

ATTACHMENT 3

City of Merced Tourism Business Improvement District

FINAL Management District Plan



City of Merced, California

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*Prepared pursuant to the State of California
Property and Business Assessment District Law of 1994
and Article XIIIID of the California Constitution.*

**CITY OF MERCED
Tourism Business Improvement District
Management District Plan**

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SECTION 1: EXECUTIVE SUMMARY

The City of Merced Tourism Business Improvement District (“TBID”) is being developed by interested lodging businesses in efforts of vitalizing the hospitality industry, increasing overnight stays and promoting these properties as destinations for tourism, events, and commerce. Merced is often referred to as “The Gateway to Yosemite”, and the local lodging industry would like to increase its prominence and capture the tourists that not only come to visit Yosemite but also the growing regional agricultural industry, festivals, events, and UC Merced programs.

Summary Management District Plan

Pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highways Code § 36600 et seq.) (the “Law”), the TBID is proposed to be formed for an initial 5-year term. The TBID Management District Plan describes how funding tourism marketing, sales, promotion, and security will improve and convey special benefits to assessed lodging businesses located in the City of Merced. Each of the services is designed to meet the goals of the District; to improve occupancy and room night sales.

Location	The TBID will include all transient occupancy lodging businesses within the city limits of Merced. In total these properties represent approximately 1,115 rooms. As new properties come online, they too will be included in the TBID. It is not the intent of the TBID to include short-term vacation rentals.
Services & Activities	<p>The TBID is designed to provide special benefits to each assessed lodging property by providing sales and marketing programs as well as increased security that will enhance the experience for all lodging guests, including:</p> <p><u>Marketing/Sales/Promotions:</u> Develop an annual sales and marketing program designed to generate demand for additional hotel occupancy and rental room revenue, such as internet marketing, social media, advertising and collaborating with other hospitality industry businesses.</p> <p><u>Security:</u> Develop a security program that will enhance the safety and well-being of the lodging guests. This program may consist of funding a private security company to patrol each assessed lodging business during the evening/overnight hours, video surveillance coordinated with police department.</p> <p><u>Management:</u> Administration activities that manage the TBID programs, communicates with stakeholders and advocates on behalf of the district.</p>

Budget	The TBID budget for its first year of operations is anticipated to be \$450,000 . This budget is expected to fluctuate as rooms sales do during the five-year term.
Method of Financing	The TBID budget will be funded by collecting 2% of each assessed lodging properties' gross short-term room rental revenue.
Collection	The City of Merced will be responsible for collecting the assessment on a quarterly basis (including any delinquencies, penalties, and interest) from each lodging business located within the TBID boundary.
District Governance	The TBID will be managed by a nonprofit organization that will act as the TBID Owners' Association. The Owners' Association will be governed by a Board of Directors that will determine TBID annual services and budget allocations.
District Formation	The TBID requires submission of petitions from the assessed lodging properties representing more than fifty percent (50%) of the total annual assessment, followed by a City Council public meeting and public hearing
Duration	The TBID will have an initial 5-year term beginning January 1, 2025, through December 31, 2029. Once per year, beginning on the anniversary of the TBID formation, there is a thirty (30) day period in which the assessed lodging properties paying fifty percent (50%) or more of the assessment may protest and initiate a City Council public hearing to terminate the TBID.

SECTION 2: TBID BOUNDARY

TBID Boundary

The TBID will include all transient occupancy lodging businesses within the city limits of Merced, which includes any future annexation areas. At the time of TBID formation there are 18 lodging businesses with approximately 1,115 rooms. As new lodging businesses come online, they too will be included in the TBID. It is not the intent of the TBID to include short-term vacation rentals.

Lodging business(es) means: any structure, which is occupied or intended or designed for use or occupancy by transients, including but not limited to hotels, resorts, motels, bed and breakfasts, and inns. A complete listing of all lodging businesses at the time of TBID formation is included in Section 7 of this report.

SECTION 3: TBID SERVICE PLAN

Background and Feasibility

As determined by the steering committee, the top priorities for services for the city-wide TBID include:

- ◆ Marketing, Sales and Promotion
- ◆ Security
- ◆ Management

Based upon these findings, these services will be funded by the TBID. The following narrative provides recommendations for the TBID's first year of operation. TBID activities may be amended in subsequent years within the following general categories. Final activities and budgets will be subject to the review and approval of the TBID Owners' Association prior to City Council approval.

Marketing, Sales and Promotion

Merced is often referred to as "The Gateway to Yosemite", and the local lodging industry would like to increase its prominence and capture the tourists that not only come to visit Yosemite but also the growing regional agricultural industry, festivals, events, UC Merced and Merced College programs, as well as Dignity Health events.

In the highly competitive hospitality industry, effective marketing and promotion are crucial for lodging businesses seeking to stand out and attract guests. From crafting a compelling brand narrative to leveraging digital platforms, successful marketing strategies blend creativity with data-driven insights to reach potential travelers. Utilizing a range of tactics from social media campaigns, influencer partnerships, and personalized email marketing, Merced lodging businesses can enhance their visibility and appeal. Staying ahead of trends and understanding guest preferences are key to creating impactful marketing initiatives that resonate with target audiences.



The TBID will use a wholistic approach in its marketing and promotional strategies to attract guests, increase bookings, and build brand loyalty. The TBID may use a mix of these strategies based on its target audience, location, and brand identity. Combining several approaches can create a comprehensive marketing plan that drives bookings and builds a strong brand presence. Here are some common types:

Digital Marketing

- Search Engine Optimization (SEO): Optimizing the TBID's website to rank higher in search engine results.
- Pay-Per-Click Advertising (PPC): Paid ads that appear on search engines and other platforms, driving traffic to the TBID's website.
- Social Media Marketing: Using platforms like Facebook, Instagram, and Twitter to engage

with potential guests and share content.

- Email Marketing: Sending newsletters and promotional offers to a list of subscribers.
- Content Marketing: Creating and sharing valuable content (blogs, videos, infographics) to attract and engage potential guests.

Traditional Marketing

- Print Advertising: Ads in newspapers, magazines, and travel guides.
- Direct Mail: Postcards, brochures, and flyers sent to potential guests.
- Outdoor Advertising: Billboards, transit ads, and other outdoor media.

Partnerships and Collaborations

- Travel Agencies: Working with travel agents and tour operators to get bookings.
- Local Businesses: Partnering with nearby restaurants, agricultural tourism, attractions, and shops for cross-promotions.
- Event Sponsorship: Sponsoring local events or festivals to gain exposure.

Public Relations

- Press Releases: Announcing new services, renovations, or special events to media outlets.
- Media Outreach: Hosting journalists or bloggers to write reviews or features about the area.
- Awards and Recognition: Applying for awards or accolades that can be used in marketing materials.

Experiential Marketing

- Events and Experiences: Hosting special events or offering unique experiences that can be shared on social media and attract attention.
- Influencer Collaborations: Partnering with influencers or travel bloggers to promote Merced lodging businesses through their platforms.

Customer Engagement

- Personalized Marketing: Using guest data to personalize offers and communications.
- Reviews and Testimonials: Encouraging satisfied guests to leave positive reviews on sites like TripAdvisor or Google.
- Feedback and Surveys: Collecting feedback to improve services and tailor marketing efforts.

Technology Integration

- Mobile Apps: Offering an app for booking to make the guest experience seamless.
- Virtual Tours: Providing online virtual tours of each of the lodging businesses to showcase amenities and rooms.

Sales Strategies

- Corporate and Group Sales: Targeting business travelers and organizations for group bookings or corporate events.
- Travel and Tourism Shows: Participating in industry trade shows to network and attract travel professionals.

Community Engagement

- Local Outreach: Engaging with the local community through events, sponsorships, or partnerships.

Security

In addition to Marketing, Sales and Promotion, the TBID may fund a security program. Security is essential for safeguarding the safety and well-being of guests, as well as protecting the property and assets of each lodging business. Effective security measures help prevent theft, assault, and other crimes, ensuring that guests feel safe during their stay. Maintaining a strong security posture

is also vital for preserving each lodging business' reputation, as security incidents can lead to negative reviews and damage their image. These security measures may protect valuable lodging business equipment and guest belongings from theft and vandalism. The security programs may consist of private security to patrol the lodging businesses during the evening and overnight hours to ensure a safe environment for both guests and employees; video surveillance coordinated with the Merced Police Department; or any other security measure the TBID Owners' Association deems necessary.

Management/Operations

Like any business, the TBID will require a professional staff to properly manage programs, communicate with stakeholders and provide leadership. The TBID supports a professional staff that delivers the TBID services and advocates on behalf of the lodging properties.

Management services include compensation for an Executive Director. The intent is to hire an executive director that will administer both the TBID and the Downtown Merced PBID. In addition to the executive director, the TBID may hire or subcontract for any additional services the Owner's Association deems necessary to manage the TBID services. The management team is responsible for providing the day-to-day operations. TBID funds may be used to leverage additional monies from sponsorships, contracts, grants and earned income. Additional administrative costs may include accounting and annual financial reviews, insurance, program support costs including supplies, equipment and rent, utilities County assessment collection fee, estimated at 1% of assessments, and other administration costs associated with the overhead and administrative support of programs.

SECTION 4: TBID ASSESSMENT BUDGET

2025 TBID Budget

The following table outlines the TBID estimated budget for 2025.

EXPENDITURES	TOTAL BUDGET	% of Budget
Marketing/Sales/Promotion	\$315,000	70.0%
Security	\$60,000	13.3%
Management/Operations	\$75,000	16.7%
Total Expenditures	\$450,000	100.00%

Budget Adjustments

The cost of TBID improvements and activities may vary in any given year depending on market conditions and the cost of providing those services. Expenditures for each of the line items may be adjusted up or down 25% between them to address the varying needs on an annual basis. The Owners' Association Board of Directors shall make such determination. In addition, any annual budget surplus, including those created through cost saving measures, unexpected reductions in expenses or unanticipated increases to income, will be rolled into the following year's budget. The carryover funds will be applied to the same budget line item as the line item that was the source of the carryover funds. The budget will be adjusted accordingly consistent with the Management District Plan to adjust for surpluses that are carried forward to ensure that the TBID is spending these funds in a timely manner and is complying with applicable State laws. Any change in line-item expenditures and/or budget surplus will be approved by the Owners' Association Board of Directors and submitted in the annual report, pursuant to Section 36650 of the State Law.

5-Year Maximum Budget

The following table illustrates the TBID's maximum annual budget for the 5-year term based lodging businesses at TBID formation and a (3%) annual increase in the total budget to account for estimated increased room night sales as a result of the TBID efforts.

FY	Marketing/Sales	Security	Management	Total
2025	\$315,000	\$60,000	\$75,000	\$450,000
2026	\$324,450	\$61,800	\$77,250	\$463,500
2027	\$334,184	\$63,654	\$79,568	\$477,405
2028	\$344,209	\$65,564	\$81,955	\$491,727
2029	\$354,535	\$67,531	\$84,413	\$506,479

TBID Renewal

TBID funds, which may consist of rollover funds may be used for renewing the district.

Bond Issuance

No bonds will be issued to finance TBID services.

SECTION 5: ASSESSMENT METHODOLOGY

California Constitutional Compliance

The TBID assessment is not a property-based assessment subject to the requirements of Proposition 218. Rather, the TBID assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Proposition 26 all levies are a tax unless they fit one of seven exceptions. Two of these exceptions apply to the TBID, a “specific benefit” and a “specific government service.” Both require that the costs of benefits or services do not exceed the reasonable costs to the City of conferring the benefits or providing the services.

Specific Benefit

Proposition 26 requires that assessment funds be expended on, “a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”¹ The services outlined in this report are designed to provide benefits directly targeting the assessed businesses, and are intended only to provide benefits and services directly to those businesses being assessed. These services are not tailored to serve the general public, businesses in general, or parcels of land, but rather to serve the specific businesses within the TBID. The activities described in this report are specifically targeted to increase room night sales for assessed lodging businesses within the boundaries of the TBID and are narrowly focused. TBID funds will be used exclusively to provide the specific benefit of increased room night sales directly to those paying the assessments. Assessment funds shall not be used to feature non-assessed lodging businesses in TBID programs, or to directly generate sales for non-assessed businesses. The intent of the Marketing, Sales, Promotions and Security services is to specifically benefit each lodging business by increasing room night sales.

Although the TBID, in providing specific benefits to each assessed lodging business, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, “A specific benefit is not excluded from classification as a ‘specific benefit’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor.”²

Specific Government Service

The assessment may also be utilized to provide, “a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.”³ The legislature has recognized that marketing and promotions services like those to be provided by the TBID are government services within the meaning of Proposition 26⁴. Further, the legislature has determined that “a specific government service is not excluded from classification as a ‘specific government service’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific government service to the payor.”⁵

¹ Cal. Const. art XIII C § 1(e)(1)

² Government Code § 53758(a)

³ Cal. Const. art XIII C § 1(e)(2)

⁴ Government Code § 53758(b)

⁵ Government Code § 53758(b)

Reasonable Cost

TBID services will be implemented carefully to ensure they do not exceed the reasonable cost of such services. The full amount assessed will be used to provide the services described in this report. Funds will be managed by a non-profit organization with an annual report submitted to the City. Only assessed lodging businesses will be featured in marketing materials, receive sales leads generated from TBID-funded activities, be featured in advertising campaigns, and benefit from other TBID-funded services. Non-assessed lodging businesses will not receive these, nor any other, TBID-funded services and benefits.

Assessment

The annual assessment rate is two percent (2%) of gross short-term room rental revenue of all lodging businesses within the TBID boundary, which is the City of Merced city limits, including any future annexation areas. The term “gross short-term room rental revenue” means the amount charged, whether or not collected, for the occupancy of space in a lodging business valued in money, including all receipts in cash, credit or services of any kind. Gross short-term room rental revenue shall not include any federal, state or local taxes collected, including but not limited to transient occupancy taxes.

The assessment is levied upon and is the obligation of each assessed lodging business. However, the assessed lodging business may, at its discretion, pass the assessment on to transients. The amount of the assessment, if passed on to each transient, shall be disclosed and separately stated from the amount of rent charged and any other applicable taxes, and each transient shall receive a receipt for payment from the business, and shall be separately disclosed as the “Tourism Business Improvement District Assessment”. As an alternative, the disclosure may include the amount of the TBID assessment pursuant to the California Tourism Marketing Act, Government Code § 13995 et seq. and shall be disclosed as the “Tourism Assessment”. The assessment is imposed solely upon and is the obligation of the assessed business whether or not if the assessment is passed on to transients. The assessment shall not be considered revenue for any purpose, including calculating the transient occupancy taxes.

Penalties and Interest

Any lodging business that is delinquent in paying its TBID assessment will be responsible for all costs associated with collecting unpaid assessments. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. **Original Delinquency**: In accordance with applicable regulations and laws, an additional penalty of ten percent (10%) will be imposed on the original assessment amount. This penalty is intended to ensure compliance and account for any delays or discrepancies. However, it is important to note that the total penalty, when combined with the original assessment, shall not exceed the maximum limit allowed by law. This approach ensures that while penalties are enforced to maintain regulatory standards, they remain within the legally prescribed boundaries.
2. **Penalty Delinquency**: If the original delinquency remains unpaid after ten (10) days, a penalty of 1% per month or fraction thereof, will be applied to the outstanding balance dated back to the date the assessment became delinquent. This monthly penalty will accrue until the full amount of the delinquency is settled. However, in no case shall the one percent (1%) exceed the maximum rate permitted by law, then the interest rate shall be the highest rate permitted in law.

3. **Interest:** In addition to the penalties imposed, a monthly interest charge of one percent (1%) will be applied to the outstanding balance of the unpaid assessment dated back to the date the assessment became delinquent. This interest will accrue on the total amount due until the full payment is made. However, in no case shall the one percent (1%) exceed the maximum rate permitted by law, then the interest rate shall be the highest rate permitted in law.
4. **Cost of Collecting Delinquencies:** In the event of delinquency, the delinquent business shall also incur the costs associated with the City of Merced's collection efforts. This includes, but is not limited to, administrative fees, legal expenses, and any other charges directly related to the collection process. These costs will be added to the outstanding balance, ensuring that the total amount due reflects the original assessment and all penalties and interest charged. The City will use the same collection protocol to collect the delinquent TBID assessments as it does to collect the delinquent Transient Occupancy Tax.
5. **Capped Penalties:** In no event shall the total amount due, original assessment, penalties interest, and collection costs exceed the maximum amount permitted by law, which is 25%.

Annual Assessment Guidelines

Time and Manner for Collecting Assessments

The City of Merced will be responsible for collecting the assessment on a quarterly basis (including any delinquencies, penalties, and interest) from each lodging business located within the TBID boundary, to be disbursed to the TBID within forty-five (45) days. The TBID will pay the City of Merced \$500 quarterly to collect the TBID assessments. The TBID will have a five-year term commencing January 1, 2025, through December 31, 2029.

Future Lodging Businesses

As a result of continued development, the TBID may experience the addition or subtraction of assessable lodging businesses within the TBID boundaries. The modification of lodging businesses assessed within the TBID may then change upwards or downwards the annual budget that the TBID has to provide the services outlined in this report.

Disestablishment

State law provides for the disestablishment of a TBID pursuant to an annual process. The 30-day period begins each year on the anniversary day that the City Council first established the TBID. Within this annual 30-day period, if the owners of real property who pay more than 50% of the assessments levied submit a written petition for disestablishment, the TBID may be dissolved by the City Council. The City Council must hold a public hearing on the proposed disestablishment before voting on whether to disestablish the TBID. In the event of disestablishment, any remaining revenue needs to be allocated to programs identified in this plan or reimbursed to each assessed lodging property in direct relationship to its percentage of assessments collected.

SECTION 6: TBID GOVERNANCE

City Council

Following the submission of petitions from the lodging businesses representing more than 50% of the assessments to be paid, the City Council, upon holding a public hearing on the proposed TBID, may form the TBID. The TBID is formed by a City Council resolution, including the levy of an assessment on each lodging business.

TBID Governance

The Law “establishes a governance framework that allows lodging business owners who pay assessments the ability to determine how the assessments are used. This Management District Plan may be subject to changes if the California state law changes.

The TBID will contract with a nonprofit organization that will act as the Owners’ Association and governing board for the TBID. The role of the Owners’ Association is consistent with similar TBIDs and management organizations throughout California. As part of the Management District Plan, the nonprofit organization oversees the delivery of day-to-day TBID services.

Brown Act and California Public Records Act

Pursuant to the Law, the Owners’ Association Board of Directors is subject to disclosure and notification guidelines set by the Ralph M. Brown Act and California Public Records Act when conducting TBID business.

Annual Report

The TBID non-profit organization shall prepare an annual report at the end of each year of operation in accordance with the Streets and Highways Code § 36650. Specifically, the annual report shall include:

1. Any proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses within the district.
2. The services to be provided for that fiscal year.
3. An estimate of the cost of providing the services for that fiscal year.
4. The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
5. The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
6. The estimated amount of any contributions to be made from sources other than the assessments levied pursuant to this part.

SECTION 7: ASSESSED BUSINESSES

Below is the list of assessed lodging businesses at the time of TBID formation.

BUSINESS NAME	ADDRESS	CITY/STATE/ZIP
BDM MERCED LLC - MOTEL 6	1983 E CHILDS AV	MERCED CA 95342
BEST WESTERN INN MERCED	1033 MOTEL DR	MERCED CA 95341
COURTYARD MARRIOTT	750 MOTEL DR	MERCED CA 95341
DAYS INN YOSEMITE AREA MERCED	1215 R ST	MERCED CA 95341
EL CAPITAN HOTEL	609 W MAIN ST	MERCED CA 95340
FAIRBRIDGE INN & SUITES	1199 MOTEL DR	MERCED CA 95341
GATEWAY MOTEL	1407 W 16TH ST	MERCED CA 95340
HAMPTON INN	225 S PARSONS AV	MERCED CA 95341
HOLIDAY INN EXPRESS & SUITES	151 S PARSONS AV	MERCED CA 95341
MERCED INN & SUITES	2010 E CHILDS AV	MERCED CA 95341
MOTEL 6 - VARKING HOTELS	1410 V ST	MERCED CA 95340
PACIFIC EXPRESS INN	951 MOTEL DR	MERCED CA 95341
QUALITY INN	730 MOTEL DR	MERCED CA 95341
RODEWAY INN	1001 MOTEL DR	MERCED CA 95341
SAN JOAQUIN MOTEL	1439 W 16TH ST	MERCED CA 95340
SLUMBER MOTEL	1315 W 16TH ST	MERCED CA 95340
TOWNEPLACE SUITES BY MARRIOTT	229 S PARSONS AV	MERCED CA 95341
TRAVEL LODGE	1260 YOSEMITE PKWY	MERCED CA 95341