



Office of the City Manager

CONSENT CALENDAR
May 28, 2019

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 two Resolutions: 1) Approving the Annual Report of FY19 and preliminary budget for FY20 for the Berkeley Tourism Business Improvement District (BTBID) as recommended by the BTBID Owners' Association; and 2) Authorizing the City Manager to execute a sole source contract and any amendments with the Berkeley Convention and Visitors' Bureau, d.b.a. Visit Berkeley, for \$650,000 of BTBID funds to support tourism marketing and promotion for the period of July 1, 2019 to June 30, 2020.

FISCAL IMPACTS OF RECOMMENDATION

The BTBID levies an annual assessment of one percent (1%) of gross short term room rental revenue for lodging establishments. The revenues are collected and the funds are expended from the Berkeley Tourism BID Fund (Fund 971). The budget code for the revenue is 781-21-208-251-0000-000-000-412110 and the budget code for the expenditures is 781-21-208-251-0000-000-446-636110. Based on the proposed budget revenue projections for the companion Transient Occupancy Tax for FY 2020, staff estimates that the Tourism BID assessment will raise an equivalent amount of approximately \$650,000 in FY 2020 (see Proposed Budget FY 2020). The contract will be with the Berkeley Convention and Visitors' Bureau, d.b.a. Visit Berkeley and will be entered into the City's contract management database from budget code 781-21-208-251-0000-000-446-636110. The City retains a fee equal to one percent (1%) of the amount of assessment collected to cover its costs of collection and administration.

At the end of FY 2019 there is not anticipated to be a carryover fund balance in the BTBID account. However, the exact amount of any BTBID fund balance will only be known with certainty in August 2019. This is because the City collects BTBID assessments on a monthly basis along with Transient Occupancy Taxes. As a result, the finance department will only know the receipts for June 2019 after those assessments are collected at the beginning of July 2019. If revenues come in higher than anticipated, the Office of Economic Development will determine the amount and add the carryover fund balance from the prior fiscal year into Fund 971 to the BTBID contract for the current fiscal year. 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 2020 Annual Appropriations Ordinance (November 2019).

CURRENT SITUATION AND ITS EFFECTS

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 1, 2019, the BTBID Owners’ Association voted to recommend that the City Council approve the Annual Report for FY19 and budget for BTBID’s Fiscal Year 2020. Council can adopt the recommended resolutions which will confirm the TBID assessment and implementation contract with Visit Berkeley, 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 2020, the Tourism BID will continue its ongoing services including visitor attraction, event destination marketing, and other marketing/promotional activities including visitor center operations. The Tourism BID will also continue to liaise and coordinate with other business district organizations, the Chamber of Commerce, the Berkeley Business District Network, and OED to communicate Visit Berkeley’s destination marketing campaigns and activities.

Currently, 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 for FY 2019. Council approval is now requested for the City Manager to authorize and execute a sole source contract and any amendments with the Berkeley Convention and Visitors’ Bureau, d.b.a. Visit Berkeley, for \$650,000 of BTBID funds to support tourism marketing and promotion for the period of July 1, 2019 to June 30, 2020.

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 considerable action 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. Visit Berkeley was designated as the BTBID Owners' Association in the 2017 Management District Plan for the Tourism BID. As such, the California Streets and Highways Code Section 36623 requires the City to contract with this designated non-profit corporation to provide these services. Council action is required to approve the Tourism BID's Annual Report, and authorize a sole source contract with Visit Berkeley. 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: 2018-2019 Annual Report and proposed FY20 budget of the Berkeley Tourism Business Improvement District
- 2: Resolution: Contract with Berkeley Convention and Visitors' Bureau dba Visit Berkeley

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

APPROVING THE 2018-2019 ANNUAL REPORT AND PROPOSED FY 2020 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 2018-19 and budget for FY2020 (Exhibit A) as submitted to the City Clerk by the Berkeley Tourism Business Improvement District Owners' Association.

Exhibit A: 2018-2019 Annual Report and Proposed FY2020 Budget of the Berkeley Tourism Business Improvement District

2019-20 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 2020 (July 1, 2019 – June 30, 2020) and proposes a budget for fiscal year 2020 (July 1, 2019 – June 30, 2020).

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 Summer 2019.

There are no proposed changes to the boundaries for fiscal year 2019.

Improvements and Activities for 2019-20:

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 2020. The ideas presented below are subject to change during the course of the year depending on circumstances and availability of funds. The budget is \$650,000.00.

1) Sales & Marketing: (99%)

The marketing and sales portion shall be 99% of the assessment that is estimated to be \$643,500.00 in fiscal year 2020.

Visit Berkeley will continue with our strategic plan that is guided by four core objectives and key strategies.

Objective 1: Development and promote Berkeley as a desirable travel destination that delivers quality visitor experiences.

Strategy: Continue to market the city to regional, domestic and international travelers. Visit Berkeley will continue to work with U.S. Travel Association, Visit California, and San Francisco Travel Association to access markets and attract travelers that would otherwise be beyond our marketing reach. We will continue to expand the distribution efforts of the 2020-21 Berkeley Visitor Guide with the continued contract with Certified Folder Display that provides this service throughout California as well as continuing the existing distribution to Berkeley hotels, airports, the SF Visitor Center, CA Welcome Center at Pier 39, as well as other high traffic hubs in Berkeley and beyond. The new Visitor Guides will be translated into 7 additional languages and available in a digital format on our website. We will continually update and improve our Website (www.visitberkeley.com), the official travel website that provides essential visitor information in a branded format that features hotels, a reservation system, local attractions, comprehensive meeting and event facility information, a robust Calendar of Events and social media tools. We will continue to create highly targeted advertising and promotional opportunities for our hotels, attend trade shows and work with travel media.

Objective 2: Generate visitor-related economic impact for Berkeley.

Strategy: Continue to market three Berkeley “products” in order to drive more overnight hotel stays.

- a. **Small convention and meetings market** (trade shows, targeted collateral, client familiarization tours that will increase hotel sales that will increase sales leads and bookings)
- b. **Tourism** (regional, domestic and international travel) includes trade shows, advertising and familiarization trips to group tour wholesalers, receptive-inbound operators
- c. **Leisure Travel** (individual travelers) through social media channels, consumer advertising, online-packaging and specials)

Objective 3: Foster positive relationships with our stakeholders that includes hotels, city departments and officials, tourism–related businesses and transportation providers.

Strategy: Continue to develop and manage positive relationships with stakeholders to ensure the organization has the resources and support needed to successfully execute the TBID mission. Continue to advocate for the local lodging and hospitality industry, promoting facilities infrastructure development to enhance the visitor experience, supporting transportation policies and programs facilitating travel to and within the city, increasing the overall safety and “hygiene” of Berkeley’s streetscape.

Objective 4: Promote the long-term development of the destination.

Strategy: Continue to focus on the long-term planning that will positively impact the visitor industry. Visit Berkeley is committed to continually improving Berkeley’s image and visitor amenities to ensure long-term success as a meeting and leisure travel destination. Support, enhance and expand the Visit Berkeley brand strategy, “Come for the Culture, Stay for the Food”. We will advocate for new lodging and conference facilities and infrastructure development to enhance the visitor experience. Identify and support major sporting events and special events that drive economic impact.

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 2020 is \$6500.00.

Total Estimate of Costs for Fiscal 2019-20:

A breakdown of the total estimated \$650,000.00 budget for fiscal year 2020 is attached to this report as Appendix A: *Total Estimated Costs and Revenue for the Berkeley Tourism Business Improvement District (BTBID) Fiscal Year 2020 (July 1, 2019 to June 30, 2020)*.

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 consistently increased year to year, we may anticipate an additional surplus at the end of fiscal year 2019. This surplus will be rolled over to the 2019-20 fiscal year operating budget. There are no deficit revenues from Fiscal 2018-19 to be carried over.

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 2020. 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 2020 (July 1, 2019 to June 30, 2020)

Revenues

2019-20 Assessments	\$650,000.00
2018-19 Carryover	TBA
Total Estimated Revenues	\$650,000.00

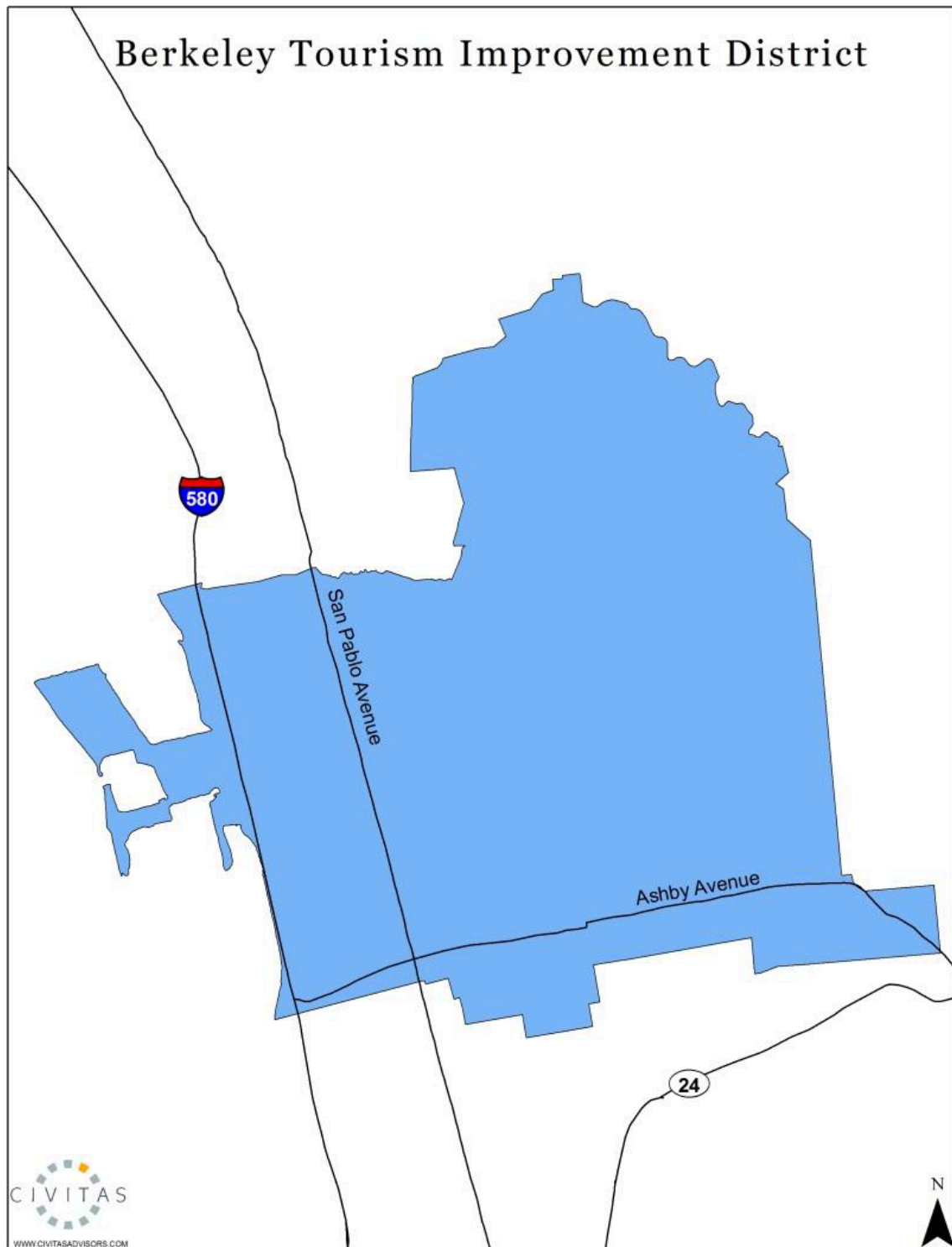
Expenditures

Sales and Marketing <i>(Trade Shows, Site Inspections, Advertising, Fam Trips, Brochures, Promotional Programing)</i>	\$643,500.00
City of Berkeley Collection Costs	\$6500.00
2018-19 Carryover (estimated)	TBA
Total Estimated Expenditures	\$650,000.00
Total 2019-20 BTBID Budget	\$650,000.00

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
Hotel Durant	2600 Durant Ave.	Berkeley, CA	94704
Hotel Shattuck Plaza	2086 Allston Way	Berkeley, CA	94704
Knight's Inn	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

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

CONTRACT: BERKELEY CONVENTION AND VISITORS' BUREAU (DBA VISIT BERKELEY) TO IMPLEMENT THE BERKELEY TOURISM BUSINESS IMPROVEMENT DISTRICT

WHEREAS, Visit Berkeley (VB) has proven to be an effective partner with the City of Berkeley in implementing hotel and tourism marketing and promotions; and

WHEREAS, VB is the one private sector organization that is taking comprehensive action to improve the economic vitality of the hotel sector across Berkeley, as reflected in VB's long history of supporting the hotel and tourism sector; and

WHEREAS, on April 25, 2017, the City Council held a public hearing, after which it adopted Resolution No. 67,926 -N.S. establishing the Berkeley Tourism Business Improvement District (BTBID) starting July 1, 2017 and ending June 30, 2027 and levying an assessment to be collected on a monthly basis; and

WHEREAS, on May 1, 2019, the Owners' Association of the Berkeley Tourism Business Improvement District approved an annual report as required by California Streets and Highway Code 36650; and

WHEREAS, this contract has been entered into the City's contract management database; and

WHEREAS, on May 28, 2019, the City Council approved the Annual Report prepared by the Owners' Association.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is hereby authorized to execute a sole source contract and any amendments with Visit Berkeley in the amount of \$650,000 from budget code 971-8703-465-3510 for the purpose of implementation of the BTBID for the period of July 1, 2019 to June 30, 2020. A record signature copy of said contract and any amendments are to be on file in the Office of the City Clerk.

NOW THEREFORE, BE IT FURTHER RESOLVED by the Council of the City of Berkeley that if any residual revenue above the amount stated above is realized from the BTBID, said amount (the "true up payment") will be paid on a one-time purchase order (PO) at the close of the fiscal year to the vendor.

