

Attachment B.

TMD/BID

What is a Tourism Marketing District?

The San Diego Tourism Marketing District follows the model of Tourism Business Improvement Districts (BID's) that utilize the efficiencies of private sector operation in the market-based promotion of local and regional tourism. Tourism BID's, such as the SDTPC allow lodging and other tourism-related business owners to organize their efforts to increase tourism. In San Diego, lodging business owners within the district assess themselves to fund the District and those funds will be used to provide programs and services that specifically benefit the assessed lodging businesses.

History: As a result of diminishing public resources available for effective and competitive destination marketing, local lodging industry leadership began discussing alternative funding sources and available options in 2003. A working group comprised of lodging industry representatives held dozens of meetings with proposed assessed businesses, stakeholder groups and interested parties. On May 8, 2007 the San Diego City Council adopted an enabling Procedural Ordinance that allowed for the formation of a Tourism Marketing District. In December of 2007, the qualifying businesses voted to establish the assessment district, and the **Tourism Marketing District (TMD)** was approved by San Diego City Council.

The Tourism Marketing District began on January 1, 2008.

Location: The Tourism Marketing District is citywide, inclusive of all areas within the city limits of the City of San Diego. A map of the District is included with the San Diego Tourism Marketing District Management District Plan.

Funding Source Entirely from Assessed Businesses: The TMD assessment is designed to benefit, and is levied upon, lodging businesses with 70 or more sleeping rooms in the City of San Diego. Business means any and all types of hotels where a structure, or any portion of a structure, is held out to the public as being occupied, or designed for occupancy, by transients for dwelling, lodging or sleeping purposes. The owner(s), operator(s), or an authorized representative who is noted on City records as the responsible party for remitting and reporting Transient Occupancy Tax for each lodging business is responsible for paying the assessment. The annual assessment is based upon 2% of gross room revenue from transient stays in the lodging business as described above.

More information can be found at

<http://www.sandiego.gov/treasurer/taxesfees/tot/tmdfaq.shtml>

Business Improvement Districts

Business Improvement Districts (BIDs) are a type of assessment district in which business owners choose to be assessed a fee, which is collected on their behalf by the City, for use in promoting and improving the business area. In California, BIDs date back to 1965 with the approval of Assembly Bill 103 - the "Parking and Business Improvement Area Law." Today there are approximately 200 BIDs in the state.

San Diego's Program

The City of San Diego's BID program, the largest in the state of California and one of the most active in the nation, is administered by the City's Office of Small Business. San Diego's program dates back to 1970 with the creation of the Downtown Improvement Area, California's first metropolitan downtown district. Since that time, the small business community and the City of San Diego have created 18 separate districts, with another two in the preliminary stages of formation. More than 11,000 small businesses participate in these self-assessment districts, raising more than \$1 million annually.

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A complete overview can be found online at:

<http://www.sandiego.gov/economic-development/business-assistance/small-business/bids.shtml>

Lease-Revenue Bonds

Lease Revenue Bonds and Certificates of Participation are lease obligations secured by an installment sale agreement or by a lease-back arrangement with a public entity, where the general operating revenues are pledged to pay the lease payments, which are, in turn, used to pay debt service on the bonds or Certificates of Participation. These obligations do not constitute indebtedness under the state constitutional debt limitation and, therefore, are not subject to voter approval. Payments to be made under valid leases are payable only in the year in which use and occupancy of the leased property is available, and lease payments may not be accelerated. The governmental lessee is obligated to place in its annual budget the rentals that are due and payable during each fiscal year the lessee has use of the leased property.

Revenue Bonds are payable solely from net or gross non-ad valorem tax revenues derived from General Fund revenues, tax increment revenues, rates or tolls, or fees, charges or rents paid by users of the facility constructed with the proceeds of the bond issue.

Pursuant to Section 90 of the City Charter, the City may incur bonded indebtedness for the purpose of acquiring, constructing, or completing any municipal improvements, not including improvements to the City's water facilities, in an amount not to exceed 10% of the total assessed valuation of all real and personal property in the City subject to an annual property tax levy. The City may also incur bonded indebtedness for the purpose of acquiring, constructing, or completing water facilities in an amount not to exceed 15% of the total assessed valuation. The combined limit on outstanding indebtedness for both non-utility related improvements and water related improvements is an amount not to exceed 25% of the total assessed valuation.

For more information: <http://www.sandiego.gov/fm/annual/pdf/fy07/debtobligations.pdf>