

**REPORT TO BUDGET & FINANCE COMMITTEE
COUNCIL ACTION - EXECUTIVE SUMMARY
CITY OF SAN DIEGO**

DATE: July 6, 2011
ATTENTION: Council President and City Council
ORIGINATING DEPARTMENT: Economic Development
SUBJECT: Tourism Marketing District Procedural Ordinance
Amendment
STAFF CONTACT: Meredith Dibden Brown 236-6485/Beth Murray 236-6421

COST SUMMARY:

There is no fiscal impact associated with the adoption of the ordinance since this is only an amendment to the procedural ordinance on creating or renewing an assessment district for tourism marketing.

REQUESTED ACTIONS:

Adopt an Ordinance amending Chapter 6 Article 1 of the San Diego Municipal Code by amending Division 25, titled San Diego Tourism Marketing District Procedural Ordinance.

ADDITIONAL INFORMATION

Council Districts - 1, 2, 3, 4, 5, 6, 7, 8

Community Areas - Citywide

Environmental Impact - This activity will not result in a direct or reasonably foreseeable indirect physical change in the environment, and is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(2).

STAFF RECOMMENDATION: Adopt the requested action.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

Representatives from the hotel industry partnered with the City to establish a five-year Tourism Marketing District (TMD) starting January 1, 2008. Industry representatives were interested in developing a new source of revenue for marketing and promotion in order to enhance lodging industry business 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 lodging industry is dependent on additional marketing of San Diego, especially given the recent downturn in the economy, the recent increases in hotel room inventory, and more aggressive marketing by other cities. Increasing hotel occupancy will also result in enhanced TOT revenues to the City.

The procedural ordinance outlines the process for forming a Tourism Marketing District. The initial five-year TMD has proved successful but some fine-tuning of the underlying procedural ordinance is now desired to allow for a longer term of the district and to more clearly articulate renewal procedures and addressing special and specific benefits to those assessed.

While there is some clarification proposed to the procedures, the petition and ballot process still requires a demonstration of support from the affected businesses. The ordinance still requires that petitions be obtained in support of establishing or renewing the district from hotels-motels representing more than 50% of the proposed assessments in order to bring the matter to City Council. As part of the Council proceedings a mailed ballot is required which would be prepared and distributed by City staff but then counted by an impartial party such as the City Clerk. The ballot results would be used to determine if a majority protest exists which would force the proceedings to halt. For establishment or renewal, there is still the requirement that a Management Plan be developed by the proponents of the district and made available to all potentially affected hotels-motels as part of the petition drive so that businesses can determine if they support the proposed activities. And as before, any new or renewed district ceases to exist at the end of the district term, unless at that time, the affected hotels-motels support renewing the district through another petition and mailed ballot process.

FISCAL CONSIDERATIONS: There is no fiscal impact associated with the adoption of the ordinance since this is only an amendment to the procedural ordinance on creating or renewing a tourism marketing district. However, successful renewal of the existing Tourism Marketing District would allow for continued savings to the City of around \$10 million annually since funding for the San Diego Convention and Visitors Bureau and other tourism-related organizations would be supported through the Tourism Marketing District assessments rather than being funded by the City with TOT funds.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: The San Diego Tourism Marketing District Procedural Ordinance was adopted on 5-30-2007 by Ordinance Number O-19622 N.S.; and became effective 6-29-2007. The procedural ordinance was then amended 12-18-2007 by Ordinance Number O-19691 and became effective 1-17-2008 in order to clarify some internal references. This item is scheduled to be heard at the Budget & Finance Committee meeting of July 20, 2011.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: Both the Lodging Industry Association and the San Diego County Hotel-Motel Association have discussed changes to the procedures as proscribed in the ordinance.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The key stakeholders are the hotels and motels in San Diego that might be included in a renewed Tourism Marketing District. There is no impact at this time with the introduction of the amendment to the procedural ordinance.