ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS

ITEM-205: Initiation of actions to Establish a Tourism Marketing District Pursuant to the Tourism Marketing District Ordinance.

►View referenced exhibit back-up material.

STAFF'S RECOMMENDATION:

Adopt the following resolution:

(R-2008-317)

A resolution of intention to establish a Tourism Marketing District; to levy assessments for a maximum of five (5) years; to direct the mailing of ballots to affected businesses; to set dates for a noticed public meeting for the purpose of receiving testimony and public hearing to count ballots, consider protests and establish the district; and to approve the Tourism Marketing District (TMD) Management Plan;

Declaring that this activity is exempt from California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15060(c)(3).

STAFF SUPPORTING INFORMATION:

REQUESTED ACTION:
At the first Council Date:
1. Approve the Tourism Marketing District Management Plan;
2. Declare intent to establish Tourism Marketing District (TMD) and to levy assessments for the TMD for a maximum of 5 years and set a noticed public meeting date of November 20, 2007, and set December 3, 2007, as the noticed public hearing date for counting ballots and considering protests, and direct that the notice to affected businesses shall include a ballot whereby businesses may indicate their support of or opposition to the proposed assessment.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)

ITEM-205: (Continued)

STAFF SUPPORTING INFORMATION: (Continued)

At the second Council date (November 20, 2007):
3. Hold public meeting and permit testimony in support of or in opposition to the proposed assessment.

At the third Council date (Council Meeting of December 3, 2007):
4. Hold public hearing and permit testimony in support of or in opposition to the proposed assessment and at the conclusion of the hearing direct City Clerk to count the ballots.
5. Establish the TMD and authorize the levying of the assessment.
6. Authorize the Mayor to execute an agreement with the non-profit representing the assessed businesses for management of the Tourism Marketing District.

STAFF RECOMMENDATION:
Approve the requested actions.

EXECUTIVE SUMMARY:
Representatives from the hotel industry approached City officials about implementing a Tourism Marketing District in mid-2005. Industry representatives were interested in developing a new source of revenue for marketing and promotion in order to retain and expand the tourism industry in San Diego. The tourism industry is the third largest revenue generator for the San Diego economy and a key employment sector. However, future growth of the industry is dependent on additional marketing of San Diego, especially as more hotel rooms come on-line. Maintaining or increasing hotel occupancy rates will also result in enhanced TOT revenues to the City.

Earlier this year, the Tourism Marketing District Procedural Ordinance was adopted. This ordinance outlines the process for forming a Tourism Marketing District. It requires that a TMD Management Plan be developed and that petitions be obtained in support of the district (and the TMD Management Plan) from hotels representing more than 50% of the proposed assessments in order to bring the matter to City Council. The TMD Management Plan (Attachment A) and petition was developed and distributed to 175 businesses (hotels) with 70 or more sleeping rooms. As of September 27, 2007, City Treasurer staff received and verified petitions in support of establishing a Tourism Marketing District from businesses representing more than 50% of the total proposed annual assessments.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)

ITEM-205: (Continued)

STAFF SUPPORTING INFORMATION: (Continued)

As required by the Tourism Marketing District Procedural Ordinance, the establishment of the TMD is being brought to the City Council. Furthermore, if the Council declares it intention to establish the TMD and levy the assessment then the TMD Procedural Ordinance requires that a mailed ballot procedure be conducted by City staff and counted by the City Clerk to determine if a majority protest exists. If the San Diego Tourism Marketing District is established and is successful then the affected hotels could vote to extend the district at the end of the initial five (5) year period, if not, then the district would lapse of its own accord.

FISCAL CONSIDERATIONS:
If the TMD is established then it is anticipated that that the City will collect approximately $25 million of TMD assessments annually which will then be disbursed back to the TMD non-profit on a reimbursement basis. Actual costs incurred by the City in administering the TMD program, but not to exceed $300,000 annually plus a cost escalator, will be recouped from the TMD assessments. In FY 2008, approximately $5.3 million will be reimbursed to the City from the TMD assessments for certain FY 2008 citywide TOT allocations. Additionally, the City will be reimbursed for initial start-up costs not to exceed $60,000. On an on-going basis, for the term of the TMD, the City would no longer provide annual funding of approximately $10 million to the San Diego Convention and Visitors Bureau and other tourism-related organizations since funding would be provided through the Tourism Improvement District assessments rather than being funded by the City with TOT funds.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:
On July 19, 2006, an information only presentation was made to the Budget and Finance Committee by the San Diego Lodging Industry Association on the status of the proposed Tourism Marketing District. The TMD Procedural Ordinance was introduced at Council and had a second reading in May 2007. The ordinance was added to the SDMC on May 30, 2007 and became effective on June 29, 2007.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:
Both the Lodging Industry Association and the San Diego County Hotel-Motel Association have participated in the preparation of all Tourism Marketing District documents. Mr. Scott Kessler has addressed industry participants at monthly meetings of the San Diego County Hotel-Motel Association and at committee meetings of the Greater San Diego Chamber of Commerce. Meetings have also been held with representatives of the San Diego Convention and Visitors Bureau to answer questions about the Tourism Improvement District concept. Adopting the resolution of intent will require staff to notice the affected hotel business owners of the public hearings and cause a mailed ballot to occur to determine if there is a majority protest.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)

ITEM-205: (Continued)

STAFF SUPPORTING INFORMATION: (Continued)

KEY STAKEHOLDERS AND PROJECTED IMPACTS:
The key stakeholders are the hotels in San Diego with 70 or more rooms that would be required to pay the TMD assessment.

Kessler/Anderson/MDB

Staff: Scott Kessler – (619) 236-6405
Alex Sachs – Deputy City Attorney

NOTE: This item is not subject to Mayor's veto.