



TOURISM: A DRIVING FORCE BEHIND A VIBRANT ECONOMY

Martha J. Sheridan | CEO | msheridan@bostonusa.com

Tiffany Gallagher | tgallagher@civitasadvisors.com



Tourism is the 3rd largest industry in Massachusetts; It is a vital economic driver for Boston and the Commonwealth.



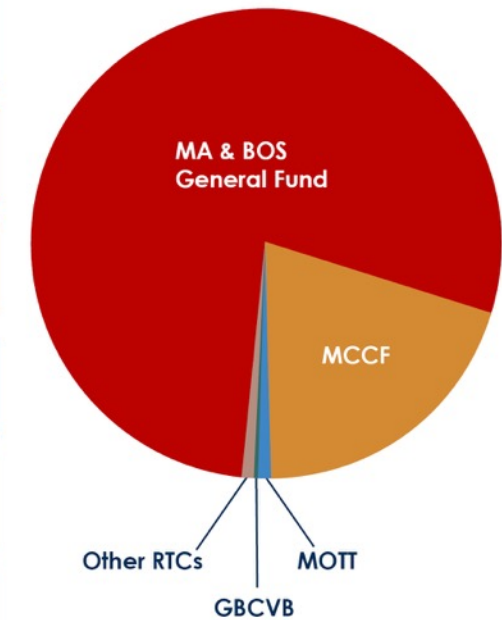
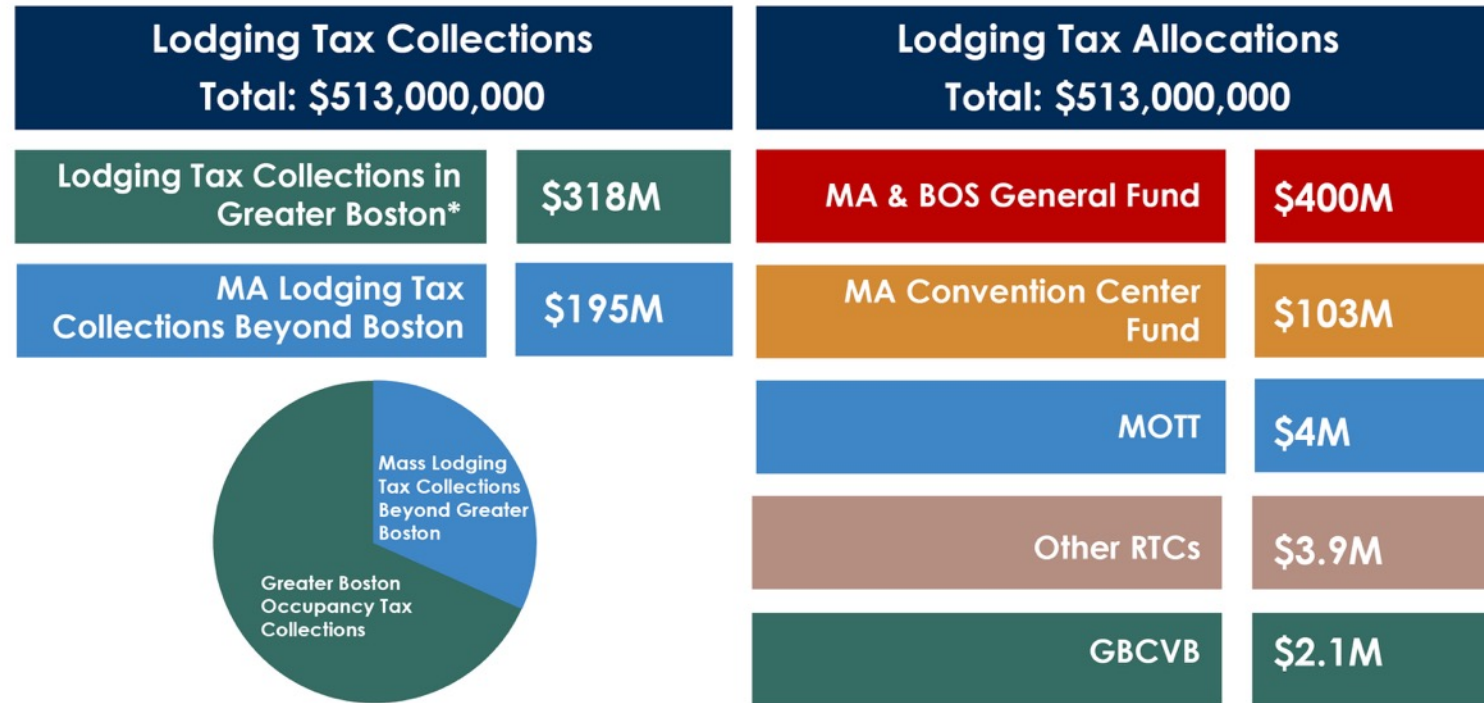
Source: The Boston Foundation/UMASS Donahue Institute/MA Office of Travel & Tourism

The tourism and hospitality industry is an essential employer.

- Tourism & hospitality directly employ **one out of every ten Massachusetts residents.** 
- Tourism represents the **most diverse workforce**
- In addition to full time careers, the industry affords **flexible and accommodating employment opportunities** for those who are:
 - Functioning as primary caregivers,
 - Working part-time while earning their degree,
 - Employed part-time to supplement their income



Lodging Tax Revenue in Boston & MA



*Figure includes state, local, and convention center fund occupancy taxes collected in Greater Boston

Source: MA Department of Revenue FY 2019



Sample City Tourism Budgets

Atlanta

\$35,242,000

Miami

\$32,000,000

Nashville

\$31,000,000

Washington DC

\$24,747,000

Philadelphia

\$31,000,000

Baltimore

\$16,000,000

Boston

\$7,440,582*

*Net of BCMC pass-through

What do we risk if we stay the current course?

-  With nearly **5,000 rooms** coming to the Boston market, representing a **20% increase in supply**, occupancy and ADR **will not sustain at current levels without funding for destination marketing.**
- The traditional operating strategy of “we’ve already built it, so they will come” is not working, **Boston’s market share is flat and international meetings are on the decline.**
- With the specter of the **Hynes sale**, the time to act is now.

What is a Tourism Destination Marketing District? (TDMD)

- A **TDMD allows hotels** in a defined area to self-assess and collect monies that go into **a fund** managed by **a Governance Board and deployed by a designated Destination Marketing Organization.**
- There are 177 TDMDs across the US, reporting an **ROI ranging from 3:1 to 30:1 (hotel revenue per dollar invested).**

The Evolution of Destination Marketing Funding



Travel's Impact on the U.S.

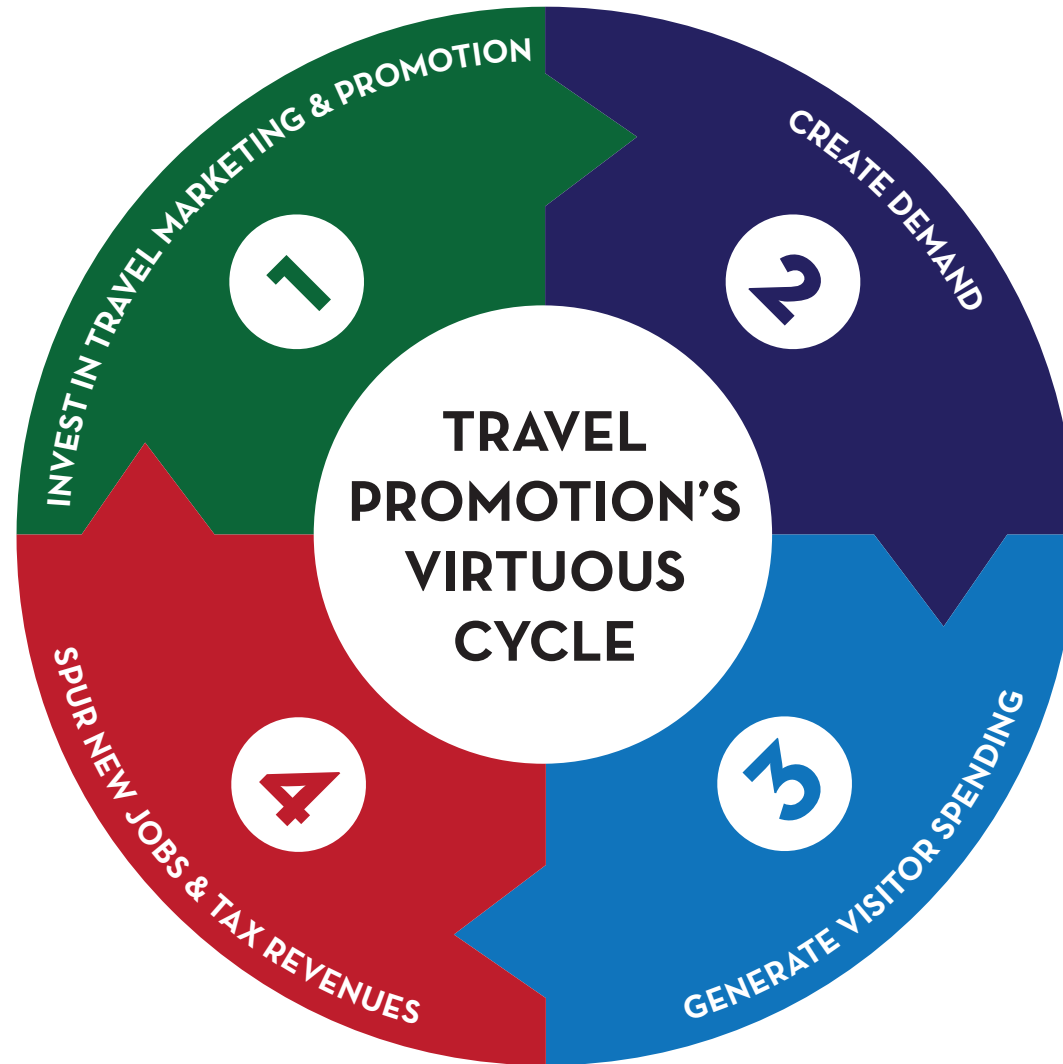
Putting 1 in every 10 people to work in the U.S.

In 2018, travel supported 15.7 million American jobs

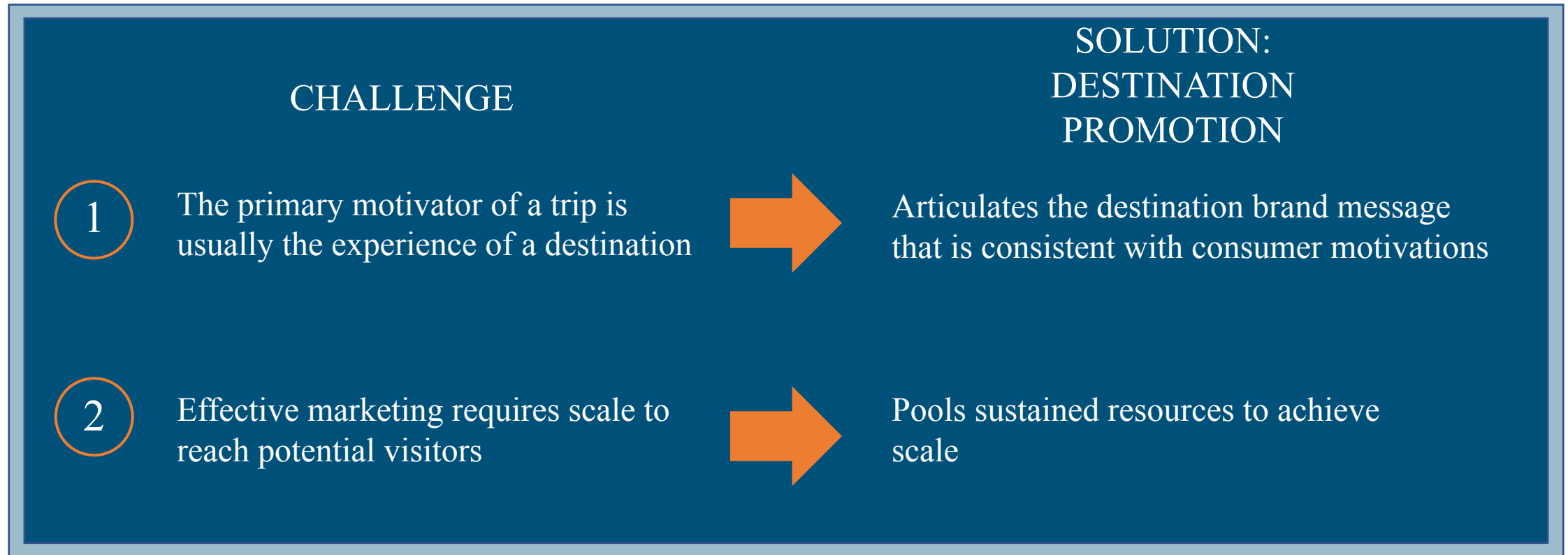
“I truly believe that travel and tourism is the front door for economic prosperity in our country”

-Roger Dow,
President & CEO,
U.S. Travel
Association

The Future is Built with Travel Promotion



The Vital Role of Destination Promotion



Funding Sufficiency vs. Funding Stability



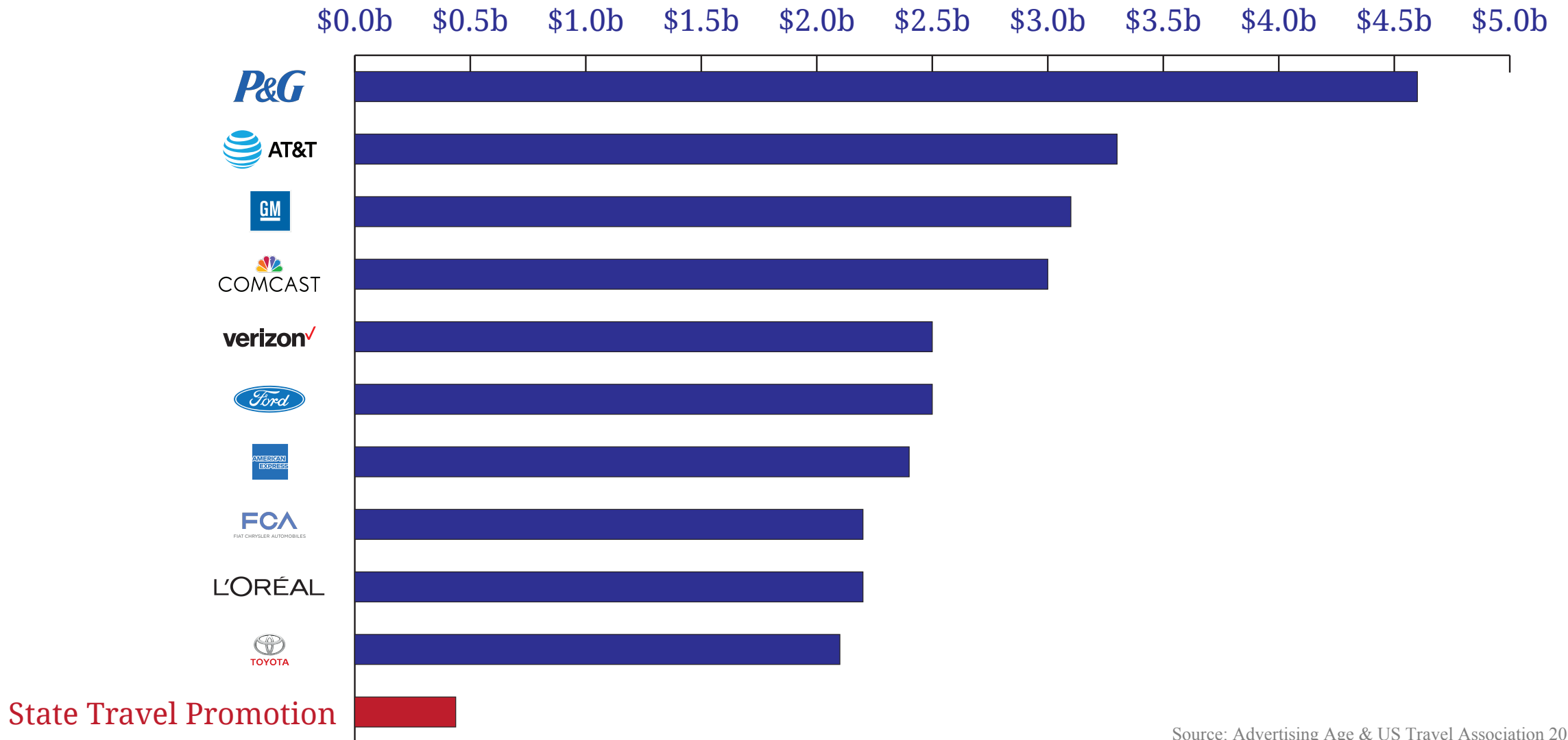
Sufficiency

Do you have enough to adequately market your destination?

Stability

How reliable are your funding streams? Can they be diverted?

Billions in Marketing Spending



Source: Advertising Age & US Travel Association 2015

Three Levels of Sufficiency



Level 1

What the industry is given

Level 2

Comparing budgets to other organizations

Level 3

Funding based on economic activity

“

The most dangerous phrase
in our language is "we've
always done it this way".

Rear Admiral Grace Hopper

Tourism Funding Stability

A wooden gavel with a dark handle and a light-colored head rests on an open book. In the background, a pair of black-rimmed glasses is visible. The scene is lit with a soft, blue-toned light, creating a professional and legal atmosphere.

Can a vote of the
local or state government
re-direct tourism promotion funds?

Tourism Funding



- Membership
- Sponsorships
- Event revenue
- Contract services
- Licensing



- Untethered tax allocations
- Tethered tax allocations
- Sales tax increment financing
- Assessment (TID)



How Tourism Improvement Districts Work



Characteristics

- Level playing field—no free riders
- Transparency
- Reliability
- Pass-through to customer

National District Statistics

177 TIDs

Most Recent: Baltimore, MD
(September 2019)

58%

Gross
Revenue %



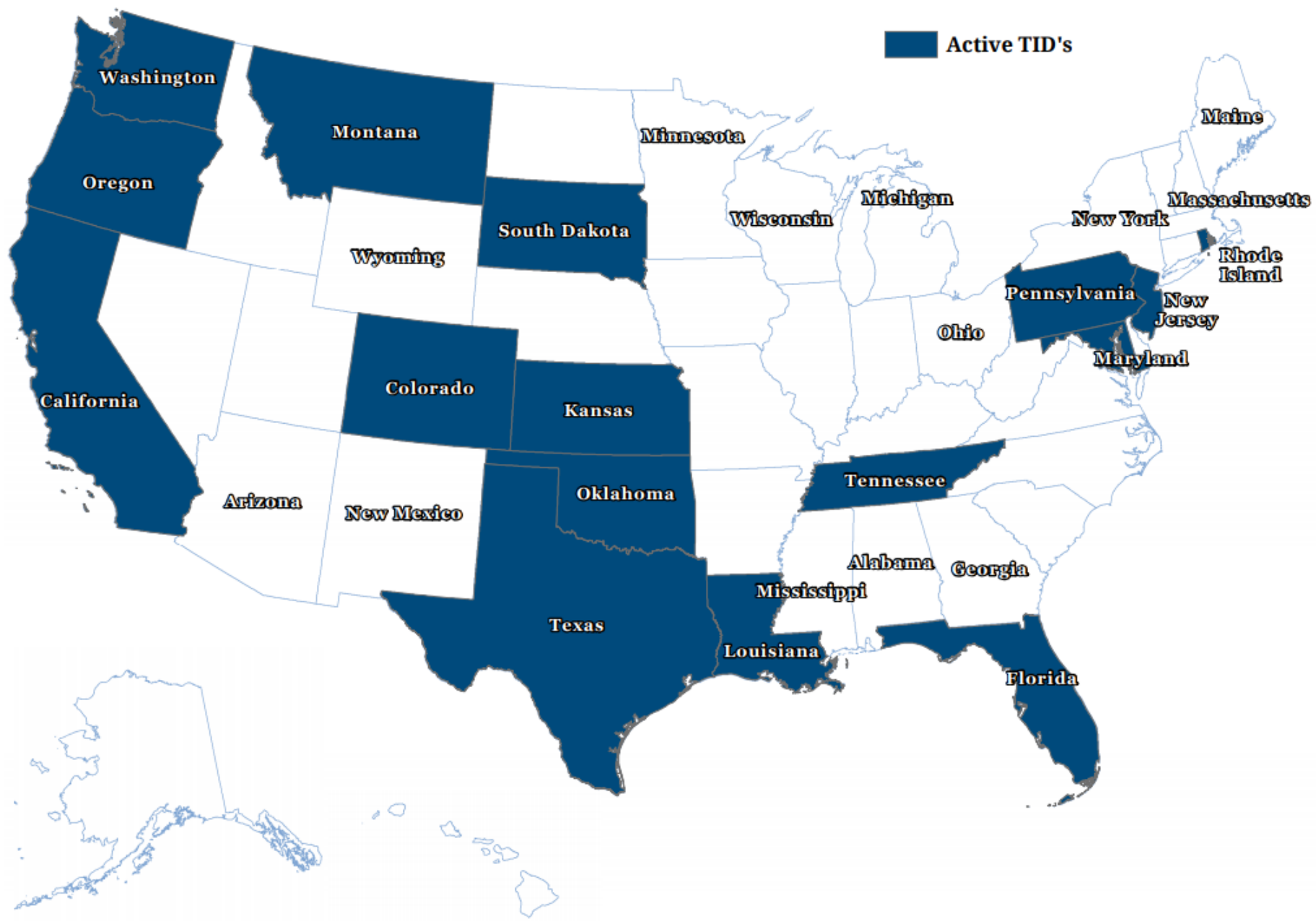
42%

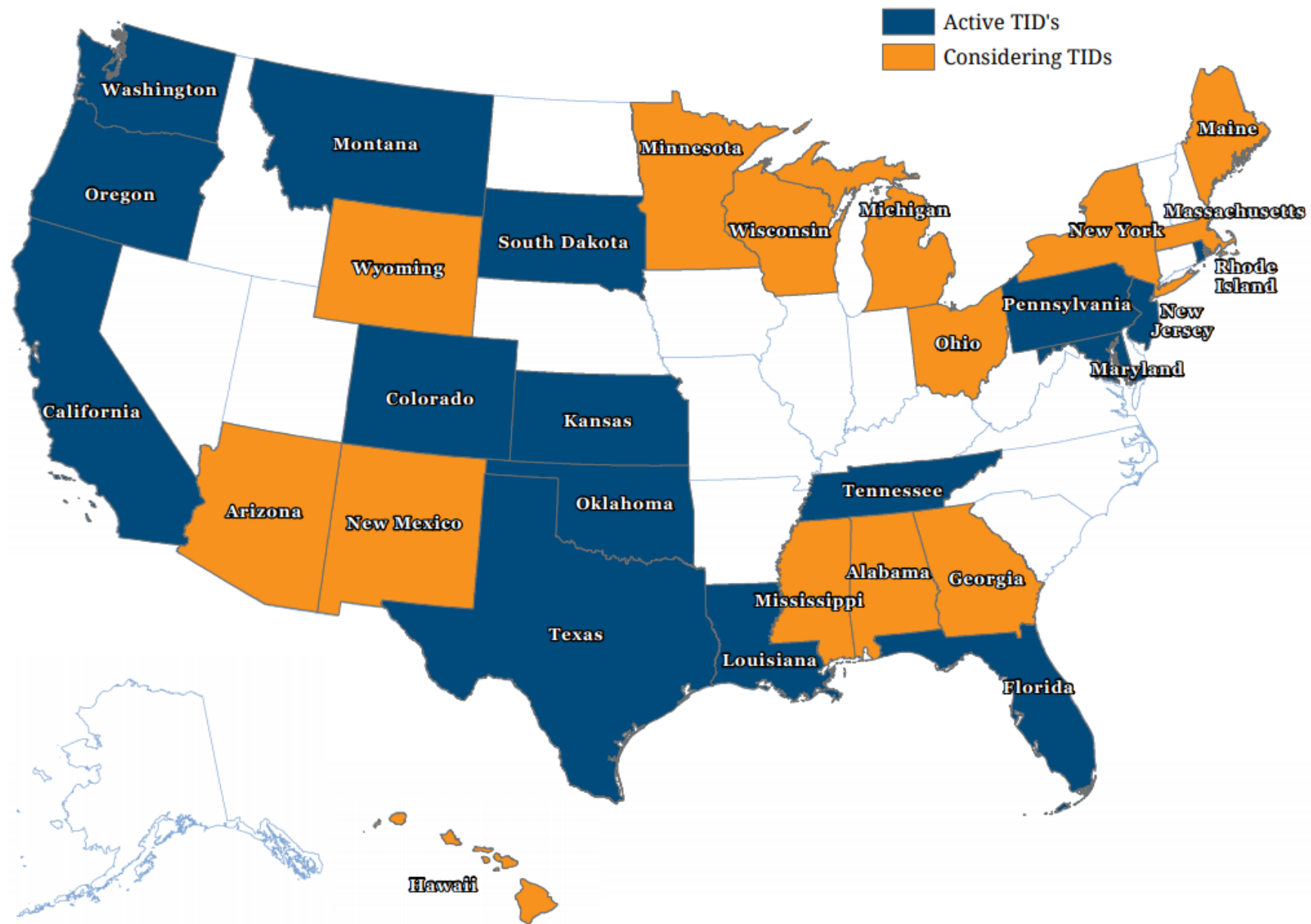
Fixed \$
Amount

AMOUNT RAISED

| | |
|--------|---------------|
| Low | \$10,000 |
| Median | \$740,000 |
| High | \$41,000,000 |
| Total | \$423,696,600 |

16 STATES





Destination Comparison

| Destination | Customer Charge | TID Assessment | TID Annual Budget | DMO | DMO Non-TID Annual Budget |
|--------------------|-----------------|----------------|-------------------|--|---------------------------|
| San Francisco, CA | 16.45% | 2.75% | \$25,000,000 | San Francisco Travel Assn. | \$8,350,000 |
| Philadelphia, PA | 16.25% | 0.75% | \$5,800,000 | Philadelphia Convention & Visitors Bureau | \$17,150,000 |
| | | | | Greater Philadelphia Tourism Marketing Corporation | \$14,950,000 |
| New Orleans, LA | 17.75% | 1.75% | \$18,500,000 | New Orleans & Company | \$29,340,000 |
| | | | | New Orleans Tourism Marketing Corporation | \$6,420,000 |
| Los Angeles, CA | 15.70% | 1.50% | \$27,800,000 | Los Angeles Tourism & Convention Board | \$65,000,000 |
| Dallas, TX | 15.26% | 2.26% | \$18,350,000 | Dallas Convention & Visitors Bureau | \$41,000,000 |
| Pittsburgh, PA* | 14.00% | 2.00% | TBD | Visit Pittsburgh | \$13,130,000 |
| New York City, NY* | 18.25% | TBD | TBD | NYC & Company | \$40,000,000 |
| Baltimore, MD* | 17.50% | 2.00% | \$7,000,000 | Visit Baltimore | \$16,050,000 |
| Washington, DC | 14.80% | N/A | | Destination DC | \$25,000,000 |
| Seattle, WA | 17.60% | \$2.00 | \$6,000,000 | Visit Seattle | \$25,570,000 |

Source: Tourism Economics

Preventing Funding Loss

- ✓ Almost every jurisdiction that has desired to retain baseline funding has done so.
- ✓ Some DMO's have chosen to return funds for other purposes to free themselves from government allocations.
- ✓ TIDs have led to widespread significant budget increases.

Preventing Existing Funding Loss

| Beg-A-Thon | Partnership |
|---|---|
| <ul style="list-style-type: none">➤ Annual or Multi-Year request➤ Competition with other priorities➤ Funding = variable & unreliable➤ Funding may be withheld entirely | <ul style="list-style-type: none">➤ Multi-Year agreement➤ No Competition➤ Funding = multi-year & reliable➤ Local government required to provide baseline funding➤ Loss of partnership = TID termination <p>**</p> |



Return on Investment for Hotels (ROI)

- Almost all TIDs measure return based on hotel room nights and/or hotel room revenue.
- Some measure based on visitor spending, tax revenue, and group sales.
- Industry average return on room revenue is approximately 7.5:1 and ranges from 3:1 to 25:1.



Steps to TID Formation

1. Begin hotel & local government outreach
2. Stakeholders determine parameters and District Management Plan
3. Plan prepared
4. Hotel education and approval process
5. Local government approval process

Case Studies

San Diego

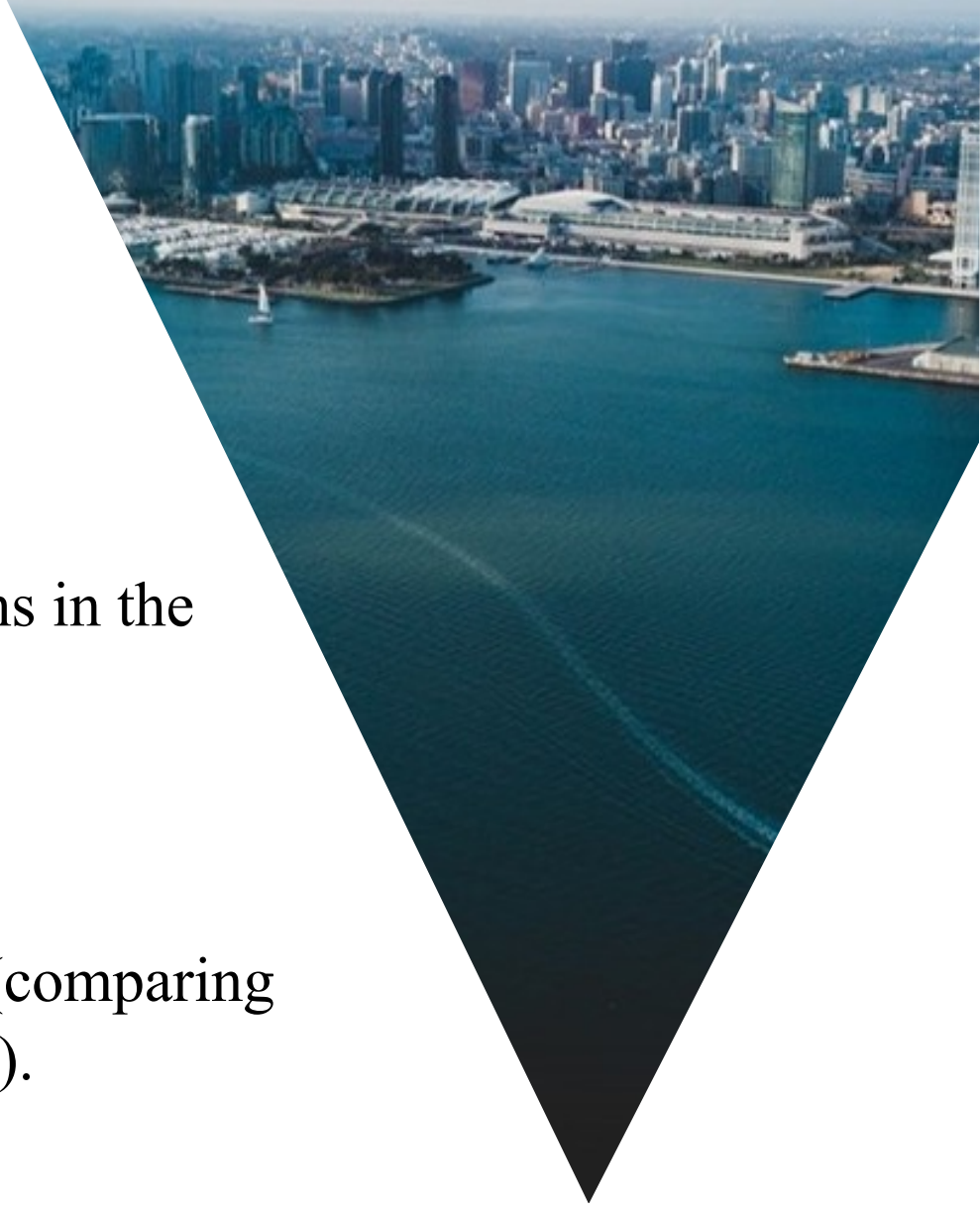


Philadelphia



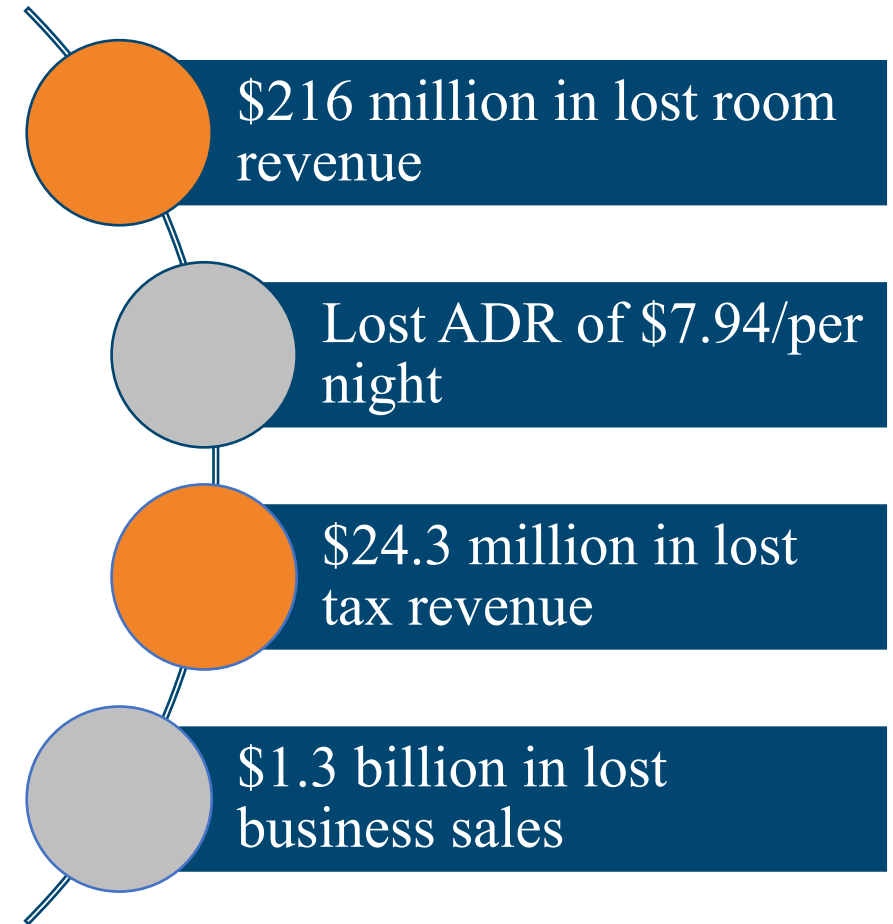


- TID began in 2008.
- Includes all lodging businesses with 70+ rooms in the City of San Diego.
- Assessment rate is 2% of room revenue.
- Raises \$41 million annually.
- Average ROI on TID expenditures is 23.1:1 (comparing lodging business revenue to TID expenditures).
- MPAR: \$673.67, Room Count: 62,590



What Happens Without Promotion: San Diego

Established in 2008, San Diego Tourism Marketing District allocated \$25 million in marketing and promotion. However, litigation over the SDTMD held up 84% of funds in 2013. The lack of marketing during this short term had a clear, negative impact on San Diego overall.



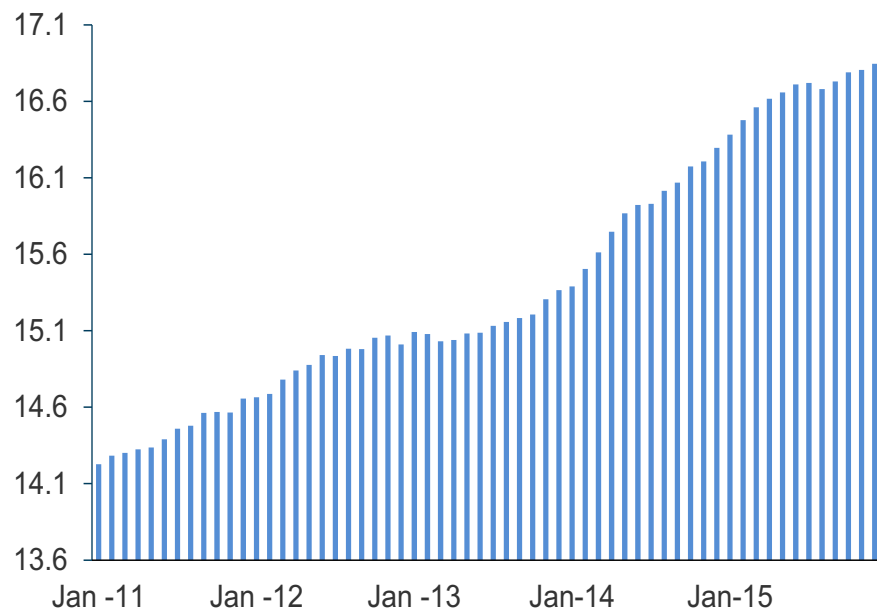


TMD funds held in limbo
during much of 2013

Immediate and significant slowdown in demand and a
loss of pricing power

San Diego Room Demand

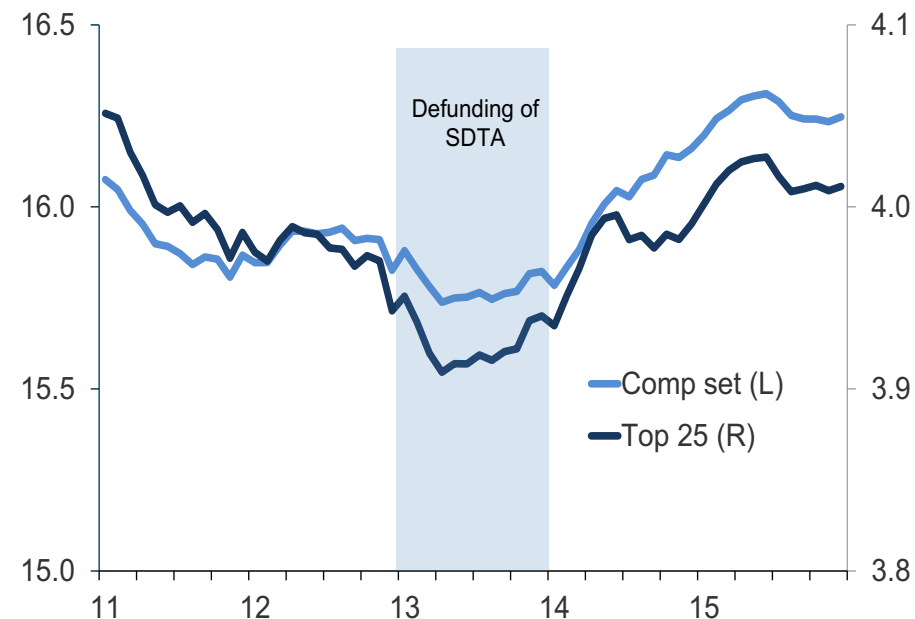
Room nights, millions, 12-month rolling sum



Sources: STR, Tourism Economics

San Diego room demand market share

San Diego's % of total room nights, relative to...



Sources: STR, Tourism Economics



Philadelphia Hospitality Investment Levy (PHiL)

- After hosting the 2015 Papal Visit, 2016 Democratic National Convention, and 2017 NFL Draft, Philly experienced “donor-fatigue” and funding from public and private sector was reduced.
- Attracting conventions and events became more competitive and had increased costs, and they didn’t have any kind of “Event Attraction Fund”.
- In 2017 PHiL was formed primarily a funding mechanism to attract large conventions and events, but a portion of the funds raised could also be used for other programs and initiatives as decided by the BOD.

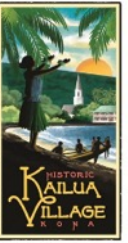




Philadelphia Hospitality Investment Levy (PHiL)

- Funded by a **0.75% assessment fee** on the daily rate paid by hotel guests.
- Recommends an ROI of **8:1** for funds allocated.
- **\$5.6 Million** collected in their first year
- **92** Large conventions & events funded
- Resulted in **\$1.6 Billion** in economic impact
- PHiL is already looking at getting re-authorized beyond the initial five-year period it was approved for (through 2022).







- ✓ Generated 1.7 Billion for clients globally.
- ✓ Completed over 125 BID & TID formation projects throughout the world.
- ✓ Drafted BID/TID legislation in 15 states.
- ✓ Passionate about raising stable, dependable funding for DMOs.



Thank You!

Tiffany Gallagher | Eastern US Branch Manager
tgallagher@civitasadvisors.com | (800) 999-7781

#H.2936 Key Provisions

- All TDMD services must supplement existing services, they cannot be used to replace existing services.
- Local municipal governments may establish TDMDs that encompass a single or multiple jurisdiction.
- TDMDs are required to operate pursuant to a written TDMD plan, which includes services, budget and special assessment structure, lodging business criteria, and governance structure.
- TDMDs are governed by a TDMD committee of an RTC. A majority of the TDMD committee membership must be comprised of lodging business owners paying the TDMD assessment.

#H.2936 Key Provisions

- All TDMDs must be renewed every five (5) years by majority vote of the lodging businesses within the TDMD.
- All TDMD assessments are collected by the Commissioner of Revenue and dispersed quarterly to the RTCs.
- An annual audit must be conducted and filed with the Commissioner.
- TDMDs may also be disestablished by majority petition of businesses subject to the TDMD assessment.

Proposed **Boston/Cambridge TDMD.**

- Hotels create the TDMD and then govern how funds are deployed.
- **51% of hotels in Boston and 51% of hotels in Cambridge with at least 50 rooms would need to approve** of TDMD formation.
- The hotels will then control TDMD expenditures through an **15-member governance board.***
- Proposed assessment is 1.5%
- Budget will be \$29,447,087
 - 85% Sales and Marketing
 - 15% Administration/Start-up/Reserves

**4 members will “sunset” after 2 years*

How Will **Hotels Benefit** from a TDMD?

- Drive compression.
- Bolster occupancy/ADR in the first quarter.
- Increase single property meeting sales.
- Incentive Fund.
- International/Sales/Marketing Program.
- Decrease in GBCVB membership dues.



Potential Uses for Increased Funds

Branding

- Review current brand positioning
- Conduct research to gain insight into perceptions about the Boston brand
- Create new imagery to convey updated brand
- Implement an integrated marketing program to deploy brand (digital, print, social, public relations, corporate assets)



Communications

- Engage public relations firm
- Increased funding for media visits and FAMs
- Conduct media events in key markets (NYC, DC, Chicago, London)



Meeting and Convention Sales (Domestic)

- Deploy digital and print advertising campaign in trade publications
- Develop new trade show displays
- Implement customized electronic bid book program
- Additional funds for site visit transportation
- Expand Sales staff

Global Sales and Marketing

- Create a fully functional Global Sales and Marketing Department
- Align program with Massport initiatives
- Conduct cooperative sales missions to the United Kingdom, Canada, China, Tokyo and the Middle East (luxury brands).
- Trade Shows





Potential Uses for Increased Funds



Leisure/Consumer Program

- Print and digital advertising
- Media firm
- Expanded neighborhood promotion program
- Expanded multicultural program
- Development and deployment of special consumer campaigns based on hotel need periods

Digital Upgrades

- Website redesign
- Enhanced SEO/SEM program
- Visitor App
- E-Commerce enhancements

Incentive Fund

- Citywide convention support
 - Transportation funding
 - Convention Center rental offsets
 - Housing fee offset
- Bid fees
 - Large scale sports events
 - Premiere industry events



THANK YOU.

Boston
GREATER BOSTON
CONVENTION & VISITORS BUREAU

Martha J. Sheridan | CEO | msheridan@bostonusa.com
Tiffany Gallagher | tgallagher@civitasadvisors.com

