

This document is an extract of a larger publication.

civilgrandjury.org is a project of UnGovr.org, a US-based 501(c)(3) nonprofit dedicated to government transparency and public accountability.



Business Improvement Districts

777 Cypress Ave. Redding, CA. 96001 – (530) 224-6069

To Tax or Not to Tax

Reason for Inquiry

The Grand Jury received a complaint that stated, “City of Redding created two illegal motel taxes without a vote of the people.” The complainant demanded refunds of monies, plus interest, to the “victims.”

Background

The Property and Business Improvement District Law of 1994 establishes Streets and Highways Code Sections 36600-36671, which addresses the formation of business improvement districts (BID). A BID may be formed by cities, counties, or joint power agencies and has the authority to assess certain businesses within their district. Many BIDs have been established throughout the state, especially in San Francisco. A BID is proposed when a group of business owners approaches a governmental entity to pass a resolution authorizing a public hearing on the formation of a BID. Fifty percent of the businesses affected must agree to the formation of the BID and the proposed assessment. Upon completion of these steps, a final resolution is passed establishing the BID.

In Redding, three BIDs have been established. The first, Downtown Redding Business Improvement District was formed in 1997. Its goal is to create a catalyst for continued revitalization of the downtown area.

The second, Hilltop Hotel BID (HHBID), was started on December 6, 2005, for a five year term, with an assessment rate of 1.5% of gross short-stay (less than 30 days) income. It affects hotels and motels in the Hilltop Drive area. The funds collected from HHBID are being used to make infrastructure improvements only within the district. Redding Electric Utility and the Redding Redevelopment Agency participated in the project.

The third BID was started on July 1, 2008, for a one-year term at 1% of gross short-stay income and was renewed through July 1, 2010. This BID is named Tourism Marketing BID (TMBID) and includes all motels and hotels within the City of Redding.

Short-term guests are charged fees, which cover the assessments for both BIDs.

Findings

1. Streets and Highways Code 36601(d), states that BID assessments are not taxes.
2. Assessments do not require voter approval. Both legal counsels concurred.

Conclusion

The Grand Jury concludes that the assessments in the BIDs are not taxes and need not be returned.

Method of Inquiry

The Grand Jury reviewed the following: