



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### REPORT TO COUNCIL

#### **SUBJECT**

Hotel Tourism Business Improvement District Update (Information Only)

#### **BACKGROUND**

On July 17, 2018, the Council asked staff to work with the Sunnyvale Chamber of Commerce and hotels in gathering information regarding the available options for hotels to increase weekend occupancy.

#### **DISCUSSION**

For the past year, the Chamber of Commerce Director (Director) had discussions with most hotel managers/operators to gauge interest in forming a Tourism Business Improvement District (TBID) in Sunnyvale. City staff attended four meetings that included the Director and several hotel managers/operators to discuss the possibility of forming a TBID. City staff also met four additional times with hotel operators/managers to discuss the TBID formation.

In California, TBIDs are formed by a majority vote of the assessed hotels and with Council's approval. TBIDs are subject to laws designed to ensure approval by hotel owners paying the assessment, and accountability by the managing body to those hotel owners. Funds raised through TBIDs are collected by the local government agency and returned to the managing body, usually a non-profit corporation, to manage those funds on behalf of the assessed hotels.

The hotel managers/operators attending the meetings were supportive of moving forward with "something", but had different ideas on how to move forward. Some hotel managers/operators were focused on weekend occupancy and supported concentrated marketing efforts while others thought focusing on providing a full-service experience for their guests was critical. The full-service experience included shuttles to Downtown Sunnyvale, the Caltrain Station, and employment areas. The hotel managers/operators attending the meetings felt that the City did not adequately hear their concerns regarding the Transient Occupancy Tax measure the Council placed on the 2018 Ballot and felt they need to unite to speak as a group regarding proposed City policies or initiatives.

For most of the year, the Director and City staff were in constant contact with Civitas Advisors, Inc. (Civitas), one of the leading entities assisting with the creation of TBIDs in California. The Civitas advisor working with Sunnyvale attended several meetings with the hotel managers/operators and was very clear that without the support of the hotels a TBID would not be able to be formed since the assessment needs to be confirmed by hotels contributing 51% of the total assessment.

City staff informed the hotel managers/operators that creating a TBID needs to be driven by the hotels as they are responsible for directing the activities to be funded with the assessment. The TBID would need to create its own nonprofit agency, or contract with an existing agency such as a

chamber of commerce, to manage the funds. Some hotel managers/operators attending the meetings proposed doing a request for proposals to find the managing agency, but that they needed to form a working committee first to ensure the process met all the required steps.

City staff asked that managers/operators of the largest hotels to commit, in writing, to forming a group to move forward with the TBID. Only five hotels committed in writing to move forward. From past experience in forming the existing Sunnyvale Downtown Business Improvement District and talking to other cities that recently formed a TBID, staff informed them that at least seven hotels were needed to move forward.

After numerous meetings with the Director and with City staff, it became clear that the hotel managers/operators want to form a group, but forming a formal TBID does not have the needed support at this time. City staff proposed to the hotel group that they could form an association with the goals of:

- Knowing each other better to improve overall occupancy (including weekends)
- Sharing market data/analytics
- Speaking as a group on issues that impact operations
- Partnering with the City and working together on initiatives

Staff from the Economic Development Division will assist the hotel managers/operators in meeting as a group. The first meeting is being planned for Mid-November, and will also provide support in scheduling, facilitating, and staffing future meetings with the purpose of assisting the group in meeting their goals. The group may decide in the future that forming a TBID is a path they want to consider and if that happens, staff will continue to be part of the discussions and process as required by law.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

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