



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 26-1480

Agenda Date: 6/3/2026

Agenda #: 22.

DATE: June 3, 2026

TO: Honorable Mayor and City Councilmembers

FROM: City Manager's Office

TITLE: RESOLUTION OF INTENTION TO MODIFY THE OCEANSIDE TOURISM MARKETING DISTRICT (OTMD) PLAN

RECOMMENDATION

Staff recommends that the City Council adopt a Resolution of Intention to modify the OTMD Management District Plan and increase the assessment rate for vacation rental businesses to two and one half (2.5%) percent.

BACKGROUND AND ANALYSIS

The OTMD was initially created in 2010 for a five-year term, renewed in 2015 for a 10-year term and subsequently renewed in 2024 for a nine-year, three-month term. Established by Visit Oceanside (VO) in partnership with the City of Oceanside and community stakeholders, the OTMD is a benefit assessment district permitted under California law (Property and Business Improvement District Law of 1994, Streets and Highways Code section 36600 et seq.) This law allows for the creation of special benefit assessment districts to raise funds within a specific geographic area.

The OTMD provides a revenue source to fund marketing and sales promotion efforts for Oceanside lodging and vacation rental businesses. VO is a California nonprofit corporation responsible for promoting Oceanside as a sought-after destination, and serves as the OTMD Owners' Association, charged with managing funds and implementing programs in accordance with the OTMD Management District Plan.

Tourism Marketing Districts (TMDs) have been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights to assessed lodging and vacation rental businesses. The OTMD includes all lodging and vacation rental businesses, existing and in the future, available for public occupancy located within the boundaries of the City of Oceanside.

TMDs utilize the efficiencies of private sector operation in the market-based promotion of tourism. These special assessment districts allow lodging and vacation rental business owners to collectively organize their efforts to increase tourism. Lodging and vacation rental business owners within the

TMD fund the TMD, and those funds are used to provide services that are desired by and benefit the lodging and vacation rentals businesses within the TMD.

Notable features of a TMD:

- Funds cannot be diverted for other government programs.
- Customized to fit the needs of each destination.
- Allow for a wide range of services, including destination marketing, tourism promotion and sales lead generation.
- Designed, created and governed by those who pay the assessment.
- Provide a stable funding source for tourism promotion.

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.

VO has submitted a request letter (Attachment 1) to modify the OTMD Management District Plan (Plan) (Attachment 2). Beginning October 1, 2026, the proposed modification would establish a uniform assessment rate of two and one-half percent (2.5%) of gross rental revenue for all lodging businesses and vacation rental businesses. Under this modified Plan, the annual assessment rate for vacation rental businesses would increase to two and one-half percent (2.5%) of gross short-term sleeping room rental revenue, an increase from the current one and one-half percent (1.5%) rate. If modified, the total OTMD annual assessment budget for each full fiscal year (July 1 - June 30) of operation is anticipated to be approximately \$4,400,000. The initial year of operation will be a transitional year consisting of three months at the current assessment rate and nine (9) months at the modification assessment rate, with an anticipated assessment budget of \$4,000,000.

Marketing and operational costs continue to significantly increase, and marketing dollars invested are continuing to experience year-over-year budget decreases due to these increases. This modification brings the rate to an equal and uniform amount across all lodging types, and allows Oceanside to remain competitive in the marketplace and not lose market share. Visit Oceanside's marketing strategy produces measurable positive outcomes including social media engagement across a variety of channels, room nights booked at local accommodations and visitor dollars spent at restaurants and retail establishments in Oceanside. Per an independent study by SMARInsights to determine Visit Oceanside's marketing effectiveness and return on investment, Visit Oceanside's program of work influences about one-third of visitor spending or an estimated \$51 return to Oceanside for every one dollar invested by Visit Oceanside, while the estimated return for lodging stakeholders is \$11 for every one dollar invested.

OTMD Modification Process:

- June 3, 2026 - Resolution of Intention
 - Upon the submission of a written request from the Owners' Association of the OTMD (Visit Oceanside), the City Council may initiate proceedings to modify the district by the adoption of a resolution expressing its intention to modify the district.

- July 5, 2026 - Notice
 - The 1994 Law pertaining to the establishment of assessment districts requires the City to mail written notice to the owners of all businesses proposed to be within the OTMD. Mailing the notice begins a mandatory 45-day period in which owners may protest OTMD renewal.
- August 5, 2026 - Public Meeting
 - Allow public testimony on the modification of the OTMD Plan. No City Council Action required.
- August 19, 2026 - Final Public Hearing
 - If written protests are received from the owners of businesses in the renewed OTMD which will pay more than 50 percent of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses shall be taken for a period of one year from the date of the finding of a majority protest by the Council.
 - If the City Council, following the public hearing, decides to modify the OTMD, the Council shall adopt a resolution of modification.

FISCAL IMPACT

Beginning October 1, 2026, both the lodging business owners and vacation rental business owners that are subject to the City's TOT ordinance would pay a uniform assessment rate of 2.5 percent of gross short-term sleeping room rental revenue at the same time and in the same manner as the TOT is paid.

The initial estimated budget, based on assessment rates of 2.5% for lodging businesses and 1.5% for vacation rental businesses, was \$3,600,000. With the modified rate of 2.5% for both lodging businesses and vacation rental businesses, the full fiscal year of operation is now anticipated to generate approximately \$4,400,000. The City currently retains 1.6% of total assessments collected to cover collection and administration costs. This increased budget would raise the City's collection fee by an estimated \$12,800, bringing the total to \$70,400 in the first full fiscal year.

Because the OTMD programs are intended to increase visitation to the City, there may be an increase in transient occupancy tax and sales tax collections.

COMMISSION OR COMMITTEE REPORT

The TMD modification timeline will be presented to the Economic Development Commission as an informational item at its June 2026 meeting.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared by: Michelle Geller, Economic Development Manager

Reviewed by: Michael Gossman, Assistant City Manager

Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. Request Letter
2. Modifications OTMD
3. ROI OTMD