

CITY OF HEALDSBURG

RESOLUTION NO. 156-2022

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HEALDSBURG APPROVING THE OWNERS' ASSOCIATION AGREEMENT BETWEEN THE CITY OF HEALDSBURG AND THE HEALDSBURG CHAMBER OF COMMERCE FOR ADMINISTRATION AND IMPLEMENTATION OF THE HEALDSBURG TOURISM IMPROVEMENT DISTRICT (HTID) MANAGEMENT PLAN AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE CONTRACT

WHEREAS, the Property and Business Improvement District Law of 1994 (Streets and Highways Code §36600 et. seq.) authorizes cities and counties to establish property and business improvement districts upon petition by a weighted majority of the lodging business owners located within the boundaries of the district; and

WHEREAS, the City Council of the City of Healdsburg created the Healdsburg Tourism Improvement District (HTID) in 2013 by Resolution No. 102-2012; and

WHEREAS, the City Council created the HTID for a five (5) year term, then subsequently renewed it for an additional five (5) year term, which ends on December 31, 2022; and

WHEREAS, the Property and Business Improvement District Law of 1994 (Streets and Highways Code §36600 et. seq) permits the City to designate a private nonprofit entity, known as the "owners' association," to administer or implement the improvements and activities specified in the management district plan; and

WHEREAS, if the City elects to have the "owners association" implement the management plan it must enter into a contract with the owners association to administer and carry out the programs and activities; and

WHEREAS, the City Council of the City of Healdsburg wishes to designate the Healdsburg Chamber of Commerce as the Owners' Association to administer and implement the improvements and activities specified in the management district plan.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Healdsburg that:

1. Approves the Owners' Association Agreement between the City of Healdsburg and the Healdsburg Chamber of Commerce; and
2. Authorizes the City Manager to execute the Owners' Association agreement, attached as Exhibit A, between the City of Healdsburg and Healdsburg Chamber of Commerce for the

implementation of the management district plan, attached as Exhibit B subject to any non-substantive changes approved by the City Attorney.

PASSED, APPROVED AND ADOPTED, this 17th day of October 2022, by the following vote:

AYES: Councilmembers: (4) Hagele, Kelley, Mitchell and Mayor Jimenez

NOES: Councilmembers: (0) None

ABSENT: Councilmembers: (0) None

ABSTAINING: Councilmembers: (0) None

SO ORDERED:

ATTEST:



Oswaldo Jimenez, Mayor

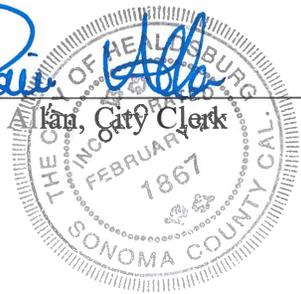


Raina Allan, City Clerk

I, RAINA ALLAN, City Clerk of the City of Healdsburg, do hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 156-2022 adopted by the City Council of the City of Healdsburg on the 17th day of October, 2022.



Raina Allan, City Clerk



AGREEMENT BETWEEN THE CITY OF HEALDSBURG AND THE
HEALDSBURG CHAMBER OF COMMERCE REGARDING
MANAGEMENT OF THE HEALDSBURG TOURISM IMPROVEMENT
DISTRICT

AGREEMENT

This Agreement is made and entered into this ____ day of October, 2022, by and between the City of Healdsburg, a California Municipal Corporation, 401 Grove Street, Healdsburg, California, 95448, hereinafter referred to as "City," and Healdsburg Chamber of Commerce, a California 501(c)6 nonprofit organization, 217 Healdsburg Avenue, Healdsburg, California, 95448, hereinafter referred to as "Chamber." The City and the Chamber are referred to collectively herein as the "Parties."

RECITALS

WHEREAS, in early 2022, lodging operators in the City submitted petitions and a draft management plan to the City Council requesting the renewal of an assessment district pursuant to the Property and Business Improvement District Law of 1994 (Cal. Strts. & Hwys Code §§ 36600 et seq.) ("Act"); and

WHEREAS, on October 17, 2022, after reviewing and considering the petitions and draft management plan and complying with all required procedural steps, the City Council adopted an ordinance renewing the Healdsburg Tourism Improvement District ("HTID") and approved a final management plan entitled the "Healdsburg Tourism Improvement District Management District Plan" ("Plan"); and

WHEREAS, the Plan designates the Chamber as the "owners' association" that will implement the programs and activities described in the Plan; and

WHEREAS, pursuant to Section 36651 of the Act, the City is required to contract with the owners' association designated by the Plan;

WHEREAS, the Chamber represents and warrants that it is fully qualified to implement the programs and activities in the Plan by virtue of specialized experience and training, education and expertise of its principals and employees. Chamber further represents that it is willing to accept responsibility for implementing the programs and services in accordance with the terms and conditions of the Plan and as set forth in this Agreement; and

WHEREAS, on October 17, 2022, by Resolution No. ____-2022, the Healdsburg City Council authorized execution of this Agreement on behalf of the City.

NOW, THEREFORE, City and Chamber, for the consideration hereinafter described, mutually agree as follows:

1. DESCRIPTION OF SERVICES OR SCOPE OF WORK

The services to be performed under this Agreement (the “Services”) are as follows: to provide general administrative support for the HTID and implement the programs and activities identified in the Plan. The Services are further described in the Plan, which is attached to and made a part of this Agreement as Exhibit A.

2. TERM

The Agreement term will commence on January 1, 2023 and expire on December 31, 2032 unless the Agreement term by mutual agreement of the Parties is amended or the Agreement is terminated in accordance with its terms.

3. ASSESSMENTS AND OPERATIONS

A. Distribution. City agrees to forward assessments collected under the Act to the Chamber on a monthly basis in accordance with the following terms and conditions:

1. Delinquency Retention Fund. The Parties agree that the City shall establish a fund (“Retention Fund”) to reimburse the City for the costs of collecting any delinquent assessments including, but not limited to, the costs of conducting hearings and appeals and any legal action, including attorneys’ fees, required to enforce the Act (“Collection Costs”). The Retention Fund shall be funded solely from assessments collected by the City under the Act. The City shall deposit into the Retention Fund the initial \$5,000 (Five Thousand Dollars) collected from assessments under the Act and shall draw upon the Fund as necessary to reimburse the City for its Collection Costs. Each month the City shall deposit into the Retention Fund assessments equal to any amounts withdrawn from the previous month for Collection Costs so as to maintain a balance in the Fund equal to \$5,000. Upon disestablishment of the HTID, amounts remaining in the Retention Fund shall be distributed as provided by Section 36670 of the Act.

2. City Collection Costs. The City shall retain an amount equal to 1.2% (one point two percent) of the assessments due each month to reimburse the City for the costs of administering the HTID (“Collection Costs”).

3. Transient Occupancy Tax. Lodging operators subject to the Act will be required to submit assessments at the same time, and for the same time periods, as provided for under the City’s Transient Occupancy Tax ordinance. Amounts submitted by lodging operators for the Tax and the assessment shall first be deemed as payment of all amounts due the City under its Transient Occupancy Tax ordinance for the applicable time period with the remainder being deemed as assessments to be distributed as provided in Paragraph 3.A.4 below.

3. Distribution Priority. Each month, assessments collected by the City shall pay the City its Collection Costs, with the remainder distributed to the Chamber for the costs of implementing the Services.

B. Audits. Chamber must maintain adequate records to permit inspection and audit of Chamber's records under this Agreement. Chamber will make such records available to City during normal business hours upon reasonable notice. In accordance with California Government Code Section 8546.7, this Agreement and the Chamber's books and records related to this Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement.

C. Governance. The Chamber board of directors shall be responsible for overseeing the Chamber's implementation of the Services. As required by Section 36614.5 of the Act, the Chamber shall comply with the Ralph M. Brown Act at all times when matters within the subject matter of the HTID are heard, discussed, or deliberated, and with the California Public Records Act, for all documents relating to activities of the HTID.

4. TIME OF COMPLETION

Chamber shall devote such time to the implementation of the Services as may be reasonably necessary to meet the standards of performance provided in Section 7 below and to satisfy Chamber's obligations hereunder.

5. INDEPENDENT CONTRACTOR

Chamber and City agree that the Chamber will perform the Services as an independent contractor and not as an employee or agent of the City. Persons employed or utilized by Chamber in the performance of the Services will not be employees or agents of the City. Chamber is solely responsible for the payment of employment taxes incurred under this Agreement and any similar federal or state taxes.

6. SUBCONTRACTING

Chamber may subcontract portions of the Services. The Chamber will be solely responsible for payment for such subcontract services. No contractual relationship will exist between any such subcontractors of the Chamber and the City.

7. STANDARD OF PERFORMANCE

A. Chamber will perform the Services in the manner and according to the standards observed by a competent practitioner of the profession in which Chamber is engaged in the geographical area in which Chamber practices its profession and will prepare all work products required by this Agreement in accordance with those standards. Chamber will comply with all federal, state and local laws and regulations applicable to

performance of the Services, including, but not limited to, the Americans with Disabilities Act, and any copyright, patent or trademark law. Chamber's failure to comply with any law(s) or regulation(s) applicable to the implementation of the Services hereunder shall constitute a breach of contract.

B. Chamber shall assign only competent personnel to implement the Services.

8. OTHER GOVERNMENTAL REGULATIONS

To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Chamber and any subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.

9. USE OF RECYCLED PRODUCTS

Chamber shall endeavor to prepare all reports, written studies, and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.

10. INDEMNITY

To the maximum extent permitted by law, Chamber shall, at its own expense, indemnify, defend with counsel acceptable to the City, (which acceptance will not be unreasonably withheld), and hold harmless City and its officers, officials, employees, agents and volunteers ("Indemnitees") from and against any and all liability, loss, damage, claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, civil penalties and fines, expenses and costs (including, without limitation, claims expenses, attorney's fees and costs and fees of litigation) (collectively, "Liability") of every nature, whether actual, alleged or threatened, arising out of or in connection with the Services or Chamber's failure to comply with any of the terms of this Agreement, regardless of any fault or alleged fault of the Indemnitees.

The Chamber's obligation to indemnify, defend and hold harmless under this provision shall not be excused because of the Chamber's inability to evaluate Liability, or because the Chamber evaluates Liability and determines that the Chamber is not or may not be liable. The Chamber must respond within 30 calendar days to any tender for defense and indemnity by the City, unless the time for responding is extended by an authorized representative of the City in writing. If the Chamber fails to accept tender of defense and indemnity within 30 calendar days, in addition to any other remedies authorized by law, so much of the money due or that may become due the Chamber under this Agreement as shall reasonably be considered necessary by the City, may be retained by the City until disposition has been made of the matter subject to tender, or until the Chamber accepts the tender, whichever occurs first.

The Chamber waives any and all rights to express or implied indemnity against the Indemnitees concerning any Liability of the Chamber arising out of or in connection with the Services or Chamber's failure to comply with any of the terms of this Agreement .

Notwithstanding the foregoing, to the extent that the Services include design professional services subject to Cal. Civil Code § 2782.8, as amended from time to time, Chamber's duty to indemnify shall only be to the maximum extent permitted by Civil Code § 2782.8.

In the event that Chamber or any employee, agent, or subcontractor of Chamber providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System ("PERS") to be eligible for enrollment in PERS as an employee of City, Chamber shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Chamber or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

11. INSURANCE

A. Before commencing performance of the Services, Chamber, at its own cost and expense, must: (1) procure "occurrence coverage" insurance of the kinds and in the amounts specified below against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the Services hereunder by the Chamber or its agents, representatives, employees, or subcontractors; and (2) submit to the City certificates of insurance and endorsements evidencing insurance coverage that meets the requirements of this section. Chamber must maintain the insurance policies required by this section throughout the Agreement term. The cost of such insurance must be borne by the Chamber. Chamber may not allow any subcontractor to commence work on the Services until Chamber and/or the subcontractor(s) as obtained all insurance required by this Agreement for the subcontractor(s) and submitted certificates of insurance and endorsements evidencing such coverage to the City.

B. Chamber must, at its sole cost and expense, maintain Statutory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Chamber. The Statutory Workers' Compensation Insurance coverage must be for Statutory Limits and Employer's Liability Insurance must be provided with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence. The insurance must be endorsed to waive all rights of subrogation against the City and its officials, officers, employees, and volunteers for loss arising from or related to the Services.

C. Chamber, at its own cost and expense, must maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than TWO MILLION DOLLARS (\$2,000,000.00) per occurrence, combined single limit coverage for risks associated with Services. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Services or the general aggregate

limit shall be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.

D. Required commercial general coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (ed. 11/88) or Insurance Services Office form number GL 0002 (ed. 1/73) covering comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability. Automobile coverage must be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90) Code 1 (“any auto”). No endorsement may be attached limiting the coverage.

E. Except for Workers' Compensation Insurance and professional liability insurance, all other insurance coverages required pursuant to this Agreement must include or be endorsed to include the following:

1. City and its officials, officers, employees, agents, and volunteers shall be covered as insureds with respect to each of the following: liability arising out of activities performed by or on behalf of Chamber, products and completed operations of Chamber; premises owned, occupied, or used by Chamber; and automobiles owned, leased, or used by the Chamber. The coverage may contain no special limitations on the scope of protection afforded to City or its officials, officers, employees, agents, or volunteers.

2. Required insurance coverage must be primary insurance with respect to the City and its officials, officers, employees and volunteers. No insurance or self-insurance maintained by the City may be called upon to contribute to a loss under the coverage.

3. Any failure of Chamber to comply with reporting provisions of the policy shall not affect coverage provided to City and its officers, employees, agents, and volunteers.

4. Required insurance coverage may not be suspended, voided, canceled, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

F. All insurance required under this Agreement must be placed with insurers with a Bests' rating of no less than A:VII unless otherwise approved by the City.

G. The City may approve a variation in the foregoing insurance requirements, upon a determination that the coverages, scope, limits, and forms of such insurance are either not commercially available, or that the City interests are otherwise fully protected.

12. NON-DISCRIMINATION

During the performance of this Agreement, Chamber will not discriminate against any employee of the Chamber or applicant for employment because of race, religion, creed, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation. Chamber will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, religion, creed, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation.

13. LICENSES AND PERMITS

A. BUSINESS LICENSE

To the extent the business license requirements of the Healdsburg Municipal Code apply, Chamber and any subcontractors subject to the requirements must acquire at their sole expense a business license from City in accordance with the Code. Such licenses must be kept valid throughout the Agreement term.

B. OTHER LICENSES AND PERMITS

Chamber represents and warrants to City that Chamber and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice in their respective professions. Chamber expressly represents and warrants to City that Chamber and its employees, agents, and any subcontractors shall, at their sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions.

14. OWNERSHIP OF WORK PRODUCTS AND TREATMENT OF DOCUMENTS

All plans, specifications, reports, designs and other documents prepared by Chamber pursuant to this Agreement shall be and remain the property of the City. Any modification or reuse of such documents by the City without Chamber's prior written consent will be at the City's sole risk. Except as may be otherwise required by law, Chamber will disclose no data, plans, specifications, reports or other documents pertaining to the Services without the prior written consent of the City.

15. ALTERNATIVE DISPUTE RESOLUTION

If any dispute arises between the parties that cannot be settled after engaging in good faith negotiations, City and Chamber agree to resolve the dispute in accordance with the following:

A. Each party shall designate a senior management or executive level representative to negotiate any dispute.

B. The representatives shall attempt, through good faith negotiations, to resolve the dispute by any means within their authority.

C. If the issue remains unresolved after ten (10) days of good faith negotiations, the parties shall attempt to resolve the disagreement by negotiation between legal counsel. If the above process fails, the parties shall resolve any remaining disputes through mediation to expedite the resolution of the dispute.

D. The mediation process shall provide for the selection within 15 days of both parties of a disinterested third person as mediator, shall be commenced within 30 days, and shall be concluded within 15 days from the commencement of the mediation.

E. The parties shall equally bear the costs of any third party mediator in any alternative dispute resolution process.

F. The alternative dispute resolution process is a material condition to this Agreement and must be exhausted as an administrative remedy prior to either party initiating legal action. This alternative dispute resolution process is not intended to, nor shall be construed to, change the time periods for filing claims or action specified by Government Code section 900, et seq.

16. TERMINATION AND REMEDIES

A. This Agreement shall terminate upon the earlier of (i) the City Council's approval of a request by the Chamber to terminate the Agreement pursuant to a modification of the Plan under Section 36635 of the Act, (ii) disestablishment of the HTID pursuant to the Act, or (iii) December 31, 2032. City may terminate this Agreement in the event Chamber materially breaches any term of the Agreement as provided in Section 16.B below.

B. If Chamber materially breaches any term of this Agreement, in addition to any other remedies the City may have at law or equity, the City may:

1. Terminate the Agreement by notice to the Chamber specifying the termination effective date;

2. Retain, and/or recover from the Chamber at no additional cost to the City, the plans, specification, drawings, reports and other design documents and work products prepared by Chamber, whether or not completed;

3. Complete the unfinished Services itself or have the unfinished Services completed, and/or;

4. Charge Chamber or deduct from monies that may be due or become due the Chamber under this Agreement, the difference between the cost of completing

the unfinished Services pursuant to this Agreement and the amount that would otherwise be due Chamber had Chamber completed the Services in accordance with this Agreement.

17. BINDING EFFECT AND ASSIGNMENT PROHIBITION

This Agreement is binding upon City, Chamber, and their successors. Except as otherwise provided herein, neither City nor Chamber may assign, sublet or transfer its interest in this Agreement or any part thereof without the prior written consent of the other, and any purported assignment without such consent will be void.

18. REPRESENTATIVES

A. City representative for purposes of this Agreement will be Jeffrey Kay, City Manager. Chamber representative for purposes of this Agreement will be the Executive Director. The parties' designated representative will be the primary contact person regarding the performance of the Services. The parties intend that their designated representatives will cooperate in all matters regarding this Agreement and in such a manner so as to achieve performance of the Services in a timely and expeditious fashion. Chamber shall not substitute or replace primary representative without approval of the City.

B. Notices:

Any written notice to Chamber shall be sent to:

Executive Director
Chamber of Commerce
217 Healdsburg Avenue
Healdsburg, CA 95448

Any written notice to City shall be sent to:

Jeffrey Kay, City Manager
City of Healdsburg
401 Grove Street
Healdsburg, CA 95448

19. INTEGRATION AND AMENDMENT

This Agreement represents the entire and integrated agreement between City and Chamber and supersedes all prior negotiations, representations or agreements, whether written or oral. If a discrepancy, disagreement, ambiguity, inconsistency or difference in interpretation of terms arises as to terms or provisions of this Agreement and any Exhibit(s) attached to this Agreement, this Agreement shall control and shall be deemed to reflect the intent of the Parties with respect to the subject matter hereof. This

Agreement may only be amended by a writing signed by a representative authorized to bind the Chamber and a representative authorized to bind the City.

20. CONFLICT OF INTEREST PROHIBITION

City and Chamber will comply with the requirements of the City's Conflict of Interest Code adopted pursuant to the provisions of California Government Code Section 87300 and following, the Political Reform Act (California Government Code Section 81000 and following), the regulations promulgated by the Fair Political Practices Commission (Title 2, Section 18110 and following of the California Code of Regulations), California Government Code Section 1090 and following, and any other ethics laws applicable to the performance of the Services and/or this Agreement. Chamber may be required to file with the City Clerk a completed Form 700 before commencing performance of the Services unless the City Clerk determines that completion of a Form 700 is not required, pursuant to the City's Conflict of Interest Code. Form 700 forms are available from the City Clerk.

The Chamber may not perform Services for any other person or entity that, pursuant to any applicable law or regulation, would result in a conflict of interest or would otherwise be prohibited with respect to the Chamber's obligations pursuant to this Agreement. The Chamber agrees to cooperate fully with the City and to provide any necessary and appropriate information requested by the City or any authorized representative concerning potential conflicts of interest or prohibitions concerning the Chamber's obligations pursuant to this Agreement.

Chamber may not employ any City official, officer or employee in the performance of the Services, nor may any official, officer or employee of the City have any financial interest in this Agreement that would violate California Government Code Section 1090 and following. Chamber hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of the City. If Chamber was an employee, agent, appointee, or official of the City in the previous twelve months, Chamber warrants that it did not participate in any manner in the forming of this Agreement. Chamber understands that, if this Agreement is made in violation of Government Code Section 1090 and following, the entire Agreement is void and Chamber will not be entitled to any compensation for Chamber's performance of the Services, including reimbursement of expenses, and Chamber will be required to reimburse the City for any sums paid to the Chamber under this Agreement. Chamber understands that, in addition to the foregoing, penalties for violating Government Code Section 1090 may include criminal prosecution and disqualification from holding public office in the State of California.

Any violation by the Chamber of the requirements of this provision will constitute a material breach of this Agreement, and the City reserves all its rights and remedies at law and equity concerning any such violations.

21. APPLICABLE LAW AND VENUE

The laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and the interpretation of this Agreement. Any action or proceeding that is initiated or undertaken to enforce or interpret any provision, performance, obligation or covenant set forth in this Agreement shall be brought in a state court in Sonoma County.

22. RECOVERY OF ATTORNEY'S FEES

If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret any term of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.

23. SEVERABILITY

If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged will remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

24. COUNTERPARTS

This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

IN WITNESS HEREOF, the parties have caused their authorized representative to execute this Agreement on this 1st day of January, 2023.

City

By: _____
Jeffrey Kay, City Manager

CHAMBER

By: _____
Tallia Hart, Executive Director

ATTEST:

By: _____
Raina Allan, City Clerk

Resolution No. 156-2022
Exhibit A

APPROVED AS TO FORM:

By: _____
Samantha Zutler, City Attorney

Exhibits: Exhibit A – Healdsburg Tourism Improvement District Management District
Plan



HEALDSBURG TOURISM IMPROVEMENT DISTRICT MANAGEMENT DISTRICT PLAN

*Prepared pursuant to the Property and Business Improvement District Law of
1994, Streets and Highways Code section 36600 et seq.*

2023-2032

September 21, 2022

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Prepared by
Civitas



I. OVERVIEW

Developed by the Healdsburg Chamber of Commerce (the Chamber), the Healdsburg Tourism Improvement District (HTID) is an assessment district proposed to provide specific benefits to payors, by funding marketing and sales promotion efforts and district development programs for assessed businesses. The HTID was formed in 2013 for a five (5) year term; and subsequently renewed in 2018 for another five (5) year term. The Chamber and Healdsburg businesses now wish to renew the HTID for an additional ten (10) years.

Location: The renewed HTID includes all lodging businesses (including all lodging businesses located on the premises of a winery) located within the boundaries of the City of Healdsburg, as shown on the map in Section IV.

Services: The HTID is designed to provide specific benefits directly to payors by increasing room night sales. Marketing and sales promotions and district development programs will increase overnight tourism and market payors as tourist, meeting and event destinations, thereby increasing demand for room night sales.

Budget: The total HTID annual assessment budget for the initial year of its ten (10) year operation is anticipated to be approximately \$1,500,000. A similar assessment budget is expected to apply to subsequent years, but this budget is expected to fluctuate as room sales do, and if the assessment rate is decreased pursuant to this Plan.

Cost: The annual assessment rate is two percent (2%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays by any federal or state officer or employee when on official business; 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 by any person who has signed an agreement in writing for occupancy in a lodging business for more than thirty (30) days. During the ten (10) year term, the assessment rate may be decreased annually by the HTID Owners' Association by a maximum of one half of one percent (0.5%) of gross room rental revenue per year, as described in Section V. The total assessment rate may not be less than one half of one percent (0.5%).

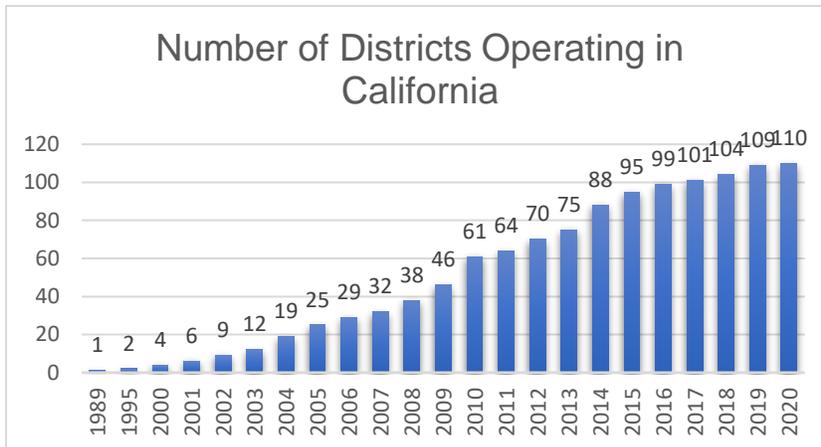
Collection: The City will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the HTID. The City shall take all reasonable efforts to collect the assessments from each assessed lodging business.

Duration: The renewed HTID will have a ten (10) year life, beginning January 1, 2023 through December 31, 2032, or as soon as possible thereafter, and end ten (10) years from its start date. Once per year, beginning on the anniversary of HTID renewal, there is a 30-day period in which owners paying more than fifty percent (50%) of the assessment may protest and initiate a City Council hearing on HTID termination.

Management: The Healdsburg Chamber of Commerce will continue to serve as the HTID's Owners' Association. The Owners' Association is charged with managing funds and implementing programs in accordance with this Plan, and must provide annual reports to the City Council.

II. BACKGROUND

TIDs are an evolution of the traditional Business Improvement District. The first TID was formed in West Hollywood, California in 1989. Since then, over 100 California destinations have followed suit. In recent years, other states have begun adopting the California model – Montana, South Dakota, Washington, Colorado, Texas and Louisiana have adopted TID laws. Several other states are in the process of adopting their own legislation. The cities of Wichita, Kansas and Newark, New Jersey used an existing business improvement district law to form a TID. And, some cities, like Portland, Oregon and Memphis, Tennessee have utilized their home rule powers to create TIDs without a state law.



California's TIDs collectively raise over \$300 million annually for local destination marketing. With competitors raising their budgets, and increasing rivalry for visitor dollars, it is important that Healdsburg lodging businesses continue to invest in stable, lodging-specific marketing programs.

TIDs utilize the efficiencies of private sector operation in the market-based promotion of tourism districts. TIDs allow lodging business owners to organize their efforts to increase demand for room night sales. Lodging business owners within the TID pay an assessment and those funds are used to provide services that increase demand for room night sales.

TIDs utilize the efficiencies of private sector operation in the

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

There are many benefits to TIDs:

- Funds must be spent on services and improvements that provide a specific benefit only to those who pay;
- Funds cannot be diverted to general government programs;
- They are customized to fit the needs of payors in each destination;
- They allow for a wide range of services;
- They are ***designed, created and governed by those who will pay*** the assessment; and
- They provide a stable, long-term funding source for tourism promotion.

III. ACCOMPLISHMENTS

HTID Recent Accomplishments

- 8,614,755,116 total earned media impressions
- 264 total online media placements
- 41 total print media placements
- 35 Curated Media Visits
- Press Hit Examples:
 - *Food & Wine* – The article by Ray Isle highlights Healdsburg as a small town that offers a variety of dining and wine tasting options along with newly built modern hotels. **8.6M readers**
 - *Orange Coast Magazine* – Allan Gibbons describes the perfect getaway to Healdsburg that includes listening to music on the downtown plaza, savory and sweet gourmet wine and food pairings, picnics, downtown hotels, and dining - all with hometown flavor. **56k readers**
 - *Travel + Leisure* - Kathryn Romeyn outlines her post-baby family-friendly trip to Healdsburg that included wine tasting, outdoor adventures, along with hotel and dining recommendations. **5.5M viewers**
 - *Conde Nast Traveler* – Carey Jones writes about California weekend getaways that featured Healdsburg as a wine, food and bakery destination with a charming identity. **2.8M viewers**
 - *7x7* – Amber Turpin describes her 3-day Healdsburg weekend that included a stay at Montage, biking, art, wine tasting, cocktails, lounging, shopping, dining and her plans to come back again. **130k viewers**
 - *Country Living* – Lauren Smith McDonough showcases 35 American “European-like” towns, including Healdsburg, that she compares to Tuscany. **12M viewers**
 - *Decanter* – Jess Lander outlines the perfect 3-day trip to Healdsburg to experience small town charm and luxury - all at the same time. **366k viewers**
 - *Forbes* - Katie Chang showcases the pleasures of a visit to Healdsburg that included art galleries, dining, day spa’s - all without drinking any wine. **66.5M viewers**
 - *Locale Magazine* – The article by Taylor Gorski features some of Healdsburg’s newest hotels, classic wineries, art galleries, and culinary suggestions. **100k viewers**
 - *Marie Claire* – Featured in the Instagram Guide to Sonoma, Healdsburg is highlighted for wine tasting and dining. **13M viewers**

Exhibit B

- *PaperCity* – Georgie Miller documented a charming visit to Healdsburg that included modern hotels, unique retail shops and art galleries, along with fine dining. **204k viewers**
- *The Zoe Report* – Nicole Kliet highlights Healdsburg as an American city that should not be missed during the Fall; offering many hotel options, outdoor activities, and a variety of wine tasting venues. **2.4M viewers**
- *Thrillist* – *Daisy Barringer and Margot Seeto* describe Healdsburg as a perfect road trip from San Francisco to experience lunch at a winery, food and wine pairings, creative cocktails, farm-fresh dining and stylish hotel rooms. **8.4M viewers**
- *Yahoo! News* – This article considered Healdsburg as one of the most wine-friendly towns where you can experience a variety of excellent dining options, modern hotels, along with new and established wineries. **2.1B viewers**
- *MSN* – Daisy Barringer and Margot Seeto suggest Healdsburg as a top fall destination to enjoy wonderful eating and drinking. **69.5M viewers**
- *House Beautiful* – Lauren Smith McDonough and Janaya Wecker suggest travelers will enjoy Healdsburg as much as Italy based on the food and wine. **6.7M viewers**
- *Forbes* – Laurie Werner highlights Napa and Sonoma County and suggests visiting Healdsburg to sample dishes prepared by many local culinary stars. **66.5M viewers**

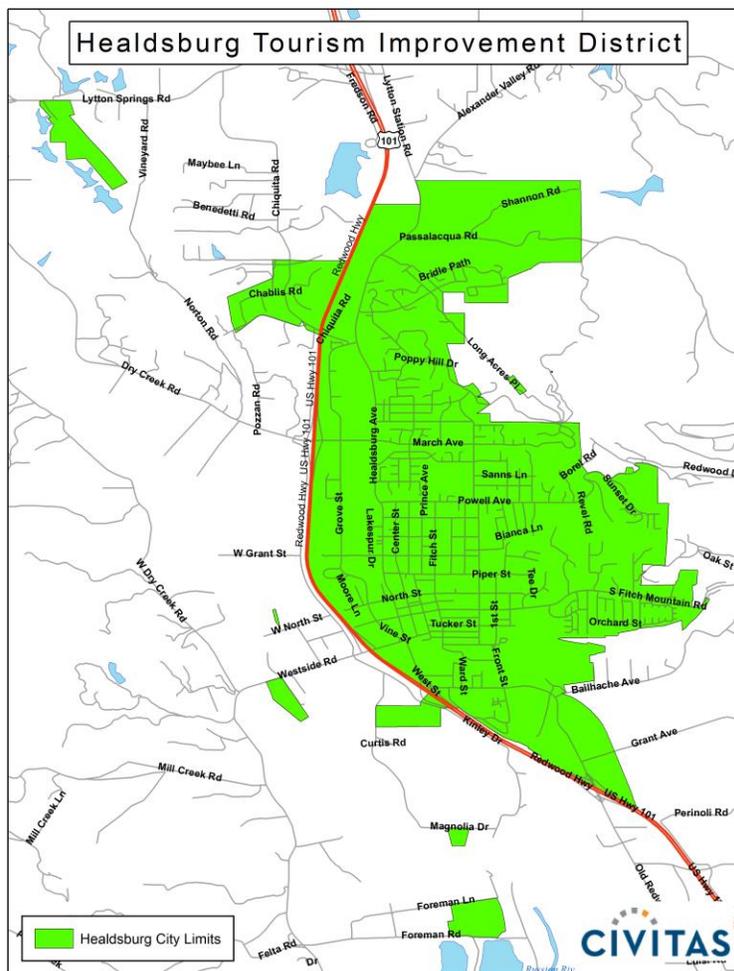
IV. BOUNDARY

The HTID will include all lodging businesses (including all lodging businesses located on the premises of a winery), existing and in the future, available for public occupancy within the boundaries of the City of Healdsburg.

Lodging business means: any structure or any portion of any structure that is occupied or intended or designed for occupancy by transients for sleeping purposes, including any inn, home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structure or portion thereof that is used for occupancy by transients, even if such use is on a part-time basis.

The term “winery” as used herein means: A business that is commercial growing and/or processing of wine grapes; and/or must have a valid state license and/or federal permit to process or sell wine at retail locations within the boundaries of the HTID.

The boundary, as shown in the map below, currently includes thirty (30) lodging businesses. A complete listing of lodging businesses within the renewed HTID can be found in Appendix 2.



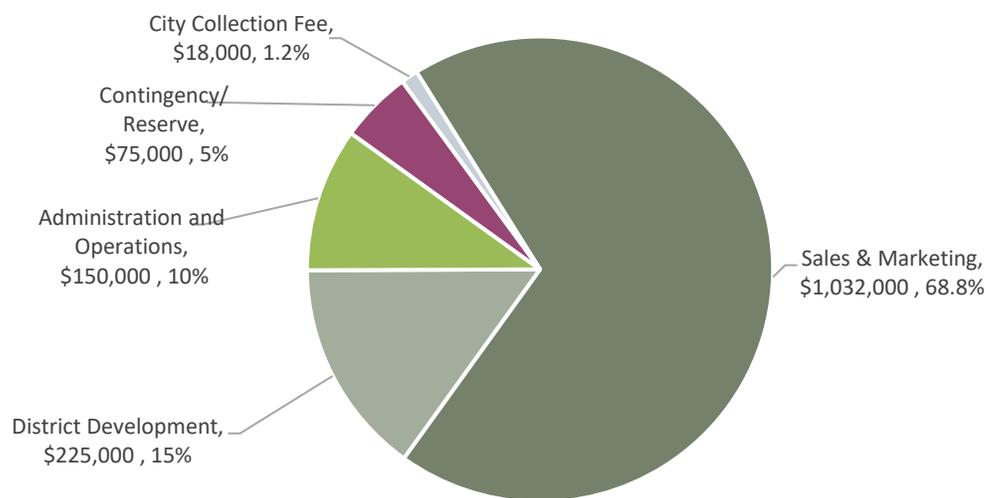
V. ASSESSMENT BUDGET AND SERVICES

A. Annual Service Plan

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly to the payors that are not provided to those not charged, and which do not exceed the reasonable cost to the City of conferring the benefits or granting the privileges. The privileges and services provided with the HTID funds are sales and marketing programs available only to assessed businesses.

A service plan assessment budget has been developed to deliver services that benefit the assessed businesses. A detailed annual assessment budget will be developed and approved by the Chamber. The table below illustrates the initial annual assessment budget allocations. The total initial assessment budget is \$1,500,000.

Initial Annual Assessment Budget- \$1,500,000



Although actual revenues will fluctuate due to market conditions, the proportional allocations of the budget shall remain the same. However, the City and the Chamber shall have the authority to adjust budget allocations between the categories by no more than fifteen percent (15%) of the total budget per year. A description of the proposed improvements and activities for the initial year of operation is below. The same activities are proposed for subsequent years. In the event of a legal challenge against the HTID, any and all assessment funds may be used for the costs of defending the HTID.

Each budget category includes all costs related to providing that service. For example, the sales and marketing budget includes the cost of staff time dedicated to overseeing and implementing the sales and marketing program. Staff time dedicated purely to administrative tasks is allocated to the administrative portion of the budget. The staffing levels necessary to provide the services below will be determined by the Chamber on an as-needed basis.

Sales and Marketing

A sales and marketing program will promote assessed businesses as tourist, meeting, and event destinations. The sales and marketing program will have a central theme of promoting Healdsburg as a desirable place for overnight visits. The program will have the goal of increasing overnight visitation and room night sales at assessed businesses, and may include the following activities:

- Internet marketing efforts to increase awareness and optimize internet presence to drive

Exhibit B

- overnight visitation and room sales to assessed businesses;
- Print ads in magazines and newspapers, television ads, and radio ads targeted at potential visitors to drive overnight visitation and room sales to assessed businesses;
- Attendance of trade shows to promote assessed businesses;
- Sales blitzes for assessed businesses;
- Familiarization tours of assessed businesses;
- Preparation and production of collateral promotional materials such as brochures, flyers and maps featuring assessed businesses;
- Attendance of professional industry conferences and affiliation events to promote assessed businesses;
- Lead generation activities designed to attract tourists and group events to assessed businesses;
- Director of Sales and General Manager meetings to plan and coordinate tourism promotion efforts for assessed businesses;
- Development and maintenance of a website designed to promote assessed businesses; and
- Education of hospitality staff on service and safety (related to alcohol and food) designed to create a visitor experience that will bring repeat visits to assessed businesses; and
- Education of lodging businesses management and the Owners' Association on marketing strategies best suited to meet Healdsburg's needs designed to increase overnight visitation and room night sales and assessed businesses.

District Development

District Development (DD) projects will be designed to improve the visitor experience in an effort to increase overnight visitation at assessed lodging businesses. As the total number of rooms sold and room prices increase over time, the amount of available funds for DD projects will increase. During the ten (10) year term of the HTID, a minimum of fifteen percent (15%) of the annual assessment budget shall be used for DD projects. Working collaboratively with the City, the Chamber will develop specific DD funding criteria. The City and the Chamber staff shall have equal input to make recommendations to the Chamber for final project approval. The award of any public works contract for an approved DD project must be done in accordance with Municipal Code requirements. Policies and procedures acceptable to both the Chamber and the City will be developed. DD projects may include:

- Services designed to improve the visitor experience, such as but not limited to, transportation and parking solutions;
- Improvements designed to improve the visitor experience, such as but not limited to, benches, restrooms, and lighting improvements; and
- Activities designed to improve the visitor experience, such as but not limited to, Tuesday Music on the Plaza, Healdsburg Farmers Market, Healdsburg Center to the Arts, and/or creation of new Arts, Cultural and Educational activities.

Administration and Operations

The administration and operations portion of the budget shall be utilized for administrative staffing costs, office costs, advocacy, and other general administrative costs such as insurance, legal, and accounting fees. Ten percent (10%) of the annual assessment budget shall be used for administration and operations.

City Administration Fee

The City of Healdsburg shall retain 1.2% percent of the amount of assessment collected, to cover its costs of collection and administration. Any amount of the City Administration Fee in excess of the

Exhibit B

actual cost of collecting and administering the assessment shall be forwarded to the Owners' Association to be used for HTID programs.

Contingency/Reserve

The budget includes a contingency line item to account for uncollected assessments, if any. If there are contingency funds collected, they may be held in a reserve fund or utilized for other program, administration or renewal costs at the discretion of the Owners' Association. Policies relating to contributions to the reserve fund, the target amount of the reserve fund, and expenditure of monies from the reserve fund shall be set by the Board of Directors of the Owners' Association. Contingency/reserve funds may be spent on HTID programs or administrative and renewal costs in such proportions as determined by the Owners' Association. The reserve fund may be used for the costs of renewing the HTID. The contingency/reserve portion of the budget may also be utilized for expenditures relating to unforeseen circumstances, including but not limited to those arising out of natural disaster, pandemic, or economic crisis.

B. Annual Budget

The total ten (10) year improvement and service plan budget is projected at approximately \$1,500,000 annually, or approximately \$17,195,819 through 2032. A similar budget is expected to apply to subsequent years, but this budget is expected to fluctuate as room sales do, and if the assessment rate is decreased pursuant to this Plan.

The initial annual assessment rate is two percent (2%) of gross room rental revenue. The Owners' Association may decrease the assessment rate by a maximum of one half of one percent (0.5%) per year. The assessment rate shall never be less than one half of one percent (0.5%).

The table below demonstrates the estimated maximum annual improvement and service plan budget during the HTID's ten (10) year term. A three percent (3%) annual increase in the total budget is shown to account for estimated increased room night sales as a result of HTID efforts. This three percent (3%) increase is a conservative estimate based on the effects of similarly sized TID budgets, not an increase in the HTID assessment.

**Estimated Maximum Annual Assessment Budget
2023-2032**

Year	Sales & Marketing	District Development	Admin. and Operations	Contingency /Reserve	City Collection Fee	Total
2023	\$1,032,000	\$225,000	\$150,000	\$75,000	\$18,000	\$1,500,000
2024	\$1,158,750	\$231,750	\$154,500	\$77,250	\$18,540	\$1,545,000
2025	\$1,193,513	\$238,703	\$159,135	\$79,568	\$19,096	\$1,591,350
2026	\$1,229,318	\$245,864	\$163,909	\$81,955	\$19,669	\$1,639,091
2027	\$1,266,197	\$253,239	\$168,826	\$84,413	\$20,259	\$1,688,263
2028	\$1,304,183	\$260,837	\$173,891	\$86,946	\$20,867	\$1,738,911
2029	\$1,343,309	\$268,662	\$179,108	\$89,554	\$21,493	\$1,791,078
2030	\$1,383,608	\$276,722	\$184,481	\$92,241	\$22,138	\$1,844,811
2031	\$1,425,116	\$285,023	\$190,016	\$95,008	\$22,802	\$1,900,155
2032	\$1,467,870	\$293,574	\$195,716	\$97,858	\$23,486	\$1,957,160
Total	\$12,803,864	\$2,579,373	\$1,719,582	\$859,791	\$206,350	\$17,195,819

C. California Constitutional Compliance

The HTID assessment is not a property-based assessment subject to the requirements of Proposition 218. Courts have found Proposition 218 limited the term ‘assessments’ to levies on real property.¹ Rather, the HTID assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Proposition 26 all levies are a tax unless they fit one of seven exceptions. Two of these exceptions apply to the HTID, 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 City of conferring the benefits or providing the services.

1. Specific Benefit

Proposition 26 requires that assessment funds be expended on, “a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”² The services in this Plan are designed to provide targeted benefits directly to assessed lodging businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific lodging businesses within the HTID. The activities described in this Plan are specifically targeted to increase room night sales for assessed lodging businesses within the boundaries of the HTID, and are narrowly tailored. HTID funds will be used exclusively to provide the specific benefit of increased room night sales directly to the assesseses. Assessment funds shall not be used to feature non-assessed lodging businesses in HTID programs, or to directly generate sales for non-assessed businesses. The activities paid for from assessment revenues are business services constituting and providing specific benefits to the assessed businesses.

The assessment imposed by this HTID is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is an increase in room night sales. The specific benefit of an increase in room night sales for assessed lodging businesses will be provided only to lodging businesses paying the district assessment, with marketing and sales programs promoting lodging businesses paying the district assessment. The marketing and sales programs will be designed to increase room night sales at each assessed lodging businesses. Because they are necessary to provide the marketing and sales programs that specifically benefit the assessed lodging businesses, the administration and contingency services also provide the specific benefit of increased room night sales to the assessed lodging businesses.

Although the HTID, in providing specific benefits to payors, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, “A specific benefit is not excluded from classification as a ‘specific 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.”³

2. Specific Government Service

The assessment may also be utilized to provide, “a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the

¹ *Jarvis v. the City of San Diego* 72 Cal App. 4th 230

² Cal. Const. art XIII C § 1(e)(1)

³ Government Code § 53758(a)

reasonable costs to the local government of providing the service or product.”⁴The legislature has recognized that marketing and promotions services like those to be provided by the HTID are government services within the meaning of Proposition 26⁵.Further, the legislature has determined that “a specific government service is not excluded from classification as a ‘specific government service’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific government service to the payor.”⁶

3. Reasonable Cost

HTID services will be implemented carefully to ensure they do not exceed the reasonable cost of such services.The full amount assessed will be used to provide the services described herein. Funds will be managed by the Chamber, and reports submitted on an annual basis to the City. Only assessed lodging businesses will be featured in marketing materials, receive sales leads generated from district-funded activities, be featured in advertising campaigns, and benefit from other district-funded services. Non-assessed lodging businesses will not receive these, nor any other, district-funded services and benefits.

The HTID -funded programs are all targeted directly at and feature only assessed businesses. It is, however, possible that there will be a spill over benefit to non-assessed businesses. If non-assessed lodging businesses receive incremental room nights, that portion of the promotion or program generating those room nights shall be paid with non- HTID funds. HTID funds shall only be spent to benefit the assessed businesses, and shall not be spent on that portion of any program which directly generates incidental room nights for non-assessed lodging businesses.

D. Assessment

The annual assessment rate is two percent (2%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays by any federal or state officer or employee when on official business; 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 by any person who has signed an agreement in writing for occupancy in a lodging business for more than thirty (30) days. During the ten (10) year term, the assessment rate may be decreased annually by the HTID Owners’ Association by a maximum of one half of one percent (0.5%) of gross room rental revenue per year. The total assessment rate may not be less than one half of one percent (0.5%).

The term “gross room rental revenue” as used herein means: the actual consideration charged, whether or not received, for the occupancy of space in a lodging business valued in money, whether to be received in money, goods, labor or otherwise, including all receipts, cash, credit and property and services of any kind or nature without any deduction therefrom whatsoever. Gross room rental revenue shall not include any federal, state or local taxes collected, including but not limited to transient occupancy taxes.

The assessment is 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, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each transient shall receive a receipt for payment from the business. The assessment shall be disclosed as the “HTID Assessment.” The assessment is imposed solely upon, and is the sole obligation of the assessed lodging business even if

⁴ Cal. Const. art XIII C § 1(e)(2)

⁵ Government Code § 53758(b)

⁶ Government Code § 53758(b)

it is passed on to transients. The assessment shall not be considered revenue for any purposes, including calculation of transient occupancy taxes.

Bonds shall not be issued.

E. Penalties and Interest

The HTID shall reimburse the City of Healdsburg for any costs associated with collecting unpaid assessments. If sums in excess of the delinquent HTID assessment are sought to be recovered in the same collection action by the City, the HTID shall bear its pro rata share of such collection costs. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. *Original Delinquency:* Any lodging business which fails to remit any assessment imposed within the time required shall pay a penalty of ten percent (10%) of the amount of the assessment owing in addition to the amount of the assessment
2. *Continued Delinquency:* Any lodging business which fails to remit any delinquent remittance on or before a period of thirty (30) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.
3. *Fraud:* If the City determines that the nonpayment of any remittance due was willful, a penalty of fifty percent (50%) of the amount of the assessment shall be added thereto in addition to the penalties stated in subsection (1) and (2) of the section.
4. *Interest:* In addition to the penalties imposed, any lodging business which fails to remit any assessment imposed shall pay interest at the rate of one-half of one percent (0.5%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the remittance first became delinquent until paid.
5. *Penalties Merged with Assessment:* Every penalty imposed and such interest as accrues under the provisions of this section shall become a part of the assessment herein required to be paid.

F. Time and Manner for Collecting Assessments

The renewed HTID will have a ten (10) year life, beginning January 1, 2023 through December 31, 2032, or as soon as possible thereafter, and end ten (10) years from its start date. The City will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business. The City shall take all reasonable efforts to collect the assessments from each lodging business. The City shall forward the assessments collected to the Owners' Association.

VI. GOVERNANCE

A. Owners' Association

The City Council, through adoption of this Management District Plan, has the right, pursuant to Streets and Highways Code §36651, to identify the body that shall implement the proposed program, which shall be the Owners' Association of the HTID as defined in Streets and Highways Code §36612. The City Council has determined that the Healdsburg Chamber of Commerce (the Chamber) will continue to serve as the Owners' Association for the HTID.

B. Brown Act and California Public Records Act Compliance

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. The Owners' Association is, however, subject to government regulations relating to transparency, namely the Ralph M. Brown Act and the California Public Records Act. These regulations are designed to promote public accountability. The Owners' Association acts as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the Chamber board and certain committees must be held in compliance with the public notice and other requirements of the Brown Act. The Owners' Association is also subject to the record keeping and disclosure requirements of the California Public Records Act. Accordingly, the Owners' Association shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

C. Annual Report

The Chamber shall present an annual report at the end of each year of operation to the City Council pursuant to Streets and Highways Code §36650 (see Appendix 1). The annual report shall include:

- Any proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses within the district.
- The improvements and activities to be provided for that fiscal year.
- An estimate of the cost of providing the improvements and the activities for that fiscal year.
- The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

APPENDIX 1 – LAW

*** THIS DOCUMENT IS CURRENT THROUGH THE 2021 SUPPLEMENT ***
(ALL 2020 LEGISLATION)

**STREETS AND HIGHWAYS CODE
DIVISION 18. PARKING
PART 7. PROPERTY AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994**

CHAPTER 1. General Provisions

ARTICLE 1. Declarations

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; Legislative guidance

The Legislature finds and declares all of the following:

- (a) Businesses located and operating within business districts in some 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 business districts 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 business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.
- (d) Assessments levied for the purpose of conferring special benefit upon the real property or a specific benefit upon the businesses in a business district are not taxes for the general benefit of a city, even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them.
- (e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:
 - (1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied.
 - (2) Job creation.
 - (3) Business attraction.
 - (4) Business retention.
 - (5) Economic growth.
 - (6) New investments.
- (f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.
- (g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.
- (h) The act amending this section is intended to provide the Legislature’s guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts.
 - (1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.
 - (2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The

mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.

(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

36602. Purpose of part

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. 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 of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

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.

ARTICLE 2. Definitions

36606. “Activities”

“Activities” means, but is not limited to, all of the following that benefit businesses or real property in the district:

- (a) Promotion of public events.
- (b) Furnishing of music in any public place.
- (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) Other services provided for the purpose of conferring special benefit upon assessed real property or specific benefits upon assessed businesses located in the district.

36606.5. “Assessment”

“Assessment” means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to 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”

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“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.

36609.4. “Clerk”

“Clerk” means the clerk of the legislative body.

36609.5. “General benefit”

“General benefit” means, for purposes of a property-based district, any benefit that is not a “special benefit” as defined in Section 36615.5.

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 district.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

36611. “Management district plan”; “Plan”

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

36612. “Owners’ association”

“Owners’ association” means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities 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 records relating to activities of the district.

36614. “Property”

“Property” means real property situated within a district.

36614.5. “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.

36614.6. “Property-based assessment”

“Property-based assessment” means any assessment made pursuant to this part upon real property.

36614.7. “Property-based district”

“Property-based district” means any district in which a city levies a property-based assessment.

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.

36615.5. “Special benefit”

“Special benefit” means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

36616. “Tenant”

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

ARTICLE 3. Prior Law

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.

CHAPTER 2. Establishment

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 improvements, maintenance, and activities, 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, which may be made by reference to any plan or map that is on file with the clerk. 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, maintenance, 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 include, but is not limited to, 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 property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. 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, maintenance, and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, 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, or activities, 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

Exhibit B

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) (1) 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.
(2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.
- (l) In a property-based district, the total amount of all special benefits to be conferred upon the properties located within the property-based district.
- (m) In a property-based district, the total amount of general benefits, if any.
- (n) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.
- (o) 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

Resolution No. 156-2022

Exhibit B

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, maintenance, 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, maintenance, and 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 a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, 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 on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, 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, maintenance, and activities to be conferred on businesses and properties 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, maintenance, 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. Notwithstanding the foregoing, improvements and activities that must be provided outside the district boundaries to create a special or specific benefit to the assessed parcels or businesses may be provided, but shall be limited to marketing or signage pointing to 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, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.

(8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(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.

36627. Notice and assessment diagram

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625, the clerk 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, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

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 the district may be renewed pursuant to this part.

CHAPTER 3. Assessments

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 may 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 an action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36625. An 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

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

CHAPTER 3.5. Financing

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.

CHAPTER 4. Governance

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, maintenance, 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, maintenance, and activities to be provided for that fiscal year.

- (3) An estimate of the cost of providing the improvements, maintenance, and 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 estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
 - (6) The estimated 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, maintenance, and activities

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

CHAPTER 5. Renewal

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

- (a) Any district previously established whose term has expired, or will expire, 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.

CHAPTER 6. Disestablishment

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 assesseses 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 district 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 – ASSESSED BUSINESSES

Business Name	Address
Bella Luna	530 Healdsburg Avenue, Healdsburg, CA 95448
Bella Villa Messina	316 Burgundy Road, Healdsburg, CA 95448
Belle de Jour Inn	16276 Healdsburg Avenue, Healdsburg, CA 95448
Best Western Dry Creek Inn	198 Dry Creek Road, Healdsburg, CA 95448
Calderwood Inn	25 West Grant Street, Healdsburg, CA 95448
Camellia Inn	211 North Street, Healdsburg, CA 95448
Cottages at Healdsburg	425 Foss Street, Healdsburg, CA 95448
Cypress House and Studio	410 Grater Street, Healdsburg, CA 95448
Duchamp Hotel	421 Foss Street, Healdsburg, CA 95448
Fairview Inn and Suites	74 Healdsburg Avenue, Healdsburg, CA 95448
Grandma's Victorian Cottage	607 Johnson Street, Healdsburg, CA 95448
Grape Leaf Inn	539 Johnson Street, Healdsburg, CA 95448
h2hotel	219 Healdsburg Avenue, Healdsburg, CA 95448
Harmon Guest House	414 Healdsburg Avenue, Healdsburg, CA 95448
Healdsburg Contemporary Cottage	225 Piper Street, Healdsburg, CA 95448
Healdsburg Cottage	602 College Street, Healdsburg, CA 95448
Healdsburg Inn on the Plaza	112 Matheson Street, Healdsburg, CA 95448
Honor Mansion	891 Grove Street, Healdsburg, CA 95448
Hotel Healdsburg	25 Matheson Street, Healdsburg, CA 95448
Hotel Les Mars	27 North Street, Healdsburg, CA 95448
Hotel Trio	110 Dry Creek Road, Healdsburg, CA 95448
Hotel Vinea	178 Dry Creek Rd, Healdsburg, CA 95448
Inspirato	223 Center Street, Healdsburg, CA 95448
L & M Motel	70 Healdsburg Ave., Healdsburg, CA 95448
Montage Healdsburg	100 Montage Way, Healdsburg, CA 95448
River Belle	68 Front Street, Healdsburg, CA 95448
Rock House Suites	115 Mill St, Healdsburg, CA 95448
Single Thread Farm Inn	131 B North Street, Healdsburg, CA 95448
The Roost	340 East Street, Healdsburg, CA 95448
Two Thirty Five	235 Healdsburg Avenue, Healdsburg, CA 95448
Bella Luna	530 Healdsburg Avenue, Healdsburg, CA 95448
Bella Villa Messina	316 Burgundy Road, Healdsburg, CA 95448