



Legislation Text

File #: 24-476, **Version:** 1

Report Prepared by: Frank Quintero, Deputy City Manager and Director of Economic Development

SUBJECT: Discussion and Direction Regarding the Merced Hotel & Lodging Association's Tourism Based Improvement District Proposal for Merced Tourism

REPORT IN BRIEF

The Merced Hotel & Lodging Association is requesting that the City contribute 2% of the Transient Occupant Tax (TOT) base to be allocated to the Tourism Based Improvement District. For example, if the collected Transient Occupancy Tax is \$1.8 million, then the Transient Occupancy Tax base is \$18 million, which results in a potential contribution of \$360,000 from the TOT collected by the City. The TOT in the City of Merced is 10%.

RECOMMENDATION

City Council - Provide staff direction on the request submitted by the Merced Hotel & Lodging Association.

ALTERNATIVES

1. Provide staff direction; or,
2. Refer to staff for reconsideration of specific items as requested by the City Council; or,
3. Defer action until a specific date

AUTHORITY

Section 200 of the Merced Municipal Code

CITY COUNCIL PRIORITIES

The Tourism Based Improvement District aligns with the City Council Goals and Priorities for FY 23/24, "b) Economic Development, Tourism - continue efforts to establish a local Tourism Based Improvement District (TBID) to enhance existing marketing efforts."

DISCUSSION

At the City Council meeting of December 20, 2021, the Council voted to approve a supplement appropriation of \$43,825.00 to Kristin Lowell, Inc., to start the process of forming a Tourism Based Improvement District (ATTACHMENT 1.)

The establishment of a Tourism Based Improvement District (TBID) in the City of Merced is an important step as there are tremendous opportunities to capture tourism dollars to assist in promoting Merced as a destination while allowing the city to remain competitive in a crowded global marketplace. The formation of a TBID continues to be a City Council Goal and Priority (ATTACHMENT 2.)

As stated under the California Property and Business Improvement District Law of 1994; Street and Highways Code Section 36600-36671; property or business assessments are levied in exchange for services not currently provided by the City. While the services depend on the needs of the specific businesses of the area, typical TBID services include print and internet advertising, sales lead generation, destination marketing and development to bring more visitors to the City.

Staff has the Agreement in place to move forward with the formation of the TBID. The Merced Hotel and Lodging Association is willing to tax themselves 1% of the Daily Room Rate and is requesting the City to contribute 2% of the Transient Occupancy Tax base. Before proceeding with the formation of the TBID, the Lodging Association wants to know if the City Council is willing to contribute 2% of the Transient Occupancy Tax base as seed money (ATTACHMENT 3.)

The Lodging Association is comparing the use of the TBID to that of the former California Welcome Center and believes there are benefits that can be shared between the Property Based Improvement District and Tourism Based Improvement District.

Direction

Staff is seeking direction from the City Council regarding the Merced Hotel & Lodging Association's request to contribute 2% of the Transient Occupancy Tax base to the TBID.

IMPACT ON CITY RESOURCES

Revenue generated by the Transient Occupancy Tax is earmarked for General Fund use. This includes functions such as Police, Fire, Economic Development, Parks and Recreation, and so on. The purpose of the TBID is to draw more visitors to Merced who will spend the night, shop, visit venues, and dine at local businesses generating more revenue. In essence, the hope is to transition Merced into a "go to" community versus a "go through" community.

Currently the City estimates about \$2 million in TOT revenue, 2% of the base (\$20 million) would be \$400,000 to PBID. The City Council has made it a policy to adopt a sustainable General Fund budget. Initially, this could create a General Fund shortfall in revenues over expenditures which could create future budgets that do not meet the policy direction.

ATTACHMENTS

1. TBID Formation Service Agreement Report
2. 2023-2024 City Council Goals and Priorities
3. Letter from the Merced Hotel & Lodging Association