



MODESTO TOURISM MARKETING DISTRICT ASSESSMENT RATE CHANGE

Jessica Hill, Director of Community and Economic
Development
Economic Development Committee
May 5, 2025



Background

- The Modesto Tourism Marketing District (District or MTMD) is a benefit assessment district proposed to continue a revenue source to help fund marketing and sales promotion efforts for certain Modesto lodging businesses
 - Includes all lodging businesses with twenty (20) rooms or more, for stays less than 27 days.
- Tourism Marketing Districts benefits:
 - Funds cannot be diverted for other government programs.
 - They are customized to fit the needs of each destination.
 - They allow for a wide range of services including destination marketing, tourism promotion, and sales lead generation.
 - They are designed, created, and governed by those who will pay the assessment; and
 - They provide a stable funding source for tourism promotion.



Background

- The MTMD was created in 2019 for a four (4) year and eleven (11) month term and renewed in 2024 for an additional ten-year term.
- The annual assessment rate is one percent (1%) of gross short-term sleeping room rental revenue- hotels would charge an additional 1% for this District.
- Over the last five years, the Modesto Tourism Marketing District contributed about \$385,000 in revenue per year.



Background

- The assessment rate may be increased by the Owners' Association to a maximum rate of three percent (3%) of gross short-term sleeping room rental revenue for assessed businesses as described in the Management District Plan. The increase in any year shall not exceed one-half of one percent (0.50%)
 - Any increases have to be approved by City Council
 - On December 10, 2024, the Board of the Modesto Tourism Marketing District unanimously approved increasing the Tourism Fee by 0.5%—from 1% to 1.5% effective July 1, 2025, and by another 0.5%—from 1.5% to 2.0% effective July 1, 2026.
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Background

- In order to increase tourism in Modesto, the MTMD adding resources to assist with the following:
 - Domestic Tour Operators
 - International Tour Operators
 - Global OTA's (online travel agent programs)
 - Global Tourism Partners (ie; trip advisor)
 - Youth Sports
 - Creative and Marketing to support all of the above
 - Staff to focus on all of the above
 - On December 10, 2024, the Board of the Modesto Tourism Marketing District unanimously approved increasing the Tourism Fee by 0.5%—from 1% to 1.5% effective July 1, 2025, and by another 0.5%—from 1.5% to 2.0% effective July 1, 2026.
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Fiscal Impact

If increased, the MTMD is anticipated to generate the below revenue.

Year	MTMD Rate	MTMD Revenues
FY 25*	1.0%	\$386,329.95
FY 26	1.5%	\$579,494.93
FY 27	2.0%	\$772,659.90

*Based on projections



Staff Recommendation

Motion recommending the Modesto Tourism Marketing District Assessment Rate Change by 0.5% to 1.5% effective July 1, 2025, and by 0.5% to 2.0% effective July 1, 2026, and forwarding to Council for approval.



QUESTIONS?



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AGREEMENT WITH VISIT MODESTO FOR TRANSIENT OCCUPANCY TAX FUNDING AND SECOND AMENDMENT TO MODESTO TOURISM MARKETING OWNER'S ASSOCIATION AGREEMENT

Jessica Hill, Director of Community and Economic
Development
Economic Development Committee
May 5, 2025



Background

- Since 2019, Visit Modesto, has been the City's designated Tourism Organization, promoting Modesto as a destination for tourism, arts, entertainment, shopping, and local businesses.
 - Visit Modesto has four key purposes:
 - To attract visitors by promoting and marketing Modesto as an attractive destination.
 - To provide coordination and leadership for the community, residents, and visitors on matters relating to visitor activity and tourism.
 - To gather community information designed to convey to leaders and the public the value of the visitor industry; and
 - To work with local governmental agencies, private enterprises, and other interested parties in developing suitable financing plans for the Corporation, and to implement those plans.
 - The existing Transient Occupancy Tax (TOT) Funding Agreement and Modesto Tourism Marketing District (MTMD) Agreement are set to expire on June 30, 2025.
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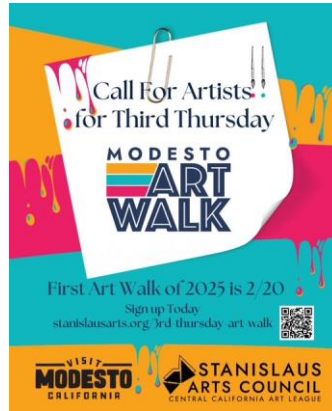


Visit Modesto Accomplishments



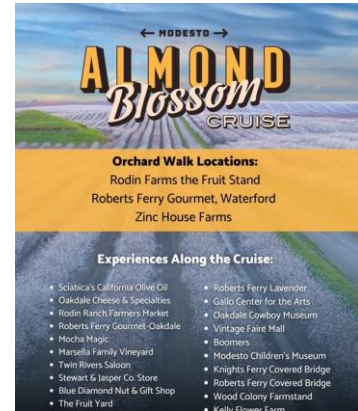
Garage Fest

Community garage sale
Site engagement up 35%
Web Activity up nearly 14%



Art Walk

An event of diverse local art
Website Traffic Up 12,951
Impressions
Average Visits Up 30 minutes



Almond Blossom Cruise

A tour through the orchards of Modesto during bloom.
80k Visitors
2,241,393 National Viewership
Over 71k impressions



Discussion

- Staff has worked closely with Visit Modesto over the last five years, and Visit Modesto has adhered to all of the parts of the current contract
 - Staff is recommending a new five- year agreement with Visit Modesto for Tourism services through June 30, 2025.
 - Visit Modesto would continue to receive 13.33% of TOT +/- \$464,769.39 a year.
 - Establishes a new bonus share framework incentivizing TOT growth
 - Every \$50,000 increase in TOT revenue, Visit Modesto will receive an additional 0.25%
 - Combined cap of 20% TOT share
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Incentive Example

Agreement	Fiscal Year	TOT Revenue	VM Share	To VM
5-Year TOT	FY20	\$3,063,194.82	13.33%	\$408,323.87
	FY21	\$3,041,281.84		\$405,402.87
	FY22	\$3,596,687.88		\$479,438.49
	FY23	\$3,511,475.75		\$468,079.72
	FY24	\$3,351,762.69		\$446,789.97
1-Year TOT	FY25	\$3,644,950.52		\$485,871.90

Example of incentive: TOT Revenues Increase by \$150,000, Bonus Share 0.75%

Fiscal Year	TOT Revenue	VM Share	To VM
FY26	\$3,636,642.11	14.08%	\$512,039.21



Modesto Tourism Marketing District

- The annual assessment rate is one percent (1%) of gross short-term sleeping room rental revenue- hotels would charge an additional 1% for this District.
- The MTMD was created in 2019 for a four (4) year and eleven (11) month term and renewed in 2024 for an additional ten-year term.
- Over the last five years, the Modesto Tourism Marketing District contributed about \$385,000 in revenue per year.



Modesto Tourism Marketing District

- Visit Modesto manages the funds for the Modesto Tourism Marketing District (MTMD)
 - The current contract for administration expires on June 30, 2025
 - The MTMD generates approximately \$385,000 per year with the additional 1% the hotels collect
 - Staff is recommending a five-year agreement with Visit Modesto to manage the MTMD funds through June 30, 2030.
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Fiscal Impact

Visit Modesto will be funded through both the TOT funding from the City of Modesto as well as the MTMD funding through the district

If the TOT revenue stays flat, we project the following for funding for Visit Modesto over the next five years.*

	TOT Revenue	MTMD Revenue	Total
Annually	\$485,871.90	\$385,000	\$870,871.90
Total 5-Year	\$2,429,359.50	\$1,925,000	\$4,354,359.50

*If additional TOT revenue is generated, this amount will increase based on the incentive.



Staff Recommendation

Motion approving a five-year Transient Occupancy Tax Funding Agreement with Visit Modesto for continued tourism marketing services, through June 30, 2030, and forwarding to Council for approval.

Motion approving a Modesto Tourism Marketing District Owners' Association Agreement with Visit Modesto, Inc. through June 30, 2030, for continued tourism marketing services, and forwarding to Council for approval.



QUESTIONS?



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ECONOMIC DEVELOPMENT STRATEGIC PLAN

Jessica Hill, Director of Community and
Economic Development

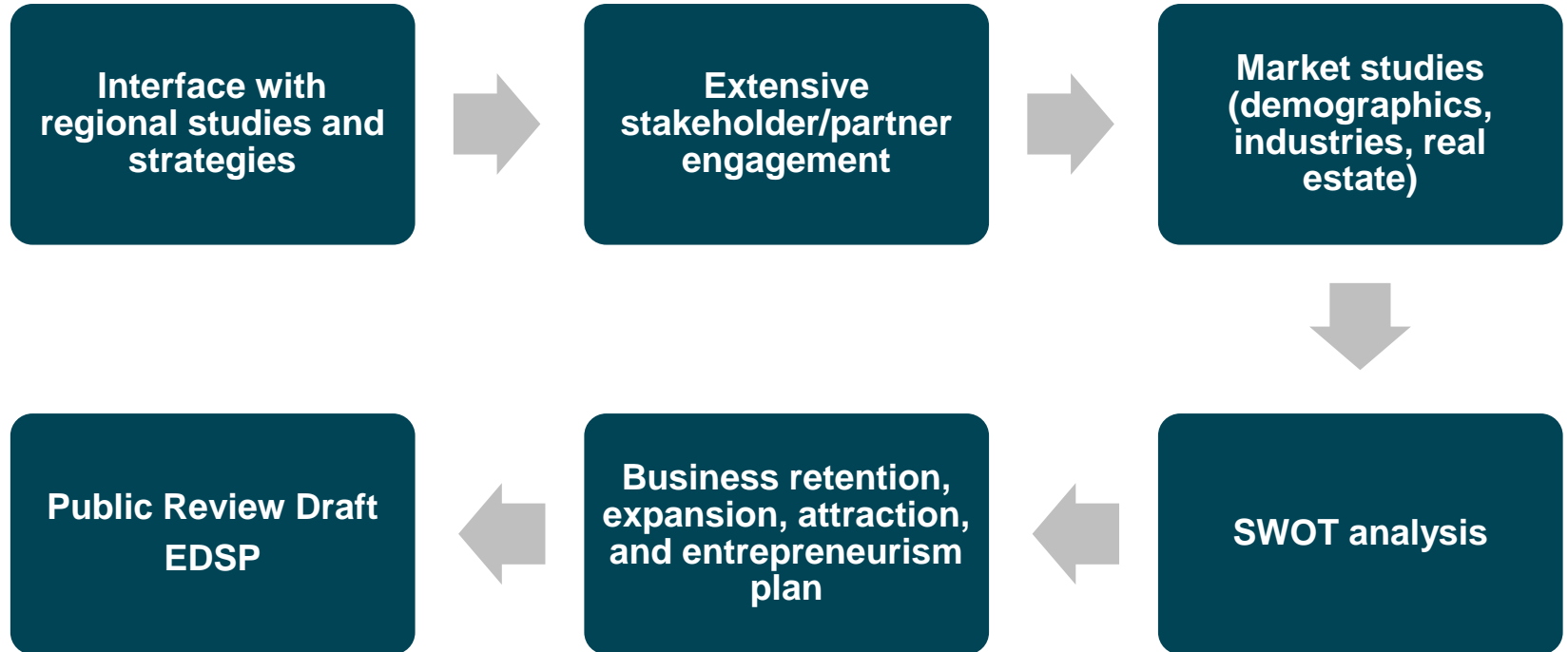


Background

- The last Economic Development Strategic Plan was completed in 2003
 - Since that period of time, the City has substantially expanded its focus on economic development in recent years; realign resources and priorities
 - In January 2024, the City engaged with Natelson Dale Group in an amount of \$144,875 for the development of a new EDSP
 - Revisit City's targets for business development and job creation
 - Position Modesto to attract new investment in targeted areas such as Downtown
 - Opportunity to leverage and connect with current regional initiatives
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Overview of the EDSP Process





Stakeholder Engagement

- Economic Development Summit Meeting (May 2024)
 - EDSP expert forums on workforce development, entrepreneurial development, State policy/programs and placemaking (Summer 2024)
 - Central Valley Real Estate Summit (August 2024)
 - Community Workshop – online and in-person (August 2024)
 - Presentations/dialogues with organizational stakeholders (Chamber of Commerce, Hispanic Chamber of Commerce, DoMo, Central Valley Manufacturers Association, Central Valley Association of Realtors, Rotary)
 - Final public listening session and presentation of the EDSP (March 2024)
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EDSP Contents

The Public Review Draft of the EDSP recommends a total of 12 focus areas including administration organized around 22 recommendations:

- Some are a continuation/refocusing of existing programs
 - Some will be implemented in later years
 - Many will be carried out through partnerships with both internal and external stakeholders
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Focus Areas

Focus Area 1: Brand and Image

1. Upgrade City's economic development website
2. Implement image enhancement campaign (replace negative/inaccurate perceptions with positive messaging)

Focus Area 2: Community Engagement and Inclusion

3. Include community engagement as an ongoing/core function of ED program
 4. Integrate the practice of inclusive economic development into all aspects and phases of EDSP implementation
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Focus Areas

Focus Area 3: **Placemaking**

5. Promote development opportunities in Downtown
6. Implement a range of programs/policies aimed at enhancing placemaking

Focus Area 4: **Development Capacity and Business Friendliness**

7. Expand industrial space/development capacity
 8. Promote revitalization and expansion of Modesto's commercial development
 9. Integrate housing-related programs with economic development opportunities
 10. Implement improvements in Modesto development permitting process
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Focus Areas

Focus Area 5: Workforce Development

11. Establish a Consortium to facilitate regular information exchange of among partners
12. Develop support services to supplement partner-led workforce development

Focus Area 6: Regional Collaboration

13. Position Modesto as a leader in BEAM Circular initiative;
 14. Leverage small business support system being launched by Stanislaus 2030
 15. Leverage strategic framework of North Valley Thrive
 16. Actively collaborate with regional partners to improve region-wide conditions
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Focus Areas

Focus Area 7: **Entrepreneurship and Innovation**

17. Be the lead in the region to support and facilitate new business ventures in Modesto.

Focus Area 8: **Business Attraction and Recruitment**

18. Implement business attraction program focused on targeted industries
19. Implement retail/restaurant tenant attraction program

Focus Area 9: **Business Retention and Expansion (BRE)**

20. Implement BRE program to identify "red flags" for businesses needing retention/expansion services; customize assistance based on challenges/ opportunities
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Focus Areas

Focus Area 10: **Small Business Development**

21. Implement small business startup and assistance program (separate and distinct from entrepreneurial development programming)

Focus Area 11: **Tourism and Visitation**

22. Lead coordination of various organizations and initiatives focused on expanding tourism (and visitor-related real estate development) in Modesto
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Next Steps

- The recommendations each have action steps and are identified the time frame to be completed over the five-year span of the plan
 - Key Performance Indicators have been established to measure the progress of the plan
 - Staff will continue to report to Council the progress of the plan, as well as some of the successes as they occur through implementation of the plan
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Committee Recommendation

Motion recommending the acceptance of the Economic Development Strategic Plan (2025) and forwarding to Council for approval.



QUESTIONS?



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