



Office of the City Manager

CONSENT CALENDAR
May 23, 2023

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Eleanor Hollander, Economic Development Manager
Subject: Assessments: Berkeley Tourism Business Improvement District

RECOMMENDATION

Adopt a Resolution approving the Annual Planning Report and preliminary budget for Fiscal Year 2024 (FY24) for the Berkeley Tourism Business Improvement District (BTBID) as recommended by the BTBID Owners' Association.

FISCAL IMPACTS OF RECOMMENDATION

The BTBID levies an annual assessment of one percent (1%) of gross short-term room rental revenue for lodging establishments. Annual assessment funds will be deposited and expended from the Tourism BID Fund. Based on City of Berkeley proposed budget revenue projections for the Transient Occupancy Tax (TOT) for FY 2024 (made in the second quarter of FY23) based spring 2023 hotel occupancy rates, the BTBID is budgeted to receive \$643,750 in funding for FY 2024. As of March 2023, the City of Berkeley's TOT projection for FY 2024 is \$7,725,000. That would mean the TBID revenue would be \$643,750 in FY 2024.

Both parties understand that the actual amount may change in the coming months, reflecting the ever-evolving state of the Berkeley economy and local, regional, and national tourism trends. The City retains a fee equal to one percent (1%) of the amount of assessment collected to cover its costs of collection and administration associated with the Tourism BID. The exact amount of any FY 2023 BTBID fund balance will only be known with certainty in August 2023. This is because the City collects BTBID assessments on a monthly basis along with Transient Occupancy Taxes (TOT). As a result, the finance department will only know the receipts for June 2023 after those assessments are collected at the beginning of July 2023. If revenues come in higher than anticipated, the Office of Economic Development will determine the amount and make a one-time "true up" payment for FY2023 during FY 2024. 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 2024 Annual Appropriations Ordinance (November 2023).

CURRENT SITUATION AND ITS EFFECTS

The Berkeley 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 through FY 2027 to support tourism marketing and promotion.

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 Planning Report prepared by the Tourism Business Improvement District Owners' Association with a proposed budget for the next year. Accordingly, at its meeting on April 13, 2023, the BTBID Owners' Association voted to approve the Tourism BID's Annual Planning Report and budget for BTBID's Fiscal Year 2024. Council can now adopt the recommended resolution which will confirm the Tourism BID assessment and thus enable continuous BID operations for another year.

The Management District Plan was adopted by Council in 2017 as part of the reestablishment of the Tourism Business Improvement District; the plan provides a framework and budget for the Tourism BID's activities. In FY 2024, the Tourism BID will work with local hotel managers and hospitality industry leaders, the City of Berkeley, and other relevant tourism industry stakeholders to do strategic destination marketing and sales work that drives visitors to Berkeley's lodging establishments and supports Berkeley's hospitality industry. Additionally, the Tourism BID will continue to develop digital marketing and promotions utilizing the power of Visit Berkeley's website and social media strengths to push positive messaging to the visitor, event planning, and meetings industry and continue to develop and manage constructive relationships with local, regional and statewide marketing and hospitality partners to create local overnight room demand and to ensure the organization has the resources and support needed to successfully execute the BTBID mission.

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. In October of 2019, the City Council authorized the City Manager to execute a contract and any amendments (Contract # 32000101) with Visit Berkeley, not to exceed \$7,966,000 of BTBID revenues, to support tourism marketing and promotion for the period through June 30, 2027.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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 actions 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. Council action is required to approve the Tourism BID's Annual Report. 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, Office of Economic Development, (510) 981-7532

Attachments:

1. Resolution: Annual Planning Report and Proposed Budget Tourism BID
Exhibit A: Annual Planning Report and Proposed FY 2024 Budget of the Berkeley Tourism Business Improvement District

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

APPROVING THE 2023 ANNUAL REPORT AND PROPOSED FY 2024 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) 2024 and a budget for providing them, as required by the California Streets and Highways Code Section 36650; and

WHEREAS, the Annual Planning Report is clear and complete and found to comply with the interests of the District assesses; and

WHEREAS, the Annual Planning 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 Planning Report budget for FY2024 (Exhibit A) as submitted to the City Clerk by the Berkeley Tourism Business Improvement District Owners' Association.

Exhibit A: Annual Planning Report and Proposed FY2024 Budget of the Berkeley Tourism Business Improvement District

Berkeley Tourism Business Improvement District (BTBID) Marketing Plan FY2024 Annual Planning Report

District Name: This report is for the Berkeley Tourism Business Improvement District

Fiscal Year of Report: This report applies to the FY 2023 (July 1, 2022 – June 30, 2023) and proposes a budget and plan for FY2024 (July 1, 2023 – June 30, 2024).

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 through October 31, 2017. On November 18, 2014, the Berkeley City Council approved the transition of the BTBID to a fiscal year contract cycle 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 (FYs18-27).

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 (Appendix B). The boundary is estimated to include approximately 22 hotel businesses (Appendix C).

There are no proposed changes to the boundaries for fiscal year 2024.

Improvements and Activities for FY2024: 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 2024. The ideas presented below are subject to change during the course of the year depending on circumstances and availability of funds. The estimated budget is \$643,750.00 (Appendix A).

2023 Market Summary Report: Beginning FY 2023, the City of Berkeley lodging industry experienced a 33.9% increase in hotel occupancy with a 21.9% increase in average room rates from the prior year. The increase in occupancy was led by the leisure travel, drive-in market. While airline travel restrictions related to the COVID-19 Pandemic started to wane, business travel, group travel and the meeting & events markets still struggled to meet expectations. The hospitality and tourism industry are hopeful that with the ongoing lessening of restrictions we will be fully prepared to welcome back all tourism related business in 2024-25.

As UC Berkeley has fully reopened, we did not experience the increase in meetings and conferences as projected. Zoom meetings still prevailed however we are seeing interest to return to in-person meetings. We will continue our visibility and outreach to all departments encouraging utilization of Berkeley hotels and event space as their preferred choice for conferences and visitors. Although the hospitality industry remains unpredictable, Visit Berkeley will partner with our local Business Improvement Districts (BIDs), the City of Berkeley's Office of Economic Development (OED), restaurants, and retailers by creating marketing and social media campaigns targeting Berkeley residents and attracting local and regional visitors to Berkeley.

As we anticipate TOT revenues to increase, providing there are no additional pandemics or surges, Visit Berkeley will continue efforts on Community Building and Hospitality Industry Recovery. We are very thankful to have been a recipient of an ARPA contract provided by City Council, this revenue provided a multi-year opportunity to create a new strategic Destination Marketing and Sales Workplan to support and rebuild Berkeley's hospitality industry. Visit Berkeley offices are open; however, the Visitor Information Center (VIC) will be on a minimal schedule for the remainder of 2023 as it receives a much-needed remodel/upgrade.

FY 2024 PROPOSED BUDGET ALLOCATION

1) SALES AND MARKETING (99%)

Sales and Marketing shall be 99% of the assessment that is estimated to be \$637,312.50 in FY 2024.

Phase 1: Help Tourism Industry Thrive

Strategy: Work with Stakeholders, City of Berkeley and Community Leaders to develop strategies and initiatives to support the hospitality businesses citywide.

- a. **Lodging** (develop multiple campaigns to increase occupancy, increase meeting/conference outreach, host familiarization or FAM Trips, and attend Trade Shows)
- b. **Restaurants/Libations** (Continue to build Berkeley Restaurant Week and Berkeley Bucks programs. Host Content Creators and walking tours)
- c. **Arts & Culture Venues** (maintain a robust events calendar on VisitBerkeley.com, promote venues on our website and on IKE kiosks. Partner with Berkeley Cultural Trust and the City of Berkeley's Civic Arts Program)
- d. **Merchant Districts** (meet regularly with BIDs to support their events through our website and IKE kiosks)

Phase 2: Develop Internal Marketing Strategies

Strategy: Develop digital marketing and promotions utilizing the power of Visit Berkeley's website and social media strengths to push positive messaging to the visitor and meetings industry.

- a. **Website** (maintain a robust website that promotes all tourism and meeting related businesses)
- b. **Partner Development** (work with tourism marketing partners to create visitor packages and campaigns)
- c. **Outdoor Adventure** (Promote outdoor activities, such as district shopping, parks and outdoor dining as consumers look to satisfy pent-up demand by taking local/regional outings)
- d. **Digital and In-Person Familiarization Tours ("fam" tours) and Meetings** (Maintain contact with meeting planners and content creators with individual and small group meetings, selectively host in-person fam tours and introduce hotel promotions and packages)

Phase 3: Local, Regional and Statewide Marketing Outreach

Strategy: Create, develop, and manage positive relationships with local, regional and statewide marketing and hospitality partners to create overnight room demand and to ensure Visit Berkeley has the resources and support needed to successfully execute the BTBID mission.

- a. **Local** (maintain and build positive relationships with UC Berkeley, Lawrence Berkeley Lab and other local businesses that produce lodging overnight stays and small conferences)
- b. **Regional** (9 Bay Area Counties) (strategize opportunities to attract leisure and family visitations to patronize Berkeley's merchant districts, businesses and outdoor activities)
- c. **Statewide** (leverage our ongoing relationship with Visit California to participate in cooperative programs and marketing opportunities to attract Regional and Statewide visitation to Berkeley).

2) CITY COLLECTION 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 2024 are \$6,437.50.

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3) TOTAL ESTIMATE OF COSTS FOR FY2024 (100%)

A breakdown of the total estimated \$643,750.00 budget for fiscal year 2024 is attached to this report as Appendix A: Total Estimated Costs and Revenue for the Berkeley Tourism Business Improvement District (BTBID) Fiscal Year 2024 (July 1, 2023 to June 30, 2024).

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 originally estimated to bring in approximately \$425,000.00 in revenues in FY23. As Berkeley TOT has experienced an increase in revenues in FY23, Visit Berkeley does expect a corresponding surplus in revenues from FY23 to be generated (though the final amount will not be known until the first quarter of FY24) and carried forward for use in FY24.

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. If you have any questions regarding this report, please contact Barbara Hillman, President/CEO of Visit Berkeley at (510) 549-7040 / Cell# (925) 876-4825.

Appendix A: Total Estimated Costs and Revenue for the Berkeley Tourism Business Improvement District (BTBID) Fiscal Year 2024 (July 1, 2023 to June 30, 2024)

Revenues

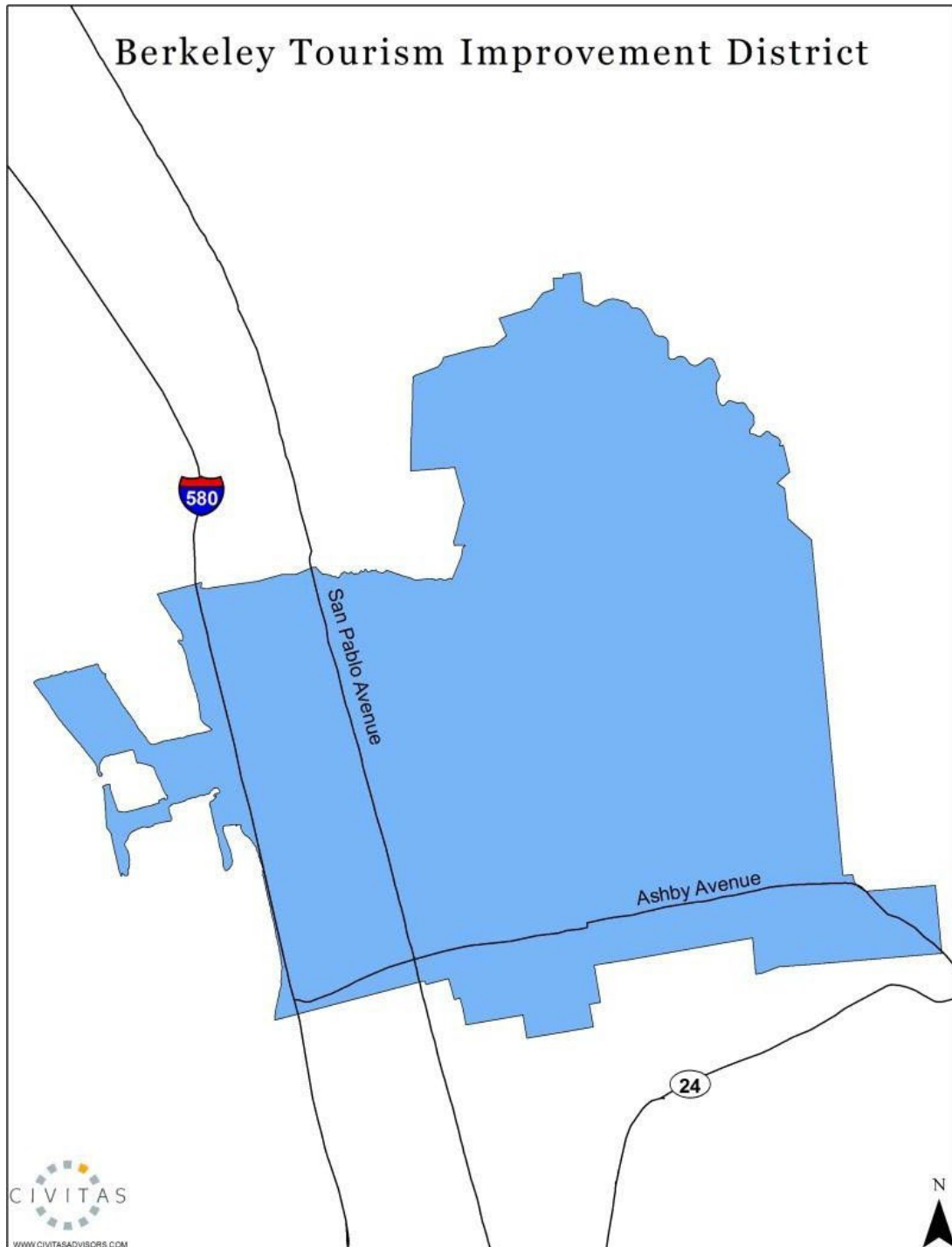
2023-24 Assessments (FY24)	\$643,750.00
2022-23 Carryover (FY23)	TBD
Total Estimated Revenues	\$643,750.00

Expenditures

Sales & Marketing	\$637,312.50
City of Berkeley Collection Costs	\$6,437.50
2022-23 Carryover (estimated, FY23)	TBD
Total Estimated Expenditures	\$643,750.00
Total FY2024 BTBID Budget	\$643,750.00

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 22 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 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
Holiday Inn Express	1175 University Ave.	Berkeley, CA	94702
Graduate Berkeley	2600 Durant Ave.	Berkeley, CA	94704
Hotel Shattuck Plaza	2086 Allston Way	Berkeley, CA	94704
Howard Johnson	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
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
Marriott Residence Inn	2129 Shattuck Ave	Berkeley, CA	94704
Aiden Best Western	1499 University Ave	Berkeley, CA	94702
<i>List Updated: April 2023</i>			

