

# Capitola City Council

## Agenda Report



**Meeting:** July 24, 2025

**From:** Finance Department

**Subject:** Capitola Village and Wharf Business Improvement Area Assessments for FY 2025-26

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**Recommended Action:** Continue the noticed public hearing to adopt a resolution levying the Fiscal Year 2025-26 Capitola Village and Wharf Business Improvement Area (CVWBIA) Assessments and accepting the CVWBIA Annual Plan and budget to the August 28, 2025, Council meeting.

**Background:** On June 23, 2005, the City Council adopted Ordinance No. 889 adding Chapter 5.10 to the Capitola Municipal Code and establishing the Capitola Village and Wharf Business Improvement Area (CVWBIA). The CVWBIA assessments are renewed annually and fund various programs that benefit businesses within the CVWBIA district boundaries.

**Discussion:** On June 12, 2025, the City Council adopted Resolution No. 4433, Resolution of Intention to Levy Business Improvement Assessments for Fiscal Year 2025-26, which set a public hearing for June 26, 2025, in accordance with state law and Chapter 5.10 of the Capitola Municipal Code. Notice of this public hearing was published in the Santa Cruz Sentinel newspaper on Thursday, May 23, 2025.

The CVWBIA is a business-based, self-imposed assessment district in which the assessments are paid by business owners within the district boundary for improvements and activities that support and revitalize businesses as well as attract visitors. The assessment amount for each business is based on the business type and may be a flat fee or an increasing fee based on the number of full-time equivalent employees. Consistent with the FY 2024-25 adopted assessments, the proposed FY 2025-26 assessments are proposed at the same reduced rates.

The billing for City services identified in the CVWBIA plan was based on past agreements. The annual billing rates are \$3,000 for Public Works and \$4,200 for accounting services. The annual report and budget are included as Exhibit A.

During the public comment portion of this hearing, written and oral protests may be made pertaining to the proposed levy of assessments, the amount of the proposed assessments, and the proposed improvements and activities in accordance with California Streets & Highways Code §36524 and §36525.

In November 2018, voters approved Measure J, which increased the transient occupancy tax (TOT) from 10 percent to 12 percent. It restricted 20 percent of the TOT increase to be used for local business groups' marketing and community improvements. In February 2019, Council directed that restricted TOT funding be split evenly between the Capitola-Soquel Chamber of Commerce and the CVWBIA. Council also requested that a minimum of 25 percent of restricted TOT revenues be allocated toward community improvements, which may include special events. The proposed CVWBIA budget includes \$35,000 of TOT revenues for FY 2025-26. \$14,000 (40%) of the proposed TOT budget is for village enhancement.

Staff recommends that Council adopt the proposed resolution confirming the Fiscal Year 2025-26 CVWBIA Assessments and adopting the Annual Plan and Fiscal Year 2025-26 budget, as received by the Council on June 12, 2025, unless it receives oral and written protests from the

owners of businesses that will pay 50 percent or more of the assessments as mandated by state law.

Fiscal Impact: There is no fiscal impact for the City. All administrative costs for billing and collections incurred by the City are reimbursed by the CVWBIA.

Attachments:

1. Proposed Resolution
2. Exhibit A: BIA

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Reviewed By: Jim Malberg, Finance Director; Julia Gautho, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager