Office of the City Manager

CONSENT CALENDAR
December 17, 2013

To: Honorable Mayor and Members of the City Council

From: Christine Daniel, City Manager

Submitted by: Michael Caplan, Manager, Office of Economic Development

Subject: Berkeley Tourism Business Improvement District Annual Report

RECOMMENDATION

Adopt two Resolutions:

1. Accepting the Berkeley Tourism Business Improvement District (BTBID) Owners' Association recommendation that Council approve the Annual Report and preliminary budget on proposed activities in the District for the PBID's FY 2014.
2. Authorizing the City Manager to execute a sole source contract and any amendments with Visit Berkeley for $455,000 of BTBID funds to support tourism marketing and promotion for the period of January 1, 2014 to December 31, 2014.

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). Based on the adopted budget revenue projections for the Transient Occupancy Tax for FY 2014, staff estimates that the assessment will raise approximately $435,000 in FY 2014. In addition, there are approximately $20,000 in funds collected for the BTBID in FY 2013 that have not yet been disbursed to Visit Berkeley. Together these funds total approximately $455,000.

The contract amount of $455,000 will come out of the FY 2014 budget ($375,000) and FY 2015 budget ($80,000). The FY 2015 funds will be subject to the adoption of the FY 2015 budget and the approval of the Annual Appropriations Ordinance.

The $435,000 of projected BTBID revenue for FY 2014 will have no direct financial impact on the City's budget. The BTBID constitutes an independent funding source that must be targeted to improvement and marketing efforts that are recommended by the Owners' Association. To the extent that the work of the Tourism BID increases visitors

to Berkeley hotels, the BID contributes towards improving City revenues through increased transient occupancy taxes.

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 must accept an Annual Report prepared by the Business Improvement District Owners' Association with a proposed budget for the next year. Accordingly, at its meeting of November 15, 2013, the BTBID Owners' Association voted to recommend that the City Council approve the Annual Report and budget for BTBID's Fiscal Year 2014, which runs from November 1, 2013 through October 31, 2014.

BACKGROUND

The Berkeley Tourism BID was established on September 18, 2012 to raise revenues to finance marketing and sales promotions to increase tourism and to market Berkeley hotels as tourist, meeting and event destinations. Implementation of the BTBID was to commence on November 1, 2012, however implementation was delayed until December 1, 2012. This delay was necessary because there was a discrepancy between how the Management District Plan for the BTBID calculated its assessment fees and what was allowed by the Berkeley Municipal Code. In order to bring the two into harmony, 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 Transient Occupancy Tax. Assessment revenue for the BTBID was first collected in January 2013.

RATIONALE FOR RECOMMENDATION

State Law requires that the City Council accept an annual report from the Owners' Association.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Jennifer Cogley, Sustainable Business Coordinator, Office of Economic Development, 510-981-7532

Attachments:
1: Resolution: Annual Report and Proposed Budget
    Exhibit A: Annual Report and budget of the Berkeley Tourism Business Improvement District for 2014
2: Resolution: Contract with Visit Berkeley

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

APPROVING THE ANNUAL REPORT AND PROPOSED BUDGET OF THE BERKELEY TOURISM BUSINESS IMPROVEMENT DISTRICT FOR 2014

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 September 18, 2012, the Berkeley City Council 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 act in compliance with State law 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 2014 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 assessees; 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 hereby approves the Berkeley Tourism Business Improvement District Annual Report for the year 2014 (Exhibit A) as submitted to the City Clerk by the Berkeley Tourism Business Improvement District Advisory Board.

Exhibit
A: Annual Report and Budget of the Berkeley Tourism Business Improvement District for 2014

2013-14 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 November 1, 2013 to October 31, 2014 fiscal year only.

Background:
The Berkeley TBID was started in 2012 by a group of dedicated hotel property owners and hotel general managers. The first 5-year agreement with the City of Berkeley is from November 1, 2012 to October 31, 2017.

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 22 hotel businesses.

There are no proposed changes to the boundaries for fiscal year 2013-2014.

Improvements and Activities for 2013-14:
This planning report is provided for informational purposes. Actual projects are subject to approval by the BTID Committee and the Visit Berkeley board. Below are the improvements and activities planned for fiscal year 2013-14. The ideas presented below are subject to change during the course of the year depending on circumstances and availability of funds.

1) Marketing and Sales: (75%)
The marketing and sales portion shall be 75% of the assessment that is estimated to be $327,000.00 in fiscal year 2013-14.

Visit Berkeley will continue with our long-term 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. Visit Berkeley will redesign and print 50,000 high quality Berkeley Visitor Guides

and distribute them to hotels, airports, the SF Visitor Center and other high-traffic hubs in Berkeley and beyond. We will continue with the redesign of 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, and new technology that will generate meeting and conference lead generation, a comprehensive 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. Support major sporting and special events that drive economic impact.

2. Administration and Operations (20%)
The administrative and operations portion of the budget will be 20% of the assessment or $87,200.00 and shall be utilized for office costs and other general administration costs.

3. 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 2013-14 is $4,360.00.

4. Contingency/Renewal (4%)
Contingency funds for fiscal 2013-14 will be 4% of the total assessment and estimated to be $17,440.00. These funds will be set aside in a contingency fund, to be used for unforeseeable costs in carrying out the sales and marketing programs and may be used, upon approval, for the renewal costs of the TBID.

Total Estimate of Costs for Fiscal 2013-14:
A breakdown of the total estimated $436,000.00 budget for fiscal 2013-14 is attached to this report as Appendix A.

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 inconsistent operation as of January 1, 2003, and the continued operation of which is permitted under Chapter 23C.06 of the Berkeley Municipal Code.

Amount of Surplus/Deficit from previous Fiscal Year:
The TBID assessment was estimated to bring in approximately $375,000.00 in revenues. As Berkeley TOT has increased during our inaugural year, we will have an estimated $20,000-$25,000 surplus at the end of fiscal year 2012-13. This surplus will be rolled-over to the 2013-14 fiscal year operating budget.

There are no deficit revenues from Fiscal 2012-13 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 2013-2014. 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 FOR THE BERKELEY TOURISM BUSINESS IMPROVEMENT DISTRICT (BTBID) FISCAL 2013-14

REVENUES

2013-14 ASSESSMENTS	$ 436,000.00
2012-13 ESTIMATED CARRYOVER	$ 20,000.00
TOTAL ESTIMATED BUDGET	**$ 456,000.00**

EXPENDITURES

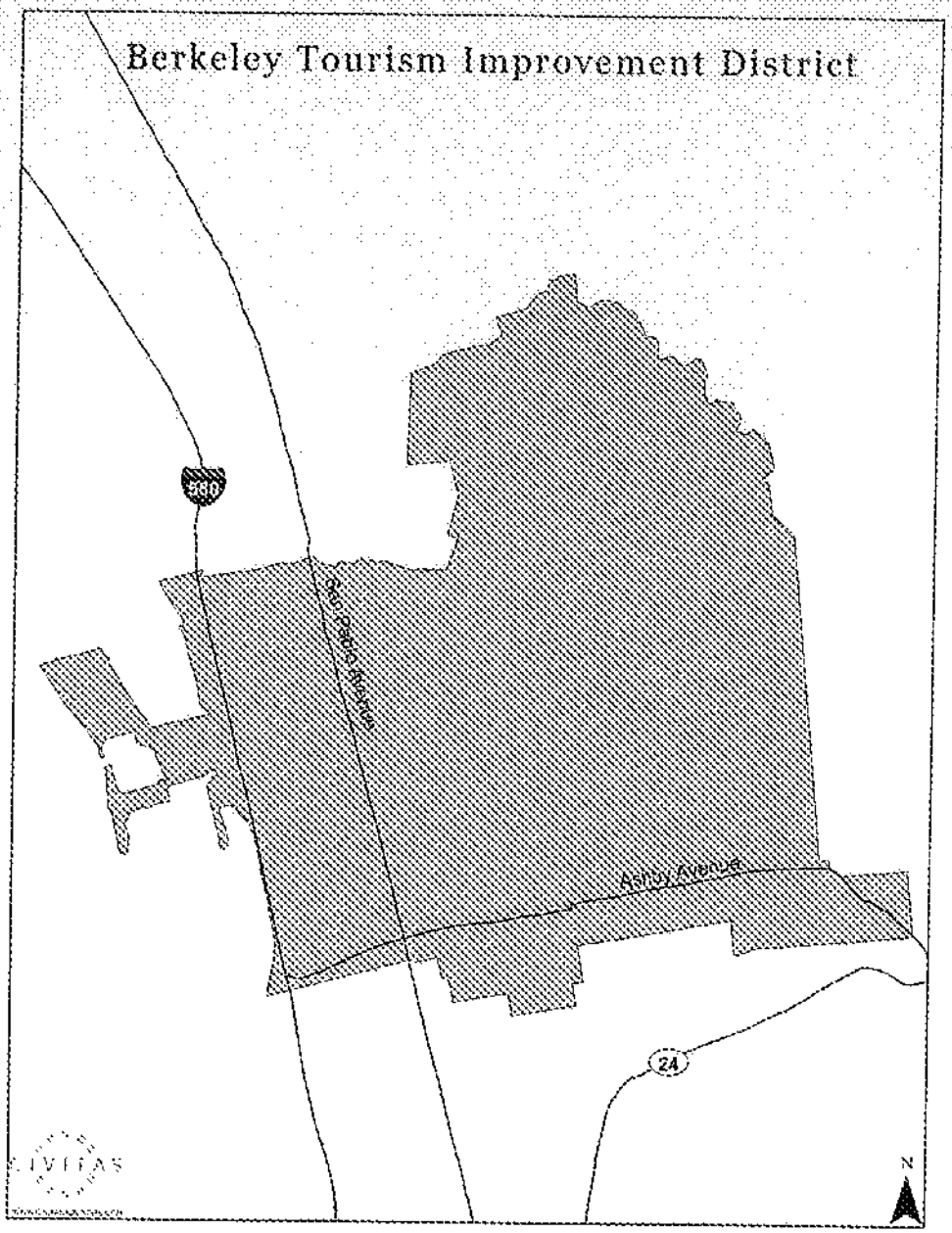
SALES & MARKETING (Trade Shows, Site Inspections, Fam Trips, Sales Missions, Advertising, Promotional Programming, Staffing)	**$ 327,000.00**
ADMINISTRATION / OPERATIONS	**$ 87,200.00**
CITY OF BERKELEY COLLECTION COSTS	**$ 4,360.00**
CONTINGENCY / RENEWAL	**$ 17,440.00**
2012-13 CARRYOVER (TBD)	**$ 20,000.00**
TOTAL 2013-14 BTBID BUDGET	**$ 456,000.00**

APPENDIX B

IV. BERKELEY TBID BOUNDARY

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 24 hotels. Please see the map below.



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

CONTRACT: 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 efforts to form the newly established Berkeley Tourism Business Improvement District; and

WHEREAS, VB has for twenty-one years worked to support the hotel and tourism sector in Berkeley; and

WHEREAS, on September 18, 2012, the City Council held a public hearing, after which it adopted Resolution No. 65,899-N.S. establishing the Berkeley Tourism Business Improvement District (BTBID) starting November 1, 2012 and ending October 31, 2017 and levying an assessment to be collected on a monthly basis; and

WHEREAS, on November 15, 2013, 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, on December 17, 2013, 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 $455,000 for the purpose of implementation of the BTBID. A record signature copy of said contract and any amendments are to be on file in the Office of the City Clerk.