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**SANTA CRUZ COUNTY  
TOURISM MARKETING DISTRICT  
MANAGEMENT DISTRICT PLAN  
2022 Renewal**

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*Formed pursuant to the Property and Business Improvement District Act of 1994  
(Streets and Highways Code §36600 et seq.)*

*Submitted To:*

Visit Santa Cruz County Board of Directors  
&  
Santa Cruz County Board of Supervisors

Proposed Adoption June 29, 2021

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## I. INTRODUCTION AND OVERVIEW

Operating since July 1, 2010, the Santa Cruz County Tourism Marketing District, or “SCCTMD,” is an established benefit assessment district that has been developed to help fund marketing and sales efforts for the Santa Cruz County lodging businesses and lodging business categories that are identified in this plan as beneficiaries (“Lodging Businesses”). The SCCTMD is an assessment district proposed to continue providing specific benefits to payors, by funding programs that specifically benefit assessed lodging businesses.

This approach has been used successfully in Santa Cruz County and in over 100 other destination areas throughout California and the country to drive additional room nights by publicizing the available lodging and related tourism opportunities. The SCCTMD is implemented by Visit Santa Cruz County (VSCC), identified here as the Owners’ Association.

**Location:** The SCCTMD includes all Lodging Businesses, and only lodging businesses, located within the boundaries of the County of Santa Cruz, including without limitation businesses such as hotels, motels, inns, studio hotels, bachelor hotels, vacation rental management companies, lodging houses, rooming houses, dormitories, hostels, public or private clubs or similar structures or other lodging wherein living accommodations for periods less than thirty days are offered for hire, and including vacation rental dwellings (other than those located on property zoned exclusively for residential purposes), and vacation rental services operated by professional property managers. R.V. parks **and not-for-profit or publicly owned establishments** shall not be assessed in the SCCTMD.

**Services:** The SCCTMD will provide specific benefits directly to payors (Lodging Businesses) to support increased room night sales. Benefits include marketing activities such as advertising, social media, public relations, online promotions, direct sales, and destination marketing. Additionally, policy development for programs will be addressed by the SCCTMD. All activities are directed toward marketing overnight business for Santa Cruz County as a tourist, meeting, and event destination.

**Budget:** The total SCCTMD annual budget is anticipated to be approximately \$3 Million in the first year, which will be used to fund the operations of the Santa Cruz County Tourism Marketing District.

**Cost:** Annual assessment rates are assessed upon each night of a visitor stay within tiers based upon annual benefit levels to each Lodging Business measured by calculating “Revenue Per Available Room,” or “RevPAR”. Hotels, motels, inns, studio hotels, bachelor hotels, vacation rental management companies, lodging houses, rooming houses, dormitories, hostels, and public or private clubs or similar structures (hereinafter “Lodging Businesses”) will be assessed. Assessments will not be collected on stays of more than thirty (30) consecutive days. The assessment rates will be increased each year by a factor of 1.5% with rates being rounded off to the nearest \$.05.

<b><u>RevPAR</u></b>	<b><u>Tier 1</u></b>	<b><u>Tier 2</u></b>	<b><u>Tier 3</u></b>	<b><u>Tier 4</u></b>
<b>Amount</b>	Less than \$50.00	\$50.00 to \$74.99	\$75.00 to \$99.99	\$100.00+
<b>Assessment</b>	\$2.10	\$2.75	\$3.10	\$4.00

RevPAR, or revenue per available room, is a widely used performance metric in the lodging industry. For the purposes of the District Plan, RevPAR is calculated by dividing the total guestroom revenue of a Lodging Business for the prior fiscal year by the room count, and by the number of days in the period being measured, in this case one year. The VSCC has ascertained that the degree of benefit of the SCCTMD varies based upon RevPAR for Lodging Businesses in Santa Cruz County, as these tiers best serve to capture the degree of benefit. The Rate tiers 1-4 are intended to capture this degree of benefit, by incorporating a base “Tier 1”, as well as a higher assessment applicable to higher RevPAR Lodging Businesses.

Given that the actual “guestroom” or unit inventory may vary by month or season for Vacation Rental Management Companies (VRMC’s), will be assessed at the Tier 3 rate without calculation of RevPAR. In year two of TMD operations VRMC’s will move to Tier 4.

Assessments will not be collected on stays of more than thirty (30) consecutive days, nor on complimentary stays. For purposes of this plan a complimentary stay is defined as one when the customer is not paying any fee for any portion of their stay. Other than long-term visits (over 30 days) or complimentary stays there are no exceptions or exemptions to the collection of assessments.

**Collection:** The County of Santa Cruz and Cities (Capitola, Santa Cruz, Scotts Valley and Watsonville) will be responsible for collecting the assessment monthly (including delinquencies, penalties, and interest) from each Lodging Business located within the boundaries of the SCCTMD, within their respective jurisdictions. Jurisdictions will be reimbursed 1% of collections as a processing fee.

**Formation:** SCCTMD formation and renewal require submittal of petitions from Lodging Businesses representing more than 50% of the total estimated annual assessment followed by a Board of Supervisors hearing and an opportunity for a written protest. The assessed Lodging Business owners will receive official notice of the public hearing by mail from the lead agency, the County of Santa Cruz. If there is a majority written protest, the SCCTMD will not be renewed and will lapse as of June 30, 2022.

**Duration:** The SCCTMD renewal shall begin July 1, 2022 and shall terminate on June 30, 2029. Once per year, beginning on the anniversary of formation of the District, there is a 30-day period in which assessed owners may file a written petition with the Clerk of the Board of Supervisors seeking disestablishment of the District. If written petitions seeking disestablishment of the District are filed by owners paying 50% or more of the assessment, the Board of Supervisors shall adopt a Resolution of Intention to disestablish the District and hold a noticed hearing on disestablishment in accordance with Streets and Highways Code Section 36670.

**Renewal:** To renew the District, the same procedures that were undertaken to form the District must be followed, subject to any changes in procedures caused by amendments to the Property and Business Improvement District Law of 1994 and related government codes. Specifically, owners paying 50% or more of the estimated amount of the assessments that are proposed must submit petitions in support of forming the District; a management plan must be prepared; the Board of Supervisors must adopt a resolution declaring its intent to renew the District; a noticed public meeting and public hearing must be held; any written protests submitted to the Clerk of the Board of Supervisors must be tabulated, and if there is no majority protest the Board of Supervisors may adopt a resolution renewing the District.

**Management:** Visit Santa Cruz County serves as the SCCTMD Owners' Association. The Owner's Association is charged with managing funds and implementing programs in accordance with this Plan and must provide annual reports to the Santa Cruz County Board of Supervisors.

## **II. PURPOSE OF TOURISM MARKETING DISTRICT FOR LODGING BUSINESSES IN SANTA CRUZ COUNTY**

### ***1. The Continuing Need to Maintain and Increase Occupancy***

The renewal of the SCCTMD is a proactive effort to continue to provide sustained funding for tourism promotion benefitting Lodging Businesses, based upon an existing and successful model. The funding will ensure that adequate financing exists for the investment required to increase occupancy in the lodging industry and be competitive in group and leisure tourism markets. The investment will cover an expanded marketing and promotional budget needed to reach these market segments.

### ***2. Stable Funding for Tourism Promotion Benefitting Lodging Businesses***

The SCCTMD will provide a continuing and stable source of funding for consistent tourist lodging promotion efforts. The SCCTMD will provide funding for such promotion free of the political and economic circumstances that can reduce or eliminate government funding for tourist lodging promotion.

### ***3. Effective Tourism Promotion Benefitting Lodging Businesses***

Tourism promotion efforts funded by the SCCTMD provide special benefit to members of the District by both promoting their individual Lodging Business as well as effectively drawing visitors (customers) to the destination (identified as Santa Cruz County) to purchase their lodging product. Santa Cruz County has special attributes that make it an appealing tourism destination. Such attributes include, but are not limited to, legitimate tourism activities that support overnight lodging stays such as State Parks, beaches, attractions, festivals, cultural and sporting events, and other area activities. These attributes are included in marketing efforts with the intended purpose of increasing overnight visitation for Lodging Businesses. Any general benefits (if any) to the surrounding community based on these efforts are a byproduct of the special benefit being paid for and are therefore intangible and unquantifiable.

### III. WHAT IS A TOURISM MARKETING DISTRICT?

Tourism Marketing Districts (TMDs) utilize the efficiencies of private sector operation in the market-based promotion of tourism districts. TMDs allow lodging and tourism-related business owners to organize their efforts to increase tourism and thus lodging occupancy. Tourism-related Lodging Businesses within the District fund a TMD, and those funds are used to provide services that the businesses desire and that benefit the Lodging Businesses within the District.

**Tourism Marketing District services may include, but are not limited to:**

- Marketing of the Destination
- Tourism Promotion Activities
- Sales Lead Generation

In California, Tourism Marketing Districts are formed and renewed pursuant to the Property and Business Improvement District Law of 1994 (PBID Law). This law allows for the creation of a special benefit assessment district to raise funds within a specific geographic area. The key difference between TMDs and other special benefit assessment districts is that funds raised are returned to the private non-profit corporation to administer and implement the District Plan.

**There are many benefits to Tourism Marketing Districts:**

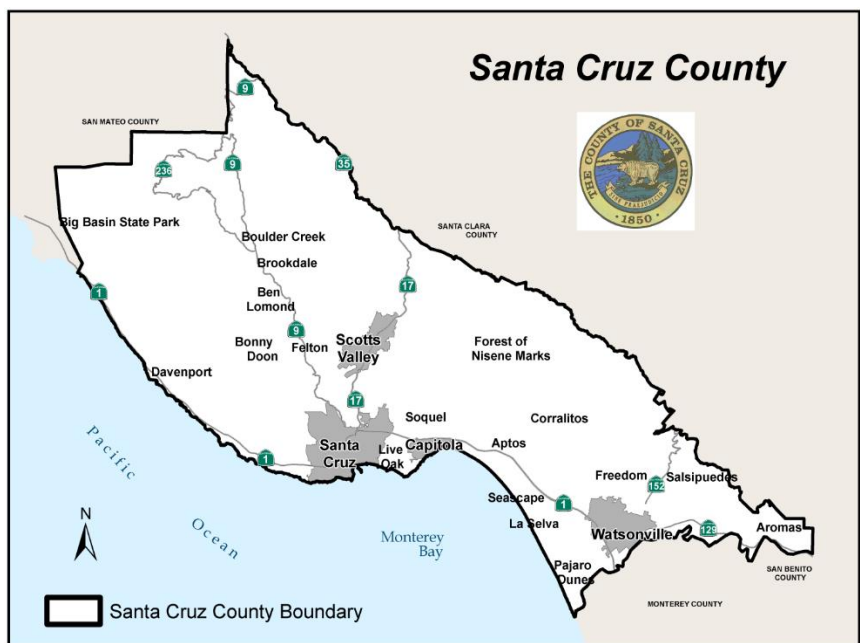
- Funds may only be used for the benefit of those paying assessments;
- Tourism Marketing Districts are customized to fit the needs of each tourism district;
- They allow for a range of services, including those listed above;
- Tourism Marketing Districts are designed, created, and administered by those who will pay the assessment;
- They provide a stable funding source for promotion activities.

The text of the Property and Business Improvement District Law of 1994 (AB 3754), as amended, is provided in Appendix 1 of this document.

#### IV. THE BOUNDARY OF THE SANTA CRUZ COUNTY TMD

The SCCTMD geographic boundaries are the boundaries of the County of Santa Cruz. The SCCTMD includes all Lodging Businesses available for transient public occupancy located within the boundaries of the County of Santa Cruz. An assessment is levied against all Lodging Businesses providing transient lodging, including both existing Lodging Businesses at the time of the District’s formation, and Lodging Businesses that open during the existence of the SCCTMD. For purposes of the SCCTMD assessment rates apply to hotels, motels, inns, studio hotels, bachelor hotels, vacation rental management companies, lodging houses, rooming houses, dormitories, hostels, public or private clubs, not-for profit organizations that provide lodging, or similar structures. As used herein, the term “transient” means: any person who is in need of occupancy by reason of concession, permit, right of access, license, or other agreement for a period of thirty (30) consecutive calendar days or less. The length of stay includes portions of a calendar day as a full day. Any person meeting this criteria and occupying space in a Lodging Business will be deemed a transient until the period of thirty (30) days has expired. If a written agreement exists between the Lodging Business and the occupant, which identifies a longer stay than thirty (30) days, the stay will not be deemed transient. R.V. parks or camping facilities shall not be assessed, similarly communal sleeping rooms in which lodgers rent one of multiple beds within the room and share communal restroom/shower facilities shall not be subject to assessment or factored in the pertinent RevPAR calculation in the SCCTMD.

The boundary of the SCCTMD is understood to include approximately 100 professionally managed Lodging Businesses, inclusive of about 9 VRMC businesses currently operating in the SCCTMD area. Please see the map below. A listing of the Lodging Businesses within the proposed SCCTMD can also be found on Appendix 2 of this Plan.





## **V. SERVICE PLAN AND BUDGET**

### **A. Annual Service Plan**

Assessment funds will be spent to provide specific benefits directly to the payors. Benefits and services are not provided to those not charged the assessment. The services provided by the SCCTMD funds include various marketing initiatives including advertising, public relations, social media promotion, sales, and policy development to assessed businesses. SCCTMD programs and services generate a specific benefit of increased room night bookings for assessed Lodging Businesses.

#### ***1. Marketing, Communications and Promotions***

The annual budget will support the existing and ongoing marketing and promotions efforts. All marketing and promotions activities will be designed and implemented with the goal of attracting overnight visitors with a primary focus on visits during the non-summer season. Budget categories include all costs related to providing the related service. Sales and Marketing budgets include the cost of staff time dedicated to implementation of various initiatives. Staff time focused specifically on administrative tasks is allocated to the administrative category of the budget. One staff member's time may be allocated to multiple budget categories as appropriate in accordance with generally accepted accounting principles. Staffing levels for various services are determined through the annually approved budget under the leadership of the Owner's Association. Activities may include any or all of the following initiatives:

- Direct Advertising
- On-line/Web Based Promotional Programs
- Trade Shows/Sales Blitzes
- Familiarization Tours
- Collateral Material Development
- Professional Industry Conferences/Affiliation Fees
- Contract Consulting Fees
- Special Event Promotion Funding
- Visitor Services
- Research
- Staffing Costs
- Public, Community and Media Relations
- Social Media Promotions
- Trade Shows/ Media Events
- Website Development
- Electronic Newsletters and On-line Marketing Programs
- Collateral Material Development

#### ***2. Advertising/ Public Relations***

All direct advertising and public relations efforts promote Santa Cruz County Lodging Businesses. A wealth of efforts includes direct advertising, digital, print, and social media. Brand advertising efforts are directed toward retail promotions as well as trade. Content marketing efforts are a significant part of programming and provide in depth destination information through media relations and various

owned media including [santacruz.org](http://santacruz.org) and a variety of social media platforms. Ongoing public relations outreach with travel and lifestyle media generates earned media coverage to entice and inspire travel, while prioritizing Lodging Business awareness and travel motivators for overnight travel to Santa Cruz County.

All advertising and public relations efforts are developed in such a way as to increase awareness and inspire overnight visitation. Increasing room night sales and extended stays is the ultimate goal. Examples of advertising and public relation initiatives include but may not be limited to:

- Employing initiatives that attract overnight visitors and increase visitation during non-peak seasons and non-peak days of the week.
- Seeking messaging and incentives that present compelling information regarding appealing aspects of non-peak travel times.
- Investing in and maintaining a high-quality inventory of photo and video content that presents a compelling enticement and drives overnight visitation.
- Continual updates and maintenance of [www.santacruz.org](http://www.santacruz.org) including rotation of image and text content, seasonal offerings, SEO optimization and aggressive digital efforts to support qualified, increased traffic to the website.
- Utilizing social media efforts to increase awareness of various themes related to the Santa Cruz County travel experience and to support driving additional traffic to [www.santacruz.org](http://www.santacruz.org).
- Hosting familiarization trips for journalists and travel media to provide a first-hand experience that will result in positive exposure for the destination and increase overnight visitation and room sales to assessed businesses.
- Ongoing development of opt-in, segmented email lists for direct email marketing.
- Conduct periodic research to gauge the level of ROI and effectiveness of specific marketing initiatives and provide relevant market updates to inform future efforts.

### ***3. Sales***

Conference and group sales efforts focus on supporting a destination message focusing on the appeal of Santa Cruz County as an ideal location for meetings and retreats. Sales efforts include attendance of key trade shows, direct email marketing support, organized client events, hotel site inspections and destination familiarization tours. All efforts ultimately address prospecting for leads and working with conference hotels to support converting leads into booked business.

Travel trade efforts for international travel promotion focuses on selling Santa Cruz County Lodging Businesses to international travel agents, wholesaler operators and receptive tour operators.

Examples of programs to support sales efforts would include but may not be limited to:

- Attendance at industry trade shows independently and in collaboration with lodging representatives where possible.

- Hosting familiarization tours for meetings and travel trade.
- Developing industry alliances with key tourism organizations such as Visit California, Brand U.S.A., and Central Coast Tourism Council to promote key selling points promoting Santa Cruz County as an appealing destination for overnight visitation.
- Advertising and digital marketing support including email marketing to qualified opt-in email lists.

#### **4. Administration/Operations/Policy Development**

The budget may also be allocated to administration and operational expenses to support the operations of the VSCC. These expenses may include:

- Staffing costs
- Legal and consulting fees
- Office space rental
- General administrative and operational costs
- Development of policies as necessary

#### **5. Jurisdictional Administration Fees**

- (a) The County of Santa Cruz and each City will be paid a fixed administrative fee of 1% of the amount collected within their jurisdiction for the costs of administration of assessments, which is a reasonable estimate of the costs of services to be delivered by the jurisdictions. An additional .5% shall be reserved by the VSCC and used to reimburse the County and Cities for the actual costs of auditing and delinquency collections, to the extent not covered by interests and penalties. The County of Santa Cruz will be paid any actual costs which exceed the fixed fee mentioned above provided that the County of Santa Cruz makes available to the VSCC a full itemization of the actual costs. Upon request of the VSCC, the County of Santa Cruz will meet with the VSCC for the purpose of reducing future actual costs to 1.5% or less. The fee for administration and any additional actual costs incurred by the County of Santa Cruz and the cities will be retained by the County of Santa Cruz and the Cities from the assessments collected.
- (b) Any Lodging Business that fails to remit any assessment imposed by the District within the time required shall pay penalties in accordance with the regulations and procedures established for TOT collections in each jurisdiction. Any penalty and interest fees shall be retained by the collecting jurisdiction as an offset to the actual costs of delinquency collection.
- (c) The jurisdictions shall be responsible for collecting and distributing assessments and for reasonable efforts in collecting delinquencies. The VSCC may call for an annual meeting of the jurisdictions to review administrative matters and address any concerns regarding the administration of the assessment, as they determine necessary.

**6. Reserves: Contingency Renewal/Annual Financial Audit/Research**

Approximately .25% of the budget shall be retained in designated contingency reserve line items for annual audits, periodic research, and renewal of the District. If there are reserve funds remaining at the expiration of the District, these funds may be used for costs and expenses required to renew the District.

**B. Santa Cruz County Tourism Marketing District Annual Budget**

The service plan budget has been developed to focus on, and deliver, services to benefit the assessed businesses. The detailed budget is approved by the Visit Santa Cruz County Board of Directors. The table below provides the annual budget allocations. The total initial budget is estimated to be approximately \$3 million. The budget is intended to support the ongoing operations and administration of the Santa Cruz County Tourism Marketing District. An annual service plan and budget will be developed and approved by the VSCC Board of Directors. The budget also includes a portion for audit, research, and contingencies and renewal of the District. Should the VSCC Board of Directors approve, funds may be appropriated for the renewal effort. If there are funds remaining at the end of the District term and Lodging Businesses choose to renew, these remaining funds could be transferred to the renewed District. If there are funds remaining at the end of the District and Lodging Businesses choose not to renew, any remaining funds will be spent consistent with this Plan or returned to assessed businesses in equal proportion to the assessment paid by each business. SCCTMD funds shall not be used to pay for activities in support or opposition to an application for a proposed land use modification. Annual revenues will fluctuate based on the health of the tourism industry overall, however, the proportional allocations of the budget will remain consistent. The VSCC Board of Directors will have the authority to adjust budget allocations between categories by no more than fifteen percent (15%) of the total budget per year. The proposed annual improvements and activities for the first year of operations is outlined in more detail below. The same programs are proposed for subsequent years, at varying degrees depending on trends and market conditions. In the event of a legal challenge against the SCCTMD, the County, or the Cities concerning the formation of the District, all assessment funds may be used for the costs of defending the SCCTMD, the County, or the Cities.

Category	Percentage of Budget
Marketing /Promotions/Sales	73.25%
Administration/Operations and Policy Development	25%
Jurisdictional Administration Fee	1%
Reserve for Audit/Collections	.25%
Reserve for Research	.25%
Contingency and Renewal	.25%
<b>Total Estimated Tourism District Annual Budget</b>	<b>100%</b>

### **C. California Constitutional Compliance**

The SCCTMD assessment is not a property-based assessment subject to the requirements of Proposition 218. The SCCTMD assessment is a business-based assessment and is excerpted from the application of subject to Proposition 26. Pursuant to Proposition 26 levies are taxes unless they fit one of seven exceptions. Two of these exceptions apply to the SCCTMD, 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 governmental agency conferring the benefits or providing the services.

SCCTMD operations will be conducted and implemented carefully to ensure they do not exceed the reasonable cost of such services. All assessment revenue will be used to provide special benefit services described in the Marketing District Plan. Funds will be managed and overseen by the VSCC Board of Directors and reports will be submitted annually to the Santa Cruz County Board of Supervisors as specified in the contract between VSCC and the County of Santa Cruz.

### **D. Assessment and Classes**

#### **1. *Time and Manner for Collecting Assessments***

The SCCTMD assessment will begin July 1, 2022 and will continue for 7 years through June 30 2029. The County and Cities will be responsible for collecting the assessment monthly (including any delinquencies, penalties, and interest) from each Lodging Business located in the boundaries of the SCCTMD, within their respective jurisdictions. The County and Cities will forward the assessments collected to the Owner’s Association pursuant to agreements between VSCC and the County and Cities. The County and the Cities may retain all penalties and interest collected on delinquent assessments to cover their actual costs associated with collecting the delinquent assessments. Assessments will be collected concurrently with TOT and shall be subject to any changes in each jurisdiction’s TOT collection procedures. Each jurisdiction shall collect assessments in accordance with its own regulations and procedures consistent with the collection of TOT. Each jurisdiction will remit assessments on a monthly or at most a quarterly basis to Visit Santa Cruz County (VSCC), which will have the responsibility to manage the SCCTMD programs as provided in this District Plan.

Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days, nor on complimentary stays. For purposes of this plan a complimentary stay is defined as one when the customer is not paying any fee for any portion of their stay. Other than long-term visits (over 30 days) or complimentary stays there are no exceptions.

Bonds may not be issued. In addition, there will be no debt financing required by any of the jurisdictions. Assessments are 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, will be disclosed in advance and separately stated from the amount of rent charged and any applicable tax or fee and each transient will receive a receipt for the payment from the business. If the SCCTMD assessment is identified separately it will be disclosed as the “SCCTMD Assessment.” As an alternative, the disclosure may include the amount of the SCCTMD assessment and the amount of the assessment imposed pursuant to the California Tourism Marketing Act, Government Code sections 13995 et seq., and will 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 will not be considered revenue for any purpose, including calculation of transient occupancy taxes.

## **2. *Vacation Rental Management Companies***

Vacation Rental Management Companies (VRMC's) are a distinct sector of the lodging industry. They contract with individual owners of houses and condominiums. VRMC's operate as agents on behalf of other property owners. The VRMC, rather than the underlying property or properties, is assessed, and VRMC's are not exempt due to the residential character of their lodging inventory. VRMC's are identified as a unique sector of businesses within the lodging industry. As such, this sector is designated as a special class within the SCCTMD membership.

Qualifying attributes for a special class include the following: The vacation rentals are each distinct, unique and are generally not centrally located in one building or building complex but are in various areas of the County of Santa Cruz.

Given that the assessments for the SCCTMD are based on RevPAR Tiers and the inventory of a VRMC may fluctuate throughout any given year (preventing the calculation of RevPAR Tiers on a comparable basis over the year) VRMC's will pay the equivalent of Tier 3 within the assessment structure (initially \$3.10 per night sold) subject to increases based upon annual increase of 1.5%. In year two of the operations of the District, or beginning July 1, 2023, VRMC's will begin paying the assessment identified in Tier 4.

## **3. *Exclusions from Assessments***

Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and services funded through these assessments and are not subject to assessment under this District Plan.

For example, there are many Privately Owned and Operated Vacation Rentals such as houses and condominiums in various areas of Santa Cruz County. These properties are rented and promoted by their owners, primarily through online outlets such as the Vacation Rental By Owner (VRBO) and Airbnb web sites. Substantially all of these individually owned properties are zoned solely for residential use, and those properties are not subject to assessment. These entities do not receive direct benefits provided to TMD members such as placement on the website and direct promotion through social media or other marketing initiatives. The legislature has found that, "A specific benefit is not excluded from classification as a 'specified benefit' merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor."

## **4. *Assessment Rate Increases:***

In order to ensure the Santa Cruz County tourism industry's competitive marketing position through adequate funding levels and avoid erosion of the marketing budget due to inflation, assessment rates will be updated and increased annually by a factor of 1.5%.

Each year, Visit Santa Cruz County (VSCC), in its role as the Tourism Marketing District's Plan Administrator, will review current RevPAR tier rates paid by each member of the SCCTMD. If that review makes the finding to recommend a change of a member's Tier and associated assessment level, that member will be officially notified in writing of the proposed change, no later than January 31<sup>st</sup>

preceding the beginning of the next fiscal year (July 1) when any increase would take effect. If a SCCTMD member disputes the finding, the VSCC will arrange a meeting with a County representative to review the data used to develop the finding.

#### **E. Adjustments to Status of Lodging Businesses:**

New Lodging Businesses without a twelve-month history of operations will automatically be identified as Tier 1 and pay that current assessment level for the first twelve months of operations, at which time RevPAR will be determined. The Lodging Business would then be notified of any Tier adjustment the following January 31st after their first twelve months of operations. Any Tier adjustment would take effect the following July 1. In the event that a currently operating Lodging Business closes and ceases to conduct business for twelve consecutive months or longer, upon reestablishment of operations, that Lodging Business would follow the same process as a new lodging establishment. In the case of the sale of an existing property that continues operations, the current Tier assessment will transfer with the Lodging Business.

#### **F. Delinquency, Penalty and Interest**

Any Lodging Business that fails to remit any assessment imposed by the District within the time required shall pay penalties in accordance with the regulations and procedures established for TOT collections in each jurisdiction. If the County or the Cities determine that any non-payment of assessments due is related to fraud, a penalty of twenty-five percent (25%) of the amount of the assessment due will be added to the debt, in addition to any other fees or penalties being applied.

Collecting jurisdictions shall be responsible for collecting delinquencies. Any penalty and interest fees shall be retained by the collecting jurisdiction to help offset the actual costs of such action.

Without limiting any other remedies, any SCCTMD Lodging Business that has been notified of having outstanding assessment fees and is more than six months in arrears with such payments may have their SCCTMD benefits suspended until such payments have been satisfied. Suspension of benefits must be initiated by official action taken by a majority vote of the VSCC Board of Directors.

#### **G. Audits**

The County of Santa Cruz shall perform or cause to be performed an audit of the books and records of the District not less than at the close of the third, fifth and seventh fiscal years of the operations of the TMD. Independently conducted audit results will be submitted with the annual report to the Santa Cruz County Board of Supervisors.

#### **H. Disestablishment of the District**

Per the Streets and Highways Code section 36670 of the Business Improvement District Law of 1994 the District may be disestablished by resolution by the Board of Supervisors for misappropriation of funds, malfeasance, or a violation of law in connection with the management of the District. Disestablishment may also occur upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the area who pay 50 percent or more of the assessments levied during a 30-day period beginning one year after the establishment of the District. A 30-day period shall occur for each successive year of the District's operation.

## **VI. BID GOVERNANCE**

### **A. Santa Cruz County Tourism Marketing District Governance**

The VSCC will serve as the Owners' Association for the SCCTMD. The Santa Cruz County Board of Supervisors through adoption of this Management District Plan has the right, pursuant to Streets and Highways Code section 36651, to identify the body that will implement the proposed marketing services, which will be the Owners' Association of the SCCTMD as defined in Streets and Highways Code section 36612. Funds will be paid by the County and the Cities to VSCC as a contractor, and only pursuant to agreements between VSCC and the County and the Cities. Within the SCCTMD, the CEO and Executive Vice President of VSCC will continue to be charged with the day-to-day operations of the SCCTMD. The VSCC Board of Directors will continue to be charged with approving budgets and priorities for the SCCTMD. The VSCC Board will continue to be comprised of a majority membership of lodging representatives and continue to take into consideration the size and type of Lodging Businesses as well as seek geographic representation within the boundaries of SCCTMD. The VSCC Board makeup may be revised during the SCCTMD term, as modified by an amendment of the VSCC bylaws.

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

The Owner's Association of SCCTMD shall comply with the Ralph M. Brown Act (Government Code § 54950 et seq.) regarding open meetings. Thus, meetings of the VSCC Board must be always held in compliance with the public notice and other requirements of the Brown Act when matters within the subject matter of the District are heard, discussed, or deliberated, and with the California Public Records Act, for all records relating to activities of the District. The Owner's Association is also subject to the record keeping requirements of the California Public Records Act. VSCC is a private, non-profit entity.

### **C. Annual Report**

The VSCC Board shall present an annual report at the end of each year of operation to the Santa Cruz County Board of Supervisors pursuant to Streets and Highways Code section 36650 (see Appendix 1). The annual report will include: 1) Proposed changes in the boundaries of the TMD or in any benefit zones or classification of businesses within the District; 2) Improvements and activities to be provided for that fiscal year; 3) An estimate of the cost of providing the improvements and activities for that fiscal year; 4) Method and basis of levying the assessment; 5) Estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year and 6) An estimate of the amount of any contributions to be made from sources other than assessments levied pursuant to this part.



# APPENDIX 1 – THE PROPERTY AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994

## PROPERTY AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994 STREETS AND HIGHWAYS CODE Division 18. Parking

### § 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

The Legislature finds and declares all of the following:

(a) Businesses located and operating within the business districts 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 the business districts of its cities 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 cities to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that benefits from those improvements.

(d) Assessments levied for the purpose of providing improvements and promoting activities that benefit real property or businesses are not taxes for the general benefit of a city, but are assessments for the improvements and activities which confer special benefits upon the real property or businesses for which the improvements and activities are provided.

### § 36602. Purpose of part

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within a business improvement area. 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 in this part that conflicts with any other provision of law shall prevail over the other provision of law.

### **§ 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.

### **§ 36605. [Section repealed 2001.]**

### **§ 36606. “Assessment”**

“Assessment” means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and promoting activities which will benefit the 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.

### **§ 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 area.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

**§ 36611. “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.

**§ 36612. “Property”**

“Property” means real property situated within a district.

**§ 36613. “Activities”**

“Activities” means, but is not limited to, all of the following:

- (a) Promotion of public events which benefit businesses or real property in the district.
- (b) Furnishing of music in any public place within the district.
- (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) Activities which benefit businesses and real property located in the district.

**§ 36614. “Management district plan”; “Plan”**

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

**§ 36614.5. “Owners’ association”**

“Owners’ association” means a private nonprofit entity that is under contract with a city to administer or implement activities and improvements 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 (Chapter 3.5 (commencing with *Section 6250*) of *Division 7 of Title 1 of the Government Code*), for all documents relating to activities of the district.

**§ 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.

**§ 36616. “Tenant”**

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

**§ 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.

**§ 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 activities and improvements, 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. 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 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 contain 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 lands and businesses included. 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 and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements and activities proposed for each year of operation are the same, a description of the first year's proposed improvements and activities and a statement that the same improvements 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 and operations, 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) 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, including operation and maintenance.

(l) 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 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 or 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 the proposed property and business improvement district, the city council shall adopt a resolution of formation that shall contain all of the following:

(1) A brief description of the proposed activities and improvements, 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 about whether bonds will be issued, and a description of the exterior boundaries of the proposed district. 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 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 and activities to be provided 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 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.

(7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements and activities funded by the assessments proposed to be levied.

(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.

#### **§ 36626. Resolution establishing district**

If the city council, following the public hearing, desires to establish the proposed property and business improvement district, and the city council has not made changes pursuant to Section 36624, or has made changes that do not substantially change the proposed assessment, the city council shall adopt a resolution establishing the district. The resolution shall contain all of the information specified in paragraphs (1) to (8), inclusive, of subdivision (b) of Section 36625, but need not contain information about the preliminary resolution if none has been adopted.

**§ 36626.5. [Section repealed 1999.]**

**§ 36626.6. [Section repealed 1999.]**

**§ 36626.7. [Section repealed 1999.]**

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

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625 or Section 36626, the clerk of the city 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 and activities.

## **§ 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 a new district established pursuant to this part.

## **§ 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 shall 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 any action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36626. Any 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; Modification of improvements and activities by adoption of resolution after public hearing**

(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 meetings and 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 meeting.

(2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public meeting, 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.

**§ 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.

**§ 36641. [Section repealed 2001.]**

**§ 36642. [Section repealed 2001.]**

**§ 36643. [Section repealed 2001.]**

**§ 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 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 and activities to be provided for that fiscal year.

(3) An estimate of the cost of providing the improvements and the 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 amount of any surplus or deficit revenues to be carried over from a previous fiscal year.

(6) The 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 and activities**

The management district plan may, but is not required to, state that an owners' association will provide the improvements or 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.

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

(a) Any district previously established whose term has expired, 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.

**§ 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 assesses 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 area 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 – LODGING BUSINESSES TO BE ASSESSED WITHIN THE SCCTMD

	Property Name	Number of Units	Physical Address	Jurisdiction
1	Royal Inn (formerly America's Best Value Inn - Watsonville)	28 units	781 Freedom Blvd.	Watsonville
2	Aqua Breeze Inn	50 units	204 Second Street	Santa Cruz
3	At the Dunes	42 units	2661 Beach Road	Watsonville
4	Bailey Property Management	100 Units	106 Aptos Beach Drive	County/Capitola/Santa Cruz
5	Bay Front Inn	46 units	325 Pacific Avenue	Santa Cruz
6	Beach House Rentals	60 units	312 Capitola Avenue, Suite D	County/Capitola/Santa Cruz
7	Beach Street Inn & Suites	48 units	125 Beach Street	Santa Cruz
8	Beachnest Property Management & Vacation Rentals	39 units	180 7th Avenue, #103	County/Capitola/Santa Cruz
9	Beachview Inn	22 units	50 Front Street	Santa Cruz
10	Bella Notte - The Inn at East Cliff	10 units	21305 East Cliff Drive	County
11	Best Western Inn - Santa Cruz	29 units	126 Plymouth Street	Santa Cruz
12	Best Western Plus - All Suites Inn	58 units	500 Ocean Street	Santa Cruz
13	Best Western Plus - Scotts Valley Inn	58 units	6020 Scotts Valley Dr.	Scotts Valley
14	Best Western Plus Capitola By-the-Sea Inn & Suites	58 units	1435 41st Avenue	Capitola
15	Best Western Rose Garden Inn	46 units	740 Freedom Boulevard	Watsonville
16	Best Western Seacliff Inn	148 units	7500 Old Dominion Court	County
17	Boca del Cielo	6 units	118 First Street	Santa Cruz
18	Brookdale Lodge	46 units	11570 Hwy. 9	County

	Property Name	Number of Units	Physical Address	Jurisdiction
19	Budget Inn Motel of Santa Cruz	19 units	110 San Lorenzo Boulevard	Santa Cruz
20	Capitola Beach Suites	10 units	5000 Cliff Drive	Capitola
21	Capitola Hotel	10 units	210 Esplanade	Capitola
22	Capitola Venetian Hotel	20 units	1500 Wharf Road	Capitola
23	Capri Motel	17 units	337 Riverside Avenue	Santa Cruz
24	Carousel Beach Inn	34 units	110 Riverside Avenue	Santa Cruz
25	Casablanca Inn on the Beach	33 units	101 Main Street at Beach	Santa Cruz
26	Chaminade Resort & Spa	156 units	One Chaminade Lane	County
27	Cheshire Rio Realty and Property Management	65 units	107 Aptos Beach Drive	County
28	Cliff Crest Bed & Breakfast Inn	6 units	407 Cliff Street	Santa Cruz
29	Comfort Inn - Beach/Boardwalk	30 units	314 Riverside Ave.	Santa Cruz
30	Comfort Inn - Santa Cruz	62 units	110 Plymouth Street	Santa Cruz
31	Comfort Inn - Watsonville	40 units	112 Airport Boulevard	Watsonville
32	Continental Inn	49 units	414 Ocean Street	Santa Cruz
33	Davenport Roadhouse Inn	12 units	1 Davenport Ave.	County
34	Dream Inn Santa Cruz	165 units	175 West Cliff Drive	Santa Cruz
35	Economy Inn	30 units	584 Auto Center Drive	Watsonville
36	Edgewater Beach Inn & Suites	17 units	525 Second Street	Santa Cruz
37	El View Lodge	22 Units	810 Third Street	Santa Cruz
38	Fairfield Inn & Suites by Marriott Capitola	84 units	1255 41st Avenue	Capitola

	Property Name	Number of Units	Physical Address	Jurisdiction
39	Fairfield Inn & Suites by Marriott Santa Cruz	82 units	2956 Mission Street	Santa Cruz
40	Fairview Manor Bed & Breakfast	4 units	245 Fairview Avenue	County
41	Fern River Resort	15 units	5250 Hwy. 9	County
42	Fireside Inn	25 units	311 2nd Street	Santa Cruz
43	Flipjack	3 units	4600 Smith Grade Road	County
44	Flora Vista Inn	6 units	1258 San Andreas Road	Watsonville
45	Four Points Santa Cruz Scotts Valley	128 units	5030 Scotts Valley Drive	Scotts Valley
46	Hampton Inn	46 units	1505 Ocean Street	Santa Cruz
47	Hampton Inn - Watsonville	112 units	75 Lee Street	Watsonville
48	Hampton Inn - Westside Santa Cruz	60 units	2424 Mission Street	Santa Cruz
49	Harbor Inn	19 units	645 7th Avenue	County
50	Hilton Santa Cruz / Scotts Valley	174 units	6001 La Madrona Drive	Santa Cruz
51	Hinds Victorian Guest House	11 units	529 Chestnut Street	Santa Cruz
52	Historic Sand Rock Farm	5 units	6901 Freedom Boulevard	County
53	Hitching Post Studios Inn	31 units	1717 Soquel Avenue	Santa Cruz
54	Holiday Inn Express Hotel & Suites	65 units	1855 Main Street	Watsonville
55	Holiday Inn Express Hotel & Suites - Santa Cruz	100 units	1410 Ocean Street	Santa Cruz
56	Home H2 By Hilton	80 units	1 Western Drive	Watsonville
57	Hotel Paradox, Autograph Collection	170 units	611 Ocean Street	Santa Cruz
58	Hotel Solares	78 units	600 Riverside Avenue	Santa Cruz



	Property Name	Number of Units	Physical Address	Jurisdiction
59	Howard Johnson Santa Cruz Beach Boardwalk	30 units	130 West Cliff Drive	Santa Cruz
60	Hyatt Place Santa Cruz	106 units	407 Broadway Avenue	Santa Cruz
61	Inn at Depot Hill	12 units	250 Monterey Avenue	Capitola
62	Inn at Pasatiempo	54 units	555 Hwy 17	County
63	Jaye's Timberlane Resort	10 units	8705 Hwy. 9	County
64	Kendall & Potter Property Management	39 Units	522 Capitola Avenue	County/Capitola/Santa Cruz
65	Kennolyn	30 Units	8400 Glen Haven Road	County
66	La Quinta (formerly Lanai Lodge)	60 units	550 Second Street	Santa Cruz
67	Marriott Courtyard	151 units	313 Riverside Avenue	Santa Cruz
68	Masood's Lodge	10 units	13420 Big Basin Way	County
69	Mission Inn	53 units	2250 Mission St.	Santa Cruz
70	Monarch Cove Inn	11 units	620 El Salto Drive	Capitola
71	Monterey Bay Realty	3 units	324 Ocean View	County/Capitola/Santa Cruz
72	Motel 6 - Watsonville	124 units	125 Silver Leaf Drive	Watsonville
73	Motel Santa Cruz	55 units	370 Ocean Street	Santa Cruz
74	National 9 Motel	25 units	130 Plymouth Street	Santa Cruz
75	Ocean Echo Inn & Beach Cottages	15 units	401 Johans Beach Drive	County
76	Ocean Gate Inn	25 units	111 Ocean Street	Santa Cruz
77	Ocean Lodge	29 units	1015 Ocean St	Santa Cruz
78	Ocean Pacific Lodge	56 units	301 Pacific Ave.	Santa Cruz
79	Oceana Inn	55 units	525 Ocean Street	Santa Cruz
80	Pacific Blue Inn	9 units	636 Pacific Ave	Santa Cruz
81	Pacific Inn Santa Cruz	36 units	330 Ocean Street	Santa Cruz

	Property Name	Number of Units	Physical Address	Jurisdiction
82	Pajaro Dunes Resort	125 units	105 Shell Drive	Watsonville
83	Pelican Point Inn	10 units	21345 East Cliff Drive	County
84	PowerWest Property Management (formerly Taylor Property Management)	17 units	118 Pearl Alley, Suite B	County/Capitola/Santa Cruz
85	Quality Inn - Downtown Santa Cruz	42 units	1101 Ocean Street	Santa Cruz
86	Quality Inn & Suites (Capitola By-The-Sea)	55 units	720 Hill Street	Capitola
87	Quality Inn & Suites Santa Cruz Mountains	25 units	9733 Highway 9	County
88	Ramada Limited Santa Cruz	50 units	516 Water Street	Santa Cruz
89	Rio Sands Hotel	51 units	116 Aptos Beach Drive	County
90	Rio Vista Luxury Suites	16 units	611 Third Street	Santa Cruz
91	Riverside Inn & Suites Santa Cruz	25 units	505 Riverside Avenue	Santa Cruz
92	Rodeway Inn	94 units	1620 W. Beach Street	Watsonville
93	Salt Air Lodge	28 units	510 Leibrandt Ave.	Santa Cruz
94	Santa Cruz Inn	20 units	2950 Soquel Ave	Santa Cruz
95	Santa Cruz/Monterey Bay KOA	34 units	1186 San Andreas Road	Watsonville
96	Sea & Sand Inn	22 units	201 West Cliff Drive	Santa Cruz
97	Seascape Beach Resort - Monterey Bay	285 units	One Seascape Resort Drive	County
98	Seaway Inn	23 units	176 West Cliff Drive	Santa Cruz
99	Sunny Cove Motel	13 units	2-1610 East Cliff Drive	County
100	Super 8 Motel - East	24 units	338 Riverside Avenue	Santa Cruz

	Property Name	Number of Units	Physical Address	Jurisdiction
101	Surf City Inn and Suites	63 units	619 Riverside Avenue	Santa Cruz
102	Surf City Rentals	19 units	P.O. Box 623	Capitola
103	The Babbling Brook Inn	13 units	1025 Laurel St.	Santa Cruz
104	The Islander Motel	22 units	522 Ocean Street	Santa Cruz
105	Torch Lite Inn	38 units	500 Riverside Avenue	Santa Cruz
106	Valley Inn	22 units	970 Main Street	Watsonville
107	West Cliff Inn, A Four Sisters Inn	10 units	174 West Cliff Drive	Santa Cruz