



To: Visit Morgan Hill Board of Directors
From: Krista Rupp, Executive Director (ED)

July 31, 2023

RE: APPROVE DIRECTION TO ED FOR MHTBID RENEWAL STRUCTURE

BACKGROUND: The Morgan Hill Tourism Business Assessment District (MHTBID) was implemented beginning March 1, 2019 and will continue for five (5) years through February 29, 2024. The MHTBID is a 1.5% assessment of hotel revenue paid by guests staying <30 nights in lodging located in Morgan Hill. The advisory body responsible for the MHTBID is the Visit Morgan Hill (VMH) Board of Directors. Visit Morgan Hill utilizes MHTBID funds to promote Morgan Hill as an overnight tourism destination. The guiding document for the MHTBID is the Management District Plan (MDP).

STATUS: The VMH board seeks to establish a new MHTBID term to begin March 1, 2024 and has secured the services of Civitas Advisors to support the process. The renewal process includes several steps including, but not limited to: 1) drafting a new MDP, 2) completing a petition drive, 3) submitting a Resolution of Intention, and 4) a Public Hearing.

To move to the next step in the process (drafting the MDP) the Board of Directors must identify the desired MHTBID parameters to advance for a new term beginning March 1st, 2024. Parameters that are up for the strongest consideration are the assessment amount and the term length.

VMH has the exciting opportunity to establish long-term funding stability, maximize resources, and provide a strong message of commitment to the long-term development of tourism. A 10-year term would ensure that the costly and involved renewal process serves the organization as long as possible before needing to renew again.

TOT rate is managed by the City, separately from the TBID. However, total combined tax and assessment level is a competitive factor for Morgan Hill tourism. Choosing to increase the MHTBID may be a strategy to dedicate a greater share of any future combined assessment & tax increases specifically to tourism development. Estimated annual revenue figures at varying rates are provided in the chart below, based on 2022 TOT data provided by the City of Morgan Hill.

Assessment Rate	Estimated Budget*
1.50%	\$341,250
2%	\$455,000
2.50%	\$568,750
3%	\$682,500

Additional funding is needed for Visit Morgan Hill to function and compete at an optimum level, with other destinations committing significant resources and targeting the same visitors. Economic conditions continually change, but by investing in a stable funding source, hotels ensure the continuation and growth of dedicated destination marketing and promotion for Morgan Hill. Increased funding from the current 1.5% will allow for greatly needed administrative and marketing support, further focus on business and partnership development of group events, and more competitive investment in targeted marketing/promotion activities.

**As the MHTBID collection and distribution administrator, the City of Morgan Hill keeps 2% of MHTBID funds. Budget depends on actual hotel performance.*

RECOMMENDED BOARD ACTION

Approve a MHTBID structure for March 1, 2024 forward, including all lodging within the boundaries of Morgan Hill, at a term length of 10-years at a rate of 2.0%, with the option for the board to elect to increase up to 0.5% annually, not to exceed a total assessment rate of 3.0%. Alternatively, the Board may approve a modified structure.

Background Documents: [Morgan Hill TBID Management District Plan \(MDP\)](#)