



1



2

Importance of Travel and Tourism - 2019

❖ Economic

- \$2.5T Economy, \$171B in Tax Revenue Generated
- “Front Door” of Economic Development

❖ Employment

- Putting 1 in 10 to work
- Jobs Growing Faster than Almost All Other Industries

❖ Experiential

- Breaking Down Barriers
- Greater Understanding of Others
- Happier Families



3

The travel and tourism industry generated \$80.3 billion in direct spending in 2018, resulting \$164 billion economic impact.

Texas welcomed 72.5 million out-of-state visitors.

The number of travel supported jobs increased for the 8th consecutive year, surpassing 1 million.

Source: Travel Texas & Austin Business Journal

4

Source: US Travel

TRAVEL PROMOTION'S VIRTUOUS CYCLE

- 1 INVEST IN TRAVEL MARKETING & PROMOTION
- 2 CREATE DEMAND
- 3 GENERATE VISITOR SPENDING
- 4 SPUR NEW JOBS & TAX REVENUES

The Future is Built with Travel Promotion

5


The Vital Role of Destination Promotion

CHALLENGE	SOLUTION: DESTINATION PROMOTION
The primary motivator of a trip is usually the experience of a destination	Articulates the destination brand message that is consistent with consumer motivations
Effective marketing requires scale to reach potential visitors	Pools sustained resources to achieve scale

Source: Tourism Economics


6

Funding Sufficiency vs. Funding Stability




Sufficiency

Do you have enough to adequately market your destination?

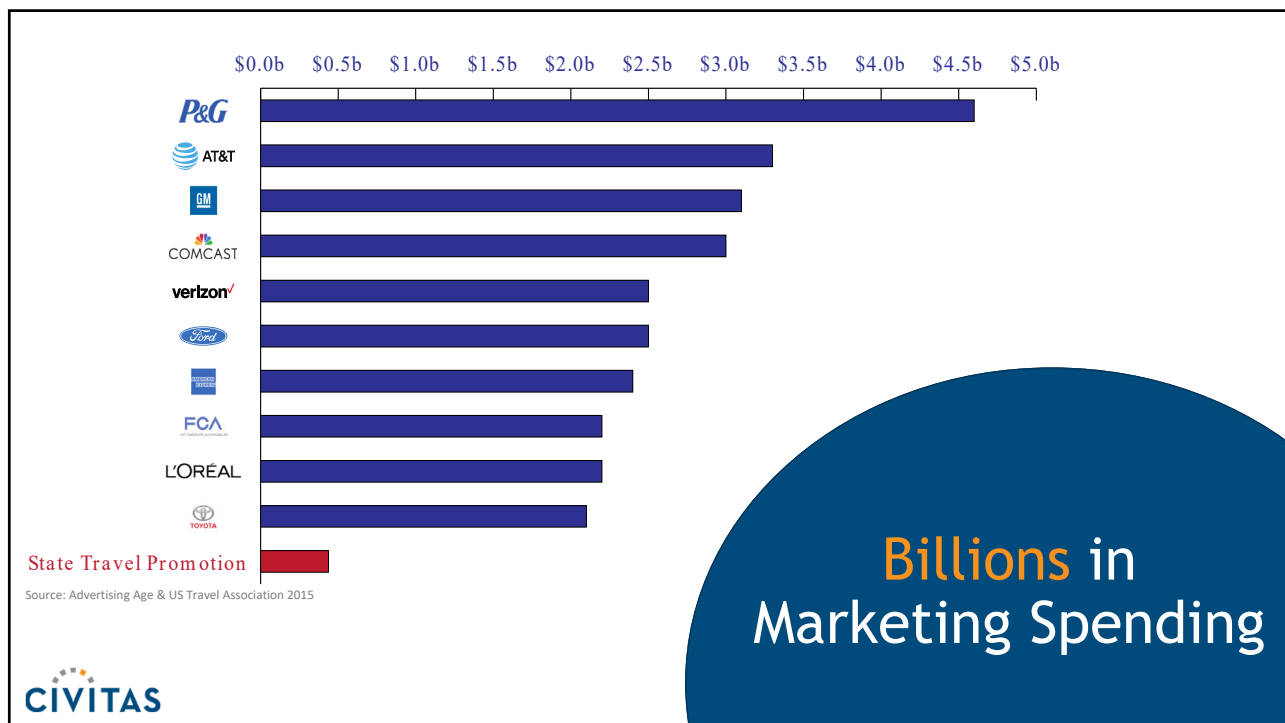


Stability


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



7



8



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

9

Tourism Funding



PRIVATE

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



PUBLIC

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



11

Tourism Public Improvement Districts



Hotel pays an assessment



Collected by the local government



And managed by the hotels and the DMO

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



12



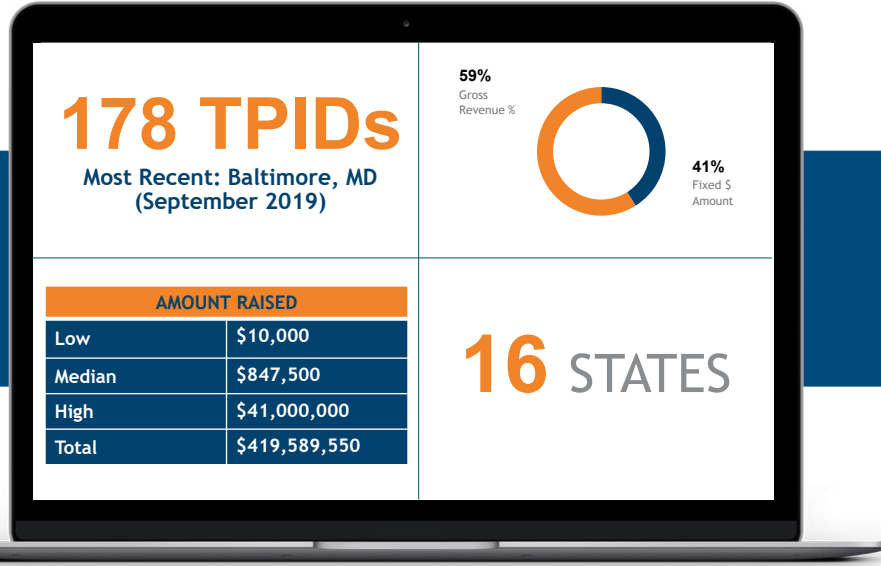
I remember when I was governor last time, the tourism industry was always asking me for more money from the state budget...You know I don't like to spend money very much, so *I'm glad you figured out how to spend your own money.* That's a lot better, because if you had to deal with me, your life would be more difficult.

-Former California Governor
Jerry Brown - May 3, 2017

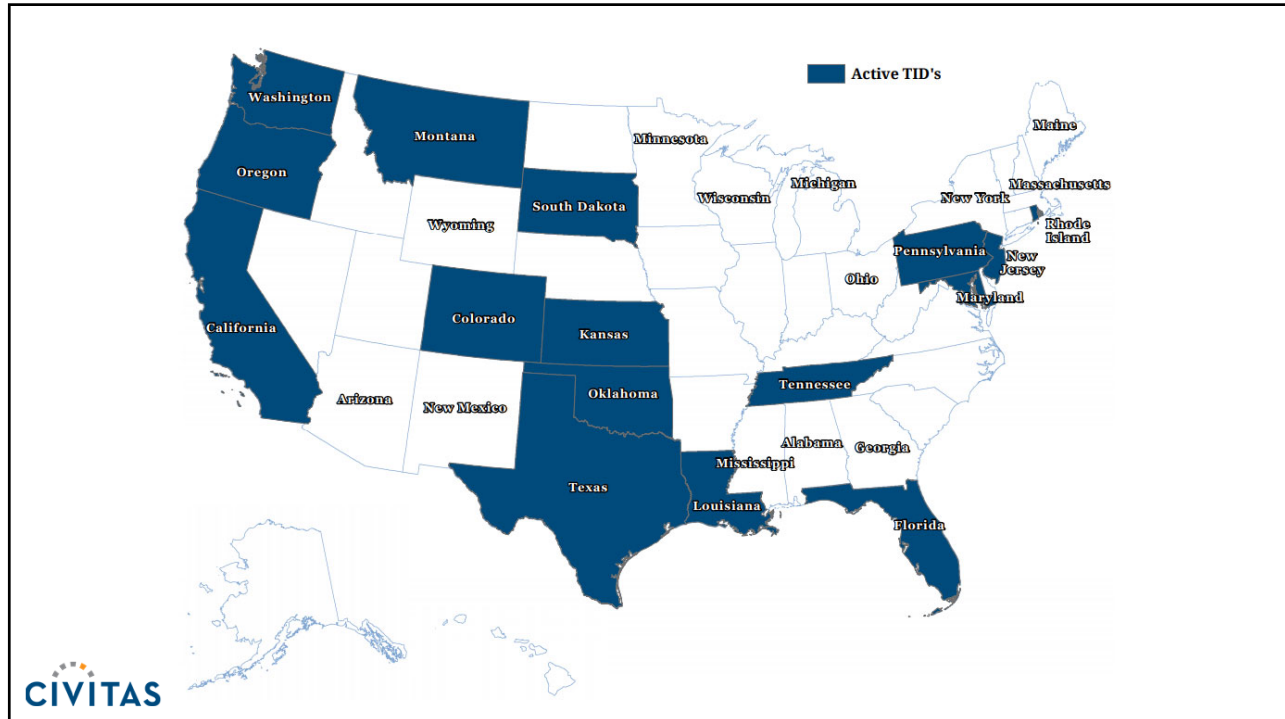


13

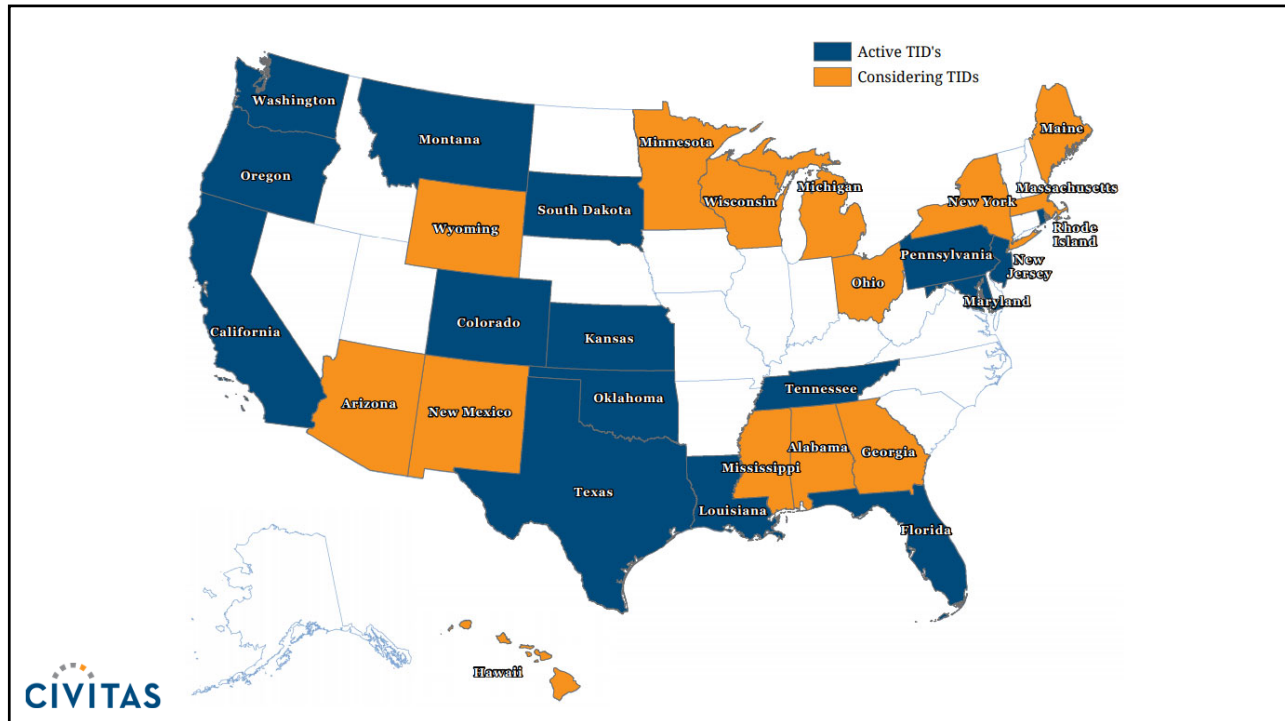
National District Statistics



14



15



16

2020 Legislation

Arizona	New York
Massachusetts	Pennsylvania
Michigan	Washington
Mississippi	Wyoming

17

Keep Your Existing Funding

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



18

Preventing Existing Funding Loss

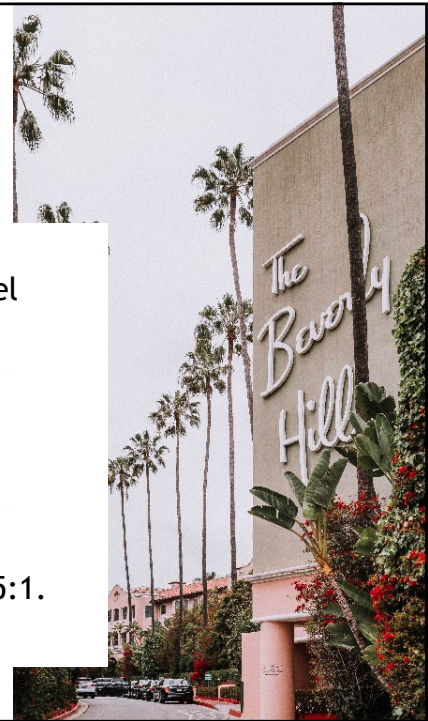
Beg-A-Thon	Partnership
<ul style="list-style-type: none"> • Annual or Multi-Year request • Competition with other priorities • Funding = variable & unreliable • Funding may be withheld entirely 	<ul style="list-style-type: none"> • Multi-Year agreement • No Competition • Funding = multi-year & reliable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



19

Return on Investment for Hotels (ROI)

- Almost all TPIDs 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.

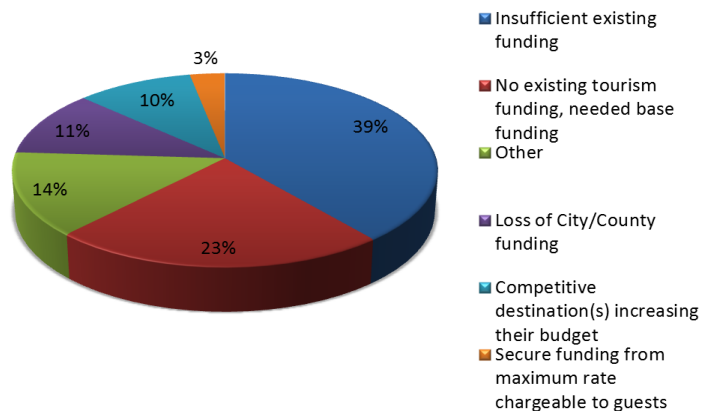


20

National TID Survey Results

In 2017, Civitas and SMG conducted a survey of TIDs throughout the United States.

- On average destinations increased their tourism funding by 192% after the formation of a tourism district.
- The chart on the left illustrates the primary reasons destinations formed TIDs.



21

DestinationNEXT Futures Study 2019

What will your organization's primary expected measure of success be five years from now?

The top 5 (out of 18) responses:

	Average Scores	Overall Rank
Room-nights generated	1.61	1
Number of delegates	1.71	2
Overnight visitation	1.81	3
Leads/referrals to business	1.86	4
Economic Impact of Tourism	1.86	5



Source: Destinations International & MMGY NextFactor

22

DestinationNEXT Futures Study 2019

How would you see the revenue sources in your organization's annual budget change five years from now?

The top 3 responses (out of 12) for U.S. DMOs:

- 1) Tourism Improvement District
- 2) Sponsorship / Partnership
- 3) Room Tax

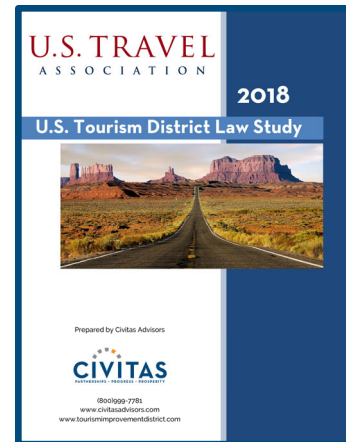


Source: Destinations International & MMGY NextFactor

23

U.S. Tourism District Law Study

1. Studied legal framework for TIDs in 50 states and Washington D.C.
2. Analyzed BID statutes and home rule authority.
3. Ranked each state “green”, “yellow”, or “red” based on the likelihood of forming a TID with the existing legal framework.

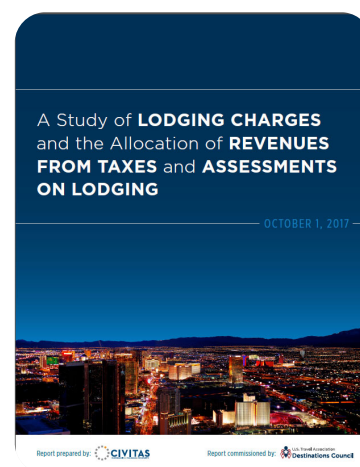


CIVITAS

24

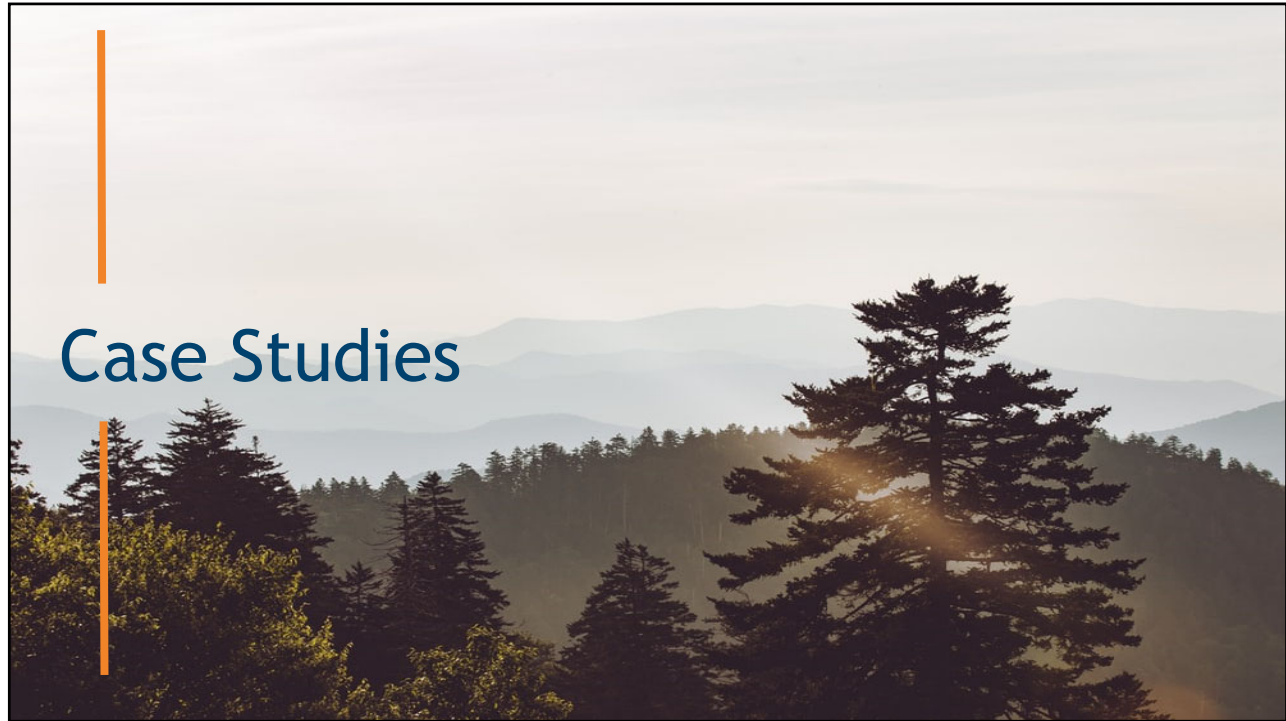
Civitas Report on Lodging Charges

- We studied taxes and lodging charges in 100 cities throughout the country.
- Average tax rate on large destinations: 15.4%.
- 49.9% of lodging tax revenue dedicated to general funds.




CIVITAS

25



Case Studies

26



sd|tmd
SAN DIEGO TOURISM
MARKETING DISTRICT

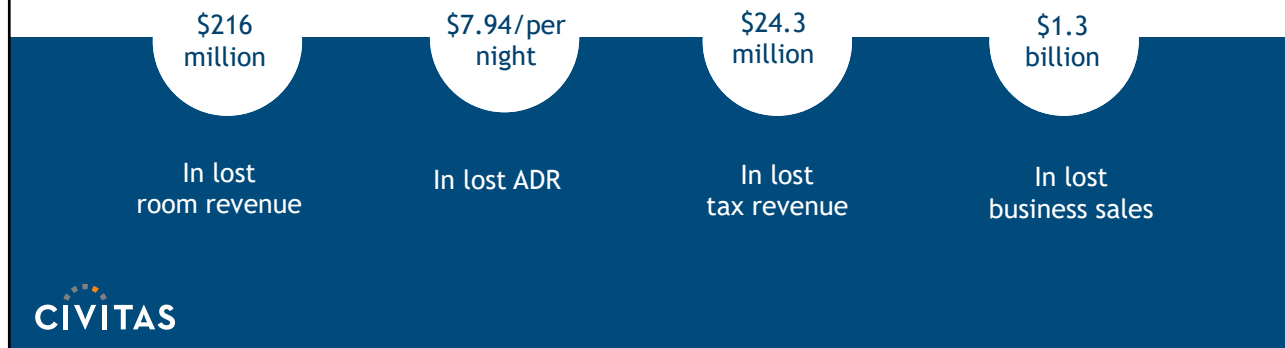
- TID began in 2008.
- Includes all lodging businesses with 70+ rooms in the City of San Diego.
- Assessment rate is 2% of room revenue.
- Raises **\$41 million** annually.
- Average ROI on TID expenditures is **23.1:1** (comparing lodging business revenue to TID expenditures).
- MPAR: \$673.67, Room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

CIVITAS

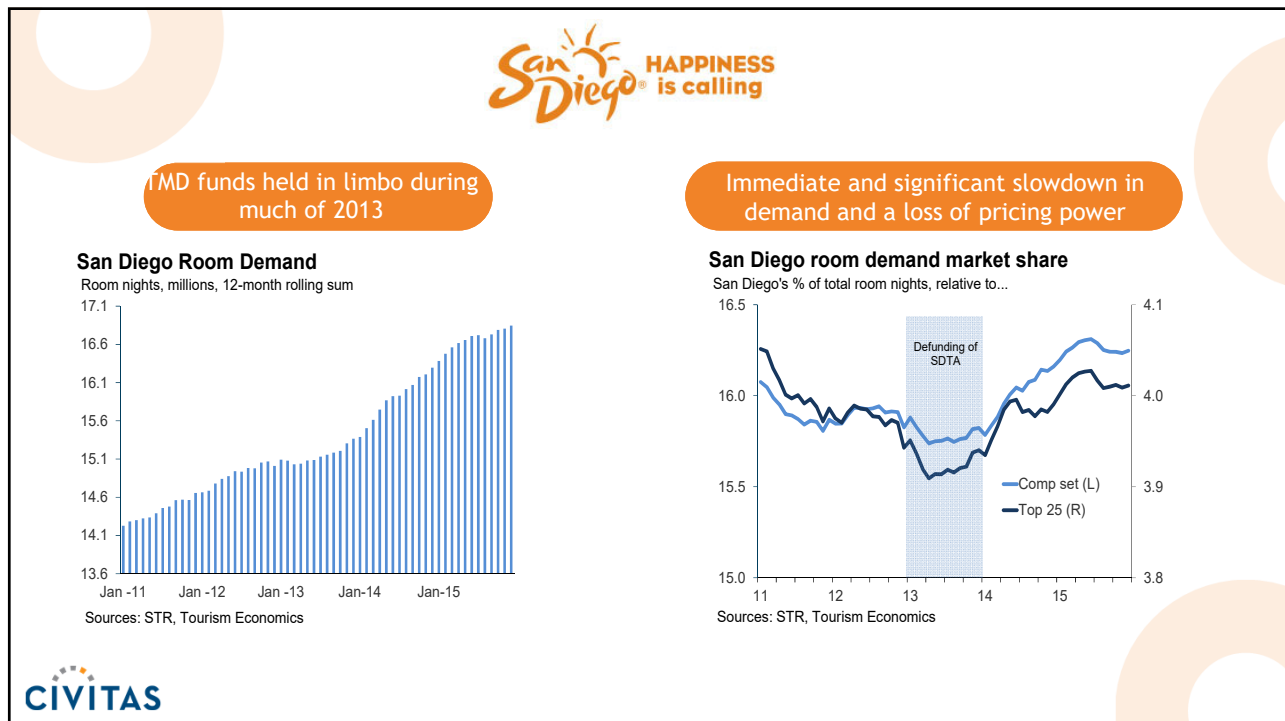
27

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.



28




29


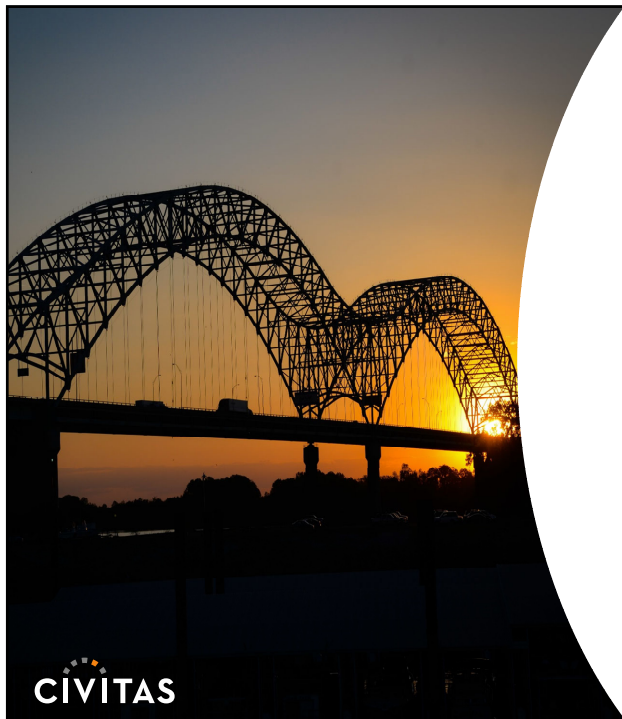



INITIAL BUDGET	\$9.4 million
PRE PLANNED DIVERSION	-2.8 million
POST CUT BUDGET	=6.6 million
TID	+5.3
NEW COUNTY MATCH	+2.8
CURRENT BUDGET	=14.7 million


MPAR: \$617.67, Room Count: 23,961



30

- Civitas lead an effort to raise the hotel tax by 1.8% for improvements to the convention center, and to levy a \$2 TID room charge dedicated to marketing.
- The Memphis TID began in January 2016 and since then, they have seen an annual 3.5% visitation growth and 4.8% increase in visitor spending growth.
- In December 2018, renovation began on the Memphis Convention Center. Expected completion date is Fall of 2020. \$175m in bonds were raised.



31



“Whenever you add a fee or another charge to a hotel room night your hotel operators and general managers get very concerned. But if you can demonstrate to them that the return on investment is going to be such that it will be negligible as it relates to rate and will actually allow them to grow rate in the future, you will get their support and their trust. I think we’ve been able to do that in Memphis and I think most TIDs around the country have been successful at doing that as well.”

- Kevin Kane
President & CEO, Memphis TID



32



- TBID formed in 2009.
- Includes 9 lodging businesses in the City of Newport Beach.
- Assessment rate is 3.0% of room revenue.
- Raises **\$4.1 million** annually
- MPAR: \$2,834.97, Room Count: 3,351



33

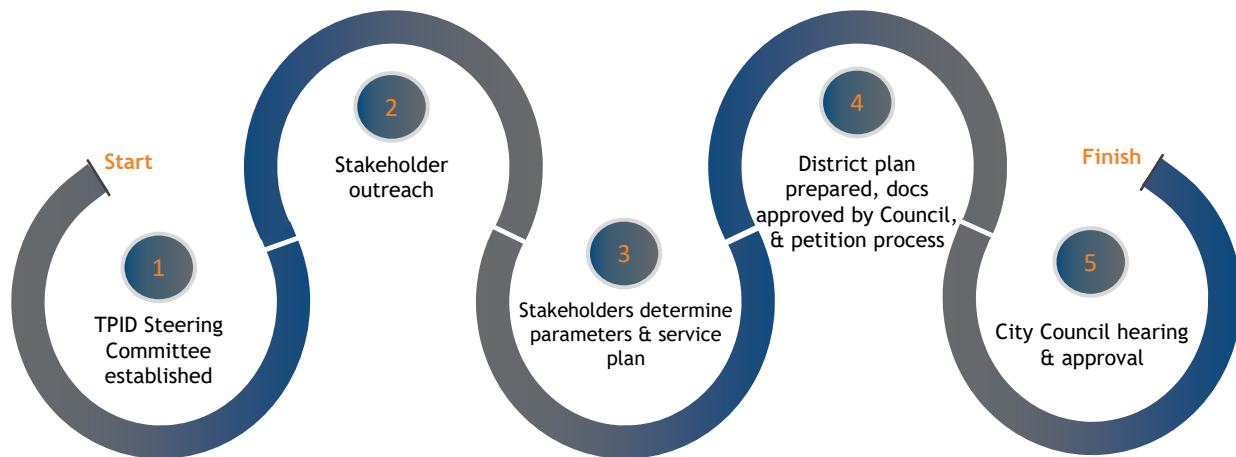
10 Years of TBID Success

Year	TID Revenue	Booked Room Nights	Estimated Hotel Revenue	Approx. ROI
2009-2010	\$1,198,000	11,823	\$2,866,000	2.4:1
2010-2011	\$1,306,000	13,031	\$3,240,000	2.5:1
2011-2012	\$1,568,000	28,901	\$6,770,000	4.3:1
2012-2013	\$1,703,000	30,418	\$6,530,000	3.8:1
2013-2014	\$2,226,000	57,789	\$12,808,000	5.8:1
2014-2015	\$3,728,000	78,105	\$17,958,000	4.8:1
2015-2016	\$3,947,000	87,436	\$22,260,000	5.6:1
2016-2017	\$4,049,000	88,590	\$21,202,000	5.2:1
2017-2018	\$3,961,000	90,318	\$25,745,000	6.5:1
2018-2019	\$4,421,000	111,305	\$29,179,000	6.6:1
TOTAL	\$28,107,000	597,716	\$148,558,000	Recent Avg: 6:1

Source: Visit Newport Beach

34

Road Map to TPID Formation



35



36





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

37



Thank You!

—

John Lambeth, President & CEO
jlambeth@civitasadvisors.com | (916) 437-4300

