

VISIT **DURANGO**
COLORADO

LODGERS TAX

WHITE PAPER



AUTHORED BY VISIT DURANGO STAFF & BOARD OF DIRECTORS

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*For more information about Visit
Durango's take on Lodgers Tax go to
durango.org/lodgers-tax or email
Rachel Brown, Executive Director, at
rachel@durango.org.*

What
is Visit
Durango?



VISIT DURANGO'S MISSION



Visit Durango exists to:

1. Promote the Durango brand
2. Generate demand in visitation and increase overnight stays in Durango and La Plata County
3. Support a positive visitor experience
4. Drive economic development for the benefit of visitors and local stakeholders

PURPOSE

Visit Durango is formed to be operated exclusively as a nonprofit 501(c)6 destination management and marketing organization (DMMO) for the purpose of promoting the City of Durango and La Plata County Area as a tourist destination, to engage in sales and marketing activities, and to provide visitor services to groups and tourists. The role of the Visit Durango is to build brand awareness, attract visitors to the area, inform them about visitor opportunities, and stimulate the tourist economy to include year-round tourism.

VISIT DURANGO'S BOARD OF DIRECTORS

- Bruce Moss, Board Chair (La Plata County)
- Dr. Lorraine Taylor, Board Vice Chair (Tourism-Related Higher Education Sector)
- Nigel Peck, Treasurer (Specialty Lodging Sector)
- Jenn Wheeling, Secretary (Agri-Tourism and Heritage Sector)
- Phoebe Ogden (Lodging/Hospitality Industry Sector)
- Matt Arias (Restaurant Industry Sector)
- Tony Vicari (Transportation Industry Sector)
- David Moler (Outdoor Recreation Industry Sector)
- Denise Leslie (Arts and Cultural Attractions Sector)
- Angie Beach (Special Event and Entertainment Attractions Sector)
- Carrie Whitley (Durango & Silverton Train)
- Keith Guyett (Purgatory Resort)
- Amber Blake (City of Durango)
- Vacant (Tourism-Related Retail Sector)



CITY TAX CODE

City of Durango - Article IV - Lodger's Tax - Sec. 2387 "The Tax will provide revenues for advertising the community, improving its transportation services, financing new facilities, attracting conferences, conventions and meetings of a commercial, cultural, educational, and social nature to the city and to allocate a portion of the revenue derived there for administrative and clerical expenses."



CURRENT LODGERS TAX IN DURANGO



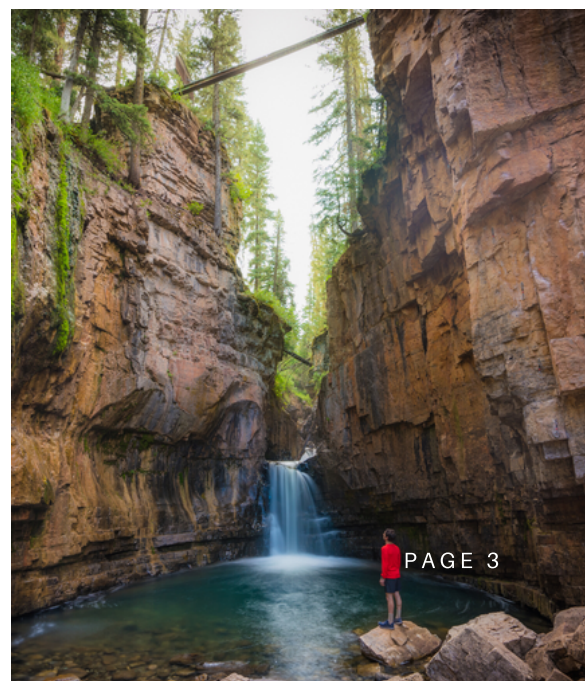
Currently, lodgers tax in Durango is 2%. This is added to hotel and accommodation bills and paid for by the visitor. The lodgers tax generates approximately \$1.1 million per year for the City of Durango (pre-COVID). 60%, or approximately \$600,000-\$700,000, of that is used to fund Visit Durango and the Durango Welcome Center. Visit Durango also receives 100% of the 2% La Plata County lodgers tax which currently generates \$370,000 per year. Approximately 7% of Visit Durango's budget is from alternative funding sources such as advertising sales and co-op revenue. Visit Durango's total annual budget (pre-COVID) is approximately \$1.2 million.

COMPETITIVE LODGERS TAX

In order to stay competitive within Colorado and to Durango's competitive destination set, the lodgers tax and total guest tax should remain near the average. According to the Colorado Association of Destination Marketing Organizations (CADMO) 2019 Funding & Budget Report, the average lodgers tax in Colorado is 3.6%. The total guest tax, which is calculated by adding the lodgers tax and sales tax, for the state is 14.2%, and Durango's is 10.4%. This is the total tax amount that appears on a visitor's bill. If adjusting tax based purely on lodgers tax, Durango's tax could increase by 1.6% to remain at the average. If adjusting based on the entire guest tax, Durango's tax could increase by 3%. Based on this data, Visit Durango supports a Lodgers Tax increase of 1.6%-3%.



In 2019, the Durango Area Hospitality & Lodgers Association (DAHLA) was polled regarding their interest and willingness to support a lodgers tax increase. The consensus showed a desire to increase the Lodgers Tax by 2%. Since that time, based on input from various stakeholders, DAHLA has generously agreed to increase that amount to 3%. To align with the lodging industry partners who will be collecting and remitting the tax, Visit Durango supports a maximum increase cap of 3%.



LODGERS TAX INCREASE STAKEHOLDERS

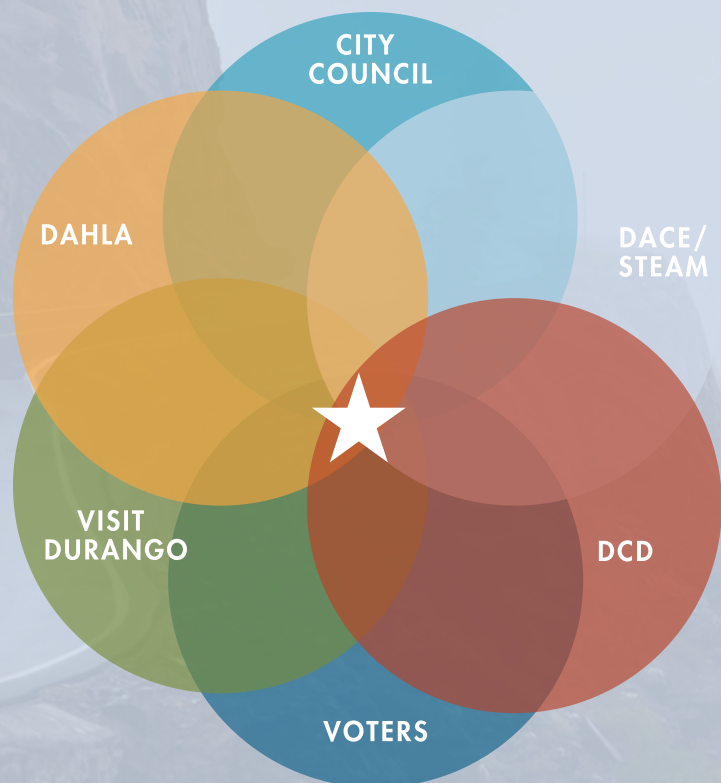
There are a number of stakeholders involved in the planning and considerations of the proposed tax increase. The owners and members of DAHLA, particularly hotels and accommodations, are the primary stakeholders. These entities are the most impacted by the proposed increase, as the tax will ultimately be passed along to their guests and their bottom line through credit card processing fees.

Durango City Council is a major stakeholder as the governing entity that will add the proposed increase to the ballot in April 2021.

Over the past year, other groups that have expressed interest in pursuing a portion of the lodgers tax. These groups include the newly formed Durango Creative District and DACE/STEAM, a group pursuing an arts and conference center. Clearly, Visit Durango is also a stakeholder, and would most likely be the primary beneficiary of the new funding. And of course, the residents of Durango, who would be voting on the proposed tax increase, are stakeholders.

STAKEHOLDERS

- **DAHLA** (Spokespeople: Jenny Roberts & Tori Ossola)
- **Durango City Council & City Staff** (Mayor Dean Brookie, City Council, Amber Blake)
- **Visit Durango** (Spokespeople: Rachel Brown & Bruce Moss)
- **Durango Creative District** (Spokespeople: Bill Carver & Hayley Kirkham)
- **DACE/STEAM** (Spokespeople: Tim Walsworth and Bud Franks)
- **Voters** (Resident Surveys)



REACHING STAKEHOLDER CONSENSUS

Rachel Brown, Executive Director of Visit Durango maintained communication and participation with all the stakeholders. She attended all DAHLA meetings, is a member of the Board of Directors and Strategic Planning Committee for the Durango Creative District, and both she and the Visit Durango Board Chair, Bruce Moss, were members of the DACE Steering Committee. She additionally maintained regular communication with Interim City Manager, Amber Blake, who is a member of the Visit Durango Board of Directors, and checked in regularly with Durango City Council members.

All of the stakeholders agreed that the priority of this initiative was increased funding for Visit Durango. There is a strong need for Visit Durango to increase its budget in order to stay competitive in the marketplace amongst destinations with much higher budgets. DAHLA has made it clear that they prefer the entire tax increase go towards Visit Durango and marketing the destination; however, upon realizing that the other stakeholders, including City Council, were interested in an increase that could fund other projects, DAHLA agreed to give .5% of the proposed 3% increase to separate entities that can demonstrate a direct impact on visitation.

Upon review of financial projections and assessing community needs, it was decided that lodgers tax could not effectively fund both DCD and DACE. The financial resources to launch the DACE project are too great to be remedied with lodgers tax dollars alone. Additionally, City Councilors were informally polled, and asked if they had a preference between DCD or DACE. The majority favored funding DCD. At this time, DACE agreed that they would no longer pursue the tax. It was discussed that DACE could receive limited funding through the potential DCD Cultural Block Grants that would be created with the lodgers tax funding. Visit Durango continues to support and advocate for the DACE project; however, realizes that the lodgers tax funds could be more effectively used by DCD or other community projects. For this reason, Visit Durango supports a 3% Lodgers Tax increase, with .5% funding City programs which directly drive visitation, such as the DCD Cultural Block Grant program.

DAHLA'S POSITION

DAHLA created a position paper regarding the increase and use of the lodgers tax. This document was based on a survey that was conducted of the hoteliers, restaurants and various tourist attractions and was distributed to City and County Council as well as the Visit Durango Board on September 23, 2019. This document outlined the position of the lodgers on various items including increase of lodgers tax, taxation and compliance of private vacation rentals and use of the lodgers tax. That document states "DAHLA would support a 3% increase in the Lodgers Tax. DAHLA would designate 2.5% of a 3% increase to Visit Durango and allow the City to determine how the remaining .5% would be allocated. The City Council could set up an application process for interested parties to apply for use of these funds annually. DAHLA would also support the proposal by DCD that the \$100,000 marked for Special Events from the current tax be rolled into the DCD Cultural Block Grant with the additional \$100,000 funneled towards City transit funding. DAHLA will, as the primary stakeholder, request a seat on the Visit Durango board of directors and regular reporting on the distribution of funds. DAHLA would also petition for a name change for the Durango Lodgers Tax; one that better reflects the impact on visitation/tourism.

How high
should Visit
Durango's
budget be?



A COMPETITIVE DMO BUDGET



According to the CADMO 2019 Funding & Budget Report, the average DMO budget in the state is \$2.8 million. In 2019, Visit Durango conducted a Tourism Business Stakeholder Survey, to help define Durango's competitive destination set. The results showed: Telluride, Pagosa Springs, Santa Fe, Moab, and Denver. The median budget of that set is \$4.29 million. Visit Durango's budget (pre-COVID) is \$1.2 million. The spend per capita in Durango is \$24 while it is, on average, \$154 for the comp set. Visit Durango is underfunded and not able to compete effectively with its comp set or other Colorado destinations. A competitive budget for Visit Durango would be between \$2.8-\$4.3 Million. If The City of Durango were to maintain the current agreement of 60% of the 2% collections to Visit Durango and La Plata County were to also increase its lodger tax at a matching percentage, Visit Durango would need to receive between 2%-4% of a City lodgers tax increase in order to reach a budget of \$2.8-\$4.3 Million. For this reason, Visit Durango supports a 3% Lodgers Tax increase, with 2.5% funding Visit Durango.



VISIT DURANGO TAX FUNDING

According to the CADMO 2019 Funding & Budget Report, the average portion of the lodgers tax that funds the DMO is 72.3%. Currently the City of Durango distributes 60% to Visit Durango. If the City were to increase lodgers tax by 3% and give 2.5% of that to Visit Durango, the total amount of lodgers tax that the City uses to fund Visit Durango would be 73.8%. For this reason, Visit Durango supports a 3% Lodgers Tax increase, with 2.5% funding Visit Durango.

LODGERS TAX USES BEYOND DMOS

According to the CADMO 2019 Funding & Budget Report, the average portion of the lodgers tax that funds the DMO is 72.3%. The other 27.7% is used for a variety of purposes. Common uses other than destination marketing include: historical restoration and preservation projects, funding convention centers, promotion of the arts, sporting event promotions or a sporting commission, tourist-focused transportation, wayfinding, etc. Currently, the City of Durango uses 40% of the lodgers tax for transportation and special events. While the special events are primarily attended by locals, the tourism community understands the importance of these events. Unfortunately, the funding used for transportation is not a transit system that many visitors use. According to a recent study, only 4% of trolley passengers are from outside of La Plata County. Visit Durango hopes that the unspecified portion of the new lodgers tax will go towards something that drives tourism and both enhances the visitor experience and quality of life for Durango residents. For this reason, Visit Durango supports .5% of the 3% increase goes towards programs which drive visitation, such as the Durango Creative District Cultural Block Grants. The DCD has identified over 40 cultural organizations and facilities that could benefit from a proposed Cultural Block Grant. Having a dedicated fund for a Cultural Block grant would increase quality of life for residents that work in and frequently utilize these institutions. Additionally, increasing funding sources for institutions that generate unique events, programs, and projects (such as Snowdown, Taste of Durango, and Durango Bluegrass Meltdown) will provide more marketable content for Durango, which will directly increase visitation rates and economic activity among visitors and locals.

While the arts are not a primary driver of visitation to Durango, they are an important part of the cultural fabric that visitors experience once they arrive. And they are an asset that encourages repeat visitation. Visit Durango understands the need for the current 40% to fund special events and transportation, but prefers that this new increase directly fund a program which brings visitors to Durango and creates a better Durango experience.

Affordable housing has been raised as a concern that is related to the hospitality industry and its effect on the economy. While Visit Durango understands the need for improvement in housing to support employees throughout many industry sectors in our community, this is not a typical use of lodgers tax and this is a larger issue that should continue to be addressed through the Durango City Council goals and through other means.

One alternative that was proposed by the DCD, could be that the \$100,000 annually that is used for Special Events, and is currently taken out of the City lodgers tax, could be rolled into the DCD Cultural Block Grants, so that an additional \$100,000 can go back towards additional City transit funding. Visit Durango supports this alternative. The DCD would only support this in the event that the DCD receives 1% or more of the new tax.

Is there support for a lodgers tax increase in Durango?



SUPPORT FOR LODGERS TAX INCREASE



ALL STAKEHOLDERS SUPPORT

There is support amongst all the stakeholders, the City, tourism industry partners, and residents. In the Tourism Business Stakeholder Survey, 85% of respondents said they would be supportive of a lodgers tax increase. 76% preferred that these funds go towards only marketing Durango, while 24% preferred that funds be distributed to other organizations as well. In the recent Resident Survey, 87% of the approximate 1,200 respondents understood that lodgers tax is paid for by visitors and 61% either agreed or strongly agreed with increasing lodgers tax. Additionally, residents were asked if they would support taxation of other industries such as restaurants and retail to fund tourism marketing and support was low. The only industries other than lodging that showed any resident taxation support were attractions, tour outfitters, and ski resorts.



BENEFITS OF AN INCREASE TO VISIT DURANGO'S BUDGET

An increased budget to Visit Durango would result in far more than "heads in beds." As we know, tourism is Durango's largest industry and supports 1/3 of the economy. Visitors account for 1/3 of City Sales Tax revenue. If visitation in Durango does not prosper, many of our favorite restaurants and retail shops along Main Ave will shutter.

Visit Durango is no longer just a Destination Marketing Organization. The organization has transitioned to a Destination Management & Marketing Organization. In addition to marketing and advertising to visitors, Visit Durango is also a destination leader focused on community partnerships and stewardship of the destination. Visit Durango doesn't just bring visitors, they support the entire visitor experience and manage the impact that visitor has on the community. From a high-level perspective, an increased budget for Visit Durango will result in economic development for Durango and better quality of life for residents.

From a more micro perspective, Visit Durango can leverage these funds for a variety of purposes. A major goal would be to conduct a holistic community rebrand. By hiring a branding agency, the various organizations that represent Durango, such as: The City of Durango, Visit Durango, the Chamber of Commerce, DAHLA, the Durango Creative District, and others could collaborate to create the new Durango brand together.

Visit Durango can further efforts to encourage responsible and sustainable tourism. Furthermore, Visit Durango will work to support a more consistent year-round economy by bringing more visitors in the off-peak season, mid-week, and to increase length of stay for added economic impact. The organization could build a Sporting Events Sales Strategy to attract and manage large athletic events with major economic impact. The Durango Welcome Center can transition from an informational resource to an interactive, modernized tool for planning, possibly including new partnerships with land managers, concierge services and retail.

Visit Durango can incorporate sophisticated research and studies to better understand economic impact and help inform decision-making for all stakeholders. From people-counters to fine-tuned algorithms, Visit Durango can finally calculate an accurate statistic for annual overnight visitation. Visit Durango can enhance its Travel Trade Sales department to attract international travelers who will spend more in-market. The organization can also take the lead on recruiting and managing filming in the area. Visit Durango will work in concert with the Durango Creative District to enhance the artistic experiences available in-market which will be enjoyed by residents and will help attract higher-spending visitors. Visit Durango can further partner with other local organizations to enhance programs that enhance the visitor experience. Every dollar invested into tourism will result in roughly \$28 of economic impact.

WHY MORE VISITORS?

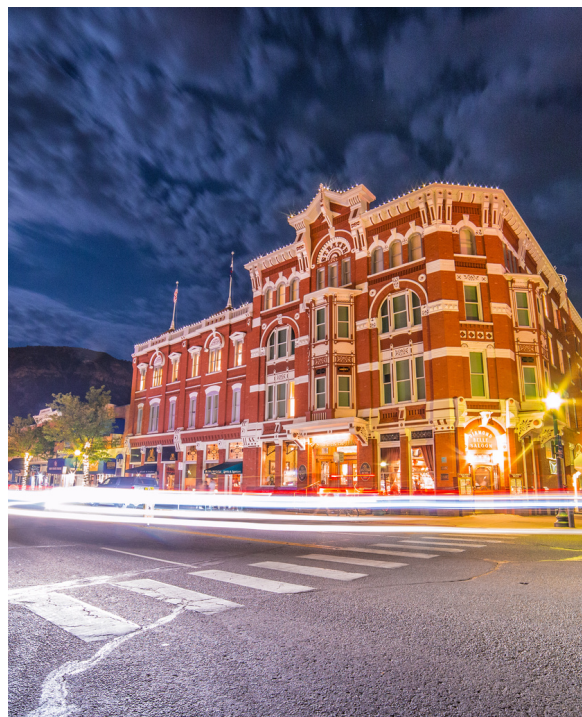
The annual occupancy of hotels within Durango averages around 60%. A healthy level of occupancy would be at least 80% and would be more consistent throughout the year. If visitation is spread throughout the year and week, and visitors are encouraged to stay longer, this will bring great benefit to the community.

"Durango area will see an increase in 435 new hotel rooms over the next year."

Additionally, the Durango area will see an increase in 435 new hotel rooms -- or a 23% increase in hotel inventory -- over the next year.

COVID IMPACTS

As the global pandemic has caused hotel occupancy and room rates to plummet, the demand for U.S. hotels is not expected to recover to pre-pandemic levels until 2023. Lower occupancy levels combined with hoteliers discounting room rates to compete for market share also suggests that the average daily rate will not recover to pre-2020 levels in the next five years. The Durango area's average daily rate (ADR) fell from \$111.07 last year to just \$89.88 in 2020.



TOURISM RAMIFICATIONS

While "overtourism" has become a global buzz word in the last five years, Durango is nowhere near this threat. There is a fear that visitors stress the infrastructure of the city and seasonality can amplify the consequences. This can be avoided if Durango is marketed and managed responsibly. Some residents complain about the traffic and parking that can be caused by visitation. If public transit and alternative transportation is encouraged, traffic impact will be minimal. The impression of parking issues seems to be a misconception and may be an educational issue. As BID's summer parking campaign and study proved, the "parking problem" in Durango is not really a problem after all.

HOW WILL VISIT DURANGO MITIGATE RAMIFICATIONS?

Visit Durango will implement a new strategic vision, starting with a Destination Analysis to inform a Destination Management and Marketing Strategic Plan. This includes input from Visit Durango's Responsible Tourism Task Force, in partnership with the City of Durango, Durango Trails (Trails 2000), Local First, San Juan Mountains Association, and residents. Working closely with these stakeholders and the Colorado Tourism Office's stewardship team, the organization will address issues head-on and take a proactive approach to address infrastructure improvements and promote other key initiatives, such as electric vehicle charging stations along the byways.

When residents were asked about their main areas of concern in regards to tourism, some issues rose to the top: fire safety, habitat protection, responsible COVID-related health practices, cultural respect (for people and cultural sites), and considerate recreating. As the organization continues to fundraise for nonprofits like Durango Trails and promote the Care for Durango Pledge and educational campaign, the destination will attract more respectful, conscientious, and high-value visitors.

And finally, Visit Durango is working to implement an elective carbon offset program for visitors, in partnership with the Four Corners Office for Resource Efficiency (Fall 2020). Visit Durango will continue with its core philosophy: visitation should bring economic impact and that economic impact should increase quality of life for residents. If tourism is managed properly, everyone wins: visitors and residents.

NEXT STEPS



STEP 1

The first step is confirming consensus. While it may not be possible to reach a unanimous decision, there is certainly a path toward creating a strategic and equitable plan. As DACE has mainly stepped out of the conversation, DAHLA, Visit Durango, DCD, and City staff need to agree on a level of tax increase and how those funds will be distributed. The spokespeople for these stakeholder groups are responsible for representing the businesses in their sector and creating an open path of communication between business owners and elected officials.

STEP 2

Once the remaining stakeholders and City staff come to a final decision, this recommendation will be proposed to City Council. In October, stakeholders, led by DAHLA, will present the staff-approved plan to City Council.

STEP 3

At this point, the hope is that Council will agree to add this to the April 2021 ballot. The City Attorney will work with DAHLA to create the ballot language.

STEP 4

Then the various stakeholder groups will collaborate on a campaign, promoting residents to vote yes to the lodgers tax increase.

COMMUNITY SUPPORT

The following businesses, organizations, and individuals have signed on in support of this white paper. If you represent a business or other entity within La Plata County that would like to sign on in support of this publication, email rachel@durango.org with your business name and high-resolution logo. We thank our wonderful community partners for their backing on this important issue.

TO SEE THE FULL LIST OF SUPPORTERS, GO TO
durango.org/lodgers-tax



VISIT | **DURANGO**
C O L O R A D O

DAHLA	
DURANGO AREA HOSPITALITY & LODGERS ASSOCIATION	



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