

2024-2028



# SAN FRANCISCO PENINSULA TOURISM MARKETING DISTRICT MANAGEMENT DISTRICT PLAN

*Prepared pursuant to the Property and Business Improvement District  
Law of 1994, Streets and Highways Code section 36600 et seq.*

August 14, 2023

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## I. OVERVIEW

Developed by the San Mateo County/Silicon Valley Convention and Visitors Bureau dba The San Francisco Peninsula (SFP) and San Mateo County lodging businesses, the San Francisco Peninsula Tourism Marketing District (SFPTMD) is an assessment district proposed to provide specific benefits to payors, by funding marketing and sales promotion efforts for assessed businesses. This approach has been used successfully in other destination areas throughout the country to provide the benefit of additional room night sales directly to payors. In 2001, the San Mateo County Tourism Business Improvement District (SMCTBID) was formed pursuant to the Parking and Business Improvement Area Law of 1989 (89 Law). This effort seeks to modernize the SMCTBID by disestablishing the 89 Law District and forming a new District, the SFPTMD, pursuant to the Property and Business Improvement District Law of 1994 (94 Law).

*Location:* The SFPTMD includes all lodging businesses, existing and in the future, located within the boundaries of the cities of Belmont, Brisbane, Burlingame, East Palo Alto, Half Moon Bay, Millbrae, Pacifica, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and the unincorporated area of San Mateo County, as shown on the map in Section III.

*Services:* The SFPTMD is designed to provide specific benefits directly to payors by increasing awareness and demand for room night sales, meetings, and conventions. Sales and marketing programs will increase demand for overnight tourism and market payors as tourist, meeting and event destinations, thereby increasing demand for room night sales, meetings, and conventions.

*Budget:* The total SFPTMD annual assessment budget for the initial year of its five (5) year operation is anticipated to be approximately \$10,336,711. A similar budget is expected to apply to subsequent years, but this budget is expected to fluctuate as room sales do.

*Cost:* The annual assessment rate is one- and one-half percent (1.5%) of gross short-term sleeping room rental revenue for lodging businesses with 5,000 square feet or more of dedicated meeting space, and 0.75% for all other lodging businesses within the SFPTMD's boundaries. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days; stays provided to airline cockpit and/or cabin crews pursuant to an agreement between a hotel and an airline, which is in furtherance of or to facilitate such crews' performance of their jobs for the airline, including layovers between flights; employees of the state or federal government if room charges are paid directly by their employing agency and copies of official travel orders are submitted as applicable; and any properly credentialed officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

*Collection:* The City of Burlingame shall be responsible for collecting the assessments on a monthly basis (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the SFPTMD. The City shall take all reasonable efforts to collect the assessments from each lodging business.

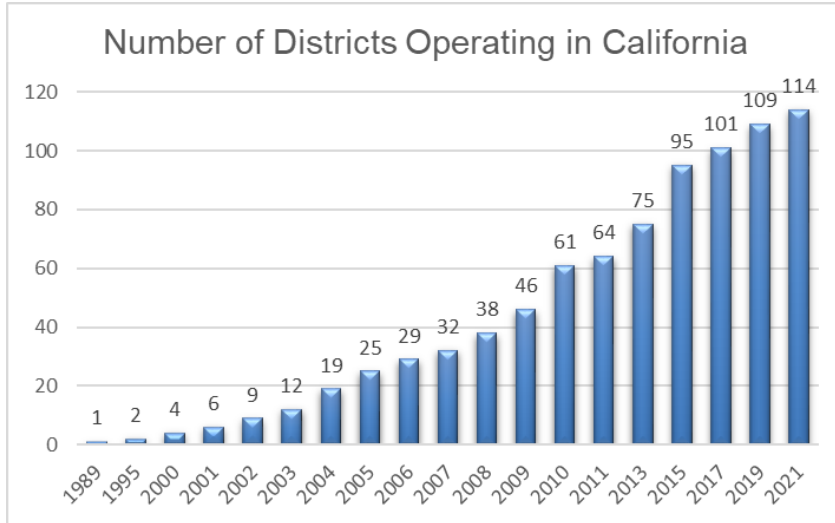
*Duration:* The SFPTMD will have a five (5) year life, beginning January 1, 2024, or as soon as possible thereafter, and ending five (5) years from its start date. After five (5) years, the SFPTMD may be renewed pursuant to the 94 Law if business owners support continuing the SFPTMD programs. Once per year, beginning on the anniversary of SFPTMD formation, there is a thirty (30) day period in which owners paying fifty percent (50%) or more of the assessment may protest and initiate a hearing on SFPTMD termination.

*Management:* The San Mateo County/Silicon Valley Convention and Visitors Bureau dba The San Francisco Peninsula (SFP) shall serve as the SFPTMD's Owners' Association. The Owners' Association is charged with managing funds and implementing programs in accordance with this Plan, and must provide annual reports to the Burlingame City Council.

The SFP shall create a SFPTMD Committee tasked with determining how SFPTMD funds are spent, within the designated programs in this Plan, subject to final approval by the SFP Board. The SFPTMD Committee shall include lodging business owners or representatives paying the SFPTMD assessment.

## II. BACKGROUND

TMDs are an evolution of the traditional Business Improvement District. The first TMD was formed in West Hollywood, California in 1989. Since then, over 100 California destinations have followed suit. In recent years, other states have begun adopting the California model – Massachusetts, Montana, South Dakota, Washington, Colorado, Texas and Louisiana have adopted TMD laws. Several other states are in the process of adopting their own legislation. The cities of Wichita, Kansas and Newark, New Jersey used an existing business improvement district law to form a TMD. And, some cities, like Portland, Oregon and Memphis, Tennessee have utilized their home rule powers to create TMDs without a state law.



California’s TMDs collectively raise over \$300 million annually for local destination marketing. With competitors raising their budgets, and increasing rivalry for visitor dollars, it is important that San Francisco Peninsula tourism businesses invest in stable, commerce-specific marketing programs.

TMDs utilize the efficiencies of private sector operation in the market-based promotion of

tourism districts. TMDs allow tourism business owners to organize their efforts to increase commerce. Tourism business owners within the TMD pay an assessment and those funds are used to provide services that increase commerce.

In California, most TMDs are formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of a benefit assessment district to raise funds within a specific geographic area. *The key difference between TMDs and other benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the district.*

There are many benefits to TMDs:

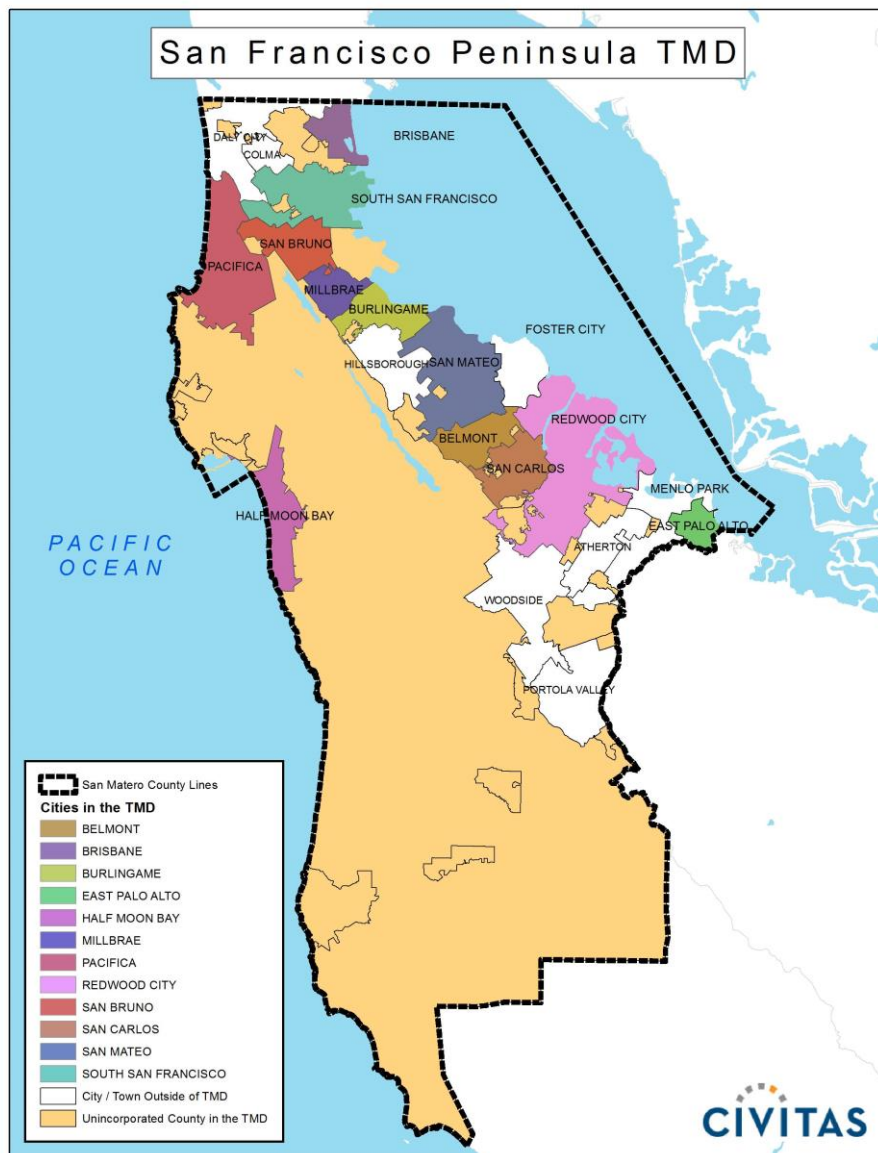
- Funds must be spent on services and improvements that provide a specific benefit only to those who pay;
- Funds cannot be diverted to general government programs;
- They are customized to fit the needs of payors in each destination;
- They allow for a wide range of services;
- They are **designed, created and governed by those who will pay** the assessment; and
- They provide a stable, long-term funding source for tourism promotion.

### III. BOUNDARY

The SFPTMD includes all lodging businesses, existing and in the future, located within the boundaries of the cities of Belmont, Brisbane, Burlingame, East Palo Alto, Half Moon Bay, Millbrae, Pacifica, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and the unincorporated area of San Mateo County, illustrated by the map below.

“Lodging business” means: any hotel, motel, inn, bed and breakfast, or other similar structure or portion thereof that is rented for dwelling, lodging, or sleeping purposes on a transient basis. Tourist home or house, studio hotel, bachelor hotel, lodginghouse, roominghouse, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, are not included in the definition of “lodging business.”

The boundary is shown on the map below. A list of lodging businesses proposed to be assessed in the SFPTMD can be found in Appendix 2.

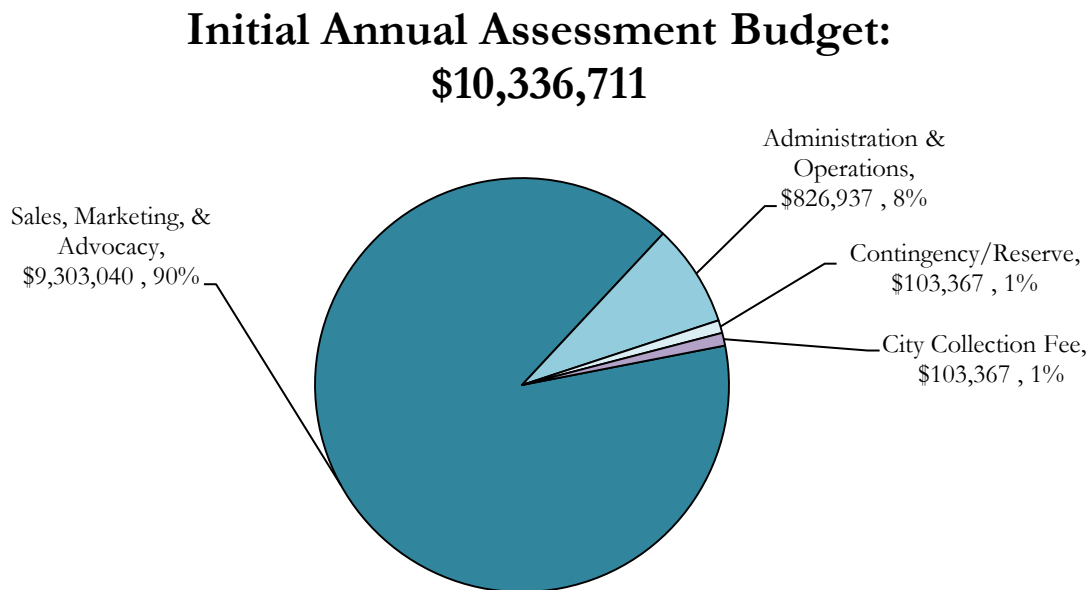


## IV. ASSESSMENT BUDGET AND SERVICES

### A. Annual Service Plan

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly to the payors that are not provided to those not charged, and which do not exceed the reasonable cost to the City of conferring the benefits or granting the privileges. The privileges and services provided with the SFPTMD funds are sales and marketing programs available only to assessed businesses.

A service plan assessment budget has been developed to deliver services that benefit the assessed businesses. A detailed annual assessment budget will be developed and approved by the SFP. The table below illustrates the initial annual assessment budget allocations. These activities and allocations will also apply in subsequent years. The total initial assessment budget is \$10,336,711.



Although actual revenues will fluctuate due to market conditions, the proportional allocations of the budget shall remain the same. However, the City and the SFP board shall have the authority to adjust budget allocations between the categories by no more than twenty (20%) of the total budget per year. A description of the proposed improvements and activities for the initial year of operation is below. The same activities are proposed for subsequent years. In the event of a legal challenge against the SFPTMD, any and all assessment funds may be used for the costs of defending the SFPTMD. In the first year of operation, the costs of creating the SFPTMD may be repaid by deducting repayment funds proportionally from budget categories.

Each budget category includes all costs related to providing that service. For example, the sales and marketing budget includes the cost of staff time dedicated to overseeing and implementing the sales and marketing program. Staff time dedicated purely to administrative tasks is allocated to the administrative portion of the budget. The costs of an individual staff member may be allocated to multiple budget categories. The staffing levels necessary to provide the services below will be determined by the SFP Board on an as-needed basis.

## **Sales, Marketing, & Advocacy**

A sales and marketing program will promote assessed businesses as tourist, meeting, and event destinations. The sales and marketing program will have a central theme of promoting San Francisco Peninsula as a desirable place for overnight visits. The program will have the goal of increasing overnight visitation and room night sales at assessed businesses, and may include the following activities:

- Funds to support group business to offset costs within the destination, thereby generating room nights for assessed businesses;
- Payment of bid fees, incentives or other costs associated with bringing large scale events to the destination that generate room nights for assessed businesses;
- Funds to support events and/or local partnerships that increase the public notoriety of the destination as a tourist, meetings, or event destination – thereby increasing consumer demand for assessed businesses;
- Support of public relation strategies that increase the profile of the destination as a tourist, meetings, or event destination – thereby increasing consumer demand for assessed businesses;
- Strategic partnerships, sponsorships, or other alliances that reinforce the destination within the travel marketplace and position the San Francisco Peninsula as a destination of choice for meetings, events, and leisure travel to assessed businesses;
- Internet marketing efforts to increase awareness and optimize internet presence to drive overnight visitation and room sales to assessed businesses;
- Print ads in magazines and newspapers, television ads, and radio ads targeted at potential visitors to drive overnight visitation and room sales to assessed businesses;
- Attendance of trade shows to promote assessed businesses;
- Familiarization tours of the destination and assessed businesses;
- Preparation and production of collateral promotional materials such as brochures, flyers and maps featuring assessed businesses;
- Attendance of professional industry conferences and affiliation events to promote assessed businesses;
- Lead generation activities designed to attract tourists and group events to assessed businesses;
- Director of Sales and General Manager meetings to plan and coordinate tourism promotion efforts for assessed businesses;
- Education of hospitality staff on service and safety (related to alcohol and food) designed to create a visitor experience that will bring repeat visits to assessed businesses;
- Education of lodging business management and the Owners' Association on advocacy and marketing strategies best suited to meet assessed businesses' needs; and
- Other activities that increase the profile and notoriety of The San Francisco Peninsula as an overnight travel destination and promote greater room night sales for assessed businesses.

## **Administration & Operations**

The administration and operations portion of the budget shall be utilized for administrative staffing costs, office costs, and other general administrative costs such as insurance, legal, and accounting fees.

## **Contingency/Reserve**

The budget includes a contingency line item to account for uncollected assessments, if any. If there are contingency funds collected, they may be held in a reserve fund or utilized for other program, administration or renewal costs at the discretion of the SFP Board. Policies relating to contributions to the reserve fund, the target amount of the reserve fund, and expenditure of monies from the reserve



fund shall be set by the SFP Board. Contingency/reserve funds may be spent on SFPTMD programs or administrative and renewal costs in such proportions as determined by the SFP Board. The reserve fund may be used for the costs of renewing the SFPTMD.

**City Collection Fee**

As lead agency, the City of Burlingame shall retain a fee equal to one percent (1%) of the amount of assessment collected or a flat fee of \$60,000, whichever is greater each year, to cover their costs of collection and administration.

**B. Annual Budget**

The total five (5) year improvement and service plan budget is projected at approximately \$10,336,711 annually, or \$60,838,553 through 2028. A similar budget is expected to apply to subsequent years, but this budget is expected to fluctuate as room sales do.

The following chart has been prepared based on a five-year projection developed by SMG Consulting. The full report can be found in Appendix 4.

Year	Sales, Marketing, & Advocacy	Administration & Operations	Contingency / Reserve	City Collection Fee	Total
2024	\$7,752,533	\$826,937	\$103,367	\$103,367	\$10,336,711
2025	\$10,065,889	\$894,746	\$111,843	\$111,843	\$11,184,321
2026	\$10,851,029	\$964,536	\$120,567	\$120,567	\$12,056,698
2027	\$11,784,217	\$1,047,486	\$130,936	\$130,936	\$13,093,574
2028	\$12,750,523	\$1,133,380	\$141,672	\$141,672	\$14,167,248
<b>Total</b>	<b>\$53,204,191</b>	<b>\$4,867,084</b>	<b>\$608,386</b>	<b>\$608,386</b>	<b>\$60,838,553</b>

**C. California Constitutional Compliance**

The SFPTMD assessment is not a property-based assessment subject to the requirements of Proposition 218. Courts have found Proposition 218 limited the term ‘assessments’ to levies on real property.<sup>1</sup> Rather, the SFPTMD 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 SFPTMD, 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.

**1. 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

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<sup>1</sup> *Jarvis v. the City of San Diego* 72 Cal App. 4<sup>th</sup> 230

privilege.”<sup>2</sup> The services in this Plan are designed to provide targeted benefits directly to assessed businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific businesses within the SFPTMD. The activities described in this Plan are specifically targeted to increase demand for room night sales for assessed lodging businesses within the boundaries of the SFPTMD, and are narrowly tailored. SFPTMD funds will be used exclusively to provide the specific benefit of increased demand for room night sales directly to the assessees. Assessment funds shall not be used to feature non-assessed lodging businesses in SFPTMD programs, or to directly generate sales for non-assessed businesses. The activities paid for from assessment revenues are business services constituting and providing specific benefits to the assessed businesses. Nothing in this Plan limits the ability of the SFP Corporation to enter into private contracts with non-assessed lodging businesses for the provision of services to those businesses.

The assessment imposed by this SFPTMD is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is an increase in demand for room night sales. The specific benefit of an increase in demand for room night sales for assessed lodging businesses will be provided only to lodging businesses paying the district assessment, with marketing and sales programs promoting lodging businesses paying the SFPTMD assessment. The marketing and sales programs will be designed to increase room night sales at each assessed lodging businesses. Because they are necessary to provide the marketing and sales programs that specifically benefit the assessed lodging businesses, the administration and contingency services also provide the specific benefit of increased demand for room night sales to the assessed lodging businesses.

Although the SFPTMD, in providing specific benefits to payors, 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 non-payor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor.”<sup>3</sup>

## ***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.”<sup>4</sup> The legislature has recognized that marketing and promotions services like those to be provided by the SFPTMD are government services within the meaning of Proposition 26<sup>5</sup>. 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.”<sup>6</sup>

## ***3. Reasonable Cost***

SFPTMD 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 herein. Funds will be managed by the SFP, and reports submitted on an annual basis to the City. Only assessed

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<sup>2</sup> Cal. Const. art XIII C § 1(e)(1)

<sup>3</sup> Government Code § 53758(a)

<sup>4</sup> Cal. Const. art XIII C § 1(e)(2)

<sup>5</sup> Government Code § 53758(b)

<sup>6</sup> Government Code § 53758(b)

lodging businesses will be featured in marketing materials, receive sales leads generated from SFPTMD-funded activities, be featured in advertising campaigns, and benefit from other SFPTMD-funded services. Non-assessed lodging businesses will not receive these, nor any other, SFPTMD-funded services and benefits.

The SFPTMD-funded programs are all targeted directly at and feature only assessed businesses. It is, however, possible that there will be a spill-over benefit to non-assessed businesses. If non-assessed lodging businesses receive incremental room nights, that portion of the promotion or program generating those room nights shall be paid with non-SFPTMD funds. SFPTMD funds shall only be spent to benefit the assessed businesses, and shall not be spent on that portion of any program which directly generates incidental room nights for non-assessed businesses.

#### **D. Assessment**

The annual assessment rate is one- and one-half percent (1.5%) of gross short-term sleeping room rental revenue for lodging businesses with 5,000 square feet or more of dedicated meeting space, and 0.75% for all other lodging businesses within the SFPTMD's boundaries. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days; stays provided to airline cockpit and/or cabin crews pursuant to an agreement between a hotel and an airline, which is in furtherance of or to facilitate such crews' performance of their jobs for the airline, including layovers between flights; employees of the state or federal government if room charges are paid directly by their employing agency and copies of official travel orders are submitted as applicable; and any properly credentialed officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

The services provided in the SFPTMD are all targeted to benefit payors, however, not all programs benefit payors equally. The determination of the assessment rates of one- and one-half percent (1.5%) of gross short-term sleeping room rental revenue for lodging businesses with 5,000 square feet or more of dedicated meeting space, and 0.75% for all other lodging businesses within the SFPTMD's boundaries, was calculated based on benefit received by payors. SMG Consulting was engaged to conduct a Hotel Revenue Proportionality Estimate analysis to quantify the estimated benefit the lodging business types will receive from SFPTMD services. By analyzing the projected number of rooms sold and the total amount of revenue estimated to be generated from sales and marketing programs, SMG Consulting found that properties with 5,000 square feet or more of dedicated meeting space will receive approximately double the amount of benefit to all other lodging businesses. The SFPTMD Sales, Marketing, and Advocacy program included in the budget has services that are intended to drive convention and meetings to the SFPTMD. Since lodging businesses with 5,000 square feet or more of dedicated meeting space are uniquely suited to accommodate large conventions and will benefit from overnight stays as a result of SFPTMD services intended to bring such business activity to the SFPTMD, they are assessed at a higher rate than other lodging businesses in the SFPTMD.

The term "dedicated meeting space" as used herein means: a permanent room or space whose primary use is dedicated for group and social meetings, meals, and/or functions. The space has been designed for and is marketed and sold as group or event function space.

The term "gross sleeping room rental revenue" as used herein means: the consideration charged, whether or not received, for the occupancy of space in a lodging business valued in money, whether to be received in money, goods, labor or otherwise, including all receipts, cash, credits and property and services of any kind or nature, without any deduction therefrom whatsoever. Gross sleeping room rental revenue shall not include any federal, state, or local taxes collected, including but not

limited to transient occupancy taxes. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days; stays provided to airline cockpit and/or cabin crews pursuant to an agreement between a hotel and an airline, which is in furtherance of or to facilitate such crews' performance of their jobs for the airline, including layovers between flights; employees of the state or federal government if room charges are paid directly by their employing agency and copies of official travel orders are submitted as applicable; and any properly credentialed officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

The assessment is levied upon and a direct obligation of the assessed lodging business. However, the assessed lodging business may, at its discretion, pass the assessment on to transients. The amount of assessment, if passed on to each transient, shall be disclosed in advance 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. If the SFPTMD assessment is identified separately it shall be disclosed as the "SFPTMD Assessment." As an alternative, the disclosure may include the amount of the SFPTMD assessment and the amount of the assessment imposed 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 sole obligation of the assessed lodging business even if it is passed on to transients. The assessment shall not be considered revenue for any purpose, including calculation of transient occupancy taxes.

Bonds shall not be issued.

#### **E. Penalties and Interest**

The SFPTMD shall reimburse the City of Burlingame for any costs associated with collecting unpaid assessments. If sums in excess of the delinquent SFPTMD assessment are sought to be recovered in the same collection action by the City, the SFPTMD shall bear its pro rata share of such collection costs. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. *Original Delinquency:* Any lodging business that fails to remit any assessment imposed within the time required shall pay a penalty of five percent (5%) of the amount of the assessment in addition to the amount of the assessment.
2. *Continued Delinquency:* Any lodging business that fails to remit any delinquent remittance on or before a period of fifteen (15) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of five percent (5%) of the amount of the assessment in addition to the amount of the assessment and the five percent (5%) penalty first imposed. An additional penalty of five percent (5%) shall be paid for each fifteen (15) days thereafter which the remittance is delinquent.
3. *Fraud:* If the City determines that the nonpayment of any remittance due under this chapter is due to fraud, a penalty of twenty-five percent (25%) of the amount of the assessment shall be added thereto in addition to the penalties stated in subsections (1) and (2) of this section.
4. *Interest:* In addition to the penalties imposed, any lodging business that fails to remit any assessment imposed shall pay interest at the rate of one percent (1%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the remittance first became delinquent until paid.

**F. Time and Manner for Collecting Assessments**

The SFPTMD assessment will be implemented beginning January 1, 2024, or as soon as possible thereafter, and ending five (5) years from its start date. The City of Burlingame shall be responsible for collecting the assessment on a monthly basis, (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the SFPTMD. The City shall take all reasonable efforts to collect the assessments from each lodging business. The City shall forward the assessments collected to the Owners' Association.

## **V. GOVERNANCE**

### **A. Owners' Association**

The Burlingame City Council, through adoption of this Management District Plan, has the right, pursuant to Streets and Highways Code §36651, to identify the body that shall implement the proposed program, which shall be the Owners' Association of the SFPTMD as defined in Streets and Highways Code §36612. The San Francisco Peninsula (SFP) will serve as the SFPTMD's Owners' Association. The Owners' Association is charged with managing funds and implementing programs in accordance with the Management District Plan, and must provide annual reports to Burlingame City Council.

The SFP shall create a SFPTMD Committee tasked with determining how SFPTMD funds are spent, within the designated programs in this Plan, subject to final approval by the SFP Board. The SFPTMD Committee shall include lodging business owners or representatives paying the SFPTMD assessment.

### **B. Brown Act and California Public Records Act Compliance**

An Owners' Association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. The Owners' Association is, however, subject to government regulations relating to transparency, namely the Ralph M. Brown Act and the California Public Records Act. These regulations are designed to promote public accountability. The Owners' Association acts as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the SFP board and certain committees must be held in compliance with the public notice and other requirements of the Brown Act. The Owners' Association is also subject to the record keeping and disclosure requirements of the California Public Records Act. Accordingly, the Owners' Association shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

### **C. Annual Report**

The SFP shall present an annual report at the end of each year of operation to the City Council pursuant to Streets and Highways Code §36650 (see Appendix 1). The annual report shall include:

- Any proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses within the district.
- The improvements and activities to be provided for that fiscal year.
- An estimate of the cost of providing the improvements and the activities for that fiscal year.
- 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.
- The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

# APPENDIX 1 – LAW

\*\*\* THIS DOCUMENT IS CURRENT THROUGH THE 2022 SUPPLEMENT \*\*\*  
(ALL 2021 LEGISLATION)

## STREETS AND HIGHWAYS CODE DIVISION 18. PARKING PART 7. PROPERTY AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994

### CHAPTER 1. General Provisions

#### ARTICLE 1. Declarations

##### 36600. Citation of part

This part shall be known and may be cited as the “Property and Business Improvement District Law of 1994.”

##### 36601. Legislative findings and declarations; Legislative guidance

The Legislature finds and declares all of the following:

- (a) Businesses located and operating within business districts in some of this state’s communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.
- (b) It is in the public interest to promote the economic revitalization and physical maintenance of business districts in order to create jobs, attract new businesses, and prevent the erosion of the business districts.
- (c) It is of particular local benefit to allow business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.
- (d) Assessments levied for the purpose of conferring special benefit upon the real property or a specific benefit upon the businesses in a business district are not taxes for the general benefit of a city, even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them.
- (e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:
  - (1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied.
  - (2) Job creation.
  - (3) Business attraction.
  - (4) Business retention.
  - (5) Economic growth.
  - (6) New investments.
- (f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.
- (g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.
- (h) The act amending this section is intended to provide the Legislature’s guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts.
  - (1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.
  - (2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The

mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.

(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

### **36602. Purpose of part**

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.

### **36603. Preemption of authority or charter city to adopt ordinances levying assessments**

Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

### **36603.5. Part prevails over conflicting provisions**

Any provision of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

### **36604. Severability**

This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

## **ARTICLE 2. Definitions**

### **36606. “Activities”**

“Activities” means, but is not limited to, all of the following that benefit businesses or real property in the district:

- (a) Promotion of public events.
- (b) Furnishing of music in any public place.
- (c) Promotion of tourism within the district.
- (d) Marketing and economic development, including retail retention and recruitment.
- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
- (f) Other services provided for the purpose of conferring special benefit upon assessed real property or specific benefits upon assessed businesses located in the district.

### **36606.5. “Assessment”**

“Assessment” means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to properties or businesses located within a property and business improvement district.

### **36607. “Business”**

“Business” means all types of businesses and includes financial institutions and professions.

### **36608. “City”**



“City” means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county, or the State of California.

**36609. “City council”**

“City council” means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

**36609.4. “Clerk”**

“Clerk” means the clerk of the legislative body.

**36609.5. “General benefit”**

“General benefit” means, for purposes of a property-based district, any benefit that is not a “special benefit” as defined in Section 36615.5.

**36610. “Improvement”**

“Improvement” means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

- (a) Parking facilities.
- (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
- (c) Trash receptacles and public restrooms.
- (d) Lighting and heating facilities.
- (e) Decorations.
- (f) Parks.
- (g) Fountains.
- (h) Planting areas.
- (i) Closing, opening, widening, or narrowing of existing streets.
- (j) Facilities or equipment, or both, to enhance security of persons and property within the district.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

**36611. “Management district plan”; “Plan”**

“Management district plan” or “plan” means a proposal as defined in Section 36622.

**36612. “Owners’ association”**

“Owners’ association” means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities specified in the management district plan. An owners’ association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners’ association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners’ association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code), for all records relating to activities of the district.

**36614. “Property”**

“Property” means real property situated within a district.

**36614.5. “Property and business improvement district”; “District”**

“Property and business improvement district,” or “district,” means a property and business improvement district established pursuant to this part.

**36614.6. “Property-based assessment”**

“Property-based assessment” means any assessment made pursuant to this part upon real property.

**36614.7. “Property-based district”**

“Property-based district” means any district in which a city levies a property-based assessment.

**36615. “Property owner”; “Business owner”; “Owner”**

“Property owner” means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. “Business owner” means any person recognized by the city as the owner of the business. “Owner” means either a business owner or a property owner. The city council has no obligation to obtain other information as to the ownership of land or businesses, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this part requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient. Wherever this part requires the signature of the business owner, the signature of the authorized agent of the business owner shall be sufficient.

**36615.5. “Special benefit”**

“Special benefit” means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

**36616. “Tenant”**

“Tenant” means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

**ARTICLE 3. Prior Law**

**36617. Alternate method of financing certain improvements and activities; Effect on other provisions**

This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

**CHAPTER 2. Establishment**

**36620. Establishment of property and business improvement district**

A property and business improvement district may be established as provided in this chapter.

**36620.5. Requirement of consent of city council**

A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

**36621. Initiation of proceedings; Petition of property or business owners in proposed district**

- (a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be included in

determining whether the petition is signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.

(b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:

- (1) A map showing the boundaries of the district.
- (2) Information specifying where the complete management district plan can be obtained.
- (3) Information specifying that the complete management district plan shall be furnished upon request.

(c) The resolution of intention described in subdivision (a) shall contain all of the following:

- (1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.
- (2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

### **36622. Contents of management district plan**

The management district plan shall include, but is not limited to, all of the following:

(a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably determine whether a business is located within the district boundaries.

(b) The name of the proposed district.

(c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500)). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.

(d) The improvements, maintenance, and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, and activities are proposed for subsequent years shall satisfy the requirements of this subdivision.

(e) The total annual amount proposed to be expended for improvements, maintenance, or activities, and debt service in each year of operation of the district. If the assessment is levied on businesses, this amount may be estimated based upon the assessment rate. If the total annual amount proposed to be expended in each year of operation of the district is not significantly different, the amount proposed to be expended in the initial year and a statement that a similar amount applies to subsequent years shall satisfy the requirements of this subdivision.

(f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against his or her property or business. The plan also shall state whether bonds will be issued to finance improvements.

(g) The time and manner of collecting the assessments.

(h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.

- (i) The proposed time for implementation and completion of the management district plan.
- (j) Any proposed rules and regulations to be applicable to the district.
- (k)
  - (1) A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof.
  - (2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.
- (l) In a property-based district, the total amount of all special benefits to be conferred upon the properties located within the property-based district.
- (m) In a property-based district, the total amount of general benefits, if any.
- (n) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.
- (o) Any other item or matter required to be incorporated therein by the city council.

**36623. Procedure to levy assessment**

- (a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with Section 53753 of the Government Code.
- (b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with Section 54954.6 of the Government Code, except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business or the authorized representative. A written protest that does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners or authorized representatives of businesses in the proposed district that will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.
- (c) If a city council proposes to conduct a single proceeding to levy both a new or increased property assessment and a new or increased business assessment, the notice and protest and hearing procedure for the property assessment shall comply with subdivision (a), and the notice and protest and hearing procedure for the business assessment shall comply with subdivision (b). If a majority protest is received from either the property or business owners, that respective portion of the assessment shall not be levied. The remaining portion of the assessment may be levied unless the improvement or other special benefit was proposed to be funded by assessing both property and business owners.

**36624. Changes to proposed assessments**

At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements, maintenance, and activities to be funded with the

revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements, maintenance, and activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to Section 36627.

### **36625. Resolution of formation**

(a) If the city council, following the public hearing, decides to establish a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property, businesses, or both within the district, a statement on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities and the location and extent of the proposed district.

(2) The number, date of adoption, and title of the resolution of intention.

(3) The time and place where the public hearing was held concerning the establishment of the district.

(4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.

(5) A statement that the properties, businesses, or properties and businesses in the district established by the resolution shall be subject to any amendments to this part.

(6) A statement that the improvements, maintenance, and activities to be conferred on businesses and properties in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements, maintenance, or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district. Notwithstanding the foregoing, improvements and activities that must be provided outside the district boundaries to create a special or specific benefit to the assessed parcels or businesses may be provided, but shall be limited to marketing or signage pointing to the district.

(7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.

(8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(b) The adoption of the resolution of formation and, if required, recordation of the notice and map pursuant to Section 36627 shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

### **36627. Notice and assessment diagram**

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625, the clerk shall record a notice and an assessment diagram pursuant to Section 3114. No other provision of Division 4.5 (commencing with Section 3100) applies to an assessment district created pursuant to this part.

### **36628. Establishment of separate benefit zones within district; Categories of businesses**

The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.

### **36628.5. Assessments on businesses or property owners**

The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

**36629. Provisions and procedures applicable to benefit zones and business categories**

All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a property and business improvement district.

**36630. Expiration of district; Creation of new district**

If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and the district may be renewed pursuant to this part.

**CHAPTER 3. Assessments**

**36631. Time and manner of collection of assessments; Delinquent payments**

The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution levying the assessment. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part may be charged interest and penalties.

**36632. Assessments to be based on estimated benefit; Classification of real property and businesses; Exclusion of residential and agricultural property**

- (a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of determining the benefit to property of the improvements and activities provided pursuant to this part.
- (b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.
- (c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

**36633. Time for contesting validity of assessment**

The validity of an assessment levied under this part shall not be contested in an action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36625. An appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

**36634. Service contracts authorized to establish levels of city services**

The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

**36635. Request to modify management district plan**

The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

**36636. Modification of plan by resolution after public hearing; Adoption of resolution of intention**

(a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with Section 36623. Notice of all other public hearings pursuant to this section shall comply with both of the following:

- (1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public hearing.
- (2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public hearing, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

### **36637. Reflection of modification in notices recorded and maps**

Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

## **CHAPTER 3.5. Financing**

### **36640. Bonds authorized; Procedure; Restriction on reduction or termination of assessments**

(a) The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.

(b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.

(c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

## **CHAPTER 4. Governance**

### **36650. Report by owners' association; Approval or modification by city council**

(a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:

- (1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.
- (2) The improvements, maintenance, and activities to be provided for that fiscal year.

- (3) An estimate of the cost of providing the improvements, maintenance, and activities for that fiscal year.
  - (4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or 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 assessments levied pursuant to this part.
- (c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636.

The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

**36651. Designation of owners' association to provide improvements, maintenance, and activities**

The management district plan may, but is not required to, state that an owners' association will provide the improvements, maintenance, and activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

**CHAPTER 5. Renewal**

**36660. Renewal of district; Transfer or refund of remaining revenues; District term limit**

- (a) Any district previously established whose term has expired, or will expire, may be renewed by following the procedures for establishment as provided in this chapter.
- (b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.
- (c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

**CHAPTER 6. Disestablishment**

**36670. Circumstances permitting disestablishment of district; Procedure**

- (a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:
  - (1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.
  - (2) During the operation of the district, there shall be a 30-day period each year in which assesseses may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the district who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.
- (b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the



owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

**36671. Refund of remaining revenues upon disestablishment or expiration without renewal of district; Calculation of refund; Use of outstanding revenue collected after disestablishment of district**

(a) Upon the disestablishment or expiration without renewal of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same method and basis that was used to calculate the assessments levied in the fiscal year in which the district is disestablished or expires. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.

(b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied in the immediate prior fiscal year shall be used to calculate the amount of any refund.

## APPENDIX 2 – ASSESSED BUSINESSES

HOTEL NAME	SITE ADDRESS	CITY	ST	ZIP
AC HOTEL SAN FRANCISCO AIRPORT/OYSTER POINT WATERFRONT	1333 Veterans Blvd	So. San Francisco	CA	94080
AIRPORT INN	751 Airport Blvd	So. San Francisco	CA	94080
ALL SEASONS LODGE	800 El Camino Real	So. San Francisco	CA	94080
ALOFT SAN FRANCISCO AIRPORT	401 E. Millbrae Ave	Millbrae	CA	94030
AMERICANA INN MOTEL	760 El Camino Real	So. San Francisco	CA	94080
AMERICAS BEST VALUE INN - PACIFICA	2160 Francisco Blvd	Pacifica	CA	94044
ANCHOR INN PACIFICA	500 San Pedro Ave	Pacifica	CA	94044
ARISTOCRAT HOTEL, BW SIGNATURE COLLECTION	1410 Cabrillo Hwy S	Half Moon Bay	CA	94019
ATHERTON INN	1201 W Selby Lane	Redwood City	CA	94061
ATHERTON PARK INN & SUITES	2834 El Camino Real	Redwood City	CA	94061
BAY LANDING HOTEL	1550 Bayshore Hwy	Burlingame	CA	94010
BAYHILL INN	950 El Camino Real	San Bruno	CA	94066
BEACH HOUSE HOTEL	4100 Cabrillo Hwy N	Half Moon Bay	CA	94019
BELMONT PALMS	700 El Camino Real	Belmont	CA	94002
BEST WESTERN COYOTE POINT	480 N Bayshore Blvd	San Mateo	CA	94401
BEST WESTERN INN	316 El Camino Real	Redwood City	CA	94062
BEST WESTERN PLUS EXECUTIVE SUITES	25 5th Ave	Redwood City	CA	94063
BEST WESTERN PLUS GROSVENOR HOTEL	380 S Airport Blvd	So. San Francisco	CA	94080
BUDGET INN	2526 El Camino Real	Redwood City	CA	94061
CANYON RANCH WELLNESS RETREAT	16350 Skyline Blvd	Woodside	CA	94062
CAPRI MOTEL	2380 El Camino Real	Redwood City	CA	94063
THE CATRINA HOTEL	2110 S El Camino Real	San Mateo	CA	94403
COMFORT INN & SUITES - SAN BRUNO	611 San Bruno Ave E	San Bruno	CA	94066
COMFORT INN & SUITES SFO NORTH	121 E. Grand Ave	So. San Francisco	CA	94080
COSTANOA LODGE+CAMP+RESORT	2001 Rossi Rd	Pescadero	CA	94060
COUNTRY INN & SUITES BY RADISSON	251 El Camino Real	San Carlos	CA	94070
COURTYARD REDWOOD CITY	600 Bair Island Rd	Redwood City	CA	94063
COURTYARD SAN FRANCISCO AIRPORT	1050 Bayhill Dr	San Bruno	CA	94066
CROWNE PLAZA S.F. AIRPORT	1177 Airport Blvd	Burlingame	CA	94010
CYPRESS INN ON MIRAMAR BEACH	407 Mirada Rd	Half Moon Bay	CA	94019
DAYS INN - REDWOOD CITY	2650 El Camino Real	Redwood City	CA	94061
DAYS INN S.F. AIRPORT-OYSTER POINT - SSF	1113 Airport Blvd	So. San Francisco	CA	94080
DELUXE INN - REDWOOD CITY	1402 Stafford St	Redwood City	CA	94062
DELUXE INN - SSF	920 El Camino Real	So. San Francisco	CA	94080
DOUBLETREE BY HILTON S.F. AIRPORT	835 Airport Blvd	Burlingame	CA	94010

DOUBLETREE BY HILTON S.F. AIRPORT NORTH	5000 Sierra Point Parkway	Brisbane	CA	94005
DOUBLETREE BY HILTON SF / SOUTH AIRPORT BLVD	275 S Airport Blvd	So. San Francisco	CA	94080
THE DYLAN HOTEL AT SFO	110 S El Camino Real	Millbrae	CA	94030
EMBASSY SUITES S.F. AIRPORT SOUTH SAN FRANCISCO	250 Gateway Blvd	So. San Francisco	CA	94080
EMBASSY SUITES S.F. AIRPORT - WATERFRONT	150 Anza Blvd	Burlingame	CA	94010
EXTENDED STAY AMERICA - BELMONT	120 Sem Lane	Belmont	CA	94002
EXTENDED STAY AMERICA - SAN CARLOS	3 Circle Star Way	San Carlos	CA	94070
EXTENDED STAY AMERICA - SAN MATEO	1830 Gateway Dr	San Mateo	CA	94404
FAIRFIELD INN & SUITES SAN FRANCISCO PACIFICA	500 Old County Rd	Pacifica	CA	94044
FAIRFIELD INN & SUITES SAN FRANCISCO SAN CARLOS	555 Skyway Rd	San Carlos	CA	94070
FAIRFIELD INN & SUITES SFO OYSTER POINT AREA	127 W. Harris Avenue	So. San Francisco	CA	94080
FOUR POINTS BY SHERATON HOTEL & SUITES	264 S Airport Blvd	So. San Francisco	CA	94080
FOUR SEASONS HOTEL SILICON VALLEY	2050 University Ave	East Palo Alto	CA	94303
GARDEN MOTEL	1690 Broadway	Redwood City	CA	94063
GATEWAY INN & SUITES	516 El Camino Real	San Bruno	CA	94066
GOOD LIVING INN	1562 El Camino Real	San Carlos	CA	94070
GOOD NITE INN	485 Veterans Blvd	Redwood City	CA	94063
GRAND BAY SAN FRANCISCO	223 Twin Dolphin Dr	Redwood City	CA	94065
GRAND HYATT AT SFO	55 S. McDonnell Road	San Francisco	CA	94128
HALF MOON BAY INN	401 Main St	Half Moon Bay	CA	94019
HALF MOON BAY LODGE	2400 Cabrillo Hwy S	Half Moon Bay	CA	94019
HAMPTON INN & SUITES SFO SOUTH - BURLINGAME	1755 Bayshore Hwy	Burlingame	CA	94010
HAMPTON INN & SUITES - SAN MATEO	2940 S. Norfolk St.	San Mateo	CA	94403
HAMPTON INN SFO NORTH - SSF	300 Gateway Blvd	So. San Francisco	CA	94080
HARBOR VIEW INN	51 Ave Alhambra	El Granada	CA	94018
HILTON GARDEN INN SAN MATEO	2000 Bridgepoint Circle	San Mateo	CA	94404
HILTON GARDEN INN SFO - BURLINGAME	765 Airport Blvd	Burlingame	CA	94010
HILTON GARDEN INN - SFO NORTH - SSF	670 Gateway Blvd	So. San Francisco	CA	94080
HILTON S.F. AIRPORT BAYFRONT	600 Airport Blvd	Burlingame	CA	94010
HOLIDAY INN & SUITES SAN MATEO-SF SFO	330 N Bayshore Blvd	San Mateo	CA	94401
HOLIDAY INN EXPRESS & SUITES BELMONT	1650 El Camino Real	Belmont	CA	94002
HOLIDAY INN EXPRESS REDWOOD CITY CENTRAL	1836 El Camino Real	Redwood City	CA	94063
HOLIDAY INN EXPRESS SFO NORTH - SSF	373 S Airport Blvd	So. San Francisco	CA	94080
HOLIDAY INN EXPRESS SFO SOUTH - BURLINGAME	1250 Bayshore Hwy	Burlingame	CA	94010

HOME2 SUITES BY HILTON SFO NORTH	550 Gateway Blvd	So. San Francisco	CA	94080
HOMEWOOD SUITES BY HILTON BELMONT	1201 Shoreway Road	Belmont	CA	94002
HOMEWOOD SUITES BY HILTON SFO AIRPORT NORTH	2000 Shoreline Court	Brisbane	CA	94005
HOTEL 1550	1550 El Camino Real	San Bruno	CA	94066
HOTEL ALUXOR	500 El Camino Real	San Bruno	CA	94066
HOTEL AURA SFO	190 El Camino Real	San Bruno	CA	94066
HOTEL BELMONT	560 El Camino Real	Belmont	CA	94002
HOTEL FOCUS SFO	111 Mitchell Ave	So. San Francisco	CA	94080
HOTEL NOVA SFO BY FAIRBRIDGE	410 S Airport Blvd	So. San Francisco	CA	94080
HOTEL V	222 S Airport Blvd	So. San Francisco	CA	94080
HYATT HOUSE BELMONT/REDWOOD SHORES	400 Concourse Dr	Belmont	CA	94002
HYATT PLACE SAN CARLOS	26 El Camino Real	San Carlos	CA	94070
HYATT REGENCY SAN FRANCISCO AIRPORT	1333 Bayshore Hwy	Burlingame	CA	94010
INN @ BAYSHORE	140 N Bayshore Blvd	San Mateo	CA	94401
INN AT MAVERICKS	346 Princeton Ave	El Granada	CA	94018
INN AT ROCKAWAY	200 Rockaway Beach Ave	Pacifica	CA	94044
INN BY THE SFO	701 Airport Blvd	So. San Francisco	CA	94080
LA QUINTA INN & SUITES S.F. AIRPORT WEST	1390 El Camino Real	Millbrae	CA	94030
LA QUINTA INN S.F. AIRPORT NORTH	20 Airport Blvd	So. San Francisco	CA	94080
LARKSPUR LANDING HOTEL SSF	690 Gateway Blvd	So. San Francisco	CA	94080
LIA HOTEL	950 El Camino Real	San Carlos	CA	94070
LIGHTHOUSE HOTEL	105 Rockaway Beach Ave	Pacifica	CA	94044
MARRIOTT FAIRFIELD INN & SUITES SFO	250 El Camino Real	Millbrae	CA	94030
MILL ROSE INN	615 Mill St	Half Moon Bay	CA	94019
MILLWOOD INN & SUITES	1375 El Camino Real	Millbrae	CA	94030
THE MIRAMAR INN & SUITES	3020 Cabrillo Hwy N	Half Moon Bay	CA	94019
MOTEL 6 - BELMONT	1101 Shoreway Rd	Belmont	CA	94002
NANTUCKET WHALE INN	779 Main St	Half Moon Bay	CA	94019
NICHE HOTEL	868 Main St	Redwood City	CA	94063
OCEAN VIEW INN	8425 Cabrillo Hwy	Montara	CA	94037
THE OCEANFRONT HOTEL	211 Mirada Rd	Half Moon Bay	CA	94019
OCEANO HOTEL & SPA	280 Capistrano Rd	Half Moon Bay	CA	94019
PACIFICA BEACH HOTEL	525 Crespi Dr	Pacifica	CA	94044
PARK POINTE HOTEL	245 S. Airport Blvd	So. San Francisco	CA	94080
PESCADERO CREEK INN	393 Stage Rd	Pescadero	CA	94060
QUALITY INN HALF MOON BAY	2930 Cabrillo Hwy N	Half Moon Bay	CA	94019

RAMADA LIMITED SUITES	721 Airport Blvd	So. San Francisco	CA	94080
REDWOOD CREEK INN	1090 El Camino Real	Redwood City	CA	94063
REDWOOD MOTOR COURT	3706 Rolison Rd	Redwood City	CA	94063
REGENCY INN SFO	411 San Bruno Ave E	San Bruno	CA	94066
RESIDENCE INN SAN FRANCISCO AIRPORT/MILLBRAE	161 N. Rollins Road	Millbrae	CA	94030
RESIDENCE INN REDWOOD CITY SAN CARLOS	800 E. San Carlos Ave	San Carlos	CA	94070
RESIDENCE INN SAN FRANCISCO AIRPORT/SAN MATEO	2000 Winward Way	San Mateo	CA	94404
THE RITZ-CARLTON, HALF MOON BAY	One Miramontes Point Rd	Half Moon Bay	CA	94019
RITZ INN	151 El Camino Real	San Bruno	CA	94066
ROYAL INN	120 Hickey Blvd	So. San Francisco	CA	94080
SAN BENITO HOUSE	356 Main St	Half Moon Bay	CA	94019
SAN CARLOS INN	1140 Morse Blvd	San Carlos	CA	94070
SAN FRANCISCO AIRPORT MARRIOTT WATERFRONT	1800 Old Bayshore Hwy	Burlingame	CA	94010
SAN MATEO MARRIOTT	1770 So. Amphlett Blvd	San Mateo	CA	94402
SEA BREEZE MOTEL	100 Rockaway Beach Ave	Pacifica	CA	94044
SEAL COVE INN	221 Cypress Ave	Moss Beach	CA	94038
SEQUOIA INN	526 El Camino Real	Redwood City	CA	94063
SFO AIRPORT HOTEL, EL RANCHO INN	1100 El Camino Real	Millbrae	CA	94030
SILICON VALLEY INN	630 El Camino Real	Belmont	CA	94002
SONESTA ES SUITES SFO SAN BRUNO	1350 Huntington	San Bruno	CA	94066
SONESTA ES SUITES SFO OYSTER POINT WATERFRONT	1350 Veterans Blvd	So. San Francisco	CA	94080
SONESTA SELECT SFO OYSTER POINT WATERFRONT	1300 Veterans Blvd	So. San Francisco	CA	94080
SPRINGHILL SUITES BELMONT REDWOOD SHORES	1401 Shoreway Rd	Belmont	CA	94002
SUPER 8 S.F. AIRPORT - SAN BRUNO	421 El Camino Real	San Bruno	CA	94066
TRAVELERS INN	100 Hickey Blvd	So. San Francisco	CA	94080
TRAVELODGE SFO NORTH	326 S Airport Blvd	So. San Francisco	CA	94080
VAGABOND INN EXECUTIVE S.F. AIRPORT BAYFRONT	1640 Old Bayshore Hwy	Burlingame	CA	94010
VILLA MONTES HOTEL, ASCEND HOTEL COLLECTION	620 El Camino Real	San Bruno	CA	94066
THE WESTIN S.F. AIRPORT	1 Old Bayshore Hwy	Millbrae	CA	94030
ZABALLA HOUSE BED & BREAKFAST	324 Main St	Half Moon Bay	CA	94019

### APPENDIX 3 – BENEFITS BY BUSINESS CATEGORY

Program	Service	Tier 1 (1.5%)	Tier 2 (0.75%)
General	Listing on www.thesanfranciscopeninsula.com with link to hotel booking page	X	X
General	Inclusion in Sales, Marketing and Promotional Opportunities	X	X
General	Inclusion in SFP's Consumer Brochures	X	X
General	Access to SFP's research reports and insights	X	X
General	Represented by SFP at industry conferences and events	X	X
General	Access to California Hotel Lodging Association's industry advocacy efforts and training materials	X	X
Consumer	Opportunity to participate in Consumer Marketing Campaigns	X	X
Consumer	Public Relations participation opportunities	X	X
Consumer	Familiarization Tour (Press and Influencer) Opportunities	X	X
Consumer	Inclusion Opportunity in Social Media Efforts	X	X
Consumer	Inclusion Opportunity in Destination Video and Photo Shoots	X	X
Consumer	New project and special event opportunities	X	X
Travel Trade	Trade Show Opportunities	X	X
Travel Trade	Sales Mission Opportunities	X	X
Travel Trade	Lead Opportunities	X	X
Travel Trade	Familiarization Tour Leads (Press and Travel Trade) Opportunities	X	X
Meetings	Lead Distribution	X	
Meetings	Site Inspections	X	
Meetings	Convention Services Support	X	
Meetings	Opportunity to participate in Sales Missions	X	
Meetings	Opportunity to participate in Client Events	X	
Meetings	Industry tradeshow participation	X	
Meetings	Participation in local industry chapter meetings and events	X	
Meetings	Familiarization Tours	X	
Meetings	Marketing Campaigns	X	
Meetings	Inclusion in Meetings Market Brochures	X	
Meetings	Opportunity for Sponsorship of Group Events	X	
Meetings	Custom Event Landing Page for Groups: Things To Do Nearby With Your Selected Venue (Itinerary)	X	

Meetings	Distribution of hot rates and dates to planners	X	
Meetings	Co-op advertising opportunities in key meeting publications	X	
Meetings	Social media mentions/posts promoting groups space	X	
Meetings	Inclusion on Meeting Planner section of website	X	
Meetings	Opportunity to be highlighted in meeting planner newsletter	X	
Meetings	Access to SF Travel group leads via our alliance with SFT	X	

## **APPENDIX 4 – SMG CONSULTING ANALYSIS**



SF Peninsula

Tourism Business Improvement District Pro Forma Review

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**SMGConsulting**

TAKE ANOTHER PATH.

## Overview

In 2001, the Organization established a Tourism Business Improvement District (TBID) under the Parking and Business Improvement Area Law of 1989 ('89 Law) and now wishes to convert to a Tourism Marketing District (TMD) under the Property and Business Improvement District Law of 1994 ('94 Law).

The organization is moving forward with a Tourism Business Improvement District (TBID) transition that will increase its funding above \$6 million annually to be available for tourism promotion efforts. The TBID contribution is a significant budget increase for the organization. In developing the proposal for the TBID renewal and the subsequent approval of the lodging industry, the organization staff has prepared a TMD Benefits Proforma to estimate the potential return on investment from the new TBID funds.

This staff assessment includes the proposed allocation and use of new funds for different tourism promotion efforts (sales, advertising, public relations, social media, etc.) and the projected return on investment for those funds.

## Proforma Review

The TMD Benefits Proforma review includes a review of the staff proforma to check the assumptions and estimates and make suggestions and recommendations.

## Scope of Work

The following is a review of the proforma developed for the TBID renewal. The analysis was done using the information supplied by The San Francisco Peninsula CVB. Project elements include the following:

### **I. DEVELOP SMITH TRAVEL RESEARCH TRENDLINE AND ANNUAL GROWTH RATE FOR LODGING REVENUE. DEVELOP MULTI-YEAR FORECAST.**

#### **➤ DETERMINE THE PROJECTABLE RATE OF GROWTH.**

#### **• REVIEW STAFF DRAFT PROFORMA, INCLUDING ASSUMPTIONS AND FINAL ESTIMATES.**

### **I. COMPARE PROFORMA ESTIMATES WITH TRENDLINE AND ASSESS WITH POTENTIALLY DIFFERENT SCENARIOS (HIGH, MEDIUM, AND LOW ESTIMATES).**

## Limiting Conditions

The following analysis and estimates are based on the best information and time available. The results and opinions provided are a guide for consideration, and we do not claim as to the accuracy of the final results.

## **Model Development**

We developed an SF Peninsula Tourism Economic Model to develop lodging revenue and room night projections with the addition of new properties and the potential of Menlo Park Inclusion. The model was developed utilizing the past ten years of monthly lodging data from Smith Travel Research. The model measures a variety of economic activities, including the following:

### **II. LODGING REVENUE PROJECTIONS THROUGH 2027**

### **III. ROOM NIGHT PROJECTION THROUGH 2027**

### **IV. TBID REVENUE WITHOUT MENLO PARK**

### **V. TBID REVENUE WITH MENLO PARK**

### **VI. TBIB REVENUE WITH NEW PROPERTIES**

### **VII. TBID REVENUE WITHOUT NEW PROPERTIES.**

The SF Peninsula Tourism Economic Model can be adjusted to test or consider different scenarios.

## **Model Methodology**

The future growth of ADR and room nights is using a Bayesian Structural Times Series (BSTS) model, a technique for fitting historical data and forecasting future trends (Scott and Varian, Predicting the Present with Bayesian Structural Time Series 2013). BSTS was chosen for its ability to forecast future trends, including seasonal variation, using robust time series data. In this case, data is available in monthly intervals from July 2012. This model was fit by specifying a semi-local linear trend. Confidence intervals bound a mean forecast to quantify the degree of uncertainty in the future (Scott, Fitting Bayesian structural time series with the bstS R package 2017).

Rather than having the pandemic disruption influence the forecasts, only data from July 2012 through December 2019 was taken as input. Revenue is simply forecast as the product of ADR and room nights.

Given the fact that the STR reports track all cities in San Mateo County, the revenue forecast is reduced in proportion to the number of room nights in the TMD (15,699/17,190) or 91.3 percent. TMD fee revenue is also forecast in proportion to available rooms, with 42 percent A-level property rooms paying 1.5 percent of gross room revenue. The balance is paid by B-level property rooms at 0.75 percent.

Construction of three new B-level properties is underway and will bring 451 rooms online. These rooms are assumed to be available from January 2023. There are 533 A-level property rooms and 338 B-level property rooms in Menlo Park. Potential gross room and TMD fee revenue is forecast on the basis of room count proportionality.

## **Model Assumptions**

The model forecasts mean values of ADR and room nights along with 2.5 percent confidence intervals. This report is based on mean values. By constructing the model in this manner, we are

assuming that the conditions supporting ADR and room night growth prior to the pandemic will continue from 2023 forward.

Sources of variation include the impact of macroeconomic conditions, actual timing of new construction (planned and unplanned), promotions and policies such as airline crew waivers.

**Model Limitations**

The baseline SF Peninsula Tourism Economic Model provides a static look based on a given set of assumptions. Forecasts of future events are inherently uncertain as the recent pandemic reminded us. As noted above, the model can be adjusted to estimate specific scenarios in detail in which case the relative differences generally provide the most value.

**Findings**

Table 1 below summarizes Room Nights, Revenue, and Average Daily Rate (ADR) projections.

**Table 1: Room Night, Revenue, and Average Daily Rate Projections 2021-2027**

	2021	2022	2023	2024	2025	2026	2027
Room nights	3,201,672	3,273,894	3,356,784	3,470,192	3,592,148	3,720,575	3,824,263
RN annual growth		2.3%	2.5%	3.4%	3.5%	3.6%	2.8%
Revenue (thousands)	\$430,563	\$784,357	\$1,053,955	\$1,140,669	\$1,229,371	\$1,335,188	\$1,444,536
Rev annual growth		82.2%	34.4%	8.2%	7.8%	8.6%	8.2%
ADR	\$134	\$240	\$314	\$329	\$342	\$359	\$378
ADR annual growth		78.2%	31.1%	4.7%	4.1%	4.9%	5.3%

- A. THE MODEL INCLUDES GROWTH RATE PROJECTIONS FOR EACH OF THOSE CATEGORIES. NOTE THE SIGNIFICANT REVENUE GROWTH PROJECTION IN 2022 AND 2023, AFTER WHICH THE GROWTH SLOWS DOWN INTO A MORE CONSISTENT PATTERN AFTER 2023. (SEE TABLE 1 ABOVE)
  
- B. THE TMD BENEFITS PROFORMA DEVELOPED BY STAFF HAS LODGING RATES BETWEEN \$200 AND \$293, WHICH IS WITHIN ESTIMATES OR THE PROJECTED AVERAGE DAILY RATE OF THE SF PENINSULA TOURISM ECONOMIC MODEL. (SEE TABLE 2)
  
- A. REGARDING TBID REVENUE PROJECTION, THE TMD BENEFITS PROFORMA ANTICIPATES TBID REVENUE OF APPROXIMATELY \$6M. BASED ON THE SF PENINSULA TOURISM ECONOMIC MODEL'S ASSUMPTIONS, TBID COLLECTIONS COULD BE HIGHER STARTING IN 2022 (APPROXIMATELY \$8M). (SEE TABLE 2)
  
- B. THE MODEL CONSIDERS THE NEW CONSTRUCTION OF HOTELS (451 UNITS) WHICH INCREASES THE POTENTIAL TBID REVENUE GENERATION BY APPROXIMATELY \$207,000. (SEE TABLE 2)
  
- C. ADDITIONALLY, THE MODEL CONSIDERS THE POTENTIAL ADDITION OF MENLO PARK HOTELS BEING A PART OF THE TBID. THE ADDITION OF MENLO PARK HOTELS WOULD INCREASE TBID CONTRIBUTIONS BY APPROXIMATELY \$638,000 STARTING IN 2023. (SEE TABLE 2)

**Table 2: TMD Room Revenue and Fee Projections**

		2021	2022	2023	2024	2025	2026	2027
<b>A rooms</b>	<b>6607</b>			<b>Base Year</b>				
Total available	15699			<b>TBID Projection</b>				
<b>B rooms</b>	<b>9092</b>							
	<b>A Revenue</b>	\$101,204,557	\$330,100,605	\$405,089,050	\$438,417,832	\$472,510,240	\$513,181,465	\$555,203,395
	<b>1.50%</b>	\$2,718,068	\$4,951,509	\$6,076,336	\$6,576,267	\$7,087,654	\$7,697,722	\$8,328,141
	<b>B Revenue</b>	\$249,358,533	\$454,256,803	\$557,449,620	\$603,313,899	\$650,229,026	\$706,197,349	\$764,032,666
	<b>0.75%</b>							
	<b>Total TBID/TMD</b>	<b>\$4,588,257</b>	<b>\$8,358,435</b>	<b>\$10,257,208</b>	<b>\$11,101,122</b>	<b>\$11,964,371</b>	<b>\$12,994,202</b>	<b>\$14,058,366</b>
<b>New Construction</b>								
New rooms 2023 (B)	451		<b>Total w/new hotels</b>	<b>\$10,464,596</b>	<b>\$11,325,573</b>	<b>\$12,206,276</b>	<b>\$13,256,929</b>	<b>\$14,342,629</b>
% increase in B	5.0%							
<b>Menlo Park</b>								
New rooms 2023 (A)	533							
% increase in A	8.1%							
New rooms 2023 (B)	338							
% increase in B	3.5%							
			<b>Total w/Menlo</b>	<b>\$10,895,479</b>	<b>\$11,791,907</b>	<b>\$12,708,873</b>	<b>\$13,802,787</b>	<b>\$14,933,191</b>

**Inventory Notes:**

**Changes in Hotel Inventory**

**318** rooms lost to Project Home Key (housing the un-housed) during 2020/2021

**Possibly December 15, 2022 or early 2023**

Red Roof Inn, Burlingame

213 Rooms

**Possibly in 2023**

El Rancho Inn, Millbrae

219 Rooms

**2023 (Buyer is getting financing together, no set month for demolishing.)**

Holiday Inn Express, Burlingame

148 Rooms

**Possibly 2023 (Entitlements approved Sept 2022. No word when developer will start work.)**

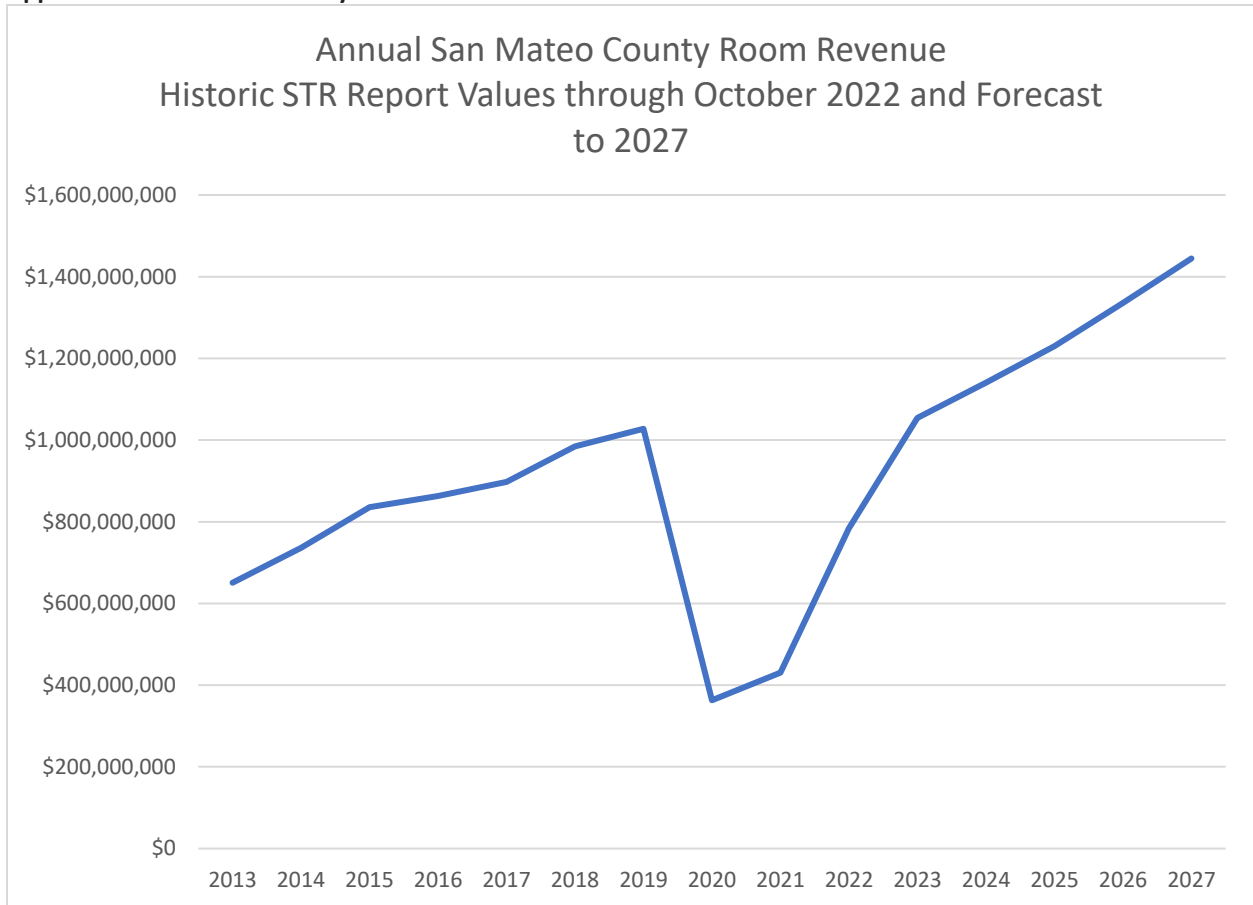
Comfort Inn & Suites, South San Francisco

166 Rooms



## Appendix

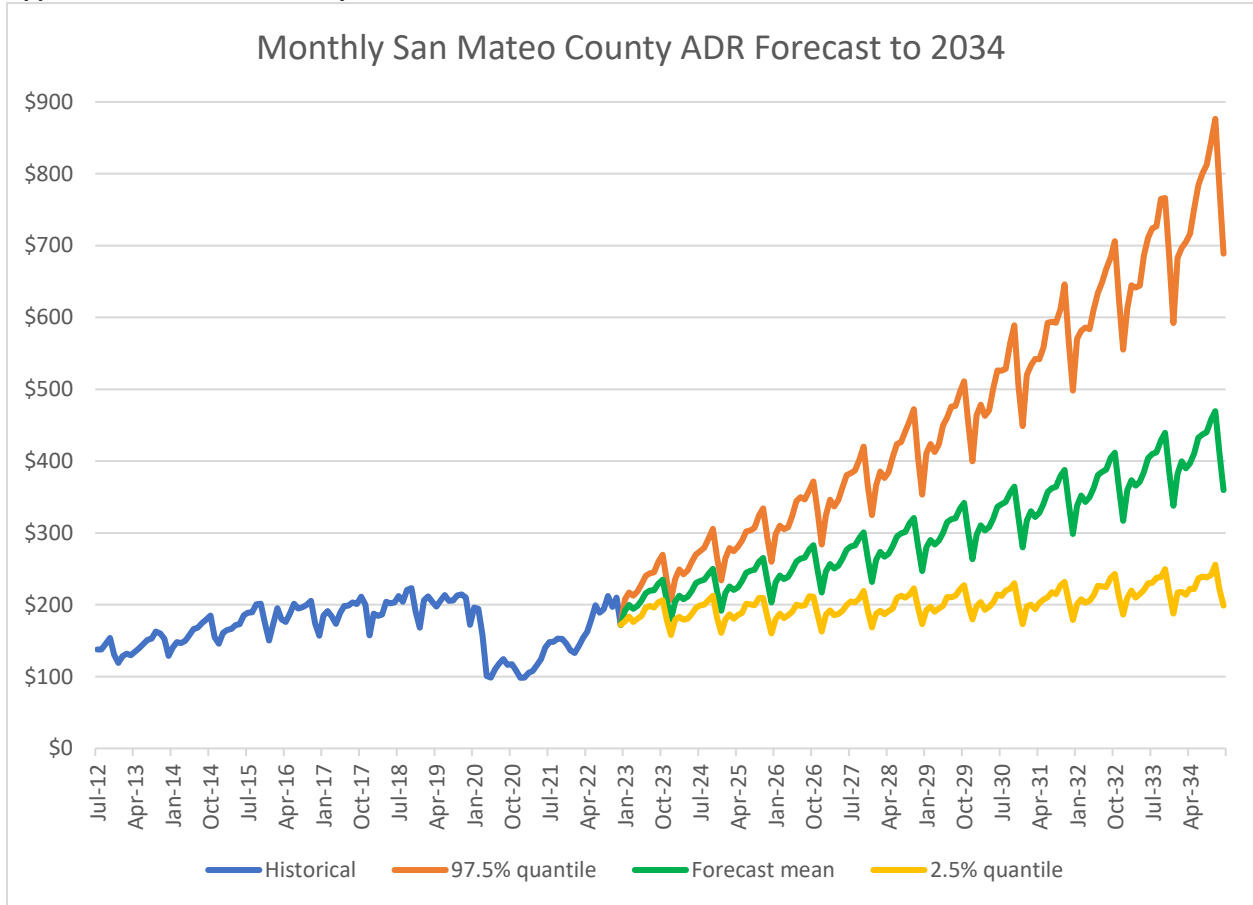
**Appendix 1: San Mateo County Room Revenue**



Source: STR Reports and Consulting Team.



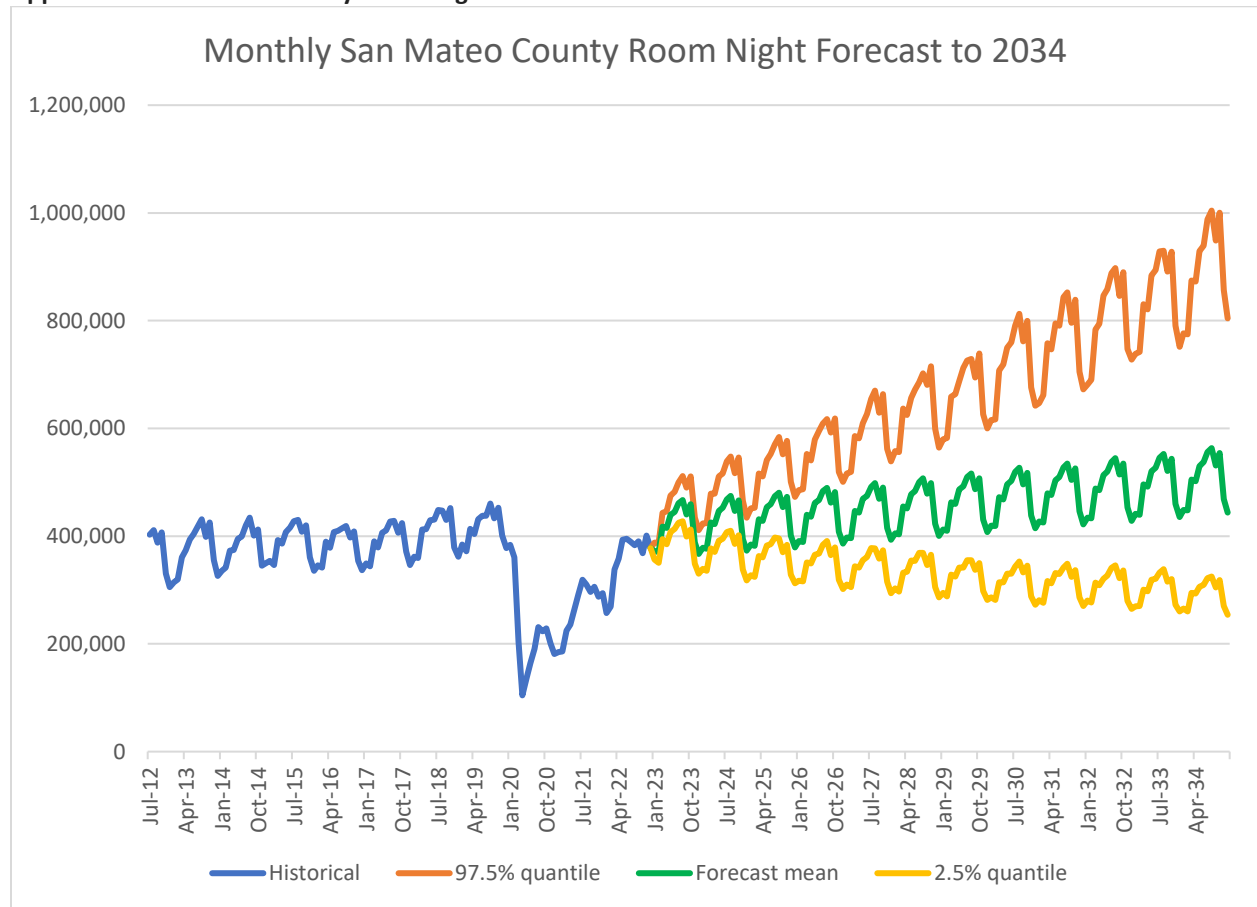
**Appendix 2: San Mateo County ADR**



Source: STR Reports and Consulting Team.



**Appendix 3: San Mateo County Room Nights**



Source: STR Reports and Consulting Team.