



Office of the City Manager

CONSENT CALENDAR
June 16, 2020

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Jordan Klein, Manager, Office of Economic Development
 Subject: Assessments: Berkeley Tourism Business Improvement District

RECOMMENDATION

Adopt a Resolution approving the Annual Report of FY20 and preliminary budget for FY21 for the Berkeley Tourism Business Improvement District (BTBID) as recommended by the BTBID Owners' Association.

FISCAL IMPACTS OF RECOMMENDATION

The BTBID levies an annual assessment of one percent (1%) of gross short term room rental revenue for lodging establishments. Annual assessment funds will be deposited into Tourism BID Fund 781-21-208-251-0000-000-000-412110 and expended from fund 781-21-208-251-0000-000-446-636110. Based on the proposed budget revenue projections for the Transient Occupancy Tax for FY 2021, staff estimates that the Tourism BID assessment will raise approximately \$422,500 in FY 2021 (see Proposed Budget FY 2021). The City retains a fee equal to one percent (1%) of the amount of assessment collected to cover its costs of collection and administration.

The Finance Department collects BTBID assessments on a monthly basis along with Transient Occupancy Taxes. Staff will review the final FY 2020 Tourism BID Fund Balance in August 2020; if revenues come in higher than anticipated, the Office of Economic Development will process a one-time "true up" payment for FY2020 at that time. The appropriation of these additional funds will be included as a one-time "true up" payment with the amount articulated and authorized in the First Amendment to the FY 2021 Annual Appropriations Ordinance (November 2020).

CURRENT SITUATION AND ITS EFFECTS

The Convention and Visitors Bureau, known as Visit Berkeley, has an active contract with the City to implement the Management District Plan for the Tourism Business Improvement District through FY 2027 to support tourism marketing and promotion.

Under the Property and Business Improvement District Law of 1994 (California Streets and Highways Code section 36600 et.seq.) the City Council may approve an Annual

Report prepared by the Business Improvement District Owners' Association with a proposed budget for the next year. Accordingly, at its meeting on May 19, 2020, the BTBID Owners' Association voted to recommend that the City Council approve the Annual Report for FY20 and budget for BTBID's Fiscal Year 2021. Council can adopt the recommended resolutions which will confirm the TBID assessment and thus enable continuous BID operations for another year.

The Management District Plan that was adopted by Council in 2017 as part of the reestablishment of the District provides a framework and budget for the Tourism BID's activities. In the first months of FY 2021, the Tourism BID will work with stakeholders, the City of Berkeley and community leaders to develop strategies and initiatives to support and rebuild Berkeley's hospitality industry amidst the COVID-19 pandemic. Additionally, the Tourism BID will develop digital marketing and promotions utilizing the power of Visit Berkeley's website and social media strengths to push positive messaging to the visitor and meetings industry and continue to develop and manage positive relationships with local, regional and statewide marketing and hospitality partners to create overnight room demand and to ensure the organization has the resources and support needed to successfully execute the BTBID mission.

BACKGROUND

The Berkeley Tourism Business Improvement District includes all lodging businesses with five (5) rooms or more, available for public occupancy within the boundaries of the City of Berkeley. The City is responsible for collecting the assessment on a monthly basis from each lodging business with five (5) rooms or more located in the District boundaries. The City forwards the assessments to Visit Berkeley, which has the responsibility of managing District programs as provided in the Management District Plan.

The Berkeley Tourism BID was first established for a period of five years on September 18, 2012 to raise revenues to finance marketing and sales promotions, increase tourism, and promote Berkeley hotels as tourist, meeting, and event destinations. The Berkeley Municipal Code was amended on November 27, 2012 to modify its definition of room rent that so that BTBID assessments passed through to guests are exempt from the Transient Occupancy Tax (TOT) which is also applied to room rent. A portion of TOT revenue also funds the Berkeley Convention and Visitors Bureau, but under a separate contract. On April 25, 2017, Council approved Resolution No. 67,926-N.S. reestablishing the Tourism BID starting on July 1, 2017 for an additional 10 years, expiring in 2027. The Tourism BID is authorized through June 30, 2027 unless action is taken to disestablish it.

ENVIRONMENTAL SUSTAINABILITY

The BTBID works to promote the Bay Area Green Business certification program with Berkeley's hotel owners, thereby encouraging the local lodging industry to take actions to meet environmental sustainability objectives.

RATIONALE FOR RECOMMENDATION

The State Property and Business Improvement District Law of 1994 requires that the City Council accept an annual report from the Owners' Association for each fiscal year in which assessments are to be levied. The report shall include any proposed changes in the boundaries of the district, the activities proposed for the year, and an estimate of the cost for providing them. Council action is required to approve the Tourism BID's Annual Report. This will, in turn, confirm disbursement of Tourism BID assessment revenue to Visit Berkeley. This private/public partnership generates significant resources for the City, indirectly enhancing sales tax, business license tax, and other business-related City revenue sources such as transit occupancy tax.

ALTERNATIVE ACTIONS CONSIDERED

No alternative actions were considered.

CONTACT PERSON

Elizabeth Redman Cleveland, Economic Development Project Coordinator, Office of Economic Development, (510) 981-7532

Attachments:

1: Resolution: Annual Report and Proposed Budget

Exhibit A: 2019-2020 Annual Report and proposed FY21 budget of the Berkeley Tourism Business Improvement District

RESOLUTION NO. ##,###-N.S.

APPROVING THE 2019-2020 ANNUAL REPORT AND PROPOSED FY 2021 BUDGET
OF THE BERKELEY TOURISM BUSINESS IMPROVEMENT DISTRICT

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 April 25, 2017, the Berkeley City Council re-established such a district known as the Berkeley Tourism Business Improvement District (the "District"); and

WHEREAS, the City Council designated the Berkeley Tourism Business Improvement District Owners' Association (Owners' Association) to oversee the activities of the District; and

WHEREAS, the Owners' Association has submitted an Annual Report to the Berkeley City Council that outlines the activities of the District proposed for fiscal year (FY) 2020 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 assesses; and

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

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council of the City of Berkeley hereby approves the Berkeley Tourism Business Improvement District Annual Report for 2019-20 and budget for FY2021 (Exhibit A) as submitted to the City Clerk by the Berkeley Tourism Business Improvement District Owners' Association.

Exhibit A: 2019-2020 Annual Report and Proposed FY2021 Budget of the Berkeley Tourism Business Improvement District

2020-21 Annual Planning Report

Berkeley Tourism Business Improvement District Marketing Plan

District Name: This report is for the Berkeley Tourism Business Improvement District

Fiscal Year of Report: This report applies to the fiscal year 2021 (July 1, 2020 – June 30, 2021) and proposes a budget for fiscal year 2021 (July 1, 2020 – June 30, 2021).

Background:

The Berkeley TBID is a benefit assessment district created in 2012 by a group of hoteliers to fund marketing and promotional efforts for Berkeley lodging businesses. The first 5-year agreement with the City of Berkeley was from November 1, 2012 to October 31, 2017. However, on November 18, 2014, the Berkeley City Council approved the transition of the BTBID to a fiscal year contract effective 2015-16. On April 25, 2017 City Council adopted the renewal of the Berkeley Tourism Business Improvement District for a ten (10) year term to maintain a revenue source devoted to marketing and promoting specific hotel-serving activities, beginning July 1, 2017 through June 30, 2027.

Boundaries:

The Berkeley TBID includes all hotels with five or more rooms, existing and in the future, available for public occupancy within the boundaries of the City of Berkeley.

The boundary is estimated to include approximately 25 hotel businesses. One new property is slated to open in Fall 2020.

There are no proposed changes to the boundaries for fiscal year 2021.

Improvements and Activities for 2020-21:

This planning report is provided for informational purposes. Actual projects are subject to approval by the BTBID Committee and the Visit Berkeley board. Below are the improvements and activities planned for fiscal year 2021. The ideas presented below are subject to change during the course of the year depending on circumstances and availability of funds. The estimated budget is \$350,000.00.

As the City of Berkeley experiences a devastating economic decline in revenues due to Covid-19/Coronavirus, Visit Berkeley will also experience a sharp decline in both TOT and Tourism BID revenues.

Therefore, a major directional shift will be taken from our current 5-Year Strategic Plan to Community Building and Hospitality Industry Recovery. This is a public health crisis, so all decisions and actions must follow the lead from public health officials ending stay-at-home restrictions and reopening businesses. We must be prepared for what may be a slow, tentative and flexible recovery.

1) SALES AND MARKETING: (99%)

Sales and Marketing shall be 99% of the assessment that is estimated to be \$346,500.00 in FY 2021.

Phase 1: Help Local Industry Get Back To Work

Strategy: Work with Stakeholders, City of Berkeley and Community Leaders to develop strategies and initiatives to rebuild the hospitality businesses citywide.

- a. **Lodging** (encourage and assist all lodging properties to obtain the Clean & Safe Certification through the California Hotel & Lodging Association and public health officer)
- b. **Restaurants/Libations** (provide and assist restaurant and libation businesses with reopening and cleaning protocols provided by California Restaurant Association and Berkeley Health Officer)
- c. **Arts & Culture Venues** (provide assistance to venues when they are approved to start the reopening process)
- d. **Merchant Districts** (work with and advocate for overall safety and “hygiene” of Berkeley’s streetscape).

Phase 2: Develop Internal Marketing Strategies

Strategy: Develop digital marketing and promotions utilizing the power of Visit Berkeley’s website and social media strengths to push positive messaging to the visitor and meetings industry.

- a. **Website** (maintain a robust website that promotes all tourism and meeting related businesses)
- b. **Partner Packages** (work with marketing partners to create visitor packages for Day Trips and Overnight/Weekends)
- c. **Outdoor Adventure** (Promote outdoor activities, such as district shopping, parks and dining as consumers become comfortable and look to satisfy pent-up demand by taking local/regional outings)
- d. **Digital Familiarization Tours and Meetings** (maintain contact with meeting planners and travel writers/media with individual and small group zoom meetings to promote industry cleaning certifications and protocols, hotel promotions and packages).

Phase 3: Local, Regional and Statewide Marketing Outreach

Strategy: Continue to develop and manage positive relationships with local, regional and statewide marketing and hospitality partners to create overnight room demand and to ensure the organization has the resources and support needed to successfully execute the BTBID mission.

- a. **Local** (maintain and build positive relationships with UC Berkeley, Lawrence Berkeley Lab and other local businesses that produce lodging overnight stays and small conferences)
- b. **Regional (9 Bay Area Counties)** (strategize opportunities to attract leisure and family visitations to patronize Berkeley’s merchant districts, businesses and outdoor activities)
- c. **Statewide** (enhance relationship with Visit California to participate in cooperative programs and marketing opportunities to attract Regional and Statewide visitation to Berkeley)

2. City Collections Costs (1%)

The City of Berkeley shall be paid a fee equal to 1% of the amount of assessment collected to cover its costs of collection and administration. The estimated costs for fiscal year 2021 are \$3,500.00.

Total Estimate of Costs for Fiscal 2020-21:

A breakdown of the total estimated \$350,000.00 budget for fiscal year 2021 is attached to this report as Appendix A: *Total Estimated Costs and Revenue for the Berkeley Tourism Business Improvement District (BTBID) Fiscal Year 2021 (July 1, 2020 to June 30, 2021)*.

Method and Basis of Assessment:

The annual assessment rate is one percent (1%) of gross short term (stays less than 30 days) room rental revenue for hotels. Based on the benefit received, assessments will not be collected: on stays of more than thirty (30) consecutive days; on stays by any officer or employee of government who is exempt by express provisions of federal international treaty; or on stays by any customer of a bed and breakfast establishment as defined in Section 23F.94.010 of the Berkeley Municipal Code, which is located in a residential zoning district, has been in consistent operation as of January 1, 2003, and the continued operation of which is permitted under Chapter 23C.06 of the Berkeley Municipal Code. (See Appendix B: *Map of the Berkeley Tourism Business Improvement District (BTBID)*).

Amount of Surplus/Deficit from previous Fiscal Year:

The BTBID assessment was estimated to bring in approximately \$650,000.00 in revenues. As Berkeley TOT has experienced a rapid decline starting March 2020, and has consistently decreased since then, we do not expect an surplus for FY 2019-20.

Amount of Contributions from other sources:

There are no plans to apply for funding from other sources.

Thank you for the opportunity to present our Annual Planning Report for fiscal year 2021. If you have any questions regarding this report, please call Barbara Hillman, President/CEO of Visit Berkeley at (510) 549-7040.

Appendix A: Total Estimated Costs and Revenue for the Berkeley Tourism Business Improvement District (BTBID) Fiscal Year 2021 (July 1, 2020 to June 30, 2021)

Revenues

2020-21 Assessments	\$350,000.00
2019-20 Carryover	TBA
Total Estimated Revenues	\$350,000.00

Expenditures

Sales & Marketing (Hospitality Industry Recovery)	\$346,500.00
City of Berkeley Collection Costs	\$3,500.00
2019-20 Carryover (estimated)	TBA
Total Estimated Expenditures	\$350,000.00
Total 2020-21 BTBID Budget	\$350,000.00

Appendix B: Map of the Berkeley Tourism Business Improvement District (BTBID)

Note: The BTBID will include all hotels with five or more rooms, existing and in the future, available for public occupancy within the boundaries of the City of Berkeley. The boundary currently includes 25 hotels. Please see the map below.

Source: Berkeley Tourism Business Improvement District Management District Plan (2017)



APPENDIX C – ASSESSED BUSINESSES

Business Name	Address	City, State	ZIP
Bancroft Hotel	2680 Bancroft Way	Berkeley, CA	94704
Berkeley City Club	2315 Durant Ave.	Berkeley, CA	94704
Berkeley Inn (Ganga Holdings, LLC)	1720 San Pablo Ave.	Berkeley, CA	94702
Berkeley Travelodge	1820 University Ave.	Berkeley, CA	94703
Cal Hotel	2008 Shattuck Ave.	Berkeley, CA	94704
Church Divinity School of the Pacific	2451 Ridge Road	Berkeley, CA	94709-1211
Doubletree Berkeley Marina	200 Marina Blvd.	Berkeley, CA	94710
Downtown Berkeley Inn	2001 Bancroft Way	Berkeley, CA	94704
Golden Bear Inn	1620 San Pablo Ave.	Berkeley, CA	94702
Holiday Inn Express	1175 University Ave.	Berkeley, CA	94702
Graduate Berkeley	2600 Durant Ave.	Berkeley, CA	94704
Hotel Shattuck Plaza	2086 Allston Way	Berkeley, CA	94704
Howard Johnson	1512 University Ave.	Berkeley, CA	94702
La Quinta University Inn	920 University Ave.	Berkeley, CA	94710
Marina Lodge	975 University Ave.	Berkeley, CA	94710
Nash Hotel	2045 University Ave.	Berkeley, CA	94704
Pacific School of Religion	1798 Scenic Ave.	Berkeley, CA	94703
Prima Donna Hotels Inc., dba Sens Hotel & Bistro Berkeley	1540 Shattuck Ave.	Berkeley, CA	94709
Rose Garden Inn	2740 Telegraph Ave.	Berkeley, CA	94705
Shree Jalasai Lodge, dba Roadway Inn	1461 University Ave.	Berkeley, CA	94702
Super 8	1619 University Ave.	Berkeley, CA	94703
University Hotel	2057 University Ave.	Berkeley, CA	94704
Vista Inn & Suites, dba Quality Inn	1761 University Ave.	Berkeley, CA	94703
YMCA of the Central Bay Area	2001 Allston Way	Berkeley, CA	94704
Best Western	1499 University Ave	Berkeley, CA	94702