



Honorable Mayor and Members of the Hermosa Beach City Council

ADOPT A RESOLUTION TO DECLARE ITS INTENTION TO ESTABLISH THE HERMOSA BEACH TOURISM IMPROVEMENT DISTRICT AND FIXING THE TIME AND PLACE OF A PUBLIC MEETING AND A PUBLIC HEARING THEREON AND GIVING NOTICE THEREOF.

CEQA: This program is exempt from the California Environmental Quality Act.
(Environmental Programs Manager Doug Krauss)

Recommended Action:

Staff recommends City Council:

1. Adopt a resolution (**Attachment 1**) declaring its intention to establish the Hermosa Beach Tourism Improvement District (HBTID) and fixing the time and place of a public meeting and a public hearing thereon and giving notice thereof

Executive Summary:

The City and the Hermosa Beach Chamber of Commerce work closely to help improve conditions for the City's business community. Adopting a resolution of intent to establish a Tourism Improvement District (TID) would be an important next step towards that goal, as described in the draft Management District Plan (**Attachment 2**). The resolution would result in a public meeting on September 30, 2025, and a public hearing on October 28, 2025, on the formation of the Hermosa Beach Tourism Improvement District (HBTID) and the levy of assessments on certain lodging businesses located within the City boundaries.

Background:

The HBTID is a benefit assessment district proposed to create a revenue source to help fund Activities and Improvements (as defined in the Management District Plan) efforts for certain Hermosa Beach lodging businesses. This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights to assessed businesses. The proposed HBTID includes all lodging businesses with eight rooms or more, existing and in the future, available for public occupancy located within the boundaries of the City of Hermosa Beach.

Lodging business owners decided to pursue formation of the HBTID in order to create a revenue source devoted to marketing Hermosa Beach as a tourist, meeting and event destination. If established, the HBTID would generate approximately \$727,517 on an annual basis for promotion of travel and tourism specific to Hermosa Beach.

TIDs utilize the efficiencies of private sector operation in the market-based promotion of tourism. These special assessment districts allow assessed business owners to organize their efforts to increase tourism. Business owners within the TID fund the TID, and those funds are used to provide services that are desired by and benefit the assessed businesses within the TID. Potential TID benefits include:

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

In California, TIDs are commonly formed pursuant to the Property and Business Improvement District Law of 1994 (94 Law). This law allows for the creation of special benefit assessment districts to raise funds within a specific geographic area. The key difference between TIDs and other special benefit assessment districts is that funds raised are provided to a private non-profit corporation, or an owner's association, to administer and implement the purposes of the TID.

Discussion:

The Management District Plan includes the proposed boundary of the HBTID, a service plan and budget, and a proposed means of governance. The annual assessment rate is two percent of gross short-term sleeping room rental revenue. Based on the benefit received, assessments will not be collected on: stays of more than thirty consecutive days; stays by any person as to whom, or any occupancy as to which, it is beyond the power of the City to impose the assessment herein provided; stays by any federal or state of California officer or employee when on official business; and stays by any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty; and stays pursuant to contracts executed prior to November 1, 2025.

The proposed HBTID will have a five year term, beginning November 1, 2025, or as soon as possible thereafter, and ending five years from its start date. Once per year beginning on the anniversary of the HBTID formation there is a thirty-day period in which business owners paying fifty percent or more of the assessment may protest and begin proceedings to terminate the HBTID.

The City will be responsible for collecting the assessment on a quarterly basis (including any delinquencies, interest and overdue charges) from each assessed business. The City shall forward the assessments to the Hermosa Beach Chamber of Commerce and

Visitor Bureau (HBCCVB), which will have the responsibility of managing HBTID programs as provided in the Management District Plan. The City shall be paid a fee equal to one percent of the amount of assessment collected to cover its costs of collection and administration.

HBTID FORMATION PROCESS TIMELINE

September 9	RESOLUTION OF INTENTION HEARING Upon the submission of a written petition, signed by the business owners in the proposed HBTID who will pay more than fifty percent of the assessments proposed to be levied, the City Council may initiate proceedings to establish the HBTID by the adoption of a resolution expressing its intention to establish the HBTID.
No later than September 12	NOTICE The 94 Law requires the City to mail written notice to the owners of all businesses proposed to be assessed within the HBTID. Mailing the notice begins a mandatory forty-five day period in which assessed business owners may protest HBTID formation.
September 30	PUBLIC MEETING Allow public testimony on the formation of the HBTID and levy of assessments. No Council action required.
October 28	PUBLIC HEARING If written protests are received from the owners of businesses in the proposed HBTID which will pay fifty percent or more of the assessments proposed to be levied, and protests are not withdrawn so as to reduce the protests to less than fifty percent, no further proceedings to levy the proposed assessment against such businesses shall be taken for a period of one year from the date of the finding of a majority protest by the City Council. If no majority protest is received, the City Council, following the public hearing, may decide to establish the proposed HBTID and adopt a resolution of formation.

Fiscal Impact:

There is no immediate fiscal impact to the City with the recommended action to adopt a resolution to declare its intention to establish the HBTID.

If the HBTID is established, the HBTID is expected to generate approximately \$720,000 in assessment funds for activities and improvements to promote assessed businesses as tourist, meeting, and event destinations.

The City would be paid a fee equal to one percent (1%) of the HBTID assessment collected, expected to be approximately \$7,200 for collection and administration costs.

Attachments:

1. Draft Resolution
2. Draft Plan
3. Draft Public Notice

Respectfully Submitted by: Doug Krauss, Environmental Programs Manager

Noted for Fiscal Impact: Henry Chao, Finance Manager

Concur: Brandon Walker, Administrative Services Director

Legal Review: Todd Leishman, Interim City Attorney

Approved: Steve Napolitano, Interim City Manager