

HOLLY L. WOLCOTT
CITY CLERK

PETTY F. SANTOS
EXECUTIVE OFFICER

City of Los Angeles
CALIFORNIA



ERIC GARCETTI
MAYOR

OFFICE OF THE
CITY CLERK

Neighborhood and
Business
Improvement District
Division
200 N. Spring Street,
Room 395
Los Angeles, CA. 90012
(213) 978-1099
FAX: (213) 978-1130

PATRICE LATTIMORE
DIVISION MANAGER

clerk.lacity.org

December 18, 2020

Honorable Members of the City Council
City Hall, Room 395
200 North Spring Street
Los Angeles, California 90012

Council Districts 1-15

REGARDING:

THE LOS ANGELES TOURISM MARKETING DISTRICT (PROPERTY BASED)
BUSINESS IMPROVEMENT DISTRICT'S 2021 FISCAL YEAR ANNUAL PLANNING
REPORT

Honorable Members:

The Office of the City Clerk has received the Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's ("District") 2021 fiscal year (CF 14-0943-S1). The owners' association of the District has caused to be prepared the Annual Planning Report for City Council's consideration. In accordance with the Property and Business Improvement District Law of 1994, California Streets and Highways Code Section 36650, an Annual Planning Report for the District must be submitted for approval by the City Council. The Los Angeles Tourism Marketing District Business Improvement District's Annual Planning Report for the 2021 fiscal year is presented with this transmittal for City Council's consideration as "Attachment 1."

BACKGROUND

The Los Angeles Tourism Marketing District Business Improvement District was established on August 10, 2015 by and through the City Council's adoption of Ordinance No. 183816 which confirmed the assessments to be levied upon properties within the District, as described in the District's Management District Plan. The Council established the District pursuant to State Law.

ANNUAL PLANNING REPORT REQUIREMENTS

The State Law requires that the District's owners' association shall cause to be prepared, for City Council's consideration, an Annual Planning Report for each fiscal year for which assessments are to be levied and collected to pay for the costs of the planned District improvements and activities. The Annual Planning Report shall be filed with the City Clerk

and shall refer to the 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: any proposed changes in the boundaries of the district or in any benefit zones within the district; the improvements and activities to be provided for that fiscal year; an estimate of the cost of providing the improvements and activities for that fiscal year; the method and basis of levying the assessment in sufficient detail to allow each real property owner to estimate the amount of the assessment to be levied against his or her property for that fiscal year; the amount of any surplus or deficit revenues to be carried over from a previous fiscal year; and the amount of contributions to be made from sources other than assessments levied.

The attached Annual Planning Report, which was approved by the District's Board at their meeting on October 20, 2020, complies with the requirements of the State Law and reports that programs will continue, as outlined in the Management District Plan adopted by the District property owners. The City Council may approve the Annual Planning Report as filed by the District's owners' association or may modify any particulars contained in the Annual Planning Report, in accordance with State Law, and approve it as modified.

FISCAL IMPACT

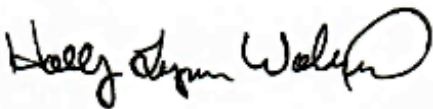
There is no impact to the General Fund associated with this action.

RECOMMENDATIONS

That the City Council:

1. FIND that the attached Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's 2021 fiscal year complies with the requirements of the State Law
2. FIND that the increase in the 2021 budget concurs with the intentions of the Los Angeles Tourism Marketing District Business Improvement District's Management District Plan and does not adversely impact the benefits received by assessed property owners.
3. ADOPT the attached Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's 2021 fiscal year, pursuant to the State Law.

Sincerely,



Holly L. Wolcott

City Clerk

Attachment:

Los Angeles Tourism Marketing District Business Improvement District's 2021 Fiscal Year Annual Planning Report

December 18, 2020

Holly L. Wolcott, City Clerk
Office of the City Clerk
200 North Spring Street, Room 395
Los Angeles, CA. 90012

Subject: Los Angeles Tourism Marketing District PBID 2021 Annual Planning Report

Dear Ms. Wolcott:

As required by the Property and Business Improvement District Law of 1994, California Streets and Highways Code Section 36650, the Board of Directors of the Los Angeles Tourism Marketing District Business Improvement District has caused this Los Angeles Tourism Marketing District Business Improvement District Annual Planning Report to be prepared at its meeting on October 20, 2020.

This report covers proposed activities of the Los Angeles Tourism Marketing District BID from January 1, 2021 through December 31, 2021.

Sincerely,

Adam Burke

Adam Burke

Los Angeles Tourism Marketing District

Los Angeles Tourism Marketing
District
Business Improvement District

2021 Annual Planning Report

District Name

This report is for the Los Angeles Tourism Marketing District Business Improvement District (District). The District is operated by the Los Angeles Tourism Marketing District Corporation, a California non-profit corporation.

Fiscal Year of Report

The report applies to the 2021 Fiscal Year. The District Board of Directors approved the 2021 Annual Planning Report at the October 20, 2020 Board of Director's meeting.

Boundaries

There are no changes to the District boundaries for 2021.

Benefit Zones

There are no changes to the District's benefit zone(s) for 2021.

2021 IMPROVEMENTS, ACTIVITIES AND SERVICES

Marketing: \$11,472,443.00 (71.00%)

LATMD continues to contract with the Los Angeles Tourism & Convention Board to perform the marketing activities in 2020 as outlined in the Management District Plan.

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Marketing and promotions for the benefit of each assessed lodging businesses with fifty (50) or more rooms. Marketing and promotions programs will be designed to provide the specific benefit of increased room night sales for each assessed lodging business with fifty (50) or more rooms. Marketing and promotions programs funded by the LATMD will not be provided to lodging businesses which are not assessed by the LATMD. Marketing and promotions programs will include but are not limited to:

- Advertising assessed lodging businesses with fifty (50) or more rooms directed to consumers and the meetings trade;
- Development, marketing and maintenance of a website featuring assessed lodging businesses with fifty (50) or more rooms. LATMD funds will not be used to promote any lodging businesses not paying the LATMD assessment on any such website;
- Marketing and promotions programs designed to increase room night sales at lodging businesses with fifty (50) or more rooms by driving traffic to the specific website promoting lodging businesses with fifty (50) or more rooms;
- Regional marketing programs designed to drive traffic to the website and staff which

promote room night sales at assessed lodging businesses with fifty (50) or more rooms, as well as driving traffic to those lodging businesses with fifty (50) or more rooms paying the LATMD assessment;

- A national branding campaign including print, radio, web, social media and television ads which are designed to drive traffic to the website and staff which promote room night sales at assessed businesses with fifty (50) or more rooms; and
- Increased media reach and exposure for the website and staff which promote room night sales for only those lodging businesses with fifty (50) or more rooms.

The cost of marketing programs for the LATMD in fiscal year 2021 is estimated at \$11,472,443, or approximately seventy-one percent (71%) of the fiscal year 2021 budget.

Sales: \$3,231,674.00 (20.00%)

LATMD continues to contract with the Los Angeles Tourism & Convention Board to perform the sales activities in 2020 as outlined in the Management District Plan.

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Sales Activities to increase room night sales for the specific benefit of each assessed lodging businesses with 50 or more rooms, including but not limited to:

- Sales and services staff deployed to sell Los Angeles with emphasis on its regions and the assessed lodging businesses within each region. Lodging businesses with less than fifty (50) rooms that do not pay the LATMD assessment will not be served by sales and services staff paid for the by LATMD;
- Development of new business for both self-contained individual hotel meetings and city-wide conventions which will generate an increase in room night sales at assessed lodging businesses with fifty (50) or more rooms. Lodging businesses with less than fifty (50) rooms that do not pay the LATMD assessment will not receive any leads generated by LATMD-funded new business development, nor will LATMD funds be used to promote any lodging business not paying the assessment in connection with any convention that results from new business development efforts;
- Pre and post meeting support to self-contained groups which work to generate room night sales at assessed lodging businesses with fifty (50) or more rooms. LATMD staff will work with meeting planners to match their specific lodging needs with an LATMD lodging business(es) that meets their criteria; and
- Provide staffing, including sales directors and managers for group meetings and conventions which will generate room night sales for assessed lodging businesses with fifty (50) or more rooms. The staffing funded by the LATMD assessment will generate room night sales for only assessed lodging businesses with fifty (50) or more rooms. Lodging businesses that are not assessed by the LATMD will not receive services from the additional staff provided with LATMD funds.

The cost of sales programs for the LATMD in fiscal year 2021 is estimated at \$3,231,674, or approximately twenty percent (20%) of the fiscal year 2021 budget.

Administration and Operations: \$1,292,669.00 (8.00%)

The administrative and operations portion of the budget is utilized for administrative staffing costs, office costs, and other general administrative costs such as insurance, legal, and accounting fees. The administration and operations 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 marketing and sales program costs at the discretion of the Owners' Association. The reserve fund may be used for the costs of renewing the District.

In 2020, the District will continue to work with LATCB, the contracted management company, for administration of District.

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In fiscal year 2021 the District will continue to work with LATCB, the contracted management company, for administration of District services. LATCB will continue to provide staffing to perform the work required by the District. LATCB holds contracts with various companies for marketing and sales services performed on behalf of the District. The management company works with the City of Los Angeles, handling all financial and administrative requirements expected of the Los Angeles Tourism Marketing District as stipulated in its agreement C127330 with the City.

As stated in the LATMD Management District Plan, the Administration budget includes a contingency line item to account for uncollected assessments, if any. If contingency funds are collected, they may be held in a reserve fund and be utilized at the Board's discretion. Upon the vote of the Board at the October 20, 2020 meeting, five percent (5%) of the 2021 budget, or approximately \$807,918 will continue to be set aside in the reserve fund.

The cost of administration for the LATMD in fiscal year 2021 is estimated at \$1,292,669 or approximately eight percent (8%) of the fiscal year 2021 budget.

City Administration Fee: \$161,584.00 (1.00%)

The City of Los Angeles shall be paid a fee equal to one percent (1%) of the amount of assessment collected to cover its costs of collection and administration.

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The City administrative fee for fiscal year 2021 it is estimated at \$161,584 or approximately one percent (1%) of the fiscal year 2021 budget.

Reserve Fund: \$3,400,000.00 (Non-Regular Budget Item)

Future expenses year-to-year carry-over of up to but not to exceed \$8.9 million related to the necessity of 1) emergency advertising funds to mitigate the effects of a catastrophic event, 2) funds required to host future industry events showcasing Los Angeles' hotel inventory and 3) funds required to host future mega events such as the Super Bowl and the Olympics.

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Please note, the \$3,400,000 balance shown at the top of this section is incorrectly labeled and does not reflect the District's correct "Reserve Fund" estimate. Instead, this \$3,400,000 balance is comprised of two separate components that are added to the "Total Estimated Revenues" section in Appendix A of this report:

- (1) The District's "Reserve Fund" balance of \$1,400,000 at December 31, 2020, and
- (2) its "Surplus Revenue" balance of \$2,000,000 at December 31, 2020. See next page for detail.

Further, the Appendix A form in the BID Portal required "Total Estimate Revenues" to equal the "Total Estimated Expenditures" which was only possible with an entry in the amount of \$3,400,000 under the section labeled "NON-REGULAR BUDGET ITEMS" > "Reserve Fund ***". The form did not allow the two components above to be separately itemized.

Reserve Fund: \$1,400,000

The District estimates its "Reserve Fund" balance will be \$1,400,000 at the end of CY 2020 and is consistent with discussions with the City Clerk's office about allowing the District to carry over up to, but not to exceed, \$8.9 million in reserves. The District's reserve estimate of \$1,400,000 at December 31, 2020, in comparison to last year's balance at December 31, 2019, is the result of routine monthly allocations and transfers approved by the LATMD Board of Directors which occurred throughout CY 2020. See breakdown below:

CY 2020 Starting Reserve Fund balance: \$6.3 million at December 31, 2019

CY 2020 Allocations:

+\$0.6 million routine allocations for 5% of monthly collections

+\$0.5 million funds added back that was previously approved by LATMD Board of Directors to host event which was cancelled.

CY 2020 Transfers Out:

-\$6.0 million approved transfer to contractor for emergency Marketing Recovery Programming

CY 2020 Ending Reserve Fund balance: \$1.4 million at December 31, 2020

For informational purposes only, please be aware the \$6,000,000 mentioned above for Marketing Recovery Programming was transferred out of the District's Reserves during CY 2020 to its contractor, Los Angeles Tourism, whom will execute programming as approved by the LATMD Board of Directors. To date, \$1,633,000 of the original \$6,000,000 has been appropriated for a 1st phase of Marketing Recovery Programming which was implemented during CY 2020. Further appropriations from the original \$6,000,000 will be determined and

approved by the LATMD Board of Directors when time for recovery is appropriate.

Total Estimate of Cost for 2021

A breakdown of the total estimated 2021 budget is attached to this report as **Appendix A**.

Method and Basis of Levying the Assessment

The Method and Basis for levying the 2021 assessment remains the same as listed in the Management District Plan. The annual assessment rate is one and one half percent (1.5%) of gross short-term (stays less than 31 days) room rental revenue on lodging businesses with 50 or more rooms. The assessment rate may increase to a maximum of three percent (3%) of gross room rental revenue but the increase in any year shall not exceed one-half of one percent (0.5%) of gross room rental revenue as detailed in the Management District Plan. The assessment rate may also be decreased, but shall not drop below one and one half percent (1.5%) of gross room rental revenue. Based on the benefit received, assessments will not be collected on certain stays as described in the Management District Plan. The Board voted for no increase for 2021.

Due to a reduction in revenue during the 2020 Fiscal Year, the 2021 projected Annual Budget has been reduced to \$16,158,370 (the 2020 expenditure revenue was listed as \$34,939,596.00). The District Board of Directors approved the 2021 Annual Planning Report and budget at the September 17, 2020 Board of Directors' meeting.

(There is No CPI increase for 2021)

Surplus Revenues: \$2,000,000.00

At the end of CY 2020, the District will have an estimated \$2,000,000 in "Surplus Revenues" resulting from unspent 2020 assessments. This balance is also referred to as "Estimated Carryover from 2020", and is depicted as such in Appendix A of this report.

In anticipation of a severe decline in lodging assessments during CY 2020 and 2021 caused by the COVID-19 pandemic, the District implemented curtailments on its non-essential spend to offset these declines and maintain operational liquidity levels during the economic downturn. As a result, an estimated \$2,000,000 worth of lodging assessments collected in CY 2020 will be unspent at December 31, 2020, but carried over into, and used in, CY 2021.

Anticipated Deficit Revenues

There are no deficit revenues that will be carried over to 2021.

Contribution from Sources other than assessments: \$0.00

APPENDIX A- TOTAL ESTIMATED REVENUES/EXPENDITURES FOR THE Los Angeles Tourism Marketing District BID- FY 2021

2021 Assessments	\$16,158,370.00	
Estimated Carryover from 2020	\$2,000,000.00	
Other Income	\$0.00	
Reserve Fund *	\$1,400,000.00	
Total Estimated Revenues	\$19,558,370.00	
2021 Estimated Expenditures		Pct.
Marketing	\$11,472,443.00	71.00%
Sales	\$3,231,674.00	20.00%
Administration and Operations	\$1,292,669.00	8.00%
City Administration Fee	\$161,584.00	1.00%
ESTIMATED BUDGETED EXPENDITURE	\$16,158,370.00	100%
NON-REGULAR BUDGET ITEMS		
Reserve Fund **	\$3,400,000.00	
Total Estimated Expenditures	\$19,558,370.00	100%

* Non-regular revenue item

** Non-regular budget item, not calculated as part of budget percentage.