



HERMOSA BEACH
CHAMBER *of* COMMERCE
and VISITORS BUREAU

TID Q & A

Q: Can the Chamber provide their Form 990s for the last 5 years, including noting any that are not finalized? Can the City access them via the IRS?

A: The 2023 return is currently being amended due to errors made by our former accounting firm. The 2024 filing is being worked on by our new CPA. All finalized 990s are publicly accessible via the IRS website, Guidestar, or upon request from the Chamber.

Q: Can we review the Chamber's 2025 financials to assess their ability to manage TID funds?

A: While we're happy to provide a financial overview and governance statement, raw financials like internal balance sheets or P&Ls reflect day-to-day Chamber operations and are not representative of how TID funds would be managed. TID funds will be **segregated, governed by the Tourism Committee under the Chamber board**, and used only for purposes outlined in the TID District Plan. The Chamber will not have unilateral spending authority over these funds. Our Vice Chair of Finance, Lenny LaRocca, is prepared to provide a financial overview of the Chamber's current financials. All TID expenditures will be public via the annual report and subject to Brown Act and Public Records Request.

Hotel Information and Support

Q: What is the expected revenue from each of the nine hotels?

A: Revenue projections are based on publicly available TOT data. We cannot provide a general estimate per hotel, however the City has access to historical, individual TOT data, which would be a direct reflection of individual assessment contributions. Specific revenue contributions are subject to change based on seasonality and occupancy fluctuations. The total annual assessment budget for the initial year of the five year TID is anticipated to be approximately \$727,517.

Q: Has the Chamber identified hotel owners and their reps?

A: Yes. All nine properties have been contacted multiple times, and most have designated a point of contact for TID discussions. This information can be shared directly with the City and/or publicly if permitted by the participating hotels.

Q: Why haven't hotel owners signed a public statement or petition of support?

A: We continue to engage in **outreach and education and collecting signed petitions**. Petition signatures are legally required and must meet a threshold (representing over 50% of assessments) for the process to advance and continue with the public hearing process. We've received 4 signed petitions and continue to have one-on-one meetings to obtain more.

Q: Can the hotel ownership list be made public before the City Council meeting?

A: Yes, pending hotel permission.

Purpose and Scope of the TID

Q: Why is more funding needed for tourism, and is this just subsidizing existing Chamber programs like the magazine?

A: The TID provides **dedicated, sustainable funding** to market Hermosa Beach as a destination - something that benefits the entire destination, not just Chamber members. The Chamber's current efforts are limited by its budget. The TID ensures larger-scale, year-round campaigns and new initiatives - not just existing ones - are possible. Legally, TID funds cannot be used to subsidize general Chamber operations, and all spending must align with the District Plan and be approved by the Tourism Committee, comprised of assessed hotels. Assessment funds must provide a specific benefit to payors, the hotels. The specific benefit is generating room nights for assessed hotels.

Q: Why focus on summer, when hotels are already full?

A: Actually, the focus will be on off seasons and weekdays, when occupancy drops. Summer efforts may include visitor experience or destination branding, but marketing will target slow periods to create year-round economic benefit.

Q: Why aren't the ITH Hostel and Vurpillat Hotel included?

A: The ITH Hostel has a unique business model and ownership structure, and the Vurpillat Hotel is currently inactive. The TID proposal includes only currently operating, lodging businesses with 8 rooms or more. Any new hotels that open in the future that meet the TID's definition of a lodging business will be subject to the assessment.

Q: Should short-term rentals be included?

A: They are not currently included because STRs are not fully legal or regulated in Hermosa Beach. Once the City formalizes STR policies and licensing, the TID can be amended to include them.

Assessment and Opt-Out Options

Q: Can hotels opt out of the assessment?

A: No. If the TID is formed by City Council, all qualifying properties within the district are required to participate. This avoids free riders and ensures fairness and a level playing field.

Q: How will the assessment affect potential new hotels?

A: Any newly constructed or licensed hotels within the district boundary that meets the TID's definition of a lodging business, would be assessed once they begin operations, ensuring all lodging businesses benefit and contribute equitably.

Proposal Flexibility and Accountability

Q: Can the City Council revise the proposal? (e.g., raise the approval threshold, revise the governing committee, reduce the term, etc.)

A: The City may modify or reduce TID parameters upon the public hearing. Any increases to the TID parameters (e.g, increasing the assessment or adding services) would restart the process, including re-securing support and re-submitting materials.

Specific to your examples:

- Raising the petition threshold to 80% would go beyond state law requirements and could make formation unfeasible.
- Revising the governance structure is possible. The proposal already allows for hoteliers to serve on the board and Tourism Committee. The City could request more formal representation.
- Requiring more reporting is absolutely feasible, however the TID is already required to produce an annual report.
- Reducing the term to 1–2 years would undermine long-term planning but could be discussed prior to TID formation.
- Adding STRs would require restarting the formation process or modifying the district after STRs are legalized and licensed.

Q: If changes are made, does the process have to restart?

A: Yes. Any additions or increases to the plan after petitions are signed requires new signatures, a revised plan, and restarting the formal process—which is why changes must be finalized before petition collection begins. Reductions and modifications can be made upon the final public hearing.

Competitive Impact

Q: Will a 2% fee make our hotels less competitive with neighboring cities?

A: Very unlikely. Most surrounding cities - including Manhattan Beach, Redondo Beach, and Santa Monica - already have Improvement Districts, TOTs or TIDs that result in higher guest costs. Hermosa will remain competitively priced. Guests do not typically base lodging decisions on minor tax differences.

Q: Can the City provide a comparison of hotel assessments and taxes in neighboring cities?

A: Yes. Civitas has already compiled this data and given it to the City for easy comparison. Most cities in the region already have higher TOTs and/or active TIDs in place.

Accountability and Financial Stability

Q: How can we trust the Chamber to be accountable for TID funds?

A: TID funds will be:

- Held in a restricted, separate account
- Controlled by the Tourism Committee, with hotel representation
- Mandatory annual reporting to the City
- Administered under a contract, with defined responsibilities and expectations, which may include auditing
- Subject to Brown Act and Public Records Request

Chamber operations and TID administration are two separate functions. The Chamber's role in producing events and supporting local businesses is distinct from its responsibility to administer the TID, which is governed by a structured framework with third-party oversight, legal accountability, and clearly defined financial controls.

For more information on TIDs, visit the Civitas website:

<https://civitasadvisors.com/the-tourism-improvement-district-revolution/>