



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
April 15, 2025

TOPIC: Resolution of Intention to Renew the Santa Ana Tourism Marketing District

AGENDA TITLE

Resolution of Intention to Renew the Santa Ana Tourism Marketing District

RECOMMENDED ACTION

1. Adopt a Resolution of Intention to renew the Santa Ana Tourism Marketing District (SATMD) and the levy of assessments on lodging businesses.

RESOLUTION NO. 2025-XXX entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA DECLARING ITS INTENTION TO RENEW THE SANTA ANA TOURISM MARKETING DISTRICT ("SATMD") AND FIXING THE TIME AND PLACE OF A PUBLIC MEETING AND A PUBLIC HEARING THEREON AND GIVING NOTICE THEREOF

2. Establish a time and place for a public meeting to be held by the City Council on June 3, 2025 to hear and consider all protests.
3. Establish a time and place for a Public Hearing to be held by the City Council on July 1, 2025 regarding the proposed renewal of the Santa Ana Tourism Marketing District.
4. Receive and File 2024 Travel Santa Ana Annual Report.

GOVERNMENT CODE §84308 APPLIES: No

DISCUSSION

On November 17, 2020, the City Council adopted a resolution to establish the Santa Ana Tourism Marketing District (SATMD) for a five (5) year term. Travel Santa Ana (TSA) and Santa Ana lodging businesses now wish to renew the SATMD for an additional ten (10) year term.

The Santa Ana Tourism Marketing District (SATMD) is a participant-driven benefit assessment district proposed to create a revenue source to help fund marketing and sales promotion efforts for Santa Ana lodging businesses. The City's role in the Santa Ana Tourism Marketing District is limited to acting as a fiscal agent. It facilitates the collection and distribution of funds but does not influence how those funds are used. All

decisions regarding spending priorities and marketing activities are made by the Travel Santa Ana Board of Directors. Additionally, the City does not contribute or allocate any public funding to support the district, which is entirely self-imposed and funded by the participating hotels themselves. This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights to assessed lodging businesses. The established SATMD includes all lodging businesses with seventy (70) rooms or more located within the boundaries of the City of Santa Ana. There are 17 of those lodging businesses in the SATMD.

The City has received signed petitions from 12 of the 17 lodging businesses which represent 74% of the total Hotel Visitor Tax assessment indicating that they wish to initiate proceedings to renew the Santa Ana Tourism Marketing District for an additional 10-year term (Exhibit 3). The Property and Business Improvement District Law of 1994 requires more than 50% of assessed hotels to sign a petition in support to renew the Tourism Marketing District.

Lodging business owners decided to pursue renewal of the SATMD in order to continue with a dedicated revenue source devoted to marketing Santa Ana as a tourist, meeting, and event destination. These funds have been managed by the Travel Santa Ana (TSA) Board of Directors, a non-profit tourism and marketing destination organization that was created.

FIVE-YEAR TRAVEL SANTA ANA ACCOMPLISHMENTS

Established with the formation of the Santa Ana Tourism Marketing District in 2020, Travel Santa Ana has positioned itself as the city's official destination marketing organization, effectively shaping a distinct brand identity and enhancing Santa Ana's visibility as a dynamic visitor destination. Through strategic leadership, data-driven decision-making, and targeted marketing initiatives, Travel Santa Ana has strengthened tourism's economic impact while fostering robust community engagement.

Since its inception, the SATMD has collected more than \$5.6 million in assessment fees. Travel Santa Ana's initiatives have generated over 100 leads for hotel bookings, projecting potential revenues exceeding \$9.3 million in the last year. Further details and achievements of Travel Santa Ana can be found in the 2024 Travel Santa Ana Annual Report (Exhibit 4). To establish a cohesive and authentic brand identity, Travel Santa Ana implemented an innovative branding strategy, replacing a traditional logo with signature designs created in collaboration with five local artists. This community-driven approach reflects Santa Ana's cultural and artistic vibrancy. The organization also developed two comprehensive three-year strategic plans, outlining a framework for sustained destination marketing efforts. A critical component of this strategy was the launch of www.travelsantaana.com, serving as the primary digital platform for promoting Santa Ana's attractions, businesses, and events.

Travel Santa Ana has also focused on enhancing visitor engagement through curated content and outreach initiatives. The publication of an annual Visitors Guide and a

Public Art Guide, highlighting over 200 murals citywide, has provided valuable resources for tourists and residents alike. The "Santa Ana Enthusiast" ambassador program further strengthened community involvement by engaging local stakeholders in promoting the city's unique experiences.

Strategic sales and marketing efforts have targeted key market segments, driving tourism-related economic activity. A comprehensive digital marketing strategy, incorporating official social media channels and a professionally produced destination video, has amplified Santa Ana's presence across multiple platforms. Notable collaborations, such as partnerships with the Orange County Restaurant Association for OC Restaurant Week and the "Proud Santanero" campaign series, have spotlighted local businesses and cultural assets.

Recognizing the importance of data in decision-making, Travel Santa Ana commissioned the city's first tourism economic impact study, providing critical insights into visitor trends and spending patterns. International outreach has been a key priority, with initiatives such as a culinary passport program showcasing Santa Ana's diverse dining scene and a pioneering cannabis tourism program designed to attract niche travel markets. These efforts have positioned Santa Ana as a compelling destination for both domestic and international visitors, particularly from Mexico and Canada.

Further expanding its global reach, Travel Santa Ana has developed an international marketing plan and secured a partnership with acclaimed travel journalist Peter Greenberg for a segment on Santa Ana's "Hidden Gems," set to air on PBS and Apple TV. These initiatives collectively contribute to Santa Ana's long-term tourism growth, reinforcing the city's status as a premier destination within the region.

It was reported that in January 2025, the hotel occupancy for the SATMD was up 11.9% from January 2024. In addition, the Average Daily Rate for hotels were up 1.6% which resulted in a 13.7% increase in hotel revenue.

TOURISM MARKETING DISTRICT BACKGROUND

Tourism Marketing Districts (TMDs) utilize the efficiencies of private sector operation in the market-based promotion of tourism. These special assessment districts allow lodging business owners to organize their efforts to increase tourism. Lodging business owners within the TMD fund the TMD and those funds are used to provide services that are desired by and benefit the lodging businesses within the TMD. The City serves solely as the fiscal agent, responsible for collecting and disbursing the assessment funds to Travel Santa Ana. This program is entirely funded by participating hotels, with no expenditure of public funds.

TMD benefits:

- Funds cannot be diverted for other City government programs
- They are customized to fit the needs of each destination

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- They allow for a wide range of services, including: destination marketing, tourism promotion, and sales lead generation
- They are designed, created, and governed by those who will pay the assessment
- They provide a stable funding source for tourism promotion

In California, TMDs are primarily formed pursuant to the Property and Business Improvement District Law of 1994 (94 Law). This law allows for the creation of a special benefit assessment districts to raise funds within a specific geographic area. The key difference between TMDs and other special benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the TMD.

MANAGEMENT DISTRICT PLAN

The Management District Plan (Exhibit 2) includes the proposed boundary of the SATMD, a service plan and budget, and a proposed means of governance. The SATMD will include all lodging businesses with seventy (70) rooms or more, existing and in the future, available for public occupancy within the boundaries of the City of Santa Ana.

The renewed SATMD will have a ten (10) year life, beginning January 1, 2026, or as soon as possible thereafter, and ending ten (10) years from its start date. After ten (10) years, the SATMD may be renewed pursuant to the Property and Business Improvement District Law of 1994, Streets and Highways Code section 36600 et seq. (94 Law) if assessed business owners support continuing the SATMD programs. The annual assessment rate is two percent (2%) of gross short-term sleeping room rental revenue. Every two (2) years during the operation of the SATMD, the assessment rate may be increased by the TSA Board to a maximum rate of four percent (4%) of gross short-term sleeping room rental revenue. If the assessment rate is increased, it may subsequently be decreased but shall not be decreased below a minimum of two percent (2%) of gross short-term sleeping room rental revenue. The maximum increase or decrease in any two-year period shall be one-half of one percent (0.5%). Once per year beginning on the anniversary of SATMD establishment, there is a thirty (30) day period in which business owners paying fifty percent (50%) or more of the assessment may protest and begin proceedings to terminate the SATMD.

The City of Santa Ana has been and will continue to be responsible for collecting the assessment on a monthly basis (including any delinquencies, overdue charges, and interest) from each assessed lodging business located in the boundaries of the SATMD. The City then disburses the assessment amounts, minus the two percent (2%) administrative fee to Travel Santa Ana. Since inception of the first SATMD, the City has collected \$114,114 in administration fees.

Each year, Travel Santa Ana presents an annual report to City Council identifying the activities of the Tourism Marketing District. The 2024 Travel Santa Ana Annual Report has been attached as a Receive and File.

SATMD RENEWAL SCHEDULE

April 15, 2025

RESOLUTION OF INTENTION HEARING

Upon the submission of a written petition, signed by the business owners in the established district who will pay more than fifty percent (50%) of the assessments proposed to be levied, the City Council may initiate proceedings to establish a district by the adoption of a resolution expressing its intention to establish a district.

Petition Status: Petitions in favor of SATMD renewal were submitted by 12 lodging businesses, which represent 74% of the total SATMD assessment. This majority petition allows the Council to initiate proceedings for SATMD renewal at the June 3, 2025 meeting.

April 18, 2025

NOTICE

The 94 Law requires the City to mail written notice to the owners of all businesses proposed to be within the SATMD. Mailing the notice begins a mandatory forty-five (45) day period in which owners may protest SATMD renewal.

June 3, 2025

PUBLIC MEETING

Allow public testimony on the renewal of the SATMD and levy of assessments. No Council action required.

July 1, 2025

FINAL PUBLIC HEARING

If written protests are received from the owners of businesses in the established SATMD which will pay fifty percent (50%) or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than fifty percent (50%), no further proceedings to levy the proposed assessment against such businesses shall be taken for a period of one (1) year from the date of the finding of a majority protest by the Council.

At the conclusion of the public hearing to renew the SATMD, the Council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them.

If the Council, following the public hearing, decides to renew the SATMD, the Council shall adopt a resolution of formation.

FISCAL IMPACT

The City will receive a fee of two percent (2%) of the amount collected to cover its costs of administration. Funds are received from Community Development Agency (CDA) Trust & Agency – Travel Santa Ana account 09601001-24054 and deposited in Finance Management Services Agency (FMSA) account 01110002-57000 Expense Reimbursement.

EXHIBIT

1. Resolution of Intention to Renew the SATMD
2. Santa Ana Tourism Management District Plan
3. Signed Hotel Petitions
4. 2024 Travel Santa Ana Annual Report

Submitted By: Michael L. Garcia, Executive Director of Community Development Agency

Approved By: Alvaro Nuñez, City Manager