FOR 2019**

WHEREAS, Property and Business Improvement District Law of 1994 (California Streets and Highways Code section 36600 et. seq.) authorizes cities to establish business improvement districts for the purpose of imposing assessments on businesses for certain purposes; and

WHEREAS, on March 21, 2017, the City Council established such a district known as the Yuba-Sutter Tourism Improvement District (the "District"); and

WHEREAS, the City Council designated the Yuba Sutter Lodging Association (Association) to act in compliance with State law to oversee the activities of the District; and

WHEREAS, the Association has submitted an Annual Report to the Yuba City City Council that outlines the activities of the District proposed for 2019-20 and a budget for providing them, as required by the California Streets and Highways Code Section 36650; and

WHEREAS, the Annual Report is clear and complete and found to comply with the interests of the District assessments; and

WHEREAS, the Annual Report proposes no changes to rates, boundaries or services to the Business Improvement District.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Yuba City does hereby determine and find as follows:

1. The recitals set forth herein are true and correct.
2. The City Council does approve the Yuba-Sutter Tourism Improvement District Annual Report for the year 2019 (Exhibit A) as submitted to the City Clerk by the Yuba-Sutter Lodging Association.

The foregoing Resolution was duly and regularly introduced, passed and adopted by the City Council of the City of Yuba City at a regular meeting thereof held on June 4, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

Patricia Buckland, City Clerk

Shon Harris, Mayor

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY:

Shannon L. Chaffin, City Attorney
Aleshire & Wynder, LLP

ATTACHMENT 2

**Yuba-Sutter Lodging Association
Tourism Improvement District (TID)
Advisory Board**

**Advisory Report for 2018
and
Proposed Budget for FY 2019**

Submitted to the Office of the City Clerk of the City of Yuba City on March 19, 2019.

Introduction

The Yuba-Sutter Lodging Association, acting as advisory board to the Yuba City, City Council has caused this report to be prepared pursuant to the Property and Business Improvement Law of 1994 (section 36600 et seq. of the California Streets and Highways Code) (the "Law"). This report is a summary of improvements and activities performed during the fiscal year 2018-19 and the proposed budget and activities for the Tourism Improvement District (the "TID"), commencing April 1, 2019 and ending March 31, 2020. This report contains the following information:

1. The boundaries of the TID and any benefit zones within the TID;
2. Summary of activities performed during the fiscal year 2018/19 (April. – March. 2018/19);
3. The improvements and activities to be provided for fiscal year 2019;
4. An estimate of the cost of providing improvements and activities for the fiscal year 2019;
5. The method and basis of levying the assessments in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for fiscal year, 2019;
6. The amount of any surplus or deficit revenues to be carried over from the fiscal year 2018;
7. The amount of any contributions to be made from sources other than assessments levied pursuant to the Law.

Submitted by: By the Yuba-Sutter Lodging Association on March 19, 2019 to the City of Yuba City, Office of the City Clerk.

Section 1: Boundaries of the TID or any benefit zones within the TID.

The boundaries of the TID include the city limits of the following; Yuba City, Marysville, Live Oak, Wheatland, and the unincorporated areas of Yuba and Sutter County. The same boundaries will be established for the Fiscal Year 2019. There are no benefit zones within the TID.

Section 2: Summary of activities performed during the Fiscal Year 2018/19, (April. – March. 2018/19). Two open seats were filled by Lee Jones, owner of the Harkey House Bed & Breakfast in Yuba City and Charles Sharp, owner of Frenchtown Inn, Oregon House. The other open seat remains available to any hotel/lodging representative interested in being an active participant of the Yuba-Sutter Lodging Association.

Board of Directors:

The following is a list of members and the terms of the directors.

- Steve Young (Hampton Inn & Suites), President, No Expiration
- Jacob Young (Collins Lake Resort), Vice President & Treasurer, No Expiration
- Darin Gale (City of Yuba City), Secretary, No Expiration
- Charles Sharp (French Town Inn Bed & Breakfast), Board Member, No Expiration
- Lee Jones (Harkey House B&B), Board Member, No Expiration
- Brynda Stranix (Yuba-Sutter EDC), Board Member, No Expiration
- Open

Committees

Designated board members serve as committee chairs for the following:

- There are currently no committees established

STAFFING & CONTRACTORS

- Contracted Struckmeyer Marketing in January 2018 to conduct administrative tasks for the Yuba-Sutter Lodging Association and oversee the management of marketing efforts for the brand Visit Yuba-Sutter. Contract with Struckmeyer Marketing ended in October of 2018
- Finalizing a contract with MC2, a marketing agency in Chico, to provide day to day operations and marketing services for the Yuba-Sutter Lodging association marketing Visit Yuba-Sutter

MARKETING ACTIVITIES

Early in Fiscal Year 2018/19, the Yuba-Sutter Lodging Association took over the marketing and management of the Visit Yuba-Sutter program, previously part of the Yuba-Sutter Chamber of Commerce. Marketing efforts were put on hold during the majority of the first year in a conscious effort to conserve cash flow, pay down debts and provide

time for the board to get established and connected, and to ensure formation of the organization was properly presented to Federal and State regulatory and taxing entities. This extended time allowed the Yuba-Sutter Lodging Association to work on building a strong foundation from which a strategic plan could be created. The Yuba-Sutter Lodging Association is now moving forward into Fiscal Year 2019 with a plan to use traditional, digital and social marketing strategies designed to enhance awareness of the importance of tourism spending and increase recognition of the Yuba-Sutter region, its community, hotels and attractions to the community, the visitor and to the trade.

ACCOUNTING

Accounting services were donated by Yuba Sutter Economic Corporation and a contract recently signed with Tenney & Co CPAs for bookkeeping and tax preparation services.

BOARD MEETINGS

The Yuba-Sutter Lodging Association held monthly meetings throughout the Fiscal Year (April 2018- March 2019), posting notices in compliance with the Brown Act.

Section 3: The major improvements and activities proposed to be provided for Fiscal Year 2019 include:

- Work with MC2 Design Group on relaunching the tourism website VisitYubaSutter.com as well as social media platforms; Facebook and Instagram
- Develop Yuba-Sutter Tourism Ambassador program to engage the community in what the Yuba-Sutter region has to offer and create local spokespeople to expand the message that Yuba-Sutter is open and welcoming to visitors and what it has to offer
- Coordinate with community activities and events and create a system for evaluating funding support to those activities and events meeting the YSLA tourism guidelines.
- Plan and execute a Visit Yuba-Sutter media launch event to showcase the new website and present new projects and programs to the community and stakeholders
- Research the concept of visitor kiosks in strategic well trafficked locations around the region that can provide information and support material to visitors in lieu of a visitors center;
- Work with MC2 to begin the design and development of an annual printed visitors guide for distribution in 2020.
- Fulfillment of online and visitor service requests and inquiries through the VisitYubaSutter.com website;
- Market and promote Yuba-Sutter within the region, state and nationally. Enhance the tourism presence at these levels through all promotional mediums while expanding/revamping social media program;
- Coordinate 1 to 2 fall media tours focused on outdoor recreation and ag tourism;

- Begin a sports feasibility study to assess the potential target areas for promotion in this specific category
- Research and develop an internal transportation study to address visitor needs for events and other large group opportunities
- Attend 1 to 2 educational conferences to network with other destinations and remain current on marketing trends and changes in policy affecting the industry;

Section 4: An estimate of the cost of providing the improvements and the activities for Fiscal Year 2019.

The total cost of providing the activities is estimated to be \$355,000. The budget for providing the activities is set forth in the budget exhibit to this Report (categories listed as “program specifics to be determined by marketing plan”). Revenue referenced in Section 7 is included in the total cost where applicable.

Section 5: The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for Fiscal Year 2019.

Except where otherwise defined in the Report, all capitalized terms shall have the meanings set forth in the City of Yuba City Municipal Code. Additionally, the following terms shall have the following meanings:

- “Gross Occupancy Revenue,” means the total rent received from transients by a hotel and motel business.
- “Hotel and Motel Business” means any operator of a hotel other than an operator of a hotel that is owned by a non-profit corporation and operated as an adjunct to a charitable or educational activity.
- “Transient Occupancy Tax” means the tax imposed by each jurisdiction pursuant to the Municipal Code for each respective city and county within the Yuba-Sutter TID boundary.

The assessment will be levied against each Hotel and Motel Business within the City limits. No other business shall be subject to the Assessment.

The assessment will be calculated as a percentage of each day’s Gross Occupancy Revenue. The rate of the assessment was set by resolution of the City of Yuba City, City Council adoption pursuant to Section 36625 of the Law, and will remain 2% for Fiscal Year 2019.

The Assessment calculated based on each day’s Gross Occupancy Revenues shall be paid to each respective jurisdiction no later than the date on which the Hotel and Motel Business is required, pursuant to the Municipal Code of each city and county within the

TID boundary, to remit to each jurisdiction the Transient Occupancy Tax collected by the Hotel and Motel Business on that day.

New Hotel and Motel Businesses established in any part of the assessment District after the beginning of any fiscal year shall not be exempt from the levy of the Assessment for that fiscal year but shall instead be subject to the Assessment.

Section 6: The carryover from 2018/19 assessments is estimated to be approximately \$300,000. The Association will use carryover for start cost expenses for establishment and relaunch of Visit Yuba Sutter.

Section 7: The amount of any contributions to be made from sources other than the assessments levied pursuant to the Law.

In addition to assessments collected for fiscal year 2019, the City of Yuba City, or any other jurisdiction within the TID boundary, may make contributions towards the improvements and activities set forth in this report. Assessment proceeds will be spent only on activities authorized in the resolutions of the associated city councils and/or country board of supervisors establishing the TID and/or levying the assessments.

Yuba-Sutter Lodging Association
TID Assessment Budget - Fiscal Year 2019-2020

REVENUE	
City of Yuba City 2% Assessment	240,000.00
County of Yuba 2% Assessment	100,000.00
City of Marysville 2% Assessment	20,000.00
County of Sutter 2% Assessment	5,000.00
Total Revenue	365,000.00
EXPENSES	
Sales & Marketing (60%)	
Proportionate share of \$21,000 Loan from City of Yuba City	12,600.00
Proportionate share of \$10,000 loan payment - Civitas costs of formation	6,000.00
Program specifics to be determined by marketing plan	200,400.00
Subtotal - Sales & Marketing	219,000.00
Administration & Operations (15%)	
Proportionate share of \$21,000 Loan from City of Yuba City	3,150.00
Proportionate share of \$10,000 loan payment - Cost of formation	1,500.00
Insurance	1,200.00
Tax Return Preparation	500.00
Corporate Filings	200.00
Administration costs to be determined	48,200.00
Subtotal - Administration & Operations	54,750.00
Sports & Outdoor Recreation (10%)	
Proportionate share of \$21,000 Loan from City of Yuba City	2,100.00
Proportionate share of \$10,000 loan payment - Cost of formation	1,000.00
Program specifics to be determined by marketing plan	32,900.00
Subtotal - Sports & Outdoor Recreation	36,000.00
Transportation & Visitor Services (8%)	
Proportionate share of \$21,000 Loan from City of Yuba City	1,680.00
Proportionate share of \$10,000 loan payment - Cost of formation	800.00
Program specifics to be determined by marketing plan	26,720.00
Subtotal - Transportation & Visitor Services	29,200.00
Contingency & Renewal (5%)	
Proportionate share of \$21,000 Loan from City of Yuba City	1,050.00
Proportionate share of \$10,000 loan payment - Cost of formation	500.00
Reserve for contingency & renewal	16,700.00
Subtotal - Contingency & Renewal	18,250.00
Collections (2%)	
Proportionate share of \$21,000 Loan from City of Yuba City	420.00
Proportionate share of \$10,000 loan payment - Cost of formation	200.00
Jurisdictional collection fee	7,180.00
Subtotal - Collections	7,800.00
TOTAL EXPENSES FROM TID	365,000.00
TOTAL REVENUE	365,000.00
TOTAL EXPENSES	365,000.00
NET	0.00