



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: JANUARY 24, 2023

DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT

FROM: MEGAN HUNTER, DIRECTOR

BY: MICHAEL GOMEZ, ECONOMIC DEVELOPMENT ANALYST

THROUGH: LISA BRINTON, ASSISTANT DIRECTOR

TITLE: RESOLUTION OF CONSENT FOR MONTEREY COUNTY
TOURISM IMPROVEMENT DISTRICT RENEWAL

RECOMMENDED MOTION:

A motion to approve the attached Resolution of Consent for the renewal of the Monterey County Tourism Improvement District (MCTID).

EXECUTIVE SUMMARY:

Tourism Improvement Districts (TIDs) are special assessment districts authorized by the State that allow hospitality businesses to collect a fixed per-room-night surcharge levied on all overnight stays at hotels in the District to fund efforts to promote tourism within a particular region. On December 27, 2022, the City received a letter from the City of Monterey requesting the Salinas City Council adopt a Resolution of Consent for the renewal of the 2018 MCTID, which will expire December 31, 2023. Under the proposed MCTID Management District Plan, provided as an attachment to this report, the term of the MCTID would be renewed for ten (10) years (July 1, 2023 to June 30, 2033), annual assessments for Limited-Service Hotels in Salinas would increase from \$1.50 to \$2.00 per room night with an automatic \$0.20 biennial increase beginning FY 2025-26, and the Salinas Valley Tourism and Visitor's Bureau (SVTVB) would continue to receive \$0.50 of the per room night assessment collected in Salinas to operate the Salinas California Welcome Center for term of the District.

BACKGROUND:

A brief summary of the history of the Monterey County TID is provided below.

- In 2006, the City of Monterey formed a TID including all of Monterey County under the 1989 Law. The Monterey County Convention and Visitor's Bureau (MCCVB) was designated as the nonprofit to manage the TID.

- In 2013, the City of Salinas entered into Memorandum of Understanding (MOU) with the MCCVB, the Salinas Valley Tourism and Visitor's Bureau (SVTVB), and the City of Monterey. The MOU established that \$1.50 would be collected for every room-night in Salinas, with \$1.00 to be remitted to the MCCVB for the administration of the TID and \$0.50 to be remitted to the SVTVB to fund the operation of the Salinas California Welcome Center to promote tourism and increase overnight stays in Salinas.
- On August 29, 2018, the City of Monterey City Council took action to initiate the process of forming a new TID, also called the Monterey County Tourism Improvement District, under the 1994 Law. On September 18, 2018, City of Salinas City Council adopted Resolution 21492 granting consent to the City of Monterey to establish the 2018 MCTID.
- On December 27, 2022, the City received a letter from the City of Monterey requesting the Salinas City Council adopt a Resolution of Consent for the renewal of the 2018 MCTID, which will expire December 31, 2023. The Monterey City Council December 20th MCTID Renewal staff report and adopted resolution are provided as an attachment to this report.

DISCUSSION:

The City of Monterey MCTID renewal process is provided as an attachment to this report. On January 9, 2023, the City of Salinas mailed an additional notice to Salinas lodging business operators informing them of the MCTID renewal process and providing a summary and link to the draft District Management Plan. The draft 2023-2033 MCTID Management District Plan is provided as an attachment to this report. Key components of the District Plan that apply to the City of Salinas are listed below.

1. The MCTID is renewed for a ten (10) year term (July 1, 2023 to June 30, 2033).
2. The annual TID Assessment will be increased from \$1.50 to \$2.00 per-room night for Limited-Service Hotels/Motels.
3. There will be an automatic biennial increase of \$0.20 beginning FY 2025-26, unless the MCCVB Board's TID Committee votes not to implement the automatic increase based on circumstances they deem significant.
4. Once per year, beginning on the anniversary of District renewal (July 1st), there is a 30-day period in which lodging business operators paying fifty percent (50%) or more of the assessment may protest and initiate proceedings to terminate the MCTID.
5. The appropriation of \$.50 of the per room night TID assessment collected from Salinas lodging operators will continue to be passed through to the SVTVB to operate the California Welcome Center for the term of the MCTID.
6. The City of Salinas will continue to be responsible for collecting the TID assessment from each lodging business located in the City of Salinas and remitting collected funds according to the MCTID District Management Plan. The City is permitted to retain up to 1% of the collected amount to cover its administrative costs.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The renewal of the MCTID furthers the City Council Goal of Economic Development. A portion (\$.50) of TID assessments collected per room night will continue to be passed through to the SVTVB to operate the California Welcome Center with the objective of increasing the number of overnight stays within the City of Salinas. Increased tourism results in increased Transient Occupancy Tax (TOT) and sales tax revenues for the City and furthers the community's economic health.

DEPARTMENTAL COORDINATION:

The request for MCTID renewal came through the City Clerk's office. Community Development staff took the lead in preparing this item. The Finance Department was also notified of the proposed renewal.

FISCAL AND SUSTAINABILITY IMPACT:

Adoption of the Resolution of Consent, and the renewal of the MCTID will not have a direct impact on the General Fund. The City will pass the TID assessments collected from Salinas lodging businesses through to MCCVB and SVTVB accordance with the 2023-2033 District Management Plan. The City is permitted to retain up to 1% of the collected amount to cover its administrative costs. The TID assessment is collected in addition to the City's Transient Occupancy Tax (TOT), and does not impact other City revenues.

ATTACHMENTS:

Proposed Resolution

City of Monterey Resolution 22-169 adopted December 20, 2022

City of Monterey Council Staff Report dated December 20, 2022

Monterey County Tourism Improvement District Management District Plan (DRAFT)

City of Monterey MCTID Renewal Process

Notice to Salinas Hotel/Motel Owners dated January 9, 2022