



To: Board of Directors
From: Michael Schwartz, Fire Chief
Date: January 7, 2020
Subject: Tourism Business Improvement District (TBID) Tax

Background:

The Eastern Placer County Tourism Business Improvement District tax is similar to a sales tax that every consumer in our community will pay. It is not limited to just lodging or visitors. The tax-paying public has no vote on this proposal. The votes are weighted to the businesses with the most revenue. Consequently, the voting process is not representative of all the business owners that will be affected, especially small businesses.

If the TBID is formed, its Board would not support an increase to Transient Occupancy Tax (TOT) funds, which are truly paid by tourism, for the next five years. If a TOT increase is implemented, the TBID tax on 4,949 lodging businesses, including all TOT certificate holders, would be terminated. This leaves the sales tax to be levied solely on the shoulders of the 892 non-lodging businesses in North Lake Tahoe. These non-lodging businesses are the same least-weighted votes that won't be counted in forming the TBID.

It is important to understand that only Placer County agencies, funded through their general fund, receive TOT funding. Of the nearly \$18m TOT funds generated in 2017/2018, 40% or \$7.2m went straight to Placer County's General Fund. Another \$3.4m went to Placer County for "services specific to Tahoe." And finally, \$3.8m went to Placer County for their contract with North Lake Tahoe Resort Association (NLTRA), which does an outstanding job of marketing for North Lake Tahoe. That leaves \$3.6m for "Infrastructure and Transportation."

The remainder of public agencies and special districts providing services to the residents and the millions of visitors in Eastern Placer County/North Lake Tahoe receive no funding from the TOT funds. Instead of amending the Tourism Master Plan (TMP) to resolve this inequity, the Board of Supervisors is looking to the TBID as a solution. This is fatally flawed for non-County agencies and special districts, and for the residents and visitors they serve.

The current draft of the proposed TBID budget of \$5.7m includes only 3.4%, or \$195,000 to offset the impacts of tourism. This is also the only category that Fire, Emergency Medical and Ambulance Services has a chance of receiving offset funds for services, which saw a 119% increase in demand between May and July. This inadequately funded category, which is undefined and at the discretion of the NLTRA Board, would be shared by all other, non-county agencies and special districts providing services to residents and visitors, if it were made available to these agencies at all. This



means our local residents are subsidizing those services for tourists, and the services the local residents pay taxes for are diluted.

If a TOT increase is approved in the next five years, and lodging stopped contributing to the TBID, this category would be reduced to \$90,100 annually. Again, the cost would be shared by all agencies and special districts not funded by Placer County's general fund.

When giving examples of what types of projects this "Off-setting of Tourist Impacts" category could fund, the example given was dog waste stations at trails. That is probably the only project that such limited funding could successfully complete, and is an example of the NLTRA projects/priorities that special districts are competing with.

There is no consideration for the safety of the people in our community in this plan. Any proposed tax to be paid by our residents must be available to be used to ensure their safety and quality of life.

The TBID is being proposed as a solution to workforce housing. While over 60% of the proposed budget is allocated to marketing and tourism. Only 13.3% is proposed for Workforce Housing and Transportation. That is less than \$800k if the TBID is fully funded, and would only be \$350,000 if the TOT were increased in the next five years and the TBID assessment on lodging was terminated. This is not enough funding to have any meaningful impact on the housing or transportation crisis we are experiencing, and is certainly not the solution to the inequity of the Tourism Master Plan and its misdirected use of the TOT funds. The NLTRA Board confesses that these funds would be used to "advocate for projects, not fund them."

Before this additional point of sale assessment "sales tax" is imposed on our local community, it must be amended to address the impacts of tourism. That category must receive enough of an allocation to have a positive impact on the agencies and special districts that support our residents. Otherwise, we are destined to repeat this flawed cycle of investing in visitors and not residents.

Recommendation:

Direct staff and the Fire Chief to draft a letter to the North Tahoe Resort Association in opposition to the TBID unless the TBID Master Plan Document is amended to include 7.5% dedicated annually towards peak seasonal staffing to meet tourism impacts on local fire protection Districts within the TBID service area.