



Tourism Works for Fairbanks

Visitor industry on the “road to recovery” after devastating impacts of COVID-19



The impacts of COVID-19 on the global visitor industry cannot be overstated, with ripple effects still being felt in areas such as labor shortages, supply chain issues, and more. Despite these ongoing challenges, there are numerous indicators that the regional visitor industry is rebounding based upon the following key performance indicators (KPIs) that Explore Fairbanks utilizes.

- Hotel/Motel tax collections reach record levels:** Combined hotel/motel bed tax receipts for all three local government entities increased by 50% over 2020 and were down by only 11% over 2019, which was a record year. Of particular note is the fact that the months of April, May, October and December were all record months. 2022 is looking to be even more impressive, with record collections between recorded for the first half of the year as indicated below. This is attributed not just to solid occupancy rates (below) but also due to average daily rates being the highest on record.

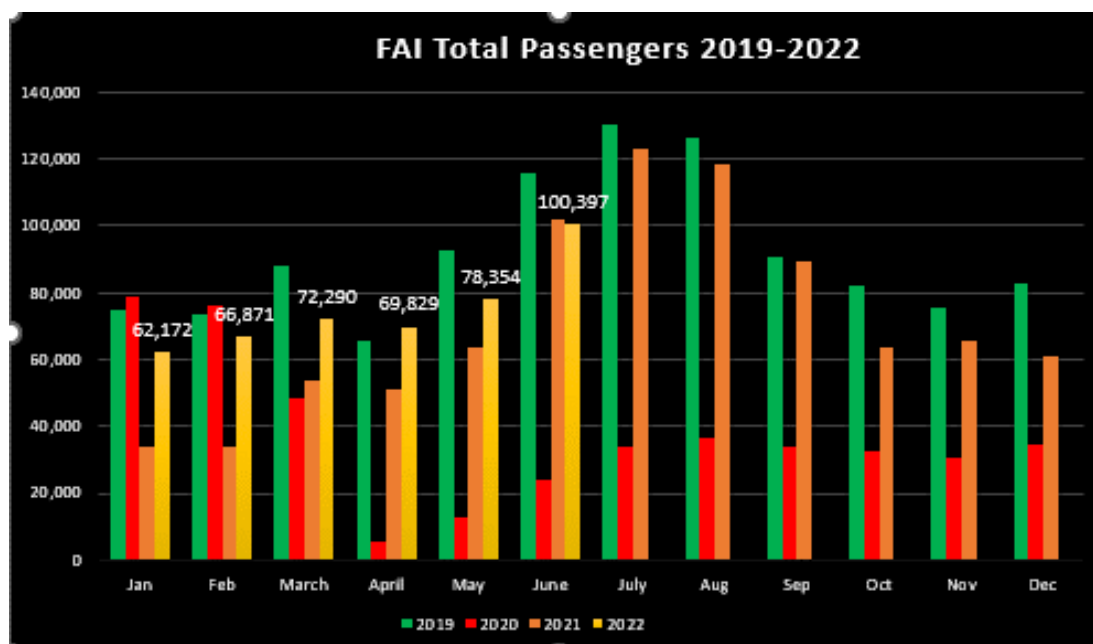
FNSB including cities of Fairbanks and North Pole							
Hotel/Motel Tax Receipts							
Month	2016	2017	2018	2019	2020	2021	2022
January	186,183	231,509	227,576	227,056	269,245	184,860	340,061
February	209,909	243,413	238,780	259,542	275,720	186,453	374,883
March	323,428	435,949	342,256	322,486	253,608	270,636	518,024
April	314,914	278,442	268,721	278,453	113,855	312,907	504,388
May	355,309	318,365	364,507	356,957	116,539	403,084	511,957
June	1,024,165	1,007,647	1,111,034	1,027,221	229,937	764,283	1,154,128
July	796,392	707,294	896,058	924,934	213,634	728,975	
August	522,585	605,041	575,103	688,626	287,170	494,961	
September	653,240	683,500	711,931	700,579	276,195	692,188	
October	432,315	224,638	440,852	467,399	241,939	453,242	
November	164,279	362,081	218,653	260,147	178,402	330,723	
December	199,156	229,129	247,722	241,632	161,219	371,467	
Total	\$5,181,876	\$5,327,009	\$5,643,193	\$5,755,033	\$2,617,464	\$5,193,780	\$3,403,440

- Fairbanks is above the national average in hotel occupancy:** Explore Fairbanks, in collaboration with a number of hotel partners, has gathered standard hotel statistics including average daily rate

(ADR), occupancy percentage, and revenue per available room (RevPAR). Our statistics historically account for 84% of properties with 60 or more guest rooms summer and 73% of that inventory in the fall/winter/spring. Since 2015 we have exceeded the national occupancy rate, even in 2020 which was determined to be the worst year on record for the U.S. hotel industry in all three reporting categories.

	National Occupancy	Fairbanks Occupancy	Fairbanks Average Daily Rate	Fairbanks Revenue Per Available Room
2016	65.5%	67.9%	\$104.65	\$74.28
2017	65.9%	67.4%	\$105.71	\$73.67
2018	66.2%	69.3%	\$108.21	\$78.19
2019	66.2%	69.3%	\$108.21	\$78.19
2020	44%	48.88%	\$93.08	\$45.04
2021	57.6%	68.35%	\$117.33	\$83.87

- Fairbanks International Airport sees strong passenger growth:** For 2021, the Fairbanks International Airport combined arrivals and departures were up 92% over 2020 and down by 22% from 2019. 2021 numbers are somewhat remarkable given that there were no Cross Gulf of Alaska cruises or international travelers. Through the first half of 2022, combined numbers are up 33% over 2021, 84% over 2020 and -11% from 2019.



Tourism is an economic driver for the Fairbanks region

Currently, the primary sources of new dollars for Fairbanks' economy are limited to state and federal



government; and a handful of private-sector basic industries, including a gold mine, oil-related support services, and the visitor industry. The visitor industry economic development strategy has worked for the year-round economy of the Fairbanks region. It represents proven economic development that is attainable, measurable, and sustainable. Below are some estimated impacts prior to 2020; updated numbers are expected by end of this year.

- According to the Alaska Department of Commerce, Community and Economic Development (DCCED) Alaska Visitors Statistics Program (AVSP) for Summer 2016, the 320,000 summer (May through September) visitors in Fairbanks had an economic impact of \$125 million in direct expenditures in the local economy (does not include any multipliers or induced spending figures). Average expenditure per person per trip in the Fairbanks community is \$391.
- According to the most recent – and outdated – AVSP Winter 2011-2012, 50,000 visitors in Fairbanks totaled nearly \$43 million in direct expenditures (this figure does not include indirect spending or multipliers). Average expenditure per person per trip is \$920, with international visitors spending \$1,612 and Japanese specifically spending \$2,075. Unfortunately, due to state budget limitations, recent figures for winter tourism in Alaska are not available. Indicators such as hotel/motel tax collections and airport arrivals/departures verify that Fairbanks' winter tourism has grown significantly in the intervening years since the 2011-2012 AVSP.
- According to the DCCED updated 2017 estimate, 18 percent (\$392 million) of the state's direct visitor spending is in the Interior.

Direct visitor expenditures in winter are historically proportionately higher than summer expenditures:

- For every dollar spent by a visitor on lodging in the summer, \$1.77 is spent in other direct expenditures (tours, souvenirs, food and transportation), however, for every dollar spent on lodging in winter, \$2.74 is spent in other direct expenditures.
- While winter tourism accounts for 38 percent of lodging expenditures, winter tourism generates 45 percent of the direct expenditures.



Fairbanks region visitor Industry pays its own way via property taxes

Hotels are among the top property taxpayers in the Fairbanks North Star Borough: Property tax is a broad-based tax that is fair in the sense that it evenly distributes support of government services across all private-sector segments of the economy. Hotels are significantly represented in the top property taxpayers in the community:

- Of the top 50 property taxpayers, excluding the pipeline, in the Fairbanks North Star Borough, ten (20%) are hotels. The Westmark Fairbanks Hotel and Conference Center is the most highly assessed lodging facility, ranking 8th of the top 50 taxpayers.
- Of these top 50, 41 are in the City of Fairbanks and seven (17%) are hotels. The Westmark is ranked 4th overall.



Tourism Is a major employer in the borough

As the chart from the Alaska Department of Labor and Workforce Development shows, the leisure and hospitality industry is one of the largest employers in the Fairbanks North Star Borough, surpassed only by government, trade/transportation/utilities, and education/health services. Employment in the industry was steadily increasing from 2017-2019 before dropping by 19.5% in 2020 and was 40% of all of Fairbanks' total job loss. Additionally, Fairbanks lost about 300 transportation jobs that year, mainly linked to the tourism industry.

For 2021 employment in the leisure and hospitality industry increased by 12.1% over 2020. However, one of the most significant challenges for 2021 and 2022 has not been the lack of available jobs, it has been the lack of employees filling those jobs, which is a national issue as well that is impacting numerous industries. Bringing back that workforce is going to be essential to industry recovery moving forward.

Note: The challenge in quantifying tourism economic data is that the tourism industry contributes into many economic sectors from the obvious such as lodging/accommodations to retail, transportation (air, sightseeing, railroad), food services/drinking places, etc.

Employment

ANNUAL AVERAGE MONTHLY EMPLOYMENT BY INDUSTRY
Fairbanks North Star Borough
2018-2021

Industry	2018	2019	2020	2021	% Change 2020-21
Natural Resources & Mining	969	1,014	1,082	1,192	10.2%
<i>Agriculture, Forestry, Fishing, Hunting*</i>	-	-	-	-	-
Mining *	-	-	-	-	-
Construction	2,797	2,725	2,609	2,477	-5.1%
<i>Construction of Buildings</i>	542	549	610	590	-3.3%
<i>Heavy Construction</i>	1,011	906	846	784	-7.3%
<i>Specialty Trade Contractors</i>	1,244	1,270	1,152	1,103	-4.3%
Manufacturing	575	560	490	524	6.9%
Trade, Transportation & Utilities	7,646	7,774	7,162	7,239	1.1%
<i>Wholesale Trade</i>	633	639	595	623	4.7%
<i>Retail Trade</i>	4,711	4,751	4,517	4,574	1.3%
<i>Food & Beverage</i>	454	430	429	437	1.9%
<i>General Merchandise</i>	1,259	1,344	1,327	1,289	-2.9%
<i>Transportation & Warehousing</i>	1,912	1,987	1,657	1,613	-2.7%
<i>Air Transportation</i>	524	509	446	450	0.9%
<i>Transit & Ground Passenger*</i>	299	-	-	-	-
Information	408	359	303	271	-10.6%
<i>Telecommunication</i>	210	199	195	167	-14.4%
Financial Activities	1,274	1,274	1,219	1,205	-1.1%
<i>Finance & Insurance</i>	623	607	580	551	-5.0%
<i>Credit Intermediation, etc.</i>	450	436	417	406	-2.6%
Real Estate, Renting & Leasing	650	667	639	654	2.3%
<i>Real Estate</i>	460	465	454	443	-2.4%
Professional & Business Services	2,646	2,753	2,544	2,567	0.9%
<i>Professional, Scientific, Technical Services</i>	1,415	1,469	1,271	1,257	-1.1%
<i>Management of Companies & Enterprises</i>	132	145	152	139	-8.6%
<i>Administrative & Waste Services</i>	1,099	1,140	1,121	1,170	4.4%
Educational & Health Services	5,599	5,504	5,299	5,312	0.2%
<i>Health Care & Social Assistance</i>	5,391	5,299	5,111	5,123	0.2%
Leisure & Hospitality	4,501	4,553	3,665	4,107	12.1%
<i>Accommodation</i>	1,107	1,119	682	810	18.8%
<i>Food Services & Drinking Places</i>	2,854	2,888	2,561	2,836	10.7%
Other Services	1,021	1,045	1,012	1,098	8.5%
<i>Membership Organizations, etc.</i>	379	377	372	398	7.0%
<i>Repair & Maintenance</i>	411	417	440	473	7.5%
Government	10,490	10,459	10,194	10,086	-1.1%
<i>Federal Government</i>	3,016	3,111	3,269	3,195	-2.3%
<i>State Government</i>	4,631	4,531	4,300	4,276	-0.6%
<i>Local Government</i>	2,843	2,817	2,625	2,615	-0.4%
Unclassified Establishments	3	4	2	3	50.0%
Total Industries	37,928	38,023	35,580	36,081	1.4%

SOURCE: Alaska Department of Labor and Workforce Development, Research and Analysis; Quarterly Census of Employment & Wages-Annual Review 2021. <https://live.laborstats.alaska.gov/qcew/index.html>

NOTE: Data provided is subject to revision.

Starting March 2020 data could show fluctuations due to the COVID-19 pandemic, State of Alaska mandates, shutdowns and supply chain interruptions.

* Due to changes in employer classifications & employment levels, data that was previously disclosable has become confidential.

- No calculation or data available.

The Fairbanks visitor industry is small-business friendly



Tourism offers unparalleled opportunities for local entrepreneurs to participate in the economic success of a basic industry at the ownership level. The growth in winter and aurora tourism seasons (below) in the Fairbanks region has resulted in a rise in many small businesses, such as dog mushing tours, aurora viewing facilities and photography tours. Explore Fairbanks' cooperative destination marketing program is currently supported by more than 350 partners that are primarily small businesses.

Aurora and winter season establish Fairbanks as a year-round visitor destination

The visitor industry in Alaska is composed of multiple business models with the majority operating year-round, others operate in the summer season only, and some only in aurora season and/or winter season. For Fairbanks and many businesses, this diversification was intentionally strategic. The growth of aurora and winter visitation did not organically happen. The strategy required the investment of human and financial resources in research, marketing and infrastructure development over a long period of time.

Despite these efforts, summer continues to be the lion's share of visitors and there is a general recognition that more investments are to be made to fully realize year-round sustainability.

Establishing Fairbanks as an aurora destination has been a primary component of Explore Fairbanks' branding and messaging of the region. For visitor planning purposes the "Aurora Season" is defined as being from August 21 to April 21, crossing from late summer into winter and into early spring. Our location is ideal for northern lights viewing because it is under the "Auroral Oval"—a ring-shaped zone over the far north where aurora activity is concentrated. Additionally, the low precipitation and distance from coastal areas contributes to consistently clear nights. All combined, these variables make the Fairbanks region an outstanding destination for possible aurora viewing, and has been a factor in quantitative successes such as:



- "Aurora charters" with direct flights from Japan to Fairbanks going back to 2004, with a record number of 18 charters during the 2013//2014 season. Most of the charters were with Japan Airlines (JAL) but over the years other carriers such as Korean Air, Uzbekistan Airways and All Nippon Airways provided the service when JAL was unable to, and China Airlines periodically offered aurora charter service from Taiwan.

- Winter growth is also reflected in increased rail service with the extension of the Alaska Railroad’s “Aurora Winter Train” service going back to 2014 into midweek service during the peak winter months of January through March.
- Growth in the winter months of hotel/motel bed tax collections and growth in passenger counts at the Fairbanks International Airport during the October to April timeframe.

Visitor industry contributes to the quality of life for local residents

Visitors enjoy the same things that residents enjoy. The visitor industry, unlike most basic industries, develops the physical infrastructure used to “manufacture” a visitor experience that can also be enjoyed by and substantially enhance the quality of life of Fairbanks-area residents. Examples are:

- Museums, historic sites, hot springs and other attractions are enjoyed by residents and play an instrumental role in helping our community record and preserve its heritage for future generations. Public facilities, such as Pioneer Park, that are extensively used by residents are all directly or indirectly supported by visitor industry dollars.
- Visitor air arrivals/departures to/from Fairbanks allow air service to be provided to residents with an increased frequency and at a decreased cost. Most new or expanded air service to Fairbanks has served residents as well as visitors.
- Residents enjoy restaurants and use meeting facilities year-round.
- Impressive landscaping and flower displays provided each summer by visitor industry businesses are enjoyed by visitors and residents alike.
- In 2017, the Alaska Department of Fish and Game reported that nonresidents spent \$25.5 million on hunting and fishing licenses and tags.
- The Fairbanks visitor industry generously donates trips, tickets and hotel rooms to area nonprofits. Since its inception in 2001, the Annual Walk for Charity events in Fairbanks have generated a total of \$385,975 for local non-profits.
- An intangible sense of pride and community spirit is felt by residents of Alaska’s Golden Heart as they welcome visitors from around the world.



The destination marketing and management model is distinctive to the visitor industry

The mission of Explore Fairbanks is to be an economic driver in the Fairbanks region by marketing to potential visitors and optimizing the visitor experience.

“Co-opetition” Is the key to destination brand marketing: Cooperation + competition = “co-opetition” meaning businesses that cooperate when it is to their advantage are said to be in co-opetition. “Destination marketing” is the proven method worldwide whereby competing visitor industry businesses coalesce to market the destination brand. A key mechanism for that marketing is through a destination marketing and management organization (DMMO) such as Explore Fairbanks.

Among destinations, a destination may co-operate with another destination in some target markets but be its competitor in other markets. Carefully evaluating “co-opetition” is a strategic key to a destination’s success.

- Throughout the United States, the primary funding source for this effort is hotel/motel tax collections used as a reinvestment into destination marketing and management (see below).



We are united in our commitment to the future of destination marketing and management: Explore Fairbanks and business partners have demonstrated a commitment to “optimizing the visitor experience” through destination management. Organizations such as Explore Fairbanks advocate for improvements to the destination which enhance the product. While these improvements are focused on improving a visitors’ experience in the destination, they have a positive impact on local residents too in terms of economic benefit as well as enjoying a more robust menu of products

Air service development is key to destination’s growth

Accessibility Explore Fairbanks and the Fairbanks International Airport (FAI) have more than two decades of working together to secure new air service to FAI. Examples of this cooperation are as follows:

- Condor Airlines has offered summer seasonal weekly service from Fairbanks to Frankfurt since 2001. The service was cancelled for both 2020 and 2021 but resumed service in 2022.

- ## Explore Fairbanks is engaged with regional infrastructure projects

Explore Fairbanks works on other projects that enhance the community and region such as:

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that such a center is needed, we are no longer pursuing one of the original plans to utilize the space where the Polaris Building is located once that building is eventually dismantled.

Hotel-Motel tax collections Is the mechanism for funding destination marketing and management

An eight percent hotel/motel or “bed” tax imposed on overnight guests is collected by the lodging facilities and remitted to the three government entities: the cities of Fairbanks and North Pole and the Fairbanks North Star Borough (excluding cities).

- **History of the City of Fairbanks bed tax collections**

- In 1977, a group of businesspeople incorporated the Fairbanks Convention and Visitors Bureau (FCVB) – renamed Explore Fairbanks in 2014 – as a 501(c)(6). The following year, a handful of existing visitor industry small businesses recognized that world-class visitor product already existed in Fairbanks. They further recognized that the missing ingredient was promotion of their product.
- In 1979, Initiated by the FCVB/Explore Fairbanks, the Greater Fairbanks Chamber of Commerce, the local visitor industry, the Fairbanks City Council under Mayor William Wood enacted a 2% bed tax with a clear intent for economic development, especially destination marketing: “...for the purpose of and shall be limited to the funding of tourist and entertainment facilities for the general public, to promote the tourist industry, and the economic development of the City of Fairbanks.” Ordinance #3793 established the bed tax. That first year, 90% was reinvested into FCVB/Explore Fairbanks and 10% to the Fairbanks Industrial Development Corporation (now known as Fairbanks Economic Development Corporation).
- Around 1999, members of the City Council had articulated concerns about the effect that a growing bed tax had on the amount of property tax that can be levied by the City under its current tax cap. The case put forth was that under the tax cap, every new bed tax dollar collected dictated that one less dollar in property tax can be collected.
 - At the time, the City retained 100% of every property tax dollar collected but 35% of every bed tax dollar collected. The result of reinvesting a consistent 65% of a growing bed tax back into FCVB/Explore Fairbanks destination marketing efforts was a declining amount of property taxes that could be collected to fund City services.
 - On 07/15/2000, the Mayor and City Council approved Ordinance No. 5420 which was supported by the local travel industry. The ordinance had three main points: 1) during the upcoming election, the voters would have the opportunity to remove any bed collections from the tax cap; and 2) established 65% to FCVB/Explore Fairbanks; 6% to what was then the Fairbanks Industrial Development Corporation (FIDC) and “all remaining revenues for the funding of general services and/or discretionary grants”; and 3) a housekeeping detail



that clarified what was already being done by adding “and for the funding of services for the general public.”

- On 10/03/2000, the voters approved the removal of any bed collections over the total 1999 collections (\$2.23 million) from the tax cap. This successful vote was the direct result of a “Move Fairbanks Forward” campaign executed by the local visitor industry in order to have a growing bed tax not interfere with the City’s ability to collect other taxes. Move Fairbanks Forward also successfully worked to pass a similar vote in the Fairbanks North Star Borough in 2003.
- The consistency in keeping with the original ordinance was jagged on the part of the City Council until it reached a point of severe contentiousness between City government and the local tourism industry.
- Finally in 2003, an agreement was reached among representatives of the City of Fairbanks, Fairbanks Arts Association and FCVB/Explore Fairbanks as reflected in the ordinance that has been in place since 2004 which stipulates: 22.5% to the City of Fairbanks; \$400,000 traditionally distributed annually as follows: \$100,000 to the Fairbanks Economic Development Corporation; \$30,000 to the Golden Heart Plaza/Barnette Landing Maintenance, and \$270,000 to Discretionary Grants; and the remaining to Explore Fairbanks. This “remaining” has translated into an average of 63% reinvestment into Explore Fairbanks’ destination marketing programs during the past eleven years.
- On several occasions, there have been attempts by the city to take more of the existing hotel/motel or to increase it. All proposals have been resoundingly defeated or not forwarded by the Fairbanks City Council.

- **History of the Fairbanks North Star Borough bed tax collections**

- Since 1993, the Fairbanks North Star Borough has levied an 8% bed tax. Beginning in 2002, FNSB reinvested bed tax into destination marketing via Explore Fairbanks. Since 2004, FNSB fiscal year budgets have appropriated 65% of a projected tax to be reinvested into the Explore Fairbanks destination marketing program.



- Historically (except for two years since 2002), the actual amount collected has exceeded the projected amount. Therefore, the actual amount reinvested into Explore Fairbanks has been less than 65 percent, averaging 60% over the past eleven years.

- **History of the City of North Pole bed tax collections**

- With the construction of a hotel within the North Pole City limits in 2009, the City of North Pole began collecting an 8% bed tax with the stated purpose of funding services for the promotion of economic development and the tourist industry. Since then, the city's formula for distribution has varied from year-to-year.
- In 2021 the City revised the distribution of the funds so that the City reserves 5% for an administrative fee with the remaining 95% distributed to approved organizations whose purpose and objectives align with ordinance. The distributions are based on the last audited figure.
- Over the last twelve years, the City reinvested 11% of the total into the destination marketing programs of Explore Fairbanks.



The tourism industry is consistent with its stance against a hotel/motel tax increase for general government services:

- No targeted taxes for general services. A tax on guests of lodging facilities is a targeted tax.
- If there is a demonstrable need for increased funding for government services, the tourism industry would only support a broad-based tax imposed equitably on **all** industry sectors, residents and visitors.
- If there is ever any increase in bed tax, the government body should consider it *only* if it is requested by the local tourism industry for a project or marketing strategies that would benefit the industry and by extension, the economy of the community.
- Other organizations are aligned with Explore Fairbanks on this stance, including the Alaska Hotel & Lodging Association, Alaska Travel Industry Association, Downtown Association of Fairbanks and the Greater Fairbanks Chamber of Commerce. As recently as June 9, 2019, the *Fairbanks Daily News-Miner* opposed an increase in the hotel/motel tax for general government services.

Note: An increase of hotel/motel taxes at this juncture would essentially kill any future infrastructure project or marketing program that may be planned by the local travel industry. An example of a hotel/motel tax advocated by their local travel industry was the increase of Anchorage's bed tax from 8% to 12% to fund the Denali Convention Center and the Egan Convention Center.