



# TOURISM: A DRIVING FORCE BEHIND A VIBRANT ECONOMY

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# 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

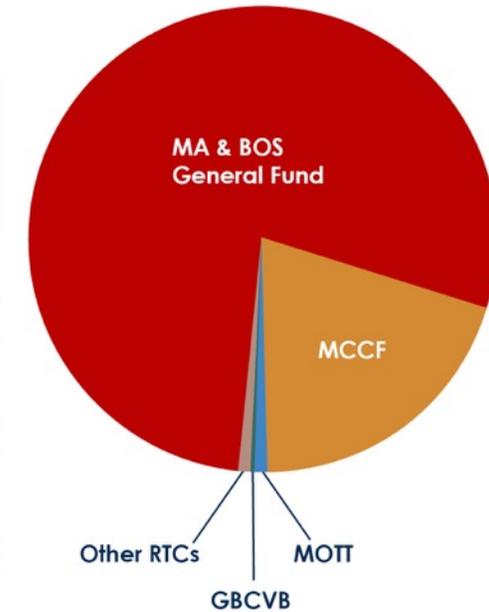
# The tourism and hospitality industry is an essential employer.

- 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

Lodging Tax Collections Total: \$513,000,000		Lodging Tax Allocations Total: \$513,000,000	
Lodging Tax Collections in Greater Boston*	\$318M	MA & BOS General Fund	\$400M
MA Lodging Tax Collections Beyond Boston	\$195M	MA Convention Center Fund	\$103M
		MOTT	\$4M
		Other RTCs	\$3.9M
		GBCVB	\$2.1M



\*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
<b>Boston</b>	<b>\$7,440,582*</b>

\*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

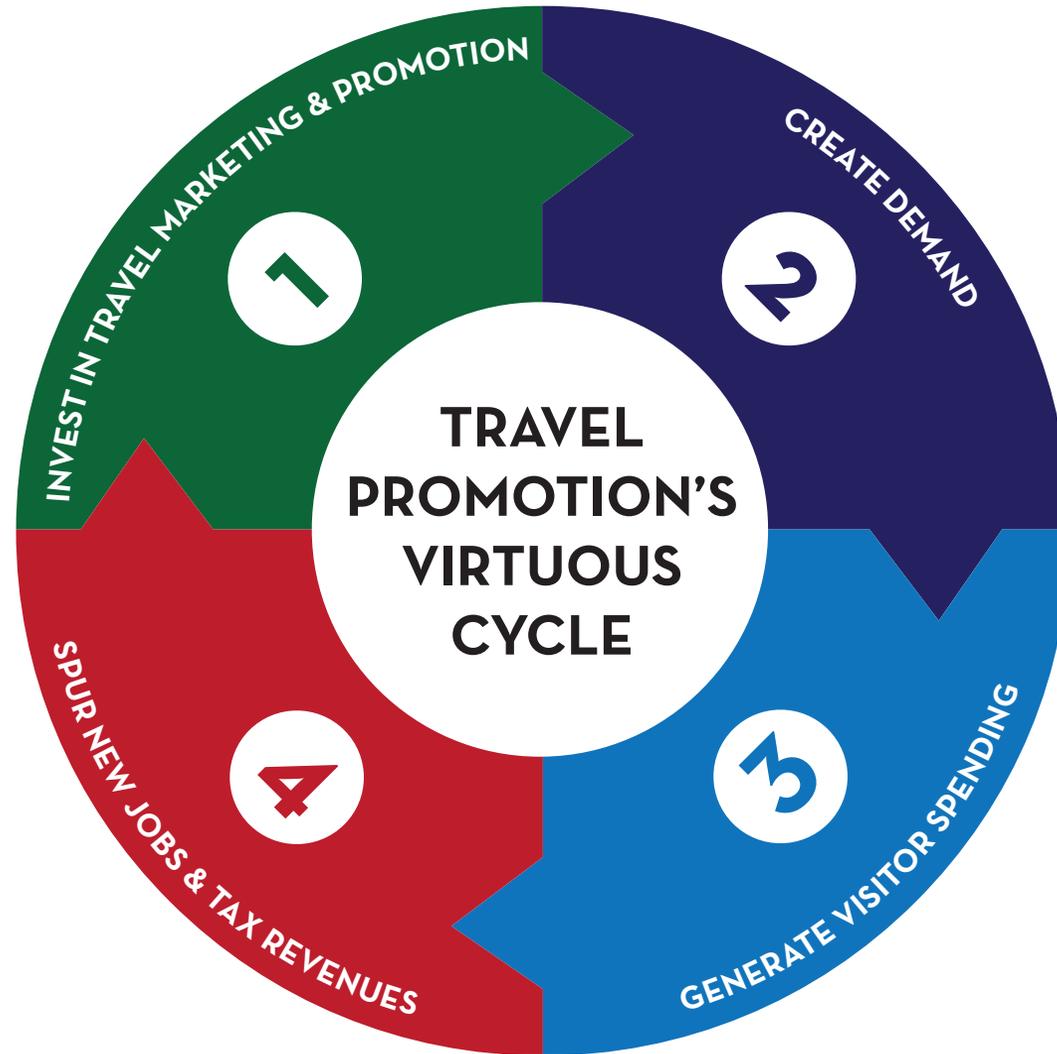
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“I truly believe that  
travel and tourism is  
the front door for  
economic prosperity  
in our country”

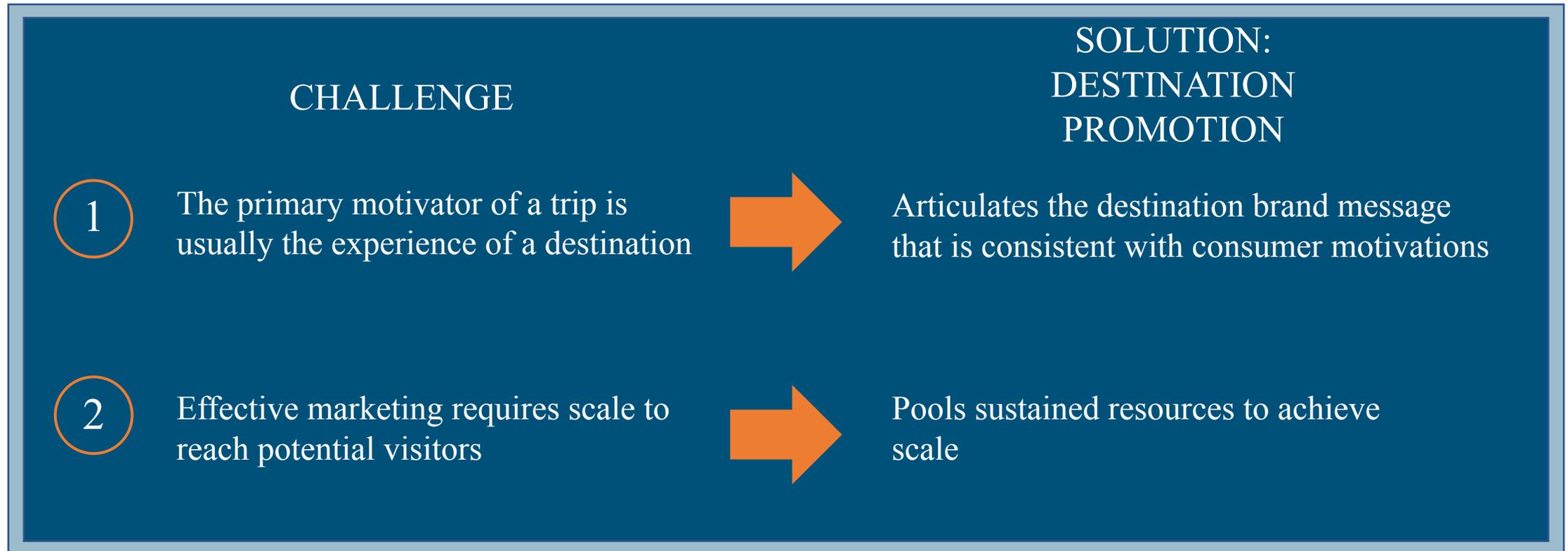
-Roger Dow,  
President & CEO,  
U.S. Travel  
Association

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# The Future is Built with Travel Promotion



# The Vital Role of Destination Promotion



# Funding Sufficiency vs. Funding Stability

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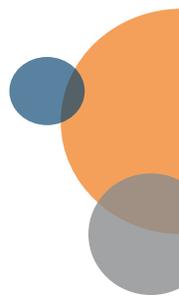


Sufficiency

Do you have enough to adequately market your destination?

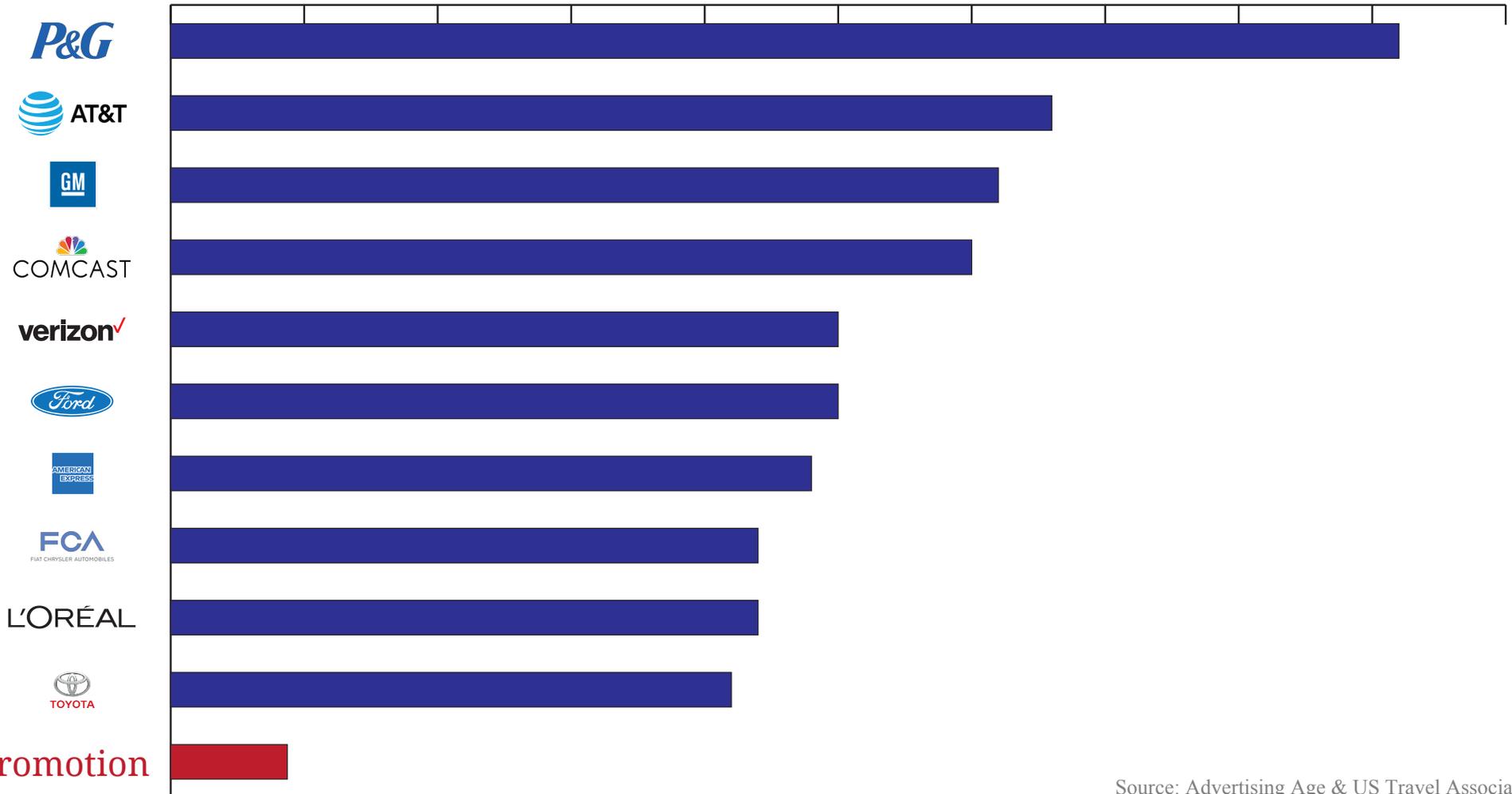
Stability

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



# Billions in Marketing Spending

\$0.0b \$0.5b \$1.0b \$1.5b \$2.0b \$2.5b \$3.0b \$3.5b \$4.0b \$4.5b \$5.0b



State Travel Promotion

Source: Advertising Age & US Travel Association 2015

# Three Levels of Sufficiency

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**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 black handle and a dark wood head, resting on an open book. In the background, a pair of black-rimmed glasses is visible. The scene is lit with a soft, blue-tinted 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

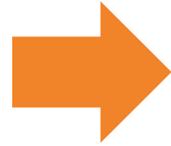


- Untethered tax allocations
  - Tethered tax allocations
  - Sales tax increment financing
  - Assessment (TID)
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# How Tourism Improvement Districts Work

Tourism businesses pay  
an assessment



Collected by the  
local government



Managed by the DMO

## Characteristics

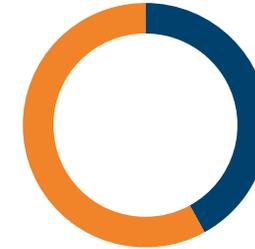
- Level playing field—no free riders
- Transparency
- Reliability
- Pass-through to customer

# National District Statistics

**177 TIDs**

Most Recent: Baltimore, MD  
(September 2019)

**58%**  
Gross  
Revenue %



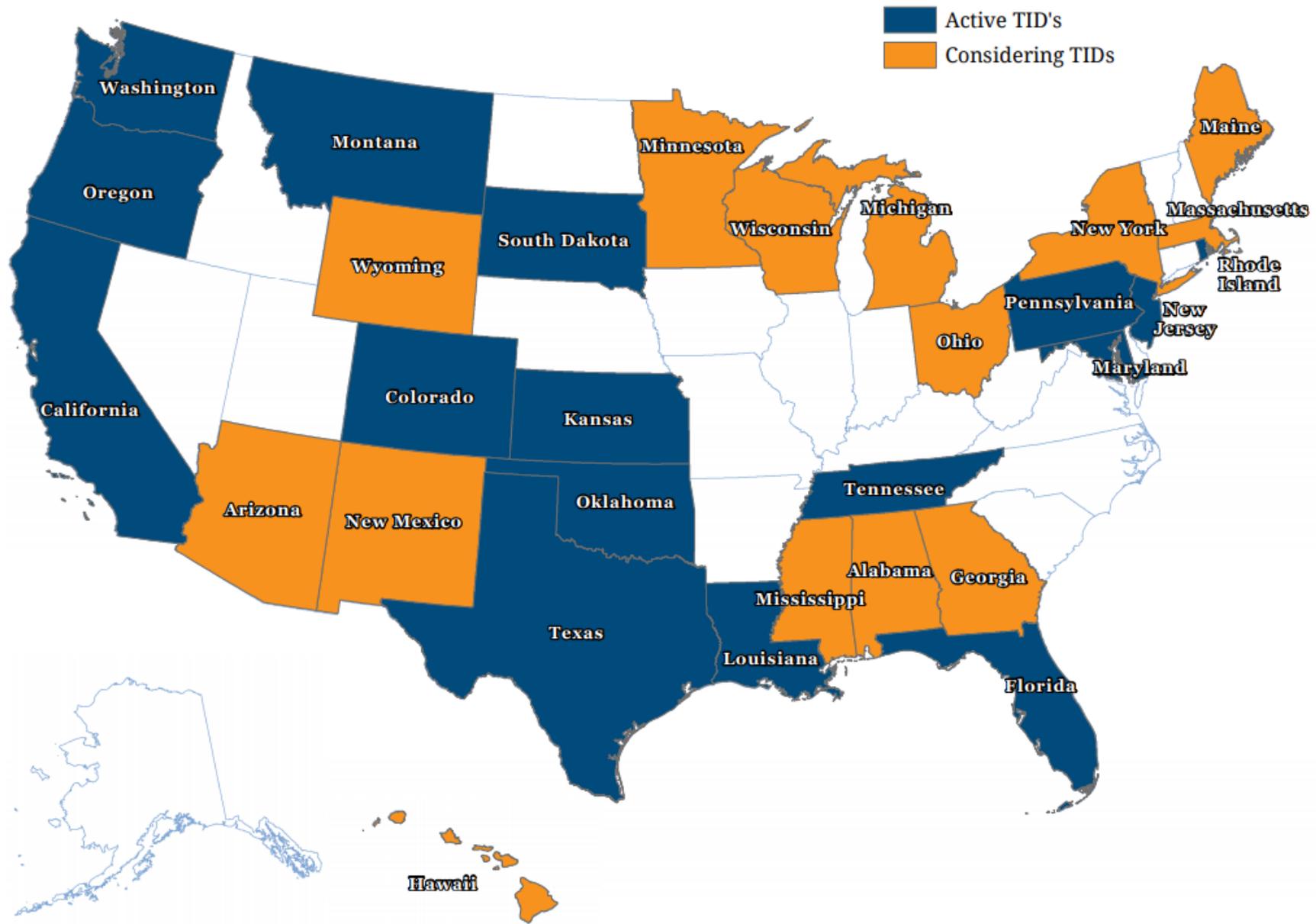
**42%**  
Fixed \$  
Amount

## 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

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



# Return on Investment for Hotels (ROI)

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- 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

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**San Diego**

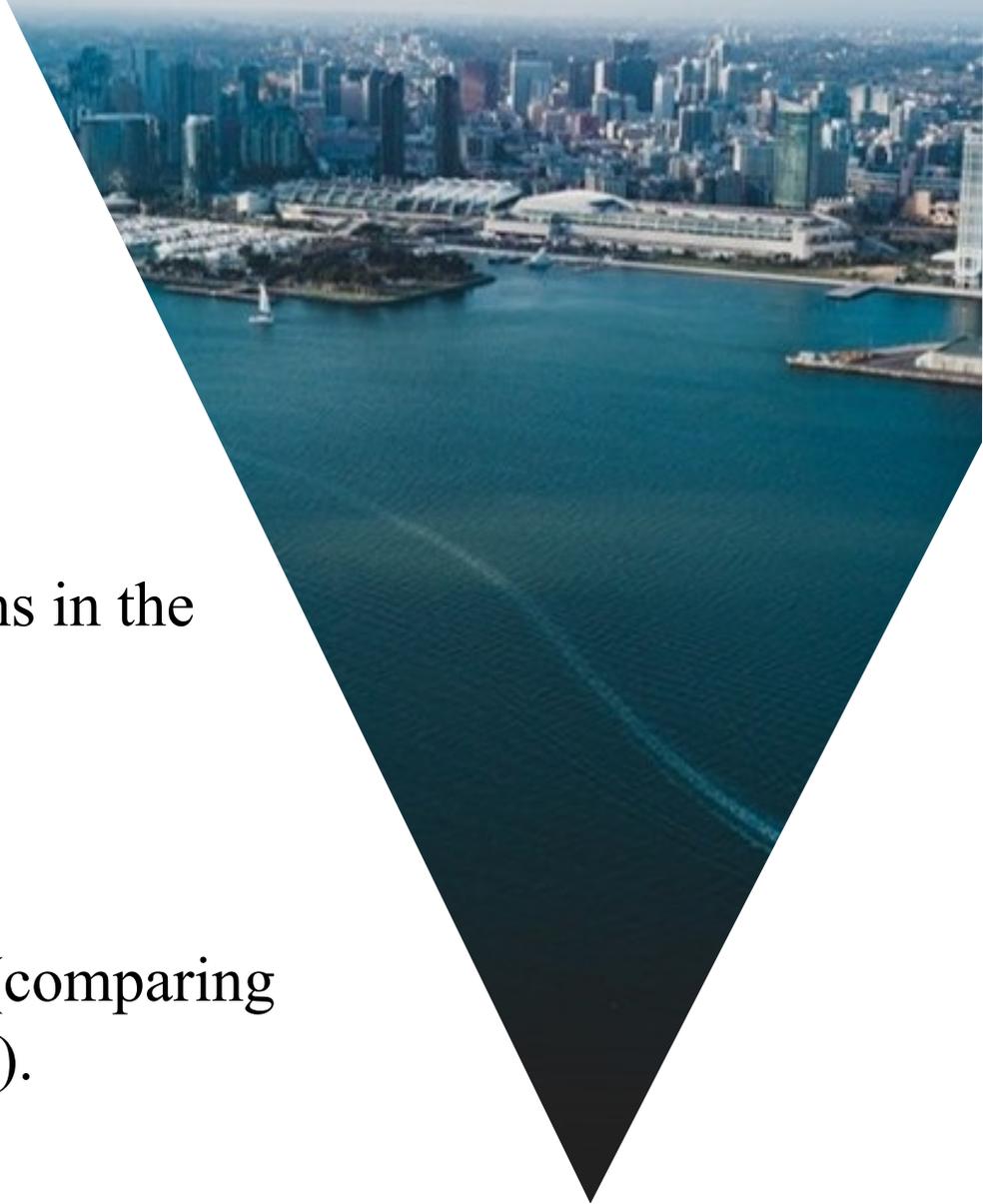


**Philadelphia**



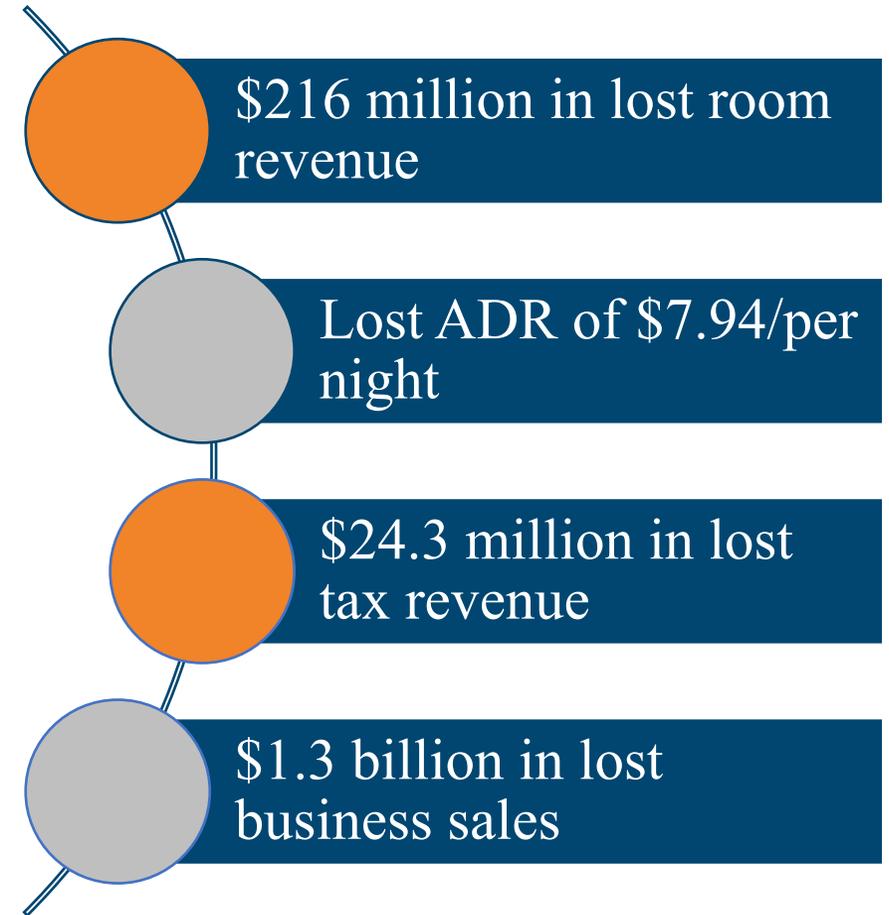


- TID began in 2008.
- Includes all lodging businesses with 70+ rooms in the City of San Diego.
- Assessment rate is 2% of room revenue.
- Raises \$41 million annually.
- Average ROI on TID expenditures is 23.1:1 (comparing lodging business revenue to TID expenditures).
- MPAR: \$673.67, Room Count: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



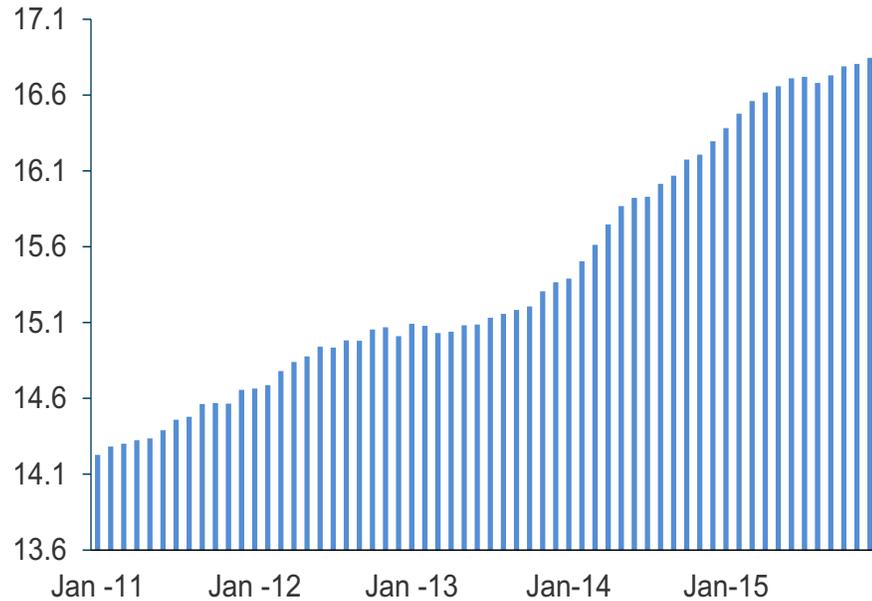


TMD funds held in limbo during much of 2013

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

### San Diego Room Demand

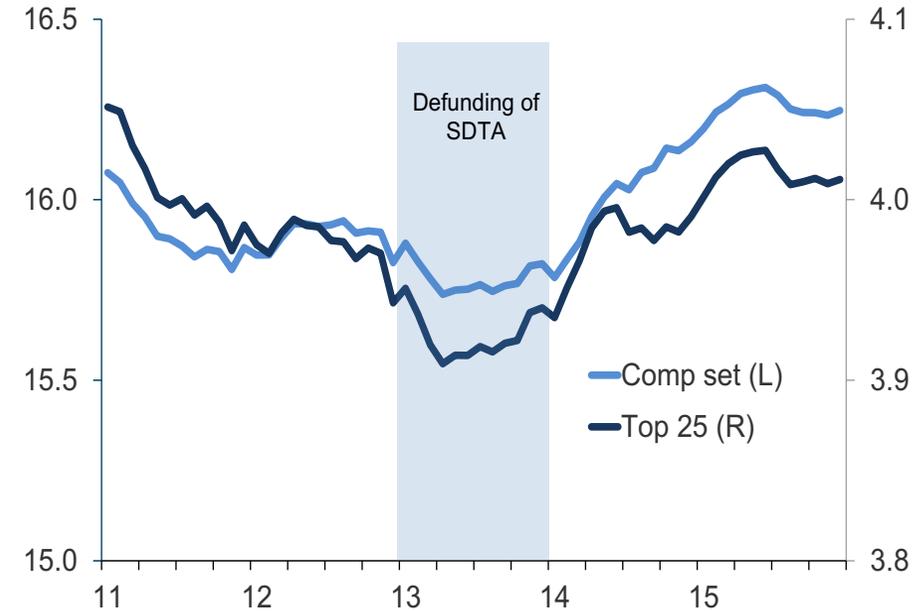
Room nights, millions, 12-month rolling sum



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)

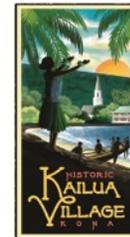
- After hosting the 2015 Papal Visit, 2016 Democratic National Convention, and 2017 NFL Draft, Philly experienced “donor-fatigue” and funding from public and private sector was reduced.
- Attracting conventions and events became more competitive and had increased costs, and they didn’t have any kind 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!

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## #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

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