

ADOPTION AGENDA, DISCUSSION, HEARINGS

NOTICED HEARINGS:

ITEM-209: Public Hearing on the Proposed Establishment of a Tourism Marketing District and Levying of Assessments Pursuant to the Tourism Marketing District Ordinance.

▶ [View referenced exhibit back-up material.](#)

(Scheduled pursuant to City Council's Approval of Intent to Establish a Tourism Marketing District on October 15, 2007, Item No. 205; November 20, 2007, Item No. 337.)

STAFF'S RECOMMENDATION:

Adopt the following resolution:

(R-2008-451)

Adoption of a Resolution of the Council of the City of San Diego establishing a Tourism Marketing District (TMD); levying assessments upon the assessed businesses for a period of five (5) years; authorizing the Mayor or his designee, on behalf of the City, to enter into an agreement with the San Diego Tourism Marketing Promotion Corporation for the operation of the Tourism Marketing District; and prescribing a method for collection of assessments;

Directing the City Clerk, upon the adoption of this Resolution, to record a notice of the levying of the assessments and map of the TMD district pursuant to the San Diego Municipal Code Section 61.2512;

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

STAFF SUPPORTING INFORMATION:

This is a public meeting on the Tourism Marketing District as authorized by City Council at the City Council meeting of October 15, 2007.

At the October 15, 2007 meeting, the City Council:

1. Approved the Tourism Marketing District Management Plan;

ADOPTION AGENDA, DISCUSSION, HEARINGS (Continued)

NOTICED HEARINGS: (Continued)

ITEM-209: (Continued)

2. Declared the 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 directed that the notice to affected businesses shall include a ballot whereby businesses may indicate their support of or opposition to the proposed assessment.

At the November 20, 2007 meeting the City Council:

Held a public meeting in order to take testimony on the establishment of the Tourism Marketing District and the levying of assessments.

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.

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 its 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.

ADOPTION AGENDA, DISCUSSION, HEARINGS (Continued)

NOTICED HEARINGS: (Continued)

ITEM-209: (Continued)

STAFF SUPPORTING INFORMATION: (Continued)

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. On October 15, 2007, the City Council approved actions for the establishment of the TMD, including the TMD Management Plan and directing staff to notice the affected businesses and send a ballot whereby businesses may indicate their support of or opposition to the proposed assessment.

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, HEARINGS (Continued)

NOTICED HEARINGS: (Continued)

ITEM-209: (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

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