



Office of the City Manager

CONSENT CALENDAR
May 31, 2022

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

RECOMMENDATION

Adopt a Resolution approving the Annual Report of FY 2022 and preliminary budget for FY23 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 and expended from the Tourism BID Fund. Based on City of Berkeley proposed budget revenue projections for the Transient Occupancy Tax (TOT) for FY 2023 (made in the second quarter of FY22) and spring 2022 hotel occupancy rates, the BTBID budgeted to receive \$425,000 in funding for FY 2023. As of March 2022, the City of Berkeley's TOT projection for FY 2023 is \$4,515,000. That would mean the TBID revenue would be \$376,250 in FY 2023. This is \$48,750 less than what Visit Berkeley staff have optimistically estimated in their preliminary evaluation for the FY 2023 Tourism BID assessment. Both parties understand that the actual amount may change in the coming months, reflecting the state of the pandemic and corresponding economic recovery. The City retains a fee equal to one percent (1%) of the amount of assessment collected to cover its costs of collection and administration associated with the Tourism BID.

The exact amount of any FY 2022 BTBID fund balance will only be known with certainty in August 2022. This is because the City collects BTBID assessments on a monthly basis along with Transient Occupancy Taxes (TOT). As a result, the finance department will only know the receipts for June 2022 after those assessments are collected at the beginning of July 2022. If revenues come in higher than anticipated, the Office of Economic Development will determine the amount and make a one-time "true up" payment for FY2022 during FY 2023. 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 2023 Annual Appropriations Ordinance (November 2022).

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 Tourism Business Improvement District Owners' Association with a proposed budget for the next year. Accordingly, at its meeting on April 13, 2022, the BTBID Owners' Association voted to approve the Tourism BID's Annual Planning Report and budget for BTBID's Fiscal Year 2023. Council can adopt the recommended resolution 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 FY 2023, the Tourism BID will work with local hotel managers and hospitality industry leaders, the City of Berkeley, and other relevant tourism industry stakeholders to do strategic destination marketing and sales work that drives visitors to Berkeley's lodging establishments and supports Berkeley's hospitality industry recovery. 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. In October of 2019, the City Council authorized the City Manager to execute a contract and any amendments (Contract # 32000101) with Visit Berkeley, not to exceed \$7,966,000 of BTBID revenues, to support tourism marketing and promotion for the period through June 30, 2027.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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, Office of Economic Development, (510) 981-7532

Attachments:

1: Resolution: Annual Report and Proposed Budget

Exhibit A: 2021-2022 Annual Report and proposed FY 2023 budget of the Berkeley Tourism Business Improvement District

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

APPROVING THE 2021-2022 ANNUAL REPORT AND PROPOSED FY 2023 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) 2023 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 2021-22 and budget for FY2023 (Exhibit A) as submitted to the City Clerk by the Berkeley Tourism Business Improvement District Owners' Association.

Exhibit A: 2021-2022 Annual Report and Proposed FY2023 Budget of the Berkeley Tourism Business Improvement District

2022-23 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 2023 (July 1, 2022 – June 30, 2023) and proposes a budget for fiscal year 2023 (July 1, 2022 – June 30, 2023).

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.

There are no proposed changes to the boundaries for fiscal year 2023.

Improvements and Activities for 2022-23:

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 2023. 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 \$425,000.00.

Beginning FY 2022, the City of Berkeley lodging industry experienced a moderate increase in hotel occupancy with a gradual incline in average room rates. The increase in occupancy was led by the leisure travel, drive-in market. While airline travel restrictions remained in force, business travel, group travel and the meeting & events markets remained dormant. The hospitality and tourism industry are hopeful that with the continued lifting of Covid mandates and lessening of restrictions we will be fully prepared to welcome back all tourism related business.

In addition, with the projected full reopening of the UC Berkeley, we will once again restrengthen our visibility and outreach to all departments encouraging utilization of Berkeley hotels and event space as their preferred choice for conferences and visitors.

Visit Berkeley will continue to work with the hospitality industry providing updated safety guidelines and protocols for both employees and attendees. We anticipate restaurants to ease back into a semi-normal schedule, however we are uncertain at this time what the “new norm” will be. Although the hospitality industry remains unpredictable, Visit Berkeley will partner with our local BIDS, OED, restaurants and retailers by creating marketing and social media campaigns targeting Berkeley residents and attracting local and regional visitors to Berkeley.

As we anticipate TOT revenues to increase, providing there are no additional pandemics or surges, Visit Berkeley will continue efforts on Community Building and Hospitality Industry Recovery. We are thankful to announce as a recent recipient of a ARPA contract provided by City Council, we will have additional revenues to create a new strategic Destination Marketing and Sales Workplan to support and rebuild Berkeley’s hospitality industry recovery amidst the Covid-19 pandemic.

However, as Covid-19 remains a public health issue, we must follow the lead from public health officials regarding the reopening policies for the tourism industry.

Visit Berkeley offices and Visitor Information Center (VIC) remain closed to the public, while existing staff is rotating days in the office and working remotely. We will develop a return-to-work plan that will include a much-needed remodel/upgrade to the VIC.

1) SALES AND MARKETING (99%)

Sales and Marketing shall be 99% of the assessment that is estimated to be \$420,750.00 in FY 2023.

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 support rebuild the hospitality businesses citywide.

- a. **Lodging** (ensure all lodging properties maintain 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 marketing support to venues when they are approved for reopening)
- 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 Development** (work with tourism marketing partners to create visitor packages and campaigns)
- c. **Outdoor Adventure** (Promote outdoor activities, such as district shopping, parks and outdoor dining as consumers become comfortable and look to satisfy pent-up demand by taking local/regional outings)
- d. **Digital and In-Person Familiarization Tours and Meetings** (maintain contact with meeting planners and travel writers/media with individual and small group zoom meetings, selectively host in-person fam tours and introduce hotel promotions and packages)

Phase 3: Local, Regional and Statewide Marketing Outreach

Strategy: Create, develop and manage positive relationships with local, regional and statewide marketing and hospitality partners to create overnight room demand and to ensure Visit Berkeley 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** (leverage our ongoing relationship with Visit California to participate in cooperative programs and marketing opportunities to attract Regional and Statewide visitation to Berkeley).

2. CITY COLLECTION 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 2023 are \$4,250.

3. TOTAL ESTIMATE OF COSTS FOR FISCAL 2022-23:

A breakdown of the total estimated \$425,000.00 budget for fiscal year 2023 is attached to this report as Appendix A: Total Estimated Costs and Revenue for the Berkeley Tourism Business Improvement District (BTBID) Fiscal Year 2023 (July 1, 2022 to June 30, 2023).

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 \$181,000. in revenues. As Berkeley TOT has experienced an increase in revenues in FY2022, we do expect a surplus for FY 2021-22.

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 2023. If you have any questions regarding this report, please contact Barbara Hillman, President/CEO of Visit Berkeley at (510) 549-7040 / Cell# (925) 876-4825

Appendix A: Total Estimated Costs and Revenue for the Berkeley Tourism Business Improvement District (BTBID) Fiscal Year 2023 (July 1, 2022 to June 30, 2023)

Revenues

2022-23 Assessments	\$425,000.00
2021-22 Carryover	TBA
Total Estimated Revenues	\$425,000.00

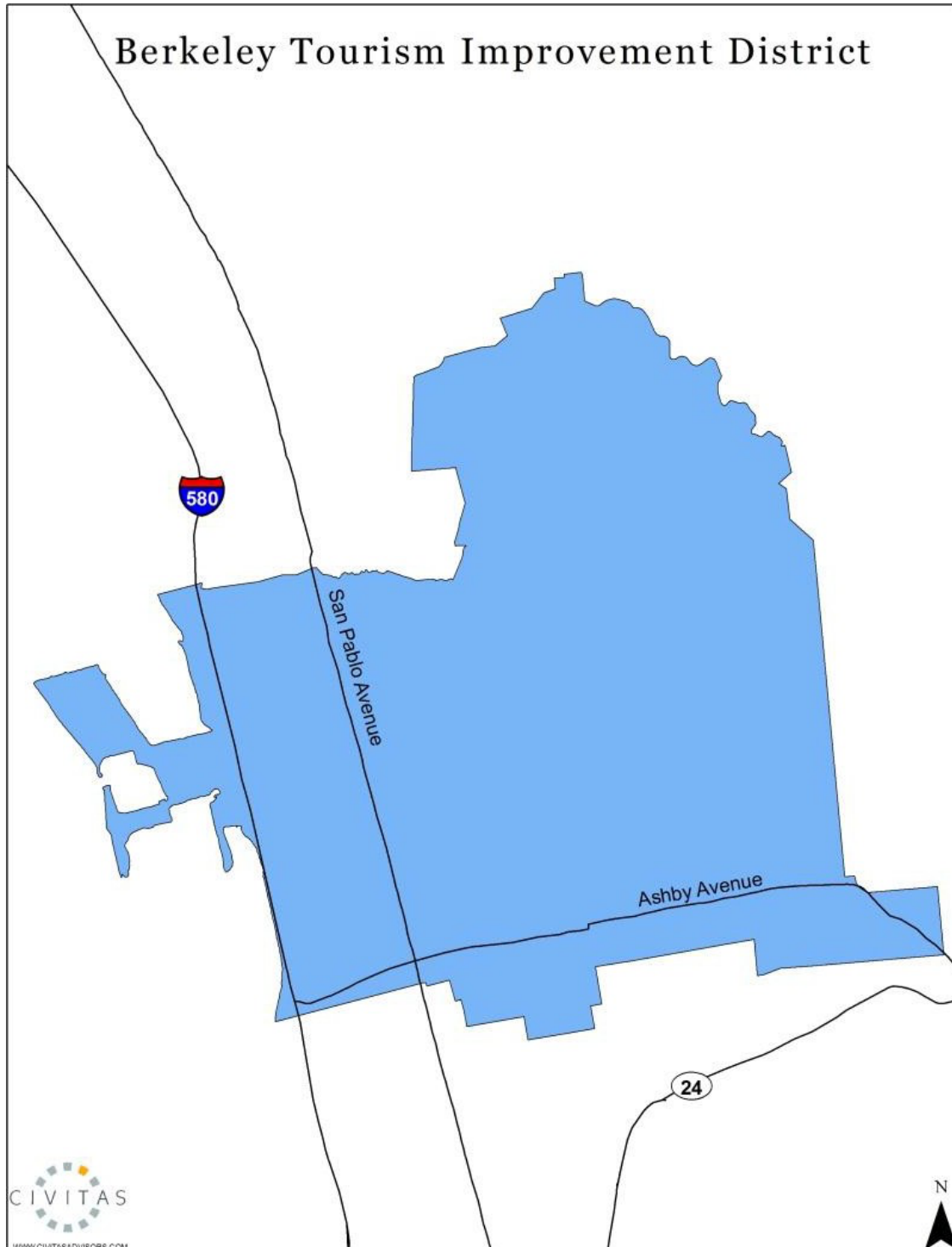
Expenditures

Sales & Marketing	\$420,750.00
City of Berkeley Collection Costs	\$4,250.00
2021-22 Carryover (estimated)	TBA
Total Estimated Expenditures	\$425,000.00
Total 2022-23 BTBID Budget	\$425,000.00

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
Downtown Berkeley YMCA	2001 Allston Way	Berkeley, CA	94704
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
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
Marriott Residence Inn	2129 Shattuck Ave	Berkeley, CA	94704
Aiden Best Western	1499 University Ave	Berkeley, CA	94702

