



Napa County

Board Agenda Letter

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Board of Supervisors

Agenda Date: 12/17/2024

File ID #: 24-2109

TO: Board of Supervisors
FROM: Ryan J. Alsop, County Executive Officer
REPORT BY: Becky Craig, Assistant County Executive Officer
SUBJECT: Napa Valley Tourism Improvement District Renewal

RECOMMENDATION

PUBLIC HEARING - Napa Valley Tourism Improvement District Renewal

Conduct a public hearing to adopt a Resolution of Renewal for the Napa Valley Tourism Improvement District (NVTID) and Management District Plan. (No Fiscal Impact)

BACKGROUND

The Napa Valley Tourism Improvement District (“NVTID”) is a benefit assessment district proposed to continue a revenue source to fund valley-wide marketing and sales and local jurisdiction destination marketing efforts for Napa Valley lodging businesses. This approach has been used successfully in Napa Valley for fifteen years and in other destination areas throughout the state to improve tourism and drive additional room nights to assessed lodging businesses. The renewed NVTID includes all lodging businesses, existing and in the future, available for public occupancy located within the boundaries of the cities of American Canyon, Calistoga, Napa, and St. Helena, the Town of Yountville, and the unincorporated area of the County of Napa.

Lodging business owners decided to pursue renewal of the NVTID to continue a revenue source devoted to marketing Napa Valley as a tourist, meeting and event destination. If renewed, the NVTID would generate approximately \$11,000,000 annually for promotion of travel and tourism specific to Napa Valley.

TOURISM IMPROVEMENT DISTRICTS

Tourism Improvement Districts (TIDs) utilize the efficiencies of private sector operation in the market-based promotion of tourism. These special assessment districts allow lodging business owners to organize their efforts to increase tourism. Lodging business owners within the TID fund the TID, and those funds are used to provide services that are desired by and benefit the lodging businesses within the TID.

TID benefits:

- Funds cannot be diverted for other government programs;
- Districts are customized to fit the needs of each destination;
- Districts allow for a wide range of services; including: destination marketing, tourism promotion, and sales lead generation;
- Districts are designed, created and governed by those who will pay the assessment; and
- Districts provide a stable funding source for tourism promotion.

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

MANAGEMENT DISTRICT PLAN

The Management District Plan (MDP) (Attachment 1) includes the proposed boundary of the NVTID, a service plan and budget and a proposed means of governance. All jurisdictions have consented to include all lodging businesses, existing and in the future, available for public occupancy located within the boundaries of the cities of American Canyon, Calistoga, Napa, and St. Helena, the Town of Yountville, and the unincorporated area of the County of Napa. The MDP was revised to include Board direction, including adding the concept that there could be a successor destination marketing entity to the current destination marketing provider (Visit Napa Valley (VNV)) providing services in the future and reclassifying the VNV designation board seat on the Napa Valley Tourism Corporation ("NVTC") as non-voting if it is filled by the VNV Executive Director.

The annual assessment rate is two percent (2%) of gross short-term (30 days or less) sleeping room rental revenue. In years three (3), six (6) and nine (9) of the NVTID's term, the assessment rate may be recommended to be increased by the Visit Napa Valley Board of Directors, or successor destination marketing entity, and then brought to the Napa Valley Tourism Corporation Board for final approval. The maximum increase in years three (3), six (6) and nine (9) shall be one half of one percent (0.5%). The total assessment rate may not exceed three percent (3%) of gross short-term (30 days or less) sleeping room rental revenue. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days. Stays by government employees on government business shall not be subject to assessment. "Government employee"

shall mean foreign or domestic government employees subject to exemption from transient occupancy tax pursuant to each municipality's municipal/county code.

The renewed NVTID will have a ten-year term, beginning June 16, 2025, or as soon as possible thereafter, and ending ten years from its start date. The assessment will be implemented beginning June 16, 2025. Once per year beginning on the anniversary of NVTID renewal there is a thirty-day period in which business owners paying fifty percent (50%) or more of the assessment may protest and begin proceedings to terminate the NVTID.

Assessment collection shall mirror the collection of transient occupancy tax (including any delinquencies, penalties, and interest) and shall be collected from each lodging business located in the boundaries of the NVTID on all gross short-term sleeping room rental revenue, as defined in each jurisdiction's municipal/county code. Each jurisdiction shall take all reasonable efforts to collect the assessments from each assessed lodging business.

Each jurisdiction will be responsible for collecting the assessment on a basis that mirrors the collection of transient occupancy tax from each lodging business located in the NVTID boundaries. Each jurisdiction shall forward the assessments to Napa Valley Tourism Corporation, which will have the responsibility of managing NVTID programs as provided in this Management District Plan. Each jurisdiction's tax collector will retain a fee of up to one percent (1%) of the amount of the assessment collected prior to remitting funds to Napa County, within their respective jurisdictions, to cover their costs of collection and administration.

NVTID RENEWAL PROCESS

October 15, 2024 COMPLETED - RESOLUTION OF INTENTION HEARING

Upon the submission of a written petition, signed by the business owners in the renewed district who will pay more than fifty percent (50%) of the assessments proposed to be levied, the Board initiated proceedings to renew a district by adoption of a resolution expressing its intention to renew a district.

Petition Status: Petitions in favor of NVTID renewal were submitted by 49 lodging businesses, which represent 71.86% of the total NVTID assessment. This majority petition allowed the Board to initiate proceedings for NVTID renewal at the October 15, 2024 meeting.

Upon adoption of the Resolution of Intention, the County adopted a resolution requesting consent from all jurisdictions to be included in the proposed NVTID. Consent was received from the jurisdictions prior to the final public hearing and will be included in the renewed NVTID.

October 22, 2024 COMPLETED - NOTICE

The law requires the County to mail written notice to the owners of all businesses proposed to be within the NVTID. Mailing the notice begins a mandatory forty-five (45) day period in which owners may protest NVTID renewal.

Seven protest letters were received requesting short-term vacation rentals not be included in the District. This response does not reflect a majority interest that impedes the formation. Proprietors are encouraged to engage with VNV for services.

December 3, 2024 COMPLETED - PUBLIC MEETING

Allow public testimony on the renewal of the NVTID and levy of assessments.

The Board requested and provided direction that the Napa Tourism Corporation (NVTC) appoint an ad hoc committee of NVTC members to meet with representatives of VNV to discuss District governance and to reclassify the position held by the VNV Executive Director on the governing body to non-voting status.

Following Board direction from the last several hearings, the attached Management District Plan includes the following modifications:

- language indicating the possibility of a successor destination marketing entity
- language in the governance section clarifying that in the event VNV or successor destination marketing entity chooses to appoint its executive director to the NVTC designated board member position, that position shall be a non-voting member position.

In addition, the attached Resolution includes direction to NVTC to report back to the Board of Supervisors on its progress concerning the Board's recommendations for addressing NVTC governance and related issues as spelled out in the Resolution.

December 17, 2024 FINAL PUBLIC HEARING

If the Board, following the public hearing, decides to establish the renewed NVTID, the Board shall adopt a resolution of renewal.

Procedural Requirements:

1. Conduct a public hearing
2. Staff report
3. Public comment
4. Board discussion
5. Recommended actions

Recommended Actions:

1. Consider protests
2. Adopt Resolution to renew the Napa Valley Tourism Improvement District per the Management District Plan.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.