

San Diego TMD Renewal

Budget & Finance Committee

July 25, 2012



Background

- Economics of Tourism for San Diego
 - 15 million overnight visits from 29.6 million visitors per year
 - Direct Visitor Spending \$7 billion
 - Visitor Industry 3rd largest (\$)
 - 163,000 + employed
 - Overall Annual Impact \$16 billion

Current TMD

- Assessed Hotels
- Oversight by Payors and City
 - Transparent Funding Process and 3rd Party Audits
- Results Projected Through 12.31.12:
 - \$112 Million TMD Funds Deployed
 - 15 Million TMD Room Nights Directly Supported
 - \$2.18 Billion in TMD Hotel Room Night Revenue
 - 19.5:1 in ROI
 - Relief to SD General Fund in excess of \$52 Million

Statewide & National TMDs

- 67 TMDs currently in California
 - Including “comp sets” San Francisco, LA and Anaheim
- California, Montana, Oregon, and Washington have established TMDs
- Texas, Florida, South Carolina, Oklahoma, and Colorado in process of starting TMDs

SDTMD RENEWAL

- SDTMD Initial Term Ends 12.31.2012
- 40 Year Procedural Ordinance Passed by City
- CA Prop 26 Passed November 2010
 - Mandates enhanced restrictions on funding
- Revised Management Plan and Contract Need to be approved by Industry and City
- Opposition Expected
- Consulting Legal Team Expanded

PROP 26 OVERVIEW

- Taxes require 2/3 voter approval
- Not a tax if “*A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged*”
- And “*which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege*”

PROP 26 OVERVIEW

continued

- Not a tax if *“A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged”*
- And *“which does not exceed the reasonable costs to the local government of providing the service or product”*

PROP 26 OVERVIEW

continued

- Assessments Model
 - Similar to HOA Model
 - Payor contracts with property management co.
 - HOA = TMD
 - Property Management Co = DMO

DRAFT MANAGEMENT PLAN

- Reconstructed to Accommodate PROP 26
- Refined District Created for Assessed Hotels
- SDTMD Contractor Funding Not Guaranteed
- Annual Distribution:
 - 90% Sales & Marketing Programs
 - 5% Contingency
 - 5% Admin including fully loaded City Fees
- Two Major Benefit Categories Created
 - Benefit Category A:
 - TMD Meeting & Group Sales / Consumer Direct Sales & Marketing
 - Payee Universe = Lodging businesses in City of SD with thirty (30) rooms or more
 - Assessment @ 1.45%*
 - Benefit Category B:
 - Destination Marketing with Specific Call to Action for TMD Lodging Businesses
 - Payee Universe = All Lodging Businesses in City of SD
 - Assessment @ 0.55%*

** All TMD lodging businesses of 30 or more rooms pay Categories A + B for total assessment of 2%*

Benefit Category A

- **A1-** Meeting and Group Sales & Marketing Programs and TMD Consumer Direct Sales & Marketing Programs
- **A2** – Sub-Regional Targeting
- **A3** – Competitive Targeting
- Payor Universe = Lodging businesses in City of SD with thirty (30) rooms or more assessed at 1.45%
- Benefit Category A funds may not be designated for General Advertising

Benefit Category B

Destination Marketing with Specific Call to Action

- Benefit Category B advertising campaigns and earned media will have specific calls to action to drive sales demand for San Diego TMD hotels.
- Payee Universe = All Lodging Businesses in City of SD assessed at 0.55%.
 - Includes revenue from businesses with 1-29 rooms*; and
 - Includes revenue from businesses with 30 rooms* or more.
- All campaigns must have proportional other-source funding reflective of benefits.

** % estimates to be provided by City*

Projected Funding Allocations

Using FY 2012 Revenue:

- \$1.3 billion in TMD Hotel Room Night Revenue (TOT Collections: \$136.5 mil)
- \$26 million in TMD collected (Total 2%)
- Category A: \$18.85 million (Total 1.45%)
- Category B: \$ 7.15 million (Total .55%)

Future Projections

- If \$1.6 billion in TMD Hotel Room Night Revenue (TOT Collections: \$168 mil)
- \$32 million in TMD collected (Total 2%)
- Category A: \$23.2 million (Total 1.45%)
- Category B: \$ 8.8 million (Total .55%)

- If \$2 billion in TMD Hotel Room Night Revenue (TOT Collections: \$210 mil)
- \$40 million in TMD collected (Total 2%)
- Category A: \$29 million (Total 1.45%)
- Category B: \$11 million (Total .55%)

NEXT STEPS & ACTIONS

- Plan to City Staff July 17
- Begin Petition Drive in July
- Complete Resolutions and Agreement
- B&F Committee on July 25
- ROI to City Council on Sept 10/11
- Ballots Mailed in September
- Public Meeting on October 22/23
- Public Hearing on November 13
- Effective date of renewal of modified TMD January 1, 2013

Thank You...

