2019-2023

MONTEREY COUNTY TOURISM IMPROVEMENT DISTRICT

MANAGEMENT DISTRICT PLAN

Prepared pursuant to the Property and Business Improvement District Law of 1994, Streets and Highways Code section 36600 et seq.

October 23, 2018

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I. OVERVIEW

Developed by the Monterey County Destination Marketing Organization, Inc. d.b.a. Monterey County Convention and Visitors Bureau (MCCVB), the Monterey County Tourism Improvement District (MCTID) is an assessment district proposed to provide specific benefits to payors, by funding group sales and services and marketing communications programs for assessed businesses. This approach has been used successfully in other destination areas throughout the country to provide the benefit of additional room night sales directly to payors.

Location: The proposed MCTID includes all lodging businesses located within the boundaries of the unincorporated areas of Monterey County and the cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Salinas, Sand City, and Seaside. The proposed MCTID has been divided into two (2) benefit zones, as shown on the map in Section III.

Services: The MCTID is designed to provide specific benefits directly to payors by generating room night sales. Group sales and services and marketing communications programs will generate overnight tourism and market Monterey County as a tourist, meeting and event destination, thereby generating room night sales for assessed businesses.

Budget: The total MCTID annual budget for the initial year of its five (5) year operation is anticipated to be approximately $4,307,000. This budget is expected to fluctuate as room sales and the assessment rates do, over the MCTID's term.

Cost: The annual assessment rate in Zone 1 is $2.00 per paid occupied room per night for full service lodging businesses and $1.00 per paid occupied room per night for limited service lodging businesses. The annual assessment rate in Zone 2 is $2.50 per paid occupied room per night for full service lodging businesses and $1.50 per paid occupied room per night for limited service lodging businesses. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays at vacation time-share facilities; stays at vacation rentals; stays at RV parks; stays by any Federal or State of California officer or employee when on official business; and stays by any officer or employee of a foreign government who is exempt by reason of express provision of Federal law or international treaty.

During the MCTID's five (5) year term, the assessment rate may be increased by the MCCVB's TID Committee to a maximum of $3.00 per paid occupied room per night for full service lodging businesses and $1.50 per paid occupied room per night for limited service lodging businesses in Zone 1 and $3.50 per paid occupied room per night for full service lodging businesses and $2.00 per paid occupied room per night for limited service lodging businesses in Zone 2. The maximum assessment increase in any year shall be $0.30 per paid occupied room per night for full service lodging businesses and $0.15 per paid occupied room per night for limited service lodging businesses.

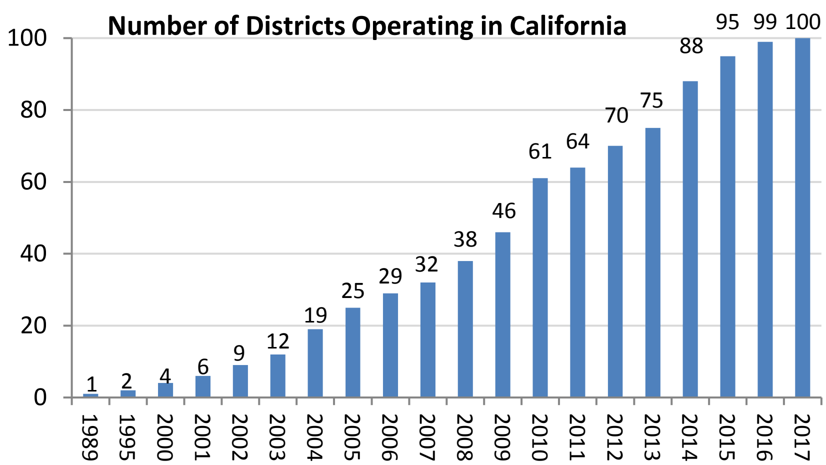
Collection: The cities and County will be responsible for collecting the assessment on a monthly, bi-monthly or quarterly basis (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the MCTID. The cities and County shall take all reasonable efforts to collect the assessments from each lodging business.

Duration: The proposed MCTID will have a five (5) year life, beginning January 1, 2019 through December 31, 2023. Once per year, beginning on the anniversary of MCTID formation, there is a thirty (30) day period in which owners paying fifty percent (50%) or more of the assessment may protest and initiate a Monterey City Council hearing on MCTID termination.

Management: The Monterey County Convention and Visitors Bureau will serve as the MCTID's Owners' Association. The Owners' Association is charged with managing funds and implementing programs in accordance with this Plan, and must provide annual reports to the Monterey City Council.

II. BACKGROUND

TIDs are an evolution of the traditional Business Improvement District. The first TID was formed in West Hollywood, California in 1989. Since then, one hundred (100) California destinations have followed suit. In recent years, other states have begun adopting the California model – Montana, South Dakota, Washington, Colorado, Texas and Louisiana have adopted TID laws. Several other states are in the process of adopting their own legislation. The cities of Wichita, Kansas and Newark, New Jersey used an existing business improvement district law to form a TBID. And, some cities, like Portland, Oregon and Memphis, Tennessee have utilized their home rule powers to create TIDs without a state law.



California's TIDs collectively raise over $250 million for local destination marketing. With competitors raising their budgets, and increasing rivalry for visitor dollars, it is important that Monterey County lodging businesses invest in stable, lodging-specific marketing and sales programs.

TIDs utilize the efficiencies of private sector operation in the market-based promotion of tourism districts. TIDs allow lodging business owners to organize their efforts to generate room night sales. Lodging business owners within the TID pay an assessment and those funds are used to provide services that generate room night sales.

In California, TIDs are formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of a benefit assessment district to raise funds within a specific geographic area. *The key difference between TIDs and other benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the district.*

There are many benefits to TIDs:

- Funds must be spent on programs that provide a specific benefit to those who pay;
- Funds cannot be diverted to general government programs;
- They are customized to fit the needs of payors in each destination;
- They allow for a wide range of services;
- They are ***designed, created and governed by those who will pay*** the assessment; and
- They provide a stable, long-term funding source for tourism promotion.

Monterey County TID Background

In 2017, the MCCVB engaged Tourism Economics to analyze market share and the return on investment of the publicly funded TID. In addition to this analysis, the report reviews the performance of Monterey County's tourism sector, the role of the MCCVB in attracting visitors to the area, the economic rationale for tourism promotion, and case studies of changes in destination marketing organization (DMO) funding. The full report is included in Appendix 3, key highlights include:

Monterey County's Tourism Sector Overview and Recent Performance
Visitors to Monterey County spent $2.7 billion in 2015. This spending directly generates (i.e. not including indirect and induced effects) 24,390 jobs, $1.1 billion in income, and $240 million in state and local taxes. 10% of all jobs and 5% of all income in Monterey County is directly attributable to tourism.

MCCVB Performance
A study of the MCCVBs media campaigns showed that 38% of individuals that recall seeing media produced by the MCCVB reported that they intend to visit in the future.

Competitive Analysis of Funding
An analysis of public DMO funding in comparison to the size of similar and competing destinations indicates that the MCCVB is considerably underfunded. While the MCCVB receives only slightly less total public funding than its average competitor, the MCCVB represents a much larger tourism sector than its typical competitor. Analysis also revealed that Monterey County's TID assessment rate of 0.7%, is well below the average rate of 2.3%. In fact, Monterey County levies the **lowest assessment** of any destination examined.

Impacts of the TID on Monterey County's Economy
On a cumulative basis, from 2018-2022, the study forecasts that the Monterey County TID will contribute $518 million in visitor spending. This spending in turn delivers a total of $36 million in state and local tax revenue. Additionally, 782,000 total room nights and $174 million in room revenue result from the TID. To put this into perspective, a medium-sized hotel (100 rooms) with a destination average ADR ($222) gains 1,600 rooms and $360,000 in room revenue.

III. BOUNDARY

The MCTID will include all lodging businesses, existing and in the future, available for public occupancy within the boundaries of the unincorporated areas of Monterey County and the cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Salinas, Sand City, and Seaside.

Lodging business means: any building, portion of any building, or group of buildings in which there are guest rooms or suites, including housekeeping units for transient guests, where lodging with or without meals is provided. Lodging business does not include:

- Vacation time-share facilities;
- Vacation rentals, defined as a single family home, townhome, or condominium that is available for rent; and
- Recreational vehicle (RV) parks.

Full service lodging business means: an upscale, upper upscale, or luxury lodging business with a wide variety of onsite amenities, such as restaurants, meeting spaces, exercise rooms, or spas.

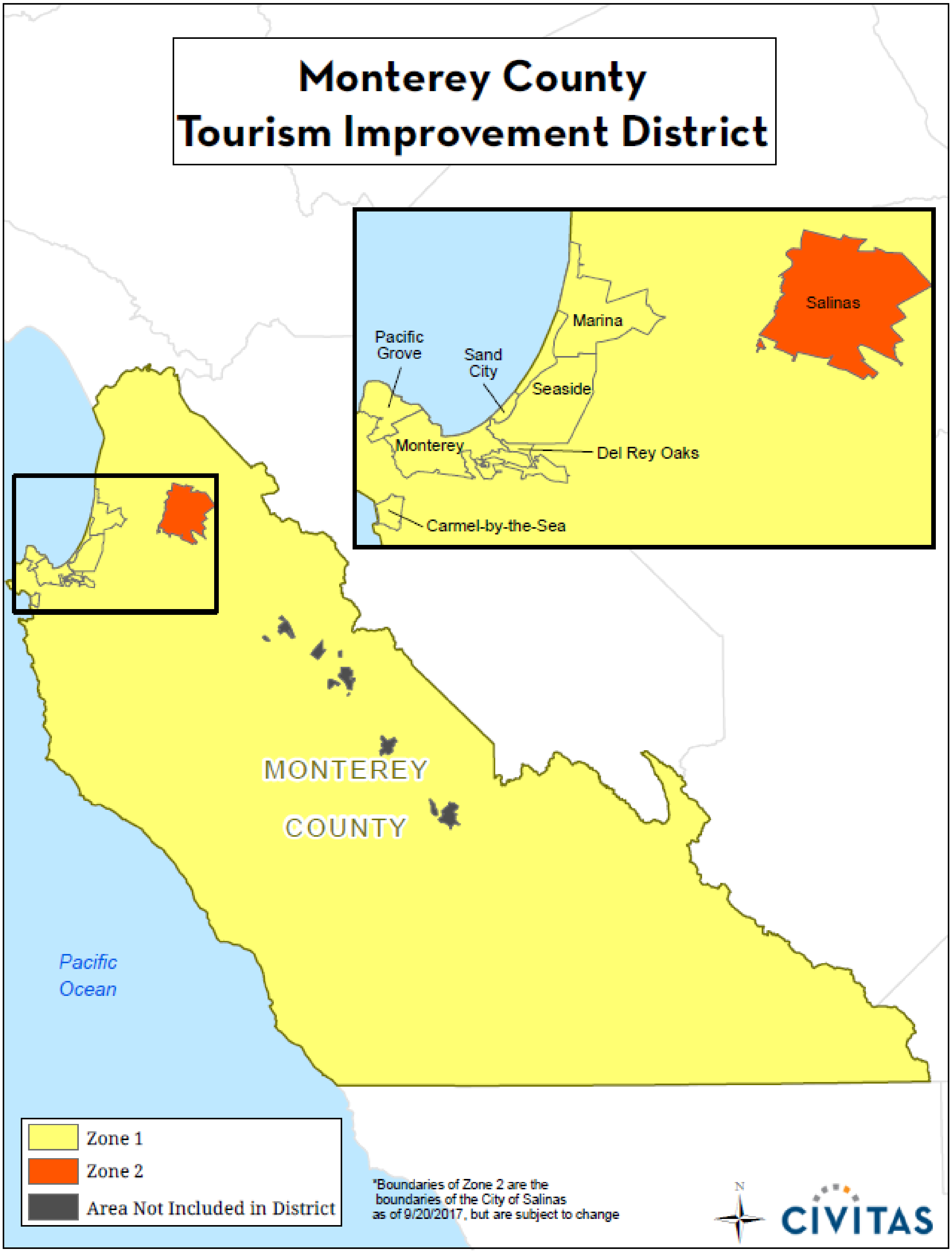
Limited service lodging business means: a lodging business that offers limited facilities and amenities, typically without a full-service restaurant. Limited service lodging businesses are often in the economy, midscale, or upper midscale class.

The boundary, as shown in the map below, currently includes 257 lodging businesses. A complete listing of lodging businesses within the proposed MCTID can be found in Appendix 2.

The proposed MCTID is divided into two (2) benefit zones, based on the special benefits and privileges granted to lodging businesses in each zone. The boundaries of each zone are shown in the map on the following page. A description of the boundaries of each zone is provided below:

Zone 1: Includes the unincorporated area of Monterey County and the cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City, and Seaside.

Zone 2: Includes the City of Salinas. The boundaries of Zone 2 shall be the boundaries of the City of Salinas as may be amended from time to time.


Monterey County
Tourism Improvement District
Salinas
Marina
Pacific Grove
Sand City
Seaside
Monterey
Del Rey Oaks
Carmel-by-the-Sea
MONTEREY
COUNTY
Pacific Ocean
Zone 1
Zone 2
Area Not Included in District
*Boundaries of Zone 2 are the boundaries of the City of Salinas as of 9/20/2017, but are subject to change
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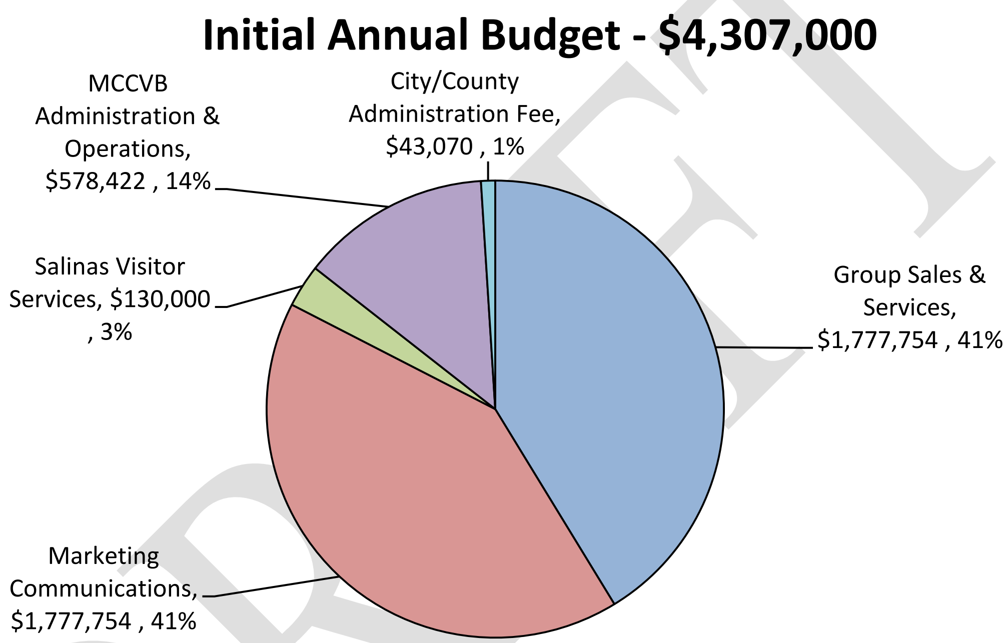
IV. BUDGET AND SERVICES

A. Annual Service Plan

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly to the payors that are not provided to those not charged, and which do not exceed the reasonable cost to the City of Monterey of conferring the benefits or granting the privileges. The privileges and services provided with the MCTID funds are group sales and services and marketing communications programs available only to assessed lodging businesses.

A service plan budget has been developed to deliver services that benefit the assessed lodging businesses. A detailed annual budget will be developed and approved by MCCVB. The table below illustrates the initial annual budget allocations. The total initial budget is $4,307,000.



Although actual revenues will fluctuate due to market conditions, the proportional allocations of the budget shall remain the same in subsequent years. However, with the exception of the Zone 2 budget category, the TID Committee shall have the authority to adjust budget allocations between the categories by no more than fifteen percent (15%) of the total budget per year. Any changes to the budget category allocations shall be included in the annual report to the City. A description of the proposed programs for the initial year of operation is below. The same programs are proposed for subsequent years. In the event of a legal challenge against the MCTID, any and all assessment funds may be used for the costs of defending the MCTID.

Each budget category includes all costs related to providing that service, in accordance with Generally Accepted Accounting Procedures (GAAP). For example, the marketing communications budget includes the cost of MCCVB staff time dedicated to overseeing and implementing the marketing communications program. Staff time dedicated purely to administrative tasks is allocated to the MCCVB administration and operations portion of the budget. The costs of an individual staff member may be allocated to multiple budget categories, as appropriate in accordance with GAAP. The staffing levels necessary to provide the services below will be determined by the MCCVB on an as-needed basis.

Group Sales & Services

The group sales and services program will develop business leads for meetings and events that convert to room nights for assessed businesses. The group sales and services program will have a central theme of promoting Monterey County as a desirable place for overnight group visits. The program will have the goal of generating overnight visitation and room night sales at assessed businesses, and may include the following programs:

- Group marketing initiatives to ensure target customer destination familiarity to drive overnight visitation and room sales to assessed businesses;
- A business development model ensuring highly qualified leads and efficient use of Owners' Association resources in developing new business opportunities to drive overnight visitation and room sales to assessed businesses;
- Focus on business development platform: engage, action, transaction, participation to drive overnight visitation and room sales to assessed businesses;
- Familiarization trips (FAMs) and site inspections to drive overnight visitation and room sales to assessed businesses;
- Strategic client services designed to makes visitors' destination choice easier to drive overnight visitation and room sales to assessed businesses;
- Visitor services programs designed to extend stays at assessed businesses and increase visitor spending;
- Strategic business development services designed to identify, qualify, and pursue new business opportunities that best fit the destination's profile, targeting the ideal opportunities from key deployed markets to drive overnight visitation and room sales to assessed businesses; and
- Tour and travel sales programs to fill shoulder seasons and need periods for the destination to drive overnight visitation and room sales to assessed businesses.

Marketing Communications

The marketing communications program will promote assessed businesses as tourist, meeting, and events destinations. The marketing communications program will have a central theme of promoting Monterey County as a desirable place for overnight visits. The program will have the goal of generating overnight visitation and room sales at assessed businesses, and may include the following programs:

- Programs that develop and distribute content via paid, owned and earned channels to drive overnight visitation and room sales to assessed businesses;
- Partnership marketing initiatives with Monterey Regional Airport for domestic marketing, plus cooperative programs for international marketing to reach farther-out prospective visitors to drive overnight visitation and room sales to assessed businesses;
- Focus on high-priority, high-impact initiatives to drive overnight visitation and room sales to assessed businesses;
- Drive familiarity and engagement for group audiences through targeted direct marketing and retargeting programs to complement Group Sales' business development focus to drive overnight visitation and room sales to assessed businesses; and
- Expand international marketing to drive overnight visitation and room sales to assessed businesses.

Salinas Visitor Services
The Salinas visitor services portion of the budget shall be utilized for funding visitor services programs for the benefit of generating overnight visitation and room night stays at Zone 2 lodging businesses. The Salinas visitor services program will provide visitors with brochures, maps, and information regarding local events. The Salinas visitor services budget shall be the amount collected from the additional assessment in Zone 2.

MCCVB Administration and Operations
The MCCVB administration and operations portion of the budget shall be utilized by the MCCVB for administrative staffing costs, office costs, advocacy, and other general administrative costs such as insurance, legal, and accounting fees.

City/County Administration Fee
The cities and County may retain a fee equal to one percent (1%) of the amount of the assessment collected, within their respective jurisdictions, to cover their costs of collection and administration.

B. Annual Budget

The total five (5) year program budget is projected at approximately $4,307,000 annually, or $29,101,666 through 2023 if the maximum assessment rate increases are adopted. This amount is expected to fluctuate as occupancy rates increase at assessed businesses and if the assessment rate is increased. If the maximum annual assessment rate increases are adopted by the TID Committee, the annual budget will increase as estimated in the table below. During the MCTID's five (5) year term, the assessment rate may be increased by the MCCVB's TID Committee to a maximum of $3.00 per paid occupied room per night for full service lodging businesses and $1.50 per paid occupied room per night for limited service lodging businesses in Zone 1 and $3.50 per paid occupied room per night for full service lodging businesses and $2.00 per paid occupied room per night for limited service lodging businesses in Zone 2. The maximum assessment increase in any year shall be $0.30 per paid occupied room per night for full service lodging businesses and $0.15 per paid occupied room per night for limited service lodging businesses.

The assessment rate may or may not increase starting in 2020, the increase may be implemented beginning in 2020 or in later years at the discretion of the TID Committee. The following table demonstrates the estimated maximum budget, based on existing lodging businesses, with the assumption that the assessment rate will be increased in both Zones by $0.30 per paid occupied room per night for full service lodging businesses and $0.15 per paid occupied room per night for limited service lodging businesses in 2020, 2021, and 2022 and by $0.10 per paid occupied room per night for full service lodging businesses and $0.05 per paid occupied room per night for limited service lodging businesses in 2023, as it is a required disclosure, it is not the anticipated course of action. Any new lodging businesses that commence business within the MCTID during the five (5) year term shall be assessed using the same methodology listed in Section IV (D). Additionally, a three percent (3%) annual increase in the total budget is shown in both tables, to account for estimated increased room occupancy as a result of MCTID efforts. This three percent (3%) annual increase is a conservative estimate based on the effects of similarly sized TID budgets.

Estimated Annual Budget If Maximum Assessment Rates Are Adopted

Year	Group Sales & Services	Marketing Communications	Visitor Services (Zone 2 Only)	MCCVB Administration & Operations	City/County Administration Fee	Total
2019	$1,777,754	$1,777,754	$130,000	$578,422	$43,070	**$4,307,000**
2020	$2,101,338	$2,101,338	$133,900	$680,604	$50,679	**$5,067,858**
2021	$2,442,193	$2,442,193	$137,917	$788,225	$58,692	**$5,869,220**
2022	$2,801,339	$2,801,339	$142,055	$901,607	$67,135	**$6,713,475**
2023	$2,983,458	$2,983,458	$146,316	$959,441	$71,441	**$7,144,114**
Total	**$12,106,081**	**$12,106,081**	**$690,188**	**$3,908,299**	**$291,017**	**$29,101,666**

Estimated Annual Budget If Maximum Assessment Rates Are Not Adopted

Year	Group Sales & Services	Marketing Communications	Visitor Services (Zone 2 Only)	MCCVB Administration & Operations	City/County Administration Fee	Total
2019	$1,777,754	$1,777,754	$130,000	$578,422	$43,070	**$4,307,000**
2020	$1,831,087	$1,831,087	$133,900	$595,775	$44,362	**$4,436,210**
2021	$1,886,019	$1,886,019	$137,917	$613,648	$45,693	**$4,569,296**
2022	$1,942,600	$1,942,600	$142,055	$632,057	$47,064	**$4,706,375**
2023	$2,000,878	$2,000,878	$146,316	$651,019	$48,476	**$4,847,566**
Total	**$9,438,337**	**$9,438,337**	**$690,188**	**$3,070,921**	**$228,664**	**$22,866,448**

The two tables above were calculated based on the following methodology. The initial year's budget was determined based on actual collections in the prior year. The amounts collected from each category of assessed business were increased annually by the applicable percentage increase for each business category's assessment rate. The increased amounts for each business category were added together and then increased by an additional three percent (3%) to account for the estimated increased occupancy as a result of MCTID efforts.

C. California Constitutional Compliance

The MCTID assessment is not a property-based assessment subject to the requirements of Proposition 218. Courts have found Proposition 218 limited the term 'assessments' to levies on real property.[1] Rather, the MCTID assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Proposition 26 all levies are a tax unless they fit one of seven exceptions. Two of these exceptions apply to the MCTID, a "specific benefit" and a "specific government service." Both require that the costs of benefits or services do not exceed the reasonable costs to the City of Monterey of conferring the benefits or providing the services.

1. Specific Benefit

Proposition 26 requires that assessment funds be expended on, "a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege."[2] The services in this Plan are designed to provide targeted benefits directly to assessed lodging businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific lodging businesses within the District. The programs described in this Plan are specifically targeted to generate room night sales for assessed

[1] *Jarvis v. the City of San Diego* (1999) 72 Cal App. 4th 230

[2] Cal. Const. art XIII C § 1(e)(1)

lodging businesses within the boundaries of the District, and are narrowly tailored. MCTID funds will be used exclusively to provide the specific benefit of generated room night sales directly to the assessees. Assessment funds shall not be used to feature non-assessed lodging businesses in MCTID programs, or to directly generate sales for non-assessed businesses. The programs paid for from assessment revenues are business services constituting and providing specific benefits to the assessed businesses.

The assessment imposed by this District is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is the generation of room night sales. The specific benefit of the generation of room night sales for assessed lodging businesses will be provided to lodging businesses paying the district assessment, with MCTID programs promoting lodging businesses paying the district assessment. The MCTID programs will be designed to generate room night sales at assessed lodging businesses. Because they are necessary to provide the MCTID programs that specifically benefit the assessed lodging businesses, the MCCVB administration and operations services also provide the specific benefit of generated room night sales to the assessed lodging businesses.

Although the District, in providing specific benefits to payors, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, "A specific benefit is not excluded from classification as a 'specific benefit' merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor."[3]

2. Specific Government Service

The assessment may also be utilized to provide, "a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."[4] The legislature has recognized that marketing services like those to be provided by the MCTID are government services within the meaning of Proposition 26[5]. Further, the legislature has determined that "a specific government service is not excluded from classification as a 'specific government service' merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific government service to the payor."[6]

3. Reasonable Cost

District services will be implemented carefully to ensure they do not exceed the reasonable cost of such services. The full amount assessed will be used to provide the services described herein. Excluding Zone 2 funds managed by the City of Salinas, funds will be managed by the MCCVB, and reports submitted on an annual basis to the City of Monterey. Lodging businesses that do not pay the MCTID assessment will not be featured in marketing materials, receive sales leads generated from district-funded programs, be featured in advertising campaigns, or benefit from other district-funded services.

D. Assessment

The annual assessment rate in Zone 1 is $2.00 per paid occupied room per night for full service lodging businesses and $1.00 per paid occupied room per night for limited service lodging businesses. The

[3] Government Code § 53758(a)
[4] Cal. Const. art XIII C § 1(e)(2)
[5] Government Code § 53758(b)
[6] Government Code § 53758(b)

annual assessment rate in Zone 2 is $2.50 per paid occupied room per night for full service lodging businesses and $1.50 per paid occupied room per night for limited service lodging businesses. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays at vacation time-share facilities; stays at vacation rentals; stays at RV parks; stays by any Federal or State of California officer or employee when on official business; and stays by any officer or employee of a foreign government who is exempt by reason of express provision of Federal law or international treaty.

During the MCTID's five (5) year term, the assessment rate may be increased by the MCCVB's TID Committee to a maximum of $3.00 per paid occupied room per night for full service lodging businesses and $1.50 per paid occupied room per night for limited service lodging businesses in Zone 1 and $3.50 per paid occupied room per night for full service lodging businesses and $2.00 per paid occupied room per night for limited service lodging businesses in Zone 2. The maximum assessment increase in any year shall be $0.30 per paid occupied room per night for full service lodging businesses and $0.15 per paid occupied room per night for limited service lodging businesses. Any assessment rate increase shall not increase the amount of the assessment in Zone 2 allocated to the Salinas visitor services budget category. It is not the intent of the TID Committee to raise the assessment rate. However, if the TID Committee finds it necessary to increase the assessment rate in order to ensure competitive funding, the TID Committee has the authority to increase the assessment rate. Any assessment rate increase must be approved by a two-thirds (2/3) votes of the full membership of the TID Committee.

The assessment is levied upon and a direct obligation of the assessed lodging business. However, the assessed lodging business may, at its discretion, pass the assessment on to transients. The amount of assessment, if passed on to each transient, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each transient shall receive a receipt for payment from the business. The assessment shall be disclosed as the "MCTID Assessment." The assessment is imposed solely upon, and is the sole obligation of the assessed lodging business even if it is passed on to transients. The assessment shall not be considered revenue for any purposes, including calculation of transient occupancy taxes.

Bonds shall not be issued.

E. Penalties and Interest

The MCTID shall reimburse the cities and County for any costs associated with collecting unpaid assessments. If sums in excess of the delinquent MCTID assessment are sought to be recovered in the same collection action by the cities or County, the MCTID shall bear its pro rata share of such collection costs. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. *Original Delinquency:* Any lodging business that fails to remit any assessment imposed within the time required shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment or the estimated assessment.
2. *Continued Delinquency:* Any lodging business that fails to remit any delinquent assessment on or before a period of thirty (30) days following the date on which the assessment first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.

3. *Fraud:* If the cities or County determine that the nonpayment of any remittance due is due to fraud, a penalty of twenty-five percent (25%) of the amount of the assessment shall be added thereto, in addition to the penalties stated in paragraphs 1 and 2 of this section.
4. *Interest:* In addition the penalties imposed, any lodging business that fails to remit any assessment imposed shall pay interest at the rate of one percent (1%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the remittance first became delinquent until paid.
5. *Penalties Merged with Assessment:* Every penalty imposed and such interest as accrues under the provisions of this section shall become a part of the assessment required to be paid.
6. *Audit Deficiency:* If, upon audit by the cities or County, a lodging business is found to be deficient in either its return or its remittances or both, the cities or County shall immediately invoice the lodging business for the amount of the net deficiency plus a penalty of ten percent (10%) of the net deficiency. If the lodging business fails or refuses to pay the deficient amount and applicable penalties within thirty (30) days of the date of the invoice, an additional ten percent (10%) penalty shall be added to the original deficiency. In addition to the penalties imposed, any lodging business that fails to remit payment of billed audit deficiencies within thirty (30) days of the date of the invoice shall pay interest at the rate of one percent (1%) per month or fraction thereof on the amount of the assessment, exclusive of penalties.

F. Time and Manner for Collecting Assessments

The MCTID assessment will be implemented beginning January 1 , 2019 and will continue for five (5) years through December 31, 2023. The cities and County will be responsible for collecting the assessment on a monthly, bi-monthly or quarterly basis (including any delinquencies, penalties and interest) from each lodging business located in their respective jurisdictions. The cities and County shall take all reasonable efforts to collect the assessments from each lodging business. The cities and County shall forward the assessments collected to the Owners' Association, except for the additional assessments in Zones 2.

V. GOVERNANCE

A. Owners' Association

The Monterey City Council, through adoption of this Management District Plan, has the right, pursuant to Streets and Highways Code §36651, to identify the body that shall implement the proposed program, which shall be the Owners' Association of the MCTID as defined in Streets and Highways Code §36612. The Monterey City Council has determined that the Monterey County Destination Marketing Organization, Inc. d.b.a. Monterey County Convention and Visitors Bureau (MCCVB) will serve as the Owners' Association for the MCTID. The MCCVB Board shall create a TID Committee comprised solely of assessed lodging business representatives. The number of seats on the TID Committee from each MCTID jurisdiction shall reflect the proportional assessment revenue derived from each MCTID jurisdiction. Except as noted below, the TID Committee shall have full decision-making authority over the expenditure of MCTID funds. Notwithstanding the forgoing, the City of Salinas shall have full decision-making authority over the expenditure of funds raised by the extra $0.50 full and limited service assessment in Zone 2.

B. Brown Act and California Public Records Act Compliance

An Owners' Association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. The Owners' Association is, however, subject to government regulations relating to transparency, namely the Ralph M. Brown Act and the California Public Records Act. These regulations are designed to promote public accountability. The Owners' Association acts as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the MCCVB board and certain committees must be held in compliance with the public notice and other requirements of the Brown Act. The Owners' Association is also subject to the record keeping and disclosure requirements of the California Public Records Act. Accordingly, the Owners' Association shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

C. Annual Report

The MCCVB shall present an annual report at the end of each year of operation to the Monterey City Council pursuant to Streets and Highways Code §36650 (see Appendix 1). The annual report shall include:

- Any proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses within the district.
- The improvements and activities to be provided for that fiscal year.
- An estimate of the cost of providing the improvements and the activities for that fiscal year.
- The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

APPENDIX 1 – LAW

*** THIS DOCUMENT IS CURRENT THROUGH THE 2018 SUPPLEMENT ***
(ALL 2017 LEGISLATION)

STREETS AND HIGHWAYS CODE
DIVISION 18. PARKING
PART 7. PROPERTY AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994

CHAPTER 1. General Provisions

ARTICLE 1. Declarations

36600. Citation of part

This part shall be known and may be cited as the "Property and Business Improvement District Law of 1994."

36601. Legislative findings and declarations; Legislative guidance

The Legislature finds and declares all of the following:

(a) Businesses located and operating within business districts in some of this state's communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.

(b) It is in the public interest to promote the economic revitalization and physical maintenance of business districts in order to create jobs, attract new businesses, and prevent the erosion of the business districts.

(c) It is of particular local benefit to allow business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.

(d) Assessments levied for the purpose of conferring special benefit upon the real property or a specific benefit upon the businesses in a business district are not taxes for the general benefit of a city, even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them.

(e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:

(1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied.

(2) Job creation.

(3) Business attraction.

(4) Business retention.

(5) Economic growth.

(6) New investments.

(f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.

(g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.

(h) The act amending this section is intended to provide the Legislature's guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts.

(1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.

(2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the

incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.

(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

36602. Purpose of part

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.

36603. Preemption of authority or charter city to adopt ordinances levying assessments

Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

36603.5. Part prevails over conflicting provisions

Any provision of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

36604. Severability

This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

ARTICLE 2. Definitions

36606. "Activities"

"Activities" means, but is not limited to, all of the following that benefit businesses or real property in the district:

(a) Promotion of public events.
(b) Furnishing of music in any public place.
(c) Promotion of tourism within the district.
(d) Marketing and economic development, including retail retention and recruitment.
(e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
(f) Other services provided for the purpose of conferring special benefit upon assessed real property or specific benefits upon assessed businesses located in the district.

36606.5. "Assessment"

"Assessment" means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to properties or businesses located within a property and business improvement district.

36607. "Business"

"Business" means all types of businesses and includes financial institutions and professions.

<u>36608.</u> "City"

"City" means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county, or the State of California.

<u>36609.</u> "City council"

"City council" means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

<u>36609.4.</u> "Clerk"

"Clerk" means the clerk of the legislative body.

<u>36609.5.</u> "General benefit"

"General benefit" means, for purposes of a property-based district, any benefit that is not a "special benefit" as defined in Section 36615.5.

<u>36610.</u> "Improvement"

"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

(a) Parking facilities.
(b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
(c) Trash receptacles and public restrooms.
(d) Lighting and heating facilities.
(e) Decorations.
(f) Parks.
(g) Fountains.
(h) Planting areas.
(i) Closing, opening, widening, or narrowing of existing streets.
(j) Facilities or equipment, or both, to enhance security of persons and property within the district.
(k) Ramps, sidewalks, plazas, and pedestrian malls.
(l) Rehabilitation or removal of existing structures.

<u>36611.</u> "Management district plan"; "Plan"

"Management district plan" or "plan" means a proposal as defined in Section 36622.

<u>36612.</u> "Owners' association"

"Owners' association" means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities specified in the management district plan. An owners' association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners' association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners' association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), for all records relating to activities of the district.

<u>36614.</u> "Property"

"Property" means real property situated within a district.

36614.5. "Property and business improvement district"; "District"

"Property and business improvement district," or "district," means a property and business improvement district established pursuant to this part.

36614.6. "Property-based assessment"

"Property-based assessment" means any assessment made pursuant to this part upon real property.

36614.7. "Property-based district"

"Property-based district" means any district in which a city levies a property-based assessment.

36615. "Property owner"; "Business owner"; "Owner"

"Property owner" means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. "Business owner" means any person recognized by the city as the owner of the business. "Owner" means either a business owner or a property owner. The city council has no obligation to obtain other information as to the ownership of land or businesses, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this part requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient. Wherever this part requires the signature of the business owner, the signature of the authorized agent of the business owner shall be sufficient.

36615.5. "Special benefit"

"Special benefit" means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

36616. "Tenant"

"Tenant" means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

ARTICLE 3. Prior Law

36617. Alternate method of financing certain improvements and activities; Effect on other provisions

This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

CHAPTER 2. Establishment

36620. Establishment of property and business improvement district

A property and business improvement district may be established as provided in this chapter.

36620.5. Requirement of consent of city council

A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

<u>36621.</u> Initiation of proceedings; Petition of property or business owners in proposed district

(a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be included in determining whether the petition is signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.

(b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:

(1) A map showing the boundaries of the district.

(2) Information specifying where the complete management district plan can be obtained.

(3) Information specifying that the complete management district plan shall be furnished upon request.

(c) The resolution of intention described in subdivision (a) shall contain all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.

(2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

<u>36622.</u> Contents of management district plan

The management district plan shall include, but is not limited to, all of the following:

(a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably determine whether a business is located within the district boundaries.

(b) The name of the proposed district.

(c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500)). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.

(d) The improvements, maintenance, and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, and activities are proposed for subsequent years shall satisfy the requirements of this subdivision.

(e) The total annual amount proposed to be expended for improvements, maintenance, or activities, and debt service in each year of operation of the district. If the assessment is levied on businesses, this amount may be estimated based upon the assessment rate. If the total annual amount proposed to be expended in each year of operation of the district is not significantly different, the amount proposed to be expended in the initial

year and a statement that a similar amount applies to subsequent years shall satisfy the requirements of this subdivision.
(f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against his or her property or business. The plan also shall state whether bonds will be issued to finance improvements.
(g) The time and manner of collecting the assessments.
(h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.
(i) The proposed time for implementation and completion of the management district plan.
(j) Any proposed rules and regulations to be applicable to the district.
(k) (1) A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof.
(2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.
(l) In a property-based district, the total amount of all special benefits to be conferred upon the properties located within the property-based district.
(m) In a property-based district, the total amount of general benefits, if any.
(n) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.
(o) Any other item or matter required to be incorporated therein by the city council.

36623. Procedure to levy assessment

(a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with Section 53753 of the Government Code.
(b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with Section 54954.6 of the Government Code, except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business or the authorized representative. A written protest that does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners or authorized representatives of businesses in the proposed district that will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.

(c) If a city council proposes to conduct a single proceeding to levy both a new or increased property assessment and a new or increased business assessment, the notice and protest and hearing procedure for the property assessment shall comply with subdivision (a), and the notice and protest and hearing procedure for the business assessment shall comply with subdivision (b). If a majority protest is received from either the property or business owners, that respective portion of the assessment shall not be levied. The remaining portion of the assessment may be levied unless the improvement or other special benefit was proposed to be funded by assessing both property and business owners.

36624. Changes to proposed assessments

At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements, maintenance, and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements, maintenance, and activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to Section 36627.

36625. Resolution of formation

(a) If the city council, following the public hearing, decides to establish a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property, businesses, or both within the district, a statement on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities and the location and extent of the proposed district.

(2) The number, date of adoption, and title of the resolution of intention.

(3) The time and place where the public hearing was held concerning the establishment of the district.

(4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.

(5) A statement that the properties, businesses, or properties and businesses in the district established by the resolution shall be subject to any amendments to this part.

(6) A statement that the improvements, maintenance, and activities to be conferred on businesses and properties in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements, maintenance, or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district. Notwithstanding the foregoing, improvements and activities that must be provided outside the district boundaries to create a special or specific benefit to the assessed parcels or businesses may be provided, but shall be limited to marketing or signage pointing to the district.

(7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.

(8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(b) The adoption of the resolution of formation and, if required, recordation of the notice and map pursuant to Section 36627 shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

36626. Resolution establishing district

If the city council, following the public hearing, desires to establish the proposed property and business improvement district, and the city council has not made changes pursuant to Section 36624, or has made changes that do not substantially change the proposed assessment, the city council shall adopt a resolution establishing the district. The resolution shall contain all of the information specified in Section 36625.

36627. Notice and assessment diagram

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625 or Section 36626, the clerk shall record a notice and an assessment diagram pursuant to Section 3114. No other provision of Division 4.5 (commencing with Section 3100) applies to an assessment district created pursuant to this part.

36628. Establishment of separate benefit zones within district; Categories of businesses

The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.

36628.5. Assessments on businesses or property owners

The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

36629. Provisions and procedures applicable to benefit zones and business categories

All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a property and business improvement district.

36630. Expiration of district; Creation of new district

If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and the district may be renewed pursuant to this part.

CHAPTER 3. Assessments

36631. Time and manner of collection of assessments; Delinquent payments

The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution levying the assessment. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part may be charged interest and penalties.

36632. Assessments to be based on estimated benefit; Classification of real property and businesses; Exclusion of residential and agricultural property

(a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of determining the benefit to property of the improvements and activities provided pursuant to this part.
(b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify

businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.

(c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

36633. Time for contesting validity of assessment

The validity of an assessment levied under this part shall not be contested in any action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36626. Any appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

36634. Service contracts authorized to establish levels of city services

The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

36635. Request to modify management district plan

The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

36636. Modification of plan by resolution after public hearing; Adoption of resolution of intention

(a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with Section 36623. Notice of all other public hearings pursuant to this section shall comply with both of the following:

(1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public hearing.

(2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public hearing, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

36637. Reflection of modification in notices recorded and maps

Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

CHAPTER 3.5. Financing

36640. Bonds authorized; Procedure; Restriction on reduction or termination of assessments

(a)The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.

(b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.

(c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

CHAPTER 4. Governance

36650. Report by owners' association; Approval or modification by city council

(a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:

(1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.

(2) The improvements, maintenance, and activities to be provided for that fiscal year.

(3) An estimate of the cost of providing the improvements, maintenance, and activities for that fiscal year.

(4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or business for that fiscal year.

(5) The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.

(6) The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

(c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636.

The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

36651. Designation of owners' association to provide improvements, maintenance, and activities

The management district plan may, but is not required to, state that an owners' association will provide the improvements, maintenance, and activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

CHAPTER 5. Renewal

36660. Renewal of district; Transfer or refund of remaining revenues; District term limit

(a) Any district previously established whose term has expired, or will expire, may be renewed by following the procedures for establishment as provided in this chapter.

(b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed

district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.
(c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

CHAPTER 6. Disestablishment

36670. Circumstances permitting disestablishment of district; Procedure

(a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:

(1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.

(2) During the operation of the district, there shall be a 30-day period each year in which assessees may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the district who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.

(b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

36671. Refund of remaining revenues upon disestablishment or expiration without renewal of district; Calculation of refund; Use of outstanding revenue collected after disestablishment of district

(a) Upon the disestablishment or expiration without renewal of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same method and basis that was used to calculate the assessments levied in the fiscal year in which the district is disestablished or expires. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.
(b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied in the immediate prior fiscal year shall be used to calculate the amount of any refund.

APPENDIX 2 – ASSESSED BUSINESSES

Business Name	Business Address	City/State/ZIP	Type
Adams Motel	2086 N. Main St.	Salinas, CA 93906	Limited Service
Adobe Inn	Dolores St & 8th Ave	Carmel-by-the-Sea, CA 93921	Full Service
Aloha Motel	235 Kern St.	Salinas, CA 93905	Limited Service
Americas Best Value Presidents Inn on Munras	1150 Munras Ave.	Monterey, CA 93940	Limited Service
Andril Cottages	569 Asilomar Ave	Pacific Grove CA 93950	Limited Service
Anton Inn	1095 Lighthouse Ave	Pacific Grove, CA 93950	Limited Service
Arbor Inn	1058 Munras Ave.	Monterey, CA 93940	Limited Service
Asilomar Conference Center	800 Asilomar Ave	Pacific Grove, CA	Full Service
Barlocker's Rustiling Oaks Ranch	25252 Limekiln Rd.	Salinas, CA 93908	Limited Service
Bay Park Hotel	1425 Munras Ave.	Monterey, CA 93940	Full Service
Bayside Inn	2055 N. Fremont St.	Monterey, CA 93940	Limited Service
Beachcomber Inn	1996 Sunset Dr	Pacific Grove CA 93950	Limited Service
Bernardus Lodge	415 Carmel Valley Rd.	Carmel Valley, CA 93924	Full Service
Best 5 Motel Salinas	1010 Fairview Ave	Salinas, CA 93901	Limited Service
Best Value Stage Coach Lodge	1111 10th St	Monterey, CA 93940	Limited Service
Best Value Surf Inn	1200 Munras Ave.	Monterey, CA 93940	Limited Service
Best Western Beach Dunes Inn	3290 Dunes Dr.	Marina, CA 93933	Limited Service
Best Western Carmel Bay View Inn	Junipero btwn 5th & 6th	Carmel-by-the-Sea, CA 93921	Limited Service
Best Western Carmel's Townhouse Lodge	N.W. Corner San Carlos & Fifth Ave.	Carmel-by-the-Sea, CA 93921	Limited Service
Best Western DeAnza Inn	2141 N. Fremont St.	Monterey, CA 93940	Limited Service
Best Western Magic Carpet Lodge	1875 Fremont Blvd.	Seaside, CA 93955	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Best Western Monarch Resort	1111 Lighthouse Ave	Pacific Grove CA 93950	Limited Service
Best Western Monterey Inn	825 Abrego St.	Monterey, CA 93940	Limited Service
Best Western Park Crest Motel	1100 Munras Ave.	Monterey, CA 93940	Limited Service
Best Western Plus Victorian Inn	487 Foam St.	Monterey, CA 93940	Limited Service
Best Western Salinas Monterey Hotel	175 Kern St.	Salinas, CA 93905	Limited Service
Best Western Salinas Valley Inn & Suites	187 Kern St.	Salinas, CA 93905	Limited Service
Best Western The Inn & Suites Pacific Grove	660 Dennett	Pacific Grove CA 93950	Limited Service
Bide-A-Wee Inn & Cottages	221 Asilomar Ave	Pacific Grove CA 93950	Limited Service
Big Sur Campground Inc.	47000 Hwy 1	Big Sur, CA 93920	Limited Service
Big Sur Lodge	Pfeiffer Big Sur State Park	Big Sur, Ca 93920-0190	Full Service
Big Sur River Inn	Hwy 1 at Pheneger Creek	Big Sur, CA 93920	Full Service
Blue Sky Lodge	10 Flight Rd.	Carmel Valley, CA 93924	Limited Service
Borg's Oceanfront Motel	635 Ocean View Blvd	Pacific Grove Ca 93950	Limited Service
Briarwood Inn	San Carlos btwn 4th & 5th	Carmel-by-the-Sea, CA 93921	Limited Service
Budget Inn Salinas	219 John St.	Salinas, CA 93901	Limited Service
Butterfly Grove Inn	1073 Lighthouse Ave	Pacific Grove CA 93950	Limited Service
Cabana Holiday Cabins	8710 Prunedale North Rd.	Prunedale, CA 93907	Limited Service
California Inn	736 N. Main St	Salinas, CA 93906	Limited Service
Candle Bay Inn	2118 N. Fremont St.	Monterey, CA 93940	Limited Service
Candlelight Inn (Inns by the Sea)	San Carlos between 4th & 5th	Carmel-by-the-Sea, CA 93921	Limited Service
Cannery Row Inn	200 Foam St.	Monterey, CA 93940	Limited Service
Capitol Motel	2110 N. Main St.	Salinas, CA 93906	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Captain's Inn at Moss Landing	Moss Landing Rd.	Moss Landing, CA 95039	Limited Service
Carmel Cottage Inn	San Antonio and (Box 5805), Eighth St	Carmel-By-The-Sea, CA 93921	Limited Service
Carmel Country Inn	Dolores St. & 3rd Ave.	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel Fireplace Inn	San Carlos & 4th	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel Forest Lodge	Ocean Ave at Torres & Mt. View	Carmel-By-the-Sea, CA 93921	Limited Service
Carmel Garden Court Inn	4th & Torres	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel Green Lantern Inn	Casanova at 7th	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel Inn and Suites	N.E. 5th & Junipero	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel Lodge	San Carlos & 5th	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel Mission Inn	3665 Rio Rd.	Carmel, CA 93923	Full Service
Carmel Oaks Inn	5th & Mission St.	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel Resort Inn	Carpenter & 2nd Ave.	Carmel-by-the-Sea, CA 93921	Limited Service
Carmel River Inn	Hwy 1 @ Oliver Road	Carmel, CA 93922	Limited Service
Carmel Valley Lodge	Carmel Valley Rd. at Ford Rd.	Carmel Valley, CA 93924	Limited Service
Carmel Valley Manor	8545 Carmel Valley Road	Carmel, CA 93923	Full Service
Carmel Valley Ranch	1 Old Ranch Rd.	Carmel, CA 93923	Full Service
Carmel Wayfarer Inn	4th Ave. at Mission	Carmel-by-the-Sea, CA 93921	Limited Service
Carriage House Inn (Inns by the Sea)	Junipero btwn 7th & 8th	Carmel-by-the-Sea, CA 93921	Limited Service
Casa de Carmel Inn	Monte Verde & 7th	Carmel-by-the-Sea, CA 93921	Limited Service
Casa Linda Motel	1109 N. Main St.	Salinas, CA 93906	Limited Service
Casa Munras, A Larkspur Hotel	700 Munras Ave.	Monterey, CA 93940	Full Service
Casa Palmero Pebble Beach	1518 Cypress Dr.	Pebble Beach, CA 93953	Full Service

Business Name	Business Address	City/State/ZIP	Type
Casa Verde Inn	2113 N. Fremont St.	Monterey, CA 93940	Limited Service
Castroville Motel	11656 Merritt St.	Castroville, CA 95012	Limited Service
Centrella Inn	612 Central Ave	Pacific Grove, CA 93950	Limited Service
Ciudad Del Rey Motel	50620 Mesa Verde Rd	King City, CA 93930	Limited Service
Coachman's Inn	San Carlos btwn 7th & 8th	Carmel-by-the-Sea, CA 93921	Limited Service
Colonial Terrace Inn	San Antonio btwn 12th & 13th	Carmel-by-the-Sea, CA 93921	Limited Service
Colton Inn	707 Pacific St..	Monterey, CA 93940	Limited Service
Comfort Inn - Carmel Hill	1252 Munras Ave.	Monterey, CA 93940	Limited Service
Comfort Inn - Carmel-by-the-Sea	Ocean Ave. & Torres St.	Carmel-by-the-Sea, CA 93921	Limited Service
Comfort Inn - Monterey Bay	2050 N. Fremont St.	Monterey, CA 93940	Limited Service
Comfort Inn - Monterey Peninsula Airport	1200 Olmsted Rd	Monterey, CA 93940	Limited Service
Comfort Inn - Munras Avenue	1262 Munras Ave.	Monterey, CA 93940	Limited Service
Comfort Inn & Suites - Marina	140 Reservation Rd.	Marina, CA 93933	Limited Service
Comfort Inn & Suites/Quality Inn Salinas	181 Kern St.	Salinas, CA 93905	Limited Service
Contenta Inn	20 Via Contenta	Carmel Valley, CA 93924	Limited Service
Continental Motel	1165 N. Main St.	Salinas, CA 93906	Limited Service
Country Inn	126 John St.	Salinas, CA 93901	Limited Service
Courtyard by Marriott Salinas Monterey	17225 El Rancho Way	Salinas, CA 93907	Full Service
Cypress Inn	Lincoln & 7th	Carmel-by-the-Sea, CA 93921	Limited Service
Days Inn	1226 De La Torre St.	Salinas, CA 93905	Limited Service
Days Inn of Monterey	1288 Munras Ave.	Monterey, CA 93940	Full Service
De Tierra Vineyards	503 Corral De Tierra Rd	Salinas, CA 93908-8950	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Deer Haven Inn & Suites	740 Crocker Ave	Pacific Grove CA 93950	Limited Service
Deetjen's Big Sur Inn	48865 Hwy 1	Big Sur, CA 93920	Full Service
Del Monte Pines Motel	1298 Munras Ave.	Monterey, CA 93940	Limited Service
Discovery Inn	1106 Fremont Blvd.	Seaside, CA 93955	Limited Service
Downtown Monterey - San Carlos Days Inn	850 Abrego St.	Monterey, CA 93940	Limited Service
Econo Lodge - Salinas	180 S. Sanborn Rd.	Salinas, CA 93905	Limited Service
Econo Lodge Bay Breeze	2049 Fremont Blvd.	Seaside, CA 93955	Limited Service
Econo Lodge Monterey Fairgrounds	2042 N. Fremont St.	Monterey, CA 93940	Limited Service
Economy Inn Salinas	214 John St.	Salinas, CA 93901	Limited Service
Economy Inn Seaside	1131 Fremont Blvd.	Seaside, CA 93955	Limited Service
Edgemere Cottages	San Antonio btwn 13th St. and Santa Lucia	Carmel-by-the-Sea, CA 93921	Limited Service
El Adobe Inn	936 Munras Ave.	Monterey, CA 93940	Limited Service
El Castell Motel	2102 N. Fremont St.	Monterey, CA 93940	Limited Service
El Dorado Motel	1351 N. Main St.	Salinas, CA 93906	Limited Service
El Llano Motel	861 Abbott St.	Salinas, CA 93901	Limited Service
El Rey Motel	443 West Market St.	Salinas, CA 93901	Limited Service
El Sombrero Motel	210 Abbott St.	Salinas, CA 93901	Limited Service
Embassy Suites Hotel & Conference Center	1441 Canyon Del Rey	Seaside, CA 93955	Full Service
Esalen Institute	55000 Hwy One	Big Sur, CA 93920	Full Service
Fernwood Resort (Hotel/Motel)	47200 Hwy 1	Big Sur, CA 93920	Limited Service
Fireside Lodge-Monterey	1131 10th St.	Monterey, CA 93940	Limited Service
Gateway Lodge Motel	1909 Fremont Blvd.	Seaside, CA 93955	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Good Nite Inn	545 Work St.	Salinas, CA 93901	Limited Service
Gorda Springs Resort	Hwy 1	Gorda, CA 93920	Limited Service
Gosby House Inn	643 Lighthouse Ave	Pacific Grove, CA 93950	Limited Service
Green Gables Inn	301 Ocean View Blvd.	Pacific Grove, CA 93950	Limited Service
Hacienda Guest Lodge	PO Box 631	Jolon, CA 93928	Limited Service
Hampton Inn & Suites Salinas	523 Work St	Salinas, CA 93901	Limited Service
Happy Landing Inn	Monte Verde btwn 5th & 6th	Carmel-by-the-Sea, CA 93921	Limited Service
Hidden Valley Inn (Country Garden Inns)	102 W. Carmel Valley Rd.	Carmel Valley, CA 93924	Limited Service
Highlands Inn, Hyatt Vacation Club	120 Highlands Dr.	Carmel, CA 93923	Full Service
Hilton Garden Inn Monterey	1000 Aguajito Rd.	Monterey, CA 93940	Full Service
Hofsas House	San Carlos & 4th	Carmel-by-the-Sea, CA 93921	Limited Service
Holiday Inn Express - Cannery Row Hotel	443 Wave St.	Monterey, CA 93940	Limited Service
Holiday Inn Express - Monterey Bay	1400 Del Monte Blvd.	Seaside, CA 93955	Limited Service
Holiday Inn Express & Suites - Marina	189 Seaside Cir.	Marina, CA 93955	Limited Service
Holman Ranch	60 Holman Rd	Carmel Valley, CA 93924	Limited Service
Horizon Inn/Ocean View Lodge	Junipero & 3rd	Carmel-by-the-Sea, CA 93921	Limited Service
Hotel 1110	1110 Del Monte Ave	Monterey, CA 93940	Limited Service
Hotel Abrego	755 Abrego St.	Monterey, CA 93940	Limited Service
Hotel Carmel	4th & San Carlos	Carmel-by-the-Sea, CA 93921	Limited Service
Hotel Pacific (Inns of Monterey)	300 Pacific St.	Monterey, CA 93940	Limited Service
Howard Johnson Inn - Salinas	131 John St.	Salinas, CA 93901	Limited Service
Howard Johnson Inn Marina at Monterey Bay	416 Reservation Rd.	Marina, CA 93933	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Hyatt Regency Monterey Resort & Spa	1 Old Golf Course Rd.	Monterey, CA 93940	Full Service
IHG Army Hotels Buildings 366 & 367	Presido Of Monterey	Monterey, CA 93944	Limited Service
Inn at The Pinnacles	32025 Stonewall Canyon Rd	Soledad, CA 93960	Limited Service
Inns of California Salinas	555 Airport Blvd.	Salinas, CA 93905	Limited Service
Intercontinental The Clement Monterey	750 Cannery Row	Monterey, CA 93940	Full Service
Knights Inn Carmel Hill Lodge	1374 Munras Ave.	Monterey, CA 93940	Limited Service
La Playa Hotel	8th & Camino Real	Carmel-by-the-Sea, CA 93921	Full Service
La Quinta Inn Monterey	2401 Del Monte Ave.	Monterey, CA 93940	Limited Service
Laguna Lodge	430 Reservation Rd.	Marina, CA 93933	Limited Service
Lake San Antonio Resort (Hotel/Motel)	74255 San Antonio Rd.	Bradley, CA 93426	Limited Service
Lamp Lighter Inn	Ocean & Camino Real	Carmel-by-the-Sea, CA 93921	Limited Service
L'Auberge Carmel	Monte Verde & 7th	Carmel-by-the-Sea, CA 93921	Full Service
Laurel Inn & Conference Center	801 W. Laurel Dr.	Salinas, CA 93906	Limited Service
Lighthouse Lodge & Suites	1249 Lighthouse Ave	Pacific Grove CA 93950	Limited Service
Lincoln Green Inn	26200 Carmelo Street	Carmel-by-the-Sea, CA 93921-2747	Limited Service
Lobos Lodge	Ocean Ave. & Monte Verde	Carmel-by-the-Sea, CA 93921	Limited Service
Lone Oak Lodge	2221 N. Fremont St.	Monterey, CA 93940	Limited Service
Los Laureles Lodge	313 W. Carmel Valley Rd.	Carmel Valley, CA 93924	Full Service
Lovers Point Inn	625 Ocean View Blvd	Pacific Grove CA 93950	Limited Service
Lucia Lodge	62400 Hwy 1	Lucia, CA 93920	Limited Service
Mariposa Inn	1386 Munras Ave.	Monterey, CA 93940	Limited Service
Martine Inn	255 Ocean View Blvd	Pacific Grove, CA 93950	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Merritt House Inn	386 Pacific St.	Monterey, CA 93940	Limited Service
Mission Ranch Resort	26270 Dolores St.	Carmel, CA 93923	Full Service
Monte Verde Inn	Monte Verde & Ocean Ave.	Carmel-by-the-Sea, CA 93921	Limited Service
Monterey Bay Inn (Inns of Monterey)	242 Cannery Row	Monterey, CA 93940	Limited Service
Monterey Bay Lodge	55 Camino Aguajito Rd.	Monterey, CA 93940	Limited Service
Monterey Bay Travelodge	2030 N. Fremont St.	Monterey, CA 93940	Limited Service
Monterey Beach Dunes Inn	3280 Dunes Dr.	Marina, CA 93933	Limited Service
Monterey Downtown Travelodge	675 Munras Ave.	Monterey, CA 93940	Limited Service
Monterey Fireplace Inn	2362 N. Fremont St.	Monterey, CA 93940	Limited Service
Monterey Hostel	778 Hawthorne St.	Monterey, CA 93940	Limited Service
Monterey Marriott Hotel	350 Calle Principal	Monterey, CA 93940	Full Service
Monterey Oceanside Inn	2030 Del Monte Ave.	Monterey, CA 93940	Limited Service
Monterey Peninsula Inn	1101 Lighthouse Ave	Pacific Grove, CA 93950	Limited Service
Monterey Plaza Hotel & Spa	400 Cannery Row	Monterey, CA 93940	Full Service
Monterey Tides	2600 Sand Dunes Dr.	Monterey, CA 93940	Full Service
Motel 6 - Marina	100 Reservation Rd.	Marina, CA 93933	Limited Service
Motel 6 - Monterey	2124 N. Fremont St.	Monterey, CA 93940	Limited Service
Motel 6 - Monterey Downtown	1240 Munras Ave.	Monterey, CA 93940	Limited Service
Motel 6 - Salinas #639	1257 De La Torre St.	Salinas, CA 93905	Limited Service
Motel 6 - Salinas North #1370	140 Kern St.	Salinas, CA 93905	Limited Service
Motel 6 (Artichoke Inn)	10341 Merritt St.	Castroville, CA 95012	Limited Service
Munras Lodge	1010 Munras Ave.	Monterey, CA 93940	Limited Service
Normandy Inn	Ocean Ave & Monte Verde	Carmel-by-the-Sea, CA 93921	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Old Marina Inn	3110 Del Monte Blvd.	Marina, CA 93933	Limited Service
Old Monterey Inn	500 Martin St.	Monterey, CA 93940	Limited Service
Old St Angela Inn	321 Central Ave	Pacific Grove CA 93950	Limited Service
Pacific Best Inn	1141 Fremont Blvd.	Seaside, CA 93955	Limited Service
Pacific Gardens Inn	701 Asilomar Blvd	Pacific Grove CA 93950	Limited Service
Pacific Inn Monterey	2332 N. Fremont St.	Monterey, CA 93940	Limited Service
Padre Oaks Motel	1278 Munras Ave.	Monterey, CA 93940	Limited Service
PAL Rest Easy LLC	11580 Great Oaks Way	Jolon, CA 93928	Limited Service
Paraiso Hot Springs Resort	34358 Paraiso Springs Rd	Soledad, CA 93960	Limited Service
Parkfield Inn	70410 Parkfield Coalinga Rd.	Parkfield, CA 93451	Limited Service
Pelican Inn Monterey	1182 Cass St.	Monterey, CA 93940	Limited Service
Pine Inn	Ocean Ave. & Monte Verde	Carmel-by-the-Sea, CA 93921	Full Service
Portola Hotel and Spa at Monterey Bay	2 Portola Plaza	Monterey, CA 93940	Full Service
Post Ranch Inn	47900 Hwy 1	Big Sur, CA 93920	Full Service
Prunedale Motor Lodge	1017 El Camino Real N	Prunedale, CA 93907-3359	Limited Service
Quail Lodge	8205 Valley Greens Dr.	Carmel Valley, CA 93923	Full Service
Quality Inn - Monterey Fairgrounds	2075 N. Fremont St.	Monterey, CA 93940	Limited Service
Quality Inn Salinas	144 Kern St.	Salinas, CA 93905	Limited Service
Ramada Inn - Marina	323 Reservation Rd.	Marina, CA 93933	Limited Service
Ramada Limited	2058 N. Fremont St.	Monterey, CA 93940	Limited Service
Red Roof Inn and Suites	2227 N. Fremont St.	Monterey, CA 93940	Limited Service
Residence Inn by Marriott	17215 El Rancho Way	Salinas, CA 93907	Full Service

Business Name	Business Address	City/State/ZIP	Type
Rex Motel	305 Kern St.	Salinas, CA 93905	Limited Service
Ripplewood Resort	Hwy 1	Big Sur, CA 93920	Full Service
Riverside Campgrounds and Cabins	Hwy 1	Big Sur, CA 93920	Limited Service
Rodeway Inn Monterey	2041 Fremont St.	Monterey, CA 93940	Limited Service
Rosedale Inn	775 Asilomar Blvd	Pacific Grove CA 93950	Limited Service
Royal Hotel/Cortes Hotel	201 E. Market St.	Salinas, CA 93901	Limited Service
Salinas Inn	1030 Fairview Ave.	Salinas, CA 93905	Limited Service
Salinas Valley Motel	2100 North Main St.	Salinas, CA 93905	Limited Service
Sanctuary Beach Resort	3295 Dunes Drive	Marina, Ca 93933	Full Service
Sandcastle Inn	1011 Autocenter Pkwy.	Seaside, CA 93955	Limited Service
Sandpiper Inn-by-the-Sea	2408 Bay View Ave.	Carmel, CA 93923	Limited Service
Sea Breeze Inn & Cottages (Monterey Peninsula Inns)	1100 Lighthouse Ave	Pacific Grove, CA 93950	Limited Service
Sea Lamp Inn	2201 Del Monte Blvd.	Seaside, CA 93955	Limited Service
Sea View Inn	Camino Real btwn 11th & 12th	Carmel-by-the-Sea, CA 93921	Limited Service
Seaside Inn	1986 Del Monte Blvd.	Seaside, CA 93955	Limited Service
Seven Gables Inn	555 Ocean View Blvd	Pacific Grove, CA 93950	Limited Service
Spindrift Inn	652 Cannery Row	Monterey, CA 93940	Full Service
SpringHill Suites The Dunes on Monterey Bay	215 10th St	Marina, CA 93933	Limited Service
Star Motel	1161 N. Main St.	Salinas, CA 93906	Limited Service
Stargazer Inn and Suites	1046 Munras Ave.	Monterey, CA 93940	Limited Service
Steinbeck Lodge	109 John St.	Salinas, CA 93901	Limited Service
Stonepine Estate Resort	150 E. Carmel Valley Rd.	Carmel Valley, CA 93924	Full Service

Business Name	Business Address	City/State/ZIP	Type
Sunset House	2 SE Camino Real	Carmel-by-the-Sea, CA 93921	Limited Service
Sunset Inn	133 Asilomar Blvd	Pacific Grove, CA 93950	Limited Service
Super 8 - Fremont	2120 N. Fremont St.	Monterey, CA 93940	Limited Service
Super 8 - Munras	1300 Munras Ave.	Monterey, CA 93940	Limited Service
Sure Stay Inn by Best Western	1893 Fremont Blvd.	Seaside, CA 93955	Limited Service
Svendsgaard's Inn (Inns by the Sea)	4th & San Carlos	Carmel-by-the-Sea, CA 93921	Limited Service
Tally Ho Inn	Monte Verde & 6th	Carmel-by-the-Sea, CA 93921	Limited Service
Tassajara Zen Mountain Center	39171 Tassajara Rd.	Tassajara Hot Springs, CA 93924	Limited Service
The Bunkhouse	34750 Fort Romie Rd	Soledad, CA 93960-9672	Limited Service
The Getaway	Ocean & Junipero	Carmel-by-the-Sea, CA 93921	Limited Service
The Glen Oaks	47080 Hwy 1	Big Sur, CA 93920	Limited Service
The Hideaway	Junipero btwn 7th & 8th	Carmel-by-the-Sea, CA 93921	Limited Service
The Holly Farm	9200 Carmel Valley Rd.	Carmel, CA 93923	Limited Service
The Homestead	Lincoln at 8th	Carmel-by-the-Sea, CA 93923	Limited Service
The Inn at Spanish Bay	2700 17 Mile Drive	Pebble Beach, CA 93953	Full Service
The Jabberwock	598 Laine St.	Monterey, CA 93940	Limited Service
The Lodge at Pebble Beach	1700 17 Mile Dr.	Pebble Beach, CA 93953	Full Service
The Monterey Hotel	406 Alvarado St.	Monterey, CA 93940	Limited Service
The Olympia Lodge	1140 Lighthouse	Pacific Grove CA 93950	Limited Service
The Tradewinds at Carmel	Mission & 3rd	Carmel-by-the-Sea, CA 93921	Limited Service
Thunderbird Motel	1933 Fremont Blvd.	Seaside, CA 93955	Limited Service

Business Name	Business Address	City/State/ZIP	Type
Tickle Pink Inn	155 Highland Dr.	Carmel Highlands, CA 93923	Limited Service
Travel Inn Salinas	425 Monterey St.	Salinas, CA 93901	Limited Service
Traveler's Hotel	16 1/2 East Gabilan St.	Salinas, CA 93901	Limited Service
Treebones Resort	71895 Hwy 1	Big Sur, CA 93920	Limited Service
Vagabond Inn Salinas	131 Kern St.	Salinas, CA 93905	Limited Service
Vagabond's House Inn	Dolores & 4th	Carmel-by-the-Sea, CA 93921	Limited Service
Vendange Carmel Inn & Suites	24815 Carpenter St.	Carmel-by-the-Sea, CA 93921	Limited Service
Ventana Inn & Spa	Highway 1 South	Big Sur, CA 93920	Full Service
Villa Franca Inn	900 Munras Ave.	Monterey, CA 93940	Limited Service
Vision Quest Safari Bed & Breakfast	400 River Rd.	Salinas, CA 93908	Limited Service
Wagon Wheel Motel	1217 N. Main St.	Salinas, CA 93906	Limited Service
Wave Street Inn	571 Wave St.	Monterey, CA 93940	Limited Service
Wayside Inn (Inns by the Sea)	7th & Mission	Carmel-by-the-Sea, CA 93921	Limited Service
Western Skylodge Motel	6 South Wood St.	Salinas, CA 93905	Limited Service
Wilkies Inn, The	1038 Lighthouse Ave	Pacific Grove CA 93950	Limited Service
Willow Lodge	719 South Main St.	Salinas, CA 93901	Limited Service

APPENDIX 3 – TOURISM ECONOMICS STUDY

Competitive Analysis of Funding: Monterey, California

March 2017

MONTEREY
Monterey County Convention & Visitors Bureau

TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

Table of Contents

Executive Summary

Overview

The Monterey County Convention and Visitors Bureau (MCCVB) engaged Tourism Economics (“we”) to analyze market share and the return on investment of the publicly funded TID. In addition to this analysis, our report reviews the performance of Monterey County’s tourism sector, the role of the MCCVB in attracting visitors to the area, the economic rationale for tourism promotion, and case studies of changes in destination marketing organization (DMO) funding. This executive summary follows the structure of the accompanying report, with eight main sections.

1) Monterey County’s Tourism Sector Overview and Recent Performance

Visitors to Monterey County spent $2.7 billion in 2015. This spending directly generates (i.e. not including indirect and induced effects) 24,390 jobs, $1.1 billion in income, and $240 million in state and local taxes. 10% of all jobs and 5% of all income in Monterey County is directly attributable to tourism (source: BEA).

Monterey County’s share of the state’s total room demand has increased slightly to 2.21% in 2016 from 2.12% in 2011. While a 0.09 percentage point increase in the share of rooms booked may appear slight, travelers booked 141 million rooms in California in 2016, and therefore a 0.09% increase in share equates to 118,000 more room nights in Monterey County.

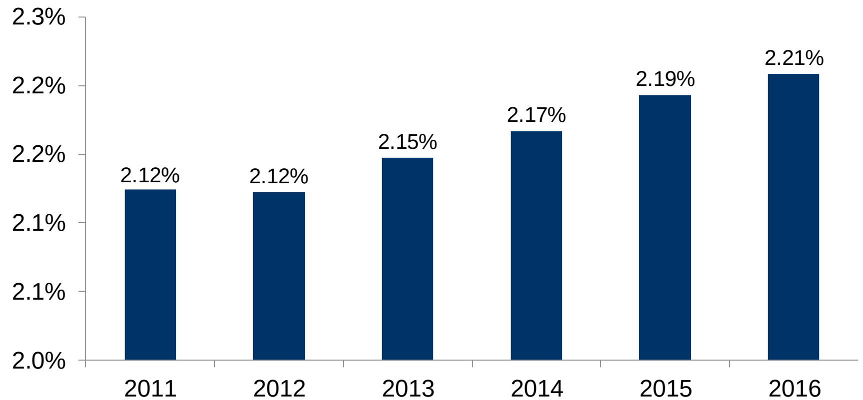
Key tourism indicators in Monterey County

Dollar figures are in millions	2015 value	Share of Central Coast total	Share of California total
Total visitor spending	**$2,709**	**33.5%**	**2.2%**
Earnings	**$1,111**	**39.5%**	**2.7%**
Employment	**24,390**	**30.8%**	**2.4%**
State and local taxes	**$240**	**34.8%**	**1.5%**

Source: Dean Runyan Associates

Monterey County's market share

Percent of California's total room demand



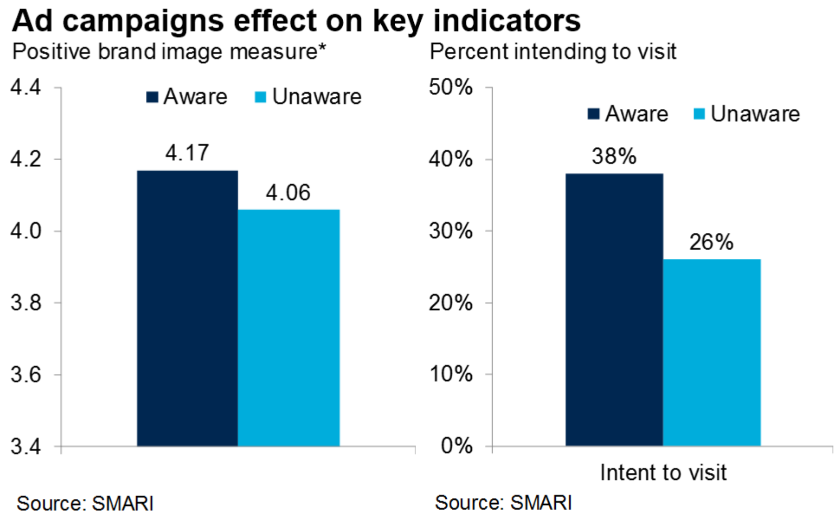
*Central Coast, Central Valley, San Fransisco Bay Area
Source: STR

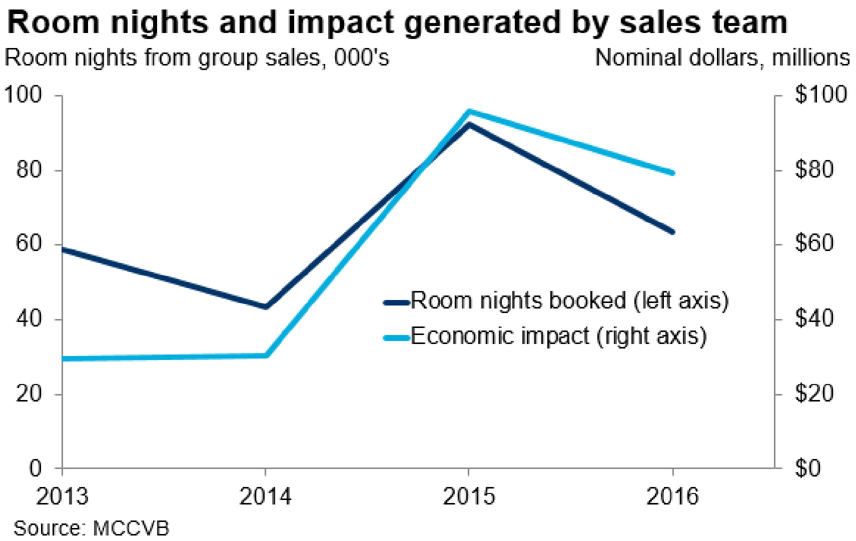
Executive Summary

2) MCCVB Performance

In 2016, the MCCVB sales team facilitated 87,500 room nights for groups, or 2.8% of all room nights in Monterey County. These bookings generated $74 million in local economic impact.

The MCCVB also manages media campaigns targeted toward the leisure market. Study results demonstrate the campaign's effectiveness. 38% of individuals that recall seeing media produced by the MCCVB ("Aware") report that they intend to visit in the future vs only 26% of those not aware of the MCCVB's advertisements.





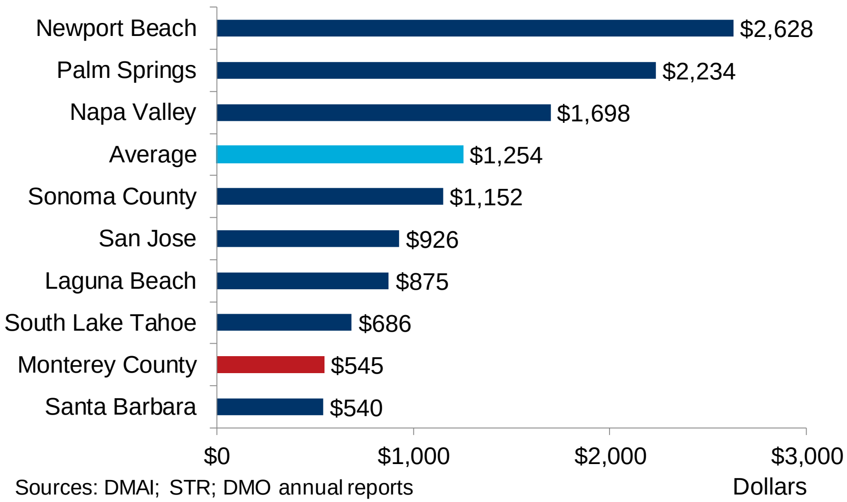
Executive Summary

3) Competitive Analysis of Funding

An analysis of public DMO funding in comparison to the size of similar and competing destinations indicates that the MCCVB is considerably underfunded. While the MCCVB receives only slightly less total public funding than its average competitor, the MCCVB represents a much larger tourism sector than its typical competitor. On a per hotel room basis, we find that the MCCVB receives only 43% of the funding suggested by its benchmark set.

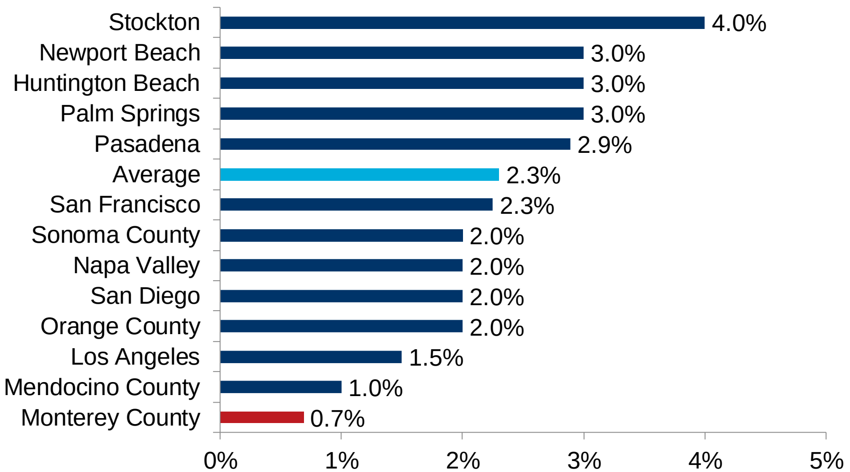
Analysis reveals that Monterey County's TID assessment rate (hotel tax rate) of 0.7%, is well below the average rate of 2.3%. In fact, Monterey County levies the lowest assessment of any destination examined.

Public funding per hotel room



Sources: DMAI; STR; DMO annual reports

Assessment rates in California TIDs



Sources: DMAI; STR; DMO annual reports

Executive Summary

4) Impacts of the TID on Monterey County's Economy

Monterey county relies on the TID to be competitively funded in comparison to competing destinations. The TID comprises 83% of the public funding necessary to compete suggested by our benchmarking analysis.

To analyze the impact of the TID, we create two scenarios, a **Non-TID Scenario (or Absence of TID)** and a **Baseline Scenario** in which the TID remains in place. We estimate the fiscal and economic impacts of these two scenarios

In 2020, our **Baseline Scenario** forecasts MCCVB receiving $7.6 million in public funding. In the **Non-TID Scenario**, the MCCVB receives $3.2 million in public funding, a decrease of $4.4 million. We estimate that this level of funding would result in $128.9 million of lost visitor spending.

On a cumulative basis, from 2018-2022, we forecast that the TID for Monterey County contributes $518 million in visitor spending. This spending in turn delivers a total of $36 million in state and local tax revenue. Additionally, 782,000 total room nights and $174 million in room revenue result from the TID. To put this into perspective, a medium-sized hotel (100 rooms) with a destination average ADR ($222) gains 1,600 rooms and $360,000 in room revenue.

DMO revenue and visitor spending in two scenarios, 2020

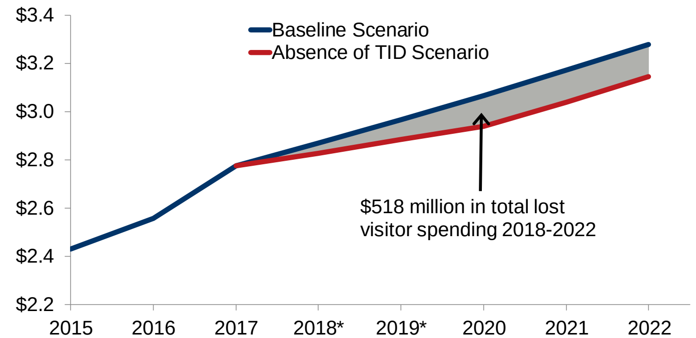
Dollar figure in millions

	Baseline Scenario	Absence of TID Scenario
TID revenue	$4.4	--
Hotel tax revenue	$2.9	$2.9
Private revenue	$0.3	$0.3
Total MCCVB revenue	$7.6	$3.2
Total Funding decrease relative to baseline	--	$4.4
Total decrease in marketing spending (90%)	--	$4.0
Anticipated total ROI on lost marketing spending	--	32-to-1
Decrease in visitor spending	--	**$128.9**
Total visitor spending	$3,067	$2,938

Sources: Tourism Economics

Visitor spending in two scenarios

Nominal dollars, billions



*Cool-down years in which the full impact of funding decrease is not realized
Source: Tourism Economics

Executive Summary

Appendix 1: Methodology

We combine previous research and widely accepted techniques to calculate how increased DMO funding will increase visitor spending and the economic impacts of tourism on the Monterey County economy.

Appendix 2: The economic rationale for destination marketing

The case for destination marketing is broad and compelling. The need for strong destination marketing is connected to the characteristics of the tourism sector, the dynamics of travel markets, and proven economic returns of effective marketing. Destination marketing plays an integral and indispensable role in the competitiveness of the local tourism economy by addressing three challenges. In addition to addressing key challenges, catalytic impacts make tourism promotion integral to Monterey County's tourism sector and economy as a whole.

Appendix 3: Case study review

A case study review demonstrates the important role of the destination marketing organization (DMO) on the local tourism economy, and validates the need for competitive destination funding. When destinations such as Colorado and San Diego significantly reduced destination marketing, profound negative impacts on visitation soon followed. Conversely, providing increased levels of funding has been shown to drive tourism growth and positively contribute to regional and national perceptions, such as the case with the "Pure Michigan" campaign.

1) Monterey’s Tourism Sector Overview and Recent Performance

Tourism is a major driver of the Monterey County economy

In 2015, visitors spent $2.7 billion in Monterey County, generating 24,400 jobs and $1.1 billion in local income

The following pages detail the size of Monterey County's tourism sector along with trends in the tourism sector.

Visitors to Monterey County spent $2.7 billion in 2015. The majority of this spending accrues to the accommodations and food services sectors.

This spending directly generates (i.e. not including indirect and induced effects) 24,390 jobs, $1.1 billion of income, and $240 million in state and local taxes.

10% of all jobs and 5% of all income in Monterey County is directly attributable to tourism (source: BEA).

Monterey County represents approximately one-third of the Central Coast region's tourism sector and over 2% of the state's tourism sector.

Key tourism indicators in Monterey County

Dollar figures are in millions	2015 value	Share of Central Coast total	Share of California total
Total visitor spending	**$2,709**	**33.5%**	**2.2%**
Accommodations	$680	36.2%	2.9%
Food Service	$797	36.1%	2.8%
Food Stores	$73	27.2%	2.0%
Local Tran. & Gas	$203	22.0%	1.2%
Arts, Ent. & Rec.	$356	35.7%	2.2%
Retail Sales	$491	34.7%	2.9%
Visitor Air Tran.	$18	28.6%	0.3%
Other travel spending	$91	27.9%	0.9%
Earnings	**$1,111**	**39.5%**	**2.7%**
Employment	**24,390**	**30.8%**	**2.4%**
State and local taxes	**$240**	**34.8%**	**1.5%**

Source: Dean Runyan Associates

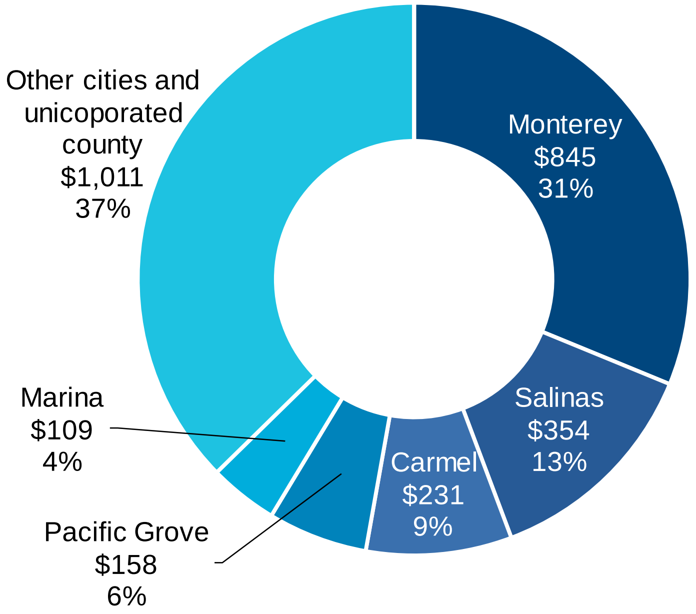
Visitor spending is distributed throughout the county

While the city of Monterey receives the most visitor spending, all local communities benefit from the tourism sector

31% of all spending in Monterey County, or $845 million, occurs in the City of Monterey. While the City of Monterey receives the most spending, smaller cities like Marina and Pacific Grove receive over $100 million annually.

Visitor spending in Monterey County, 2015

Nominal dollars, millions, and percent of total



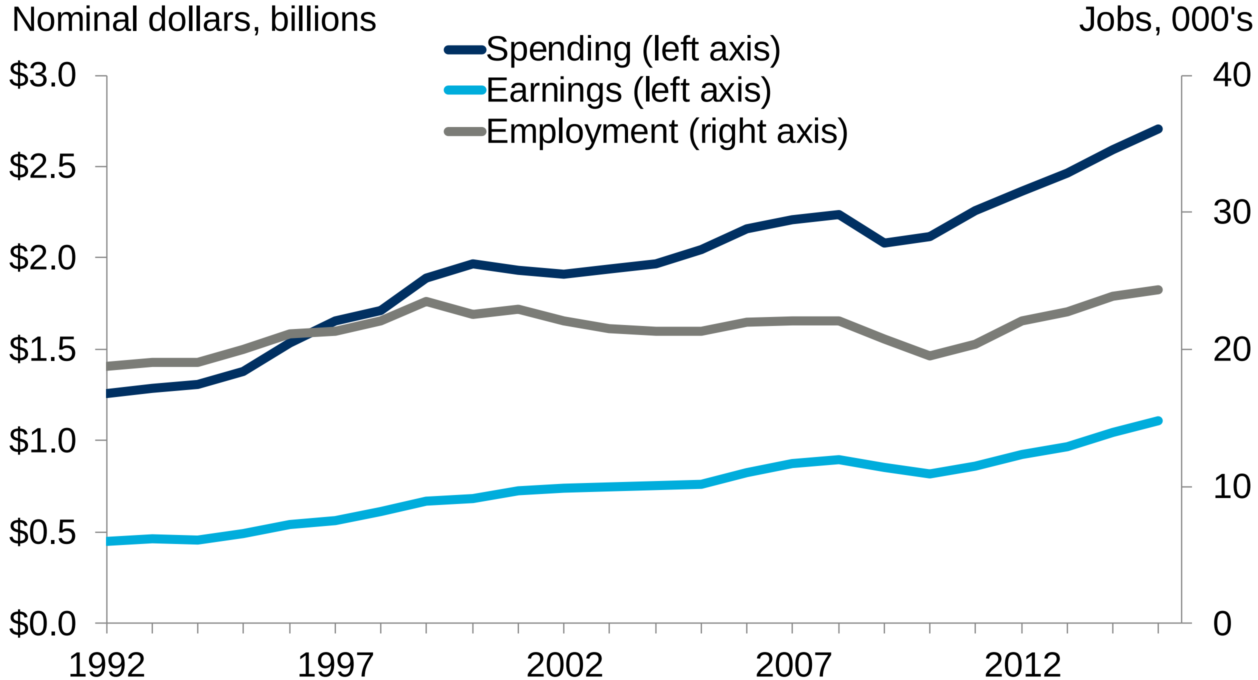
Source: Dean Runyan Associates

The impact of tourism is rapidly increasing

Visitor spending is up 30% in six years

Visitor spending reached $2.7 billion in 2015, up from $2.1 billion in 2009, a 30% increase in six years. Over the same period, employment is up 18%, income is up 31%, and tax revenue is up 27%.

Key tourism impacts in Monterey County



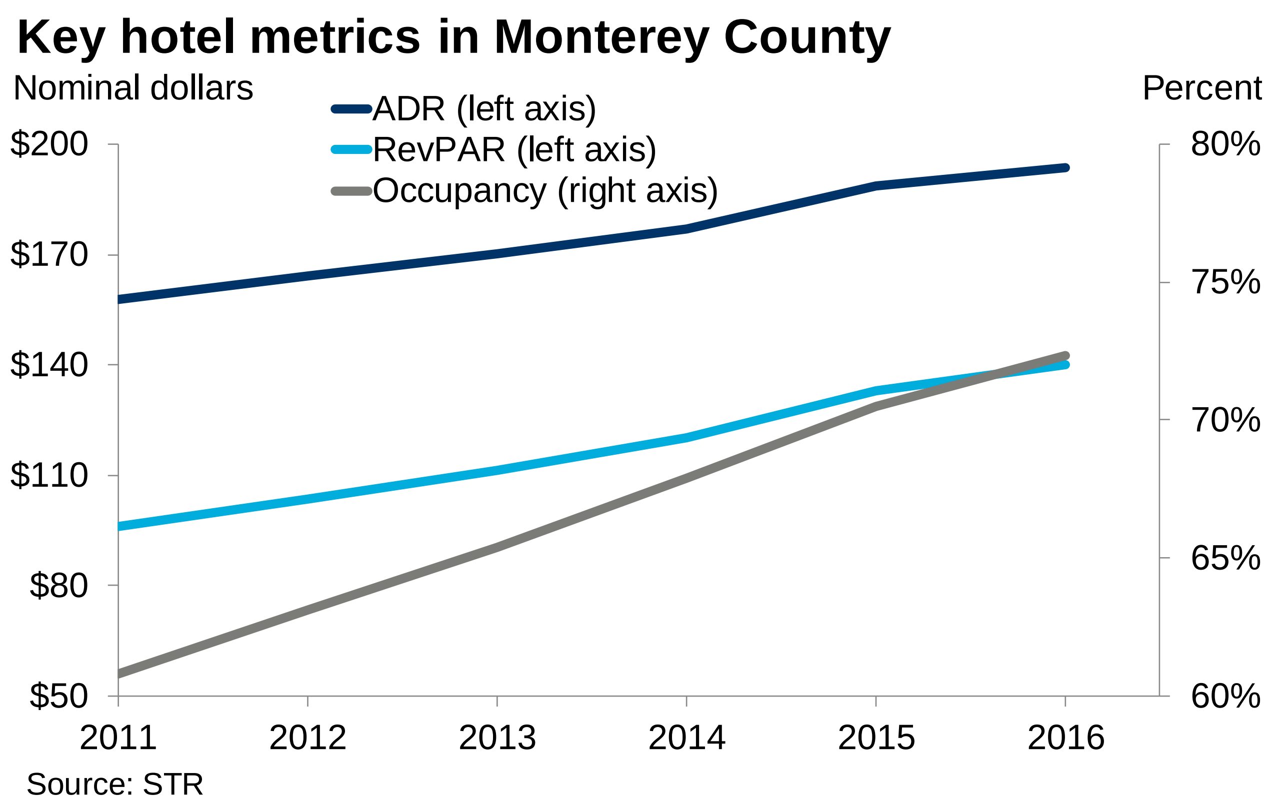
Source: Dean Runyan Associates

Hotel sector KPIs are rising steadily

ADR reached $194 and RevPAR reached $140 in 2016

Hotel sector KPIs (key performance indicators) have grown at a steady rate since 2011.

- ADR (average daily rate) increased to $194 from $158.
- RevPAR (revenue per available room) increased to $140 from $96.
- Occupancy rate increased to 72% from 61%.



Total room demand is growing at a healthy rate

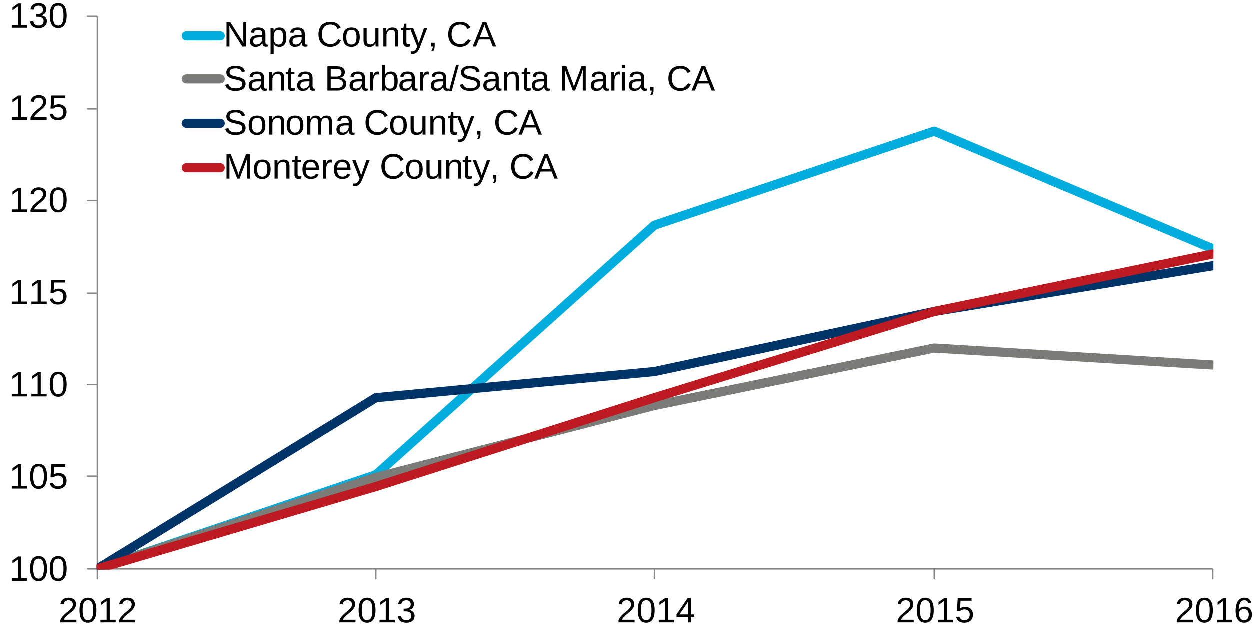
Monterey County has grown at a similar rate as competing destinations

Room demand in Monterey County has grown 17% since 2012. This is higher than Santa Barbara's growth, and roughly equivalent to growth in Napa County and Sonoma County.

This indicates that Monterey County is growing at a similar rate as its nearby competitive destinations.

Growth in hotel room demand, 2012-2016

Index (2012=100)



Source: STR

Monterey County’s share of room demand in the state has increased

The increase may appear slight, but represents 118,000 additional room nights

Room demand may be the best measure of change in market share as it directly reflects the size of the overnight tourism market, and overnight tourists account for the majority of visitor spending.

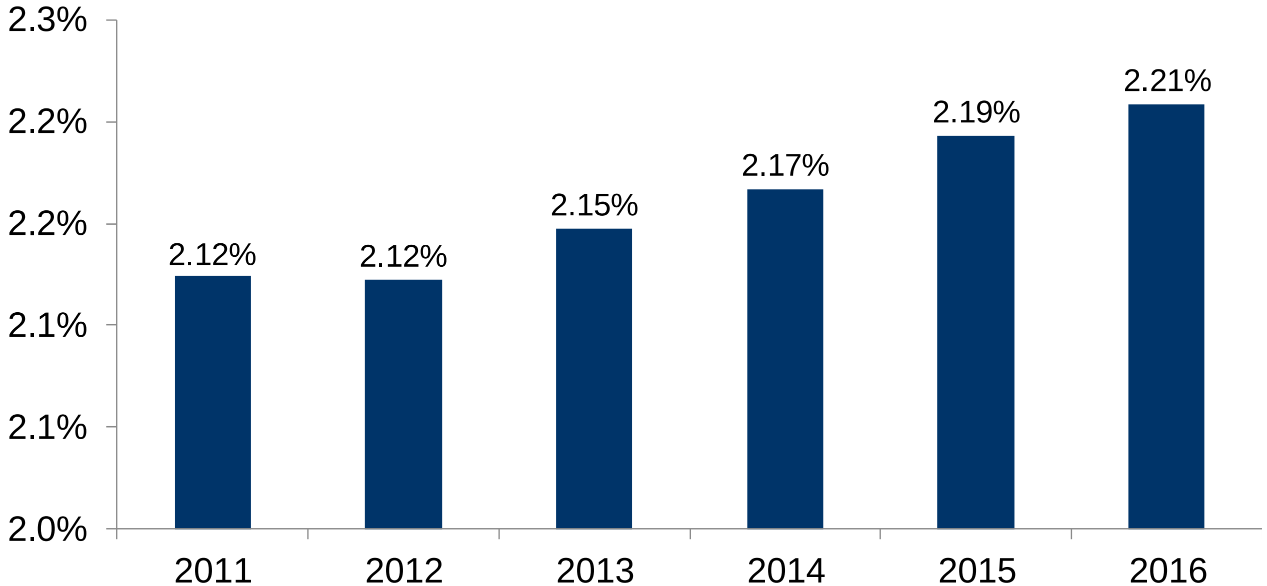
Monterey County’s share of the state’s total room demand has increased slightly to 2.21% in 2016 from 2.12% in 2011.

While a 0.09 percentage point increase in the share of rooms booked may appear small, travelers booked 141 million rooms in California in 2016, and therefore a 0.09% increase in share equates to 118,000 more room nights in Monterey County.

All trends examined indicate that tourism in Monterey County is experiencing healthy growth.

Monterey County's market share

Percent of California's total room demand



*Central Coast, Central Valley, San Fransisco Bay Area
Source: STR

2) MCCVB Performance

The Monterey County Convention & Visitor Bureau (MCCVB) is an engine that drives the growth of Monterey County's tourism sector

The MCCVB utilizes a variety of complementary channels to encourage potential travelers to visit and spend the night in Monterey County

Hosting SeeMonterey.com

- Engineered a major reconfiguration of the site in 2016 based on stakeholder feedback
- Created a "Utrip" feature which allows visitors to create customized itineraries
- Hosted 1.7 million unique visitors in 2016

Creating online and social media campaigns

- Partners with LATimes.com and SFGate.com to create an online Monterey content hub that garnered 121,000 story reads
- The Big Blue Live Sweepstakes earned 1.3 billion(!) total media impressions
- Engages over 100k Facebook fans, 18k Twitter Followers, and 13k Instagram followers

Working with industry professionals

- Hosted 14 FAM tours with 144 agents and operators
- Facilitated 87,500 room nights for groups, or 2.8% of all room nights in Monterey County

Catering to Group Sales experiences

- The MCCVB's Strategic Client Services Department works to create programs that add additional value to group experiences
- Site inspections allow potential meeting professionals to see the hotels and venues
- Microsites and custom maps ensure that each group's unique needs and desires are catered to

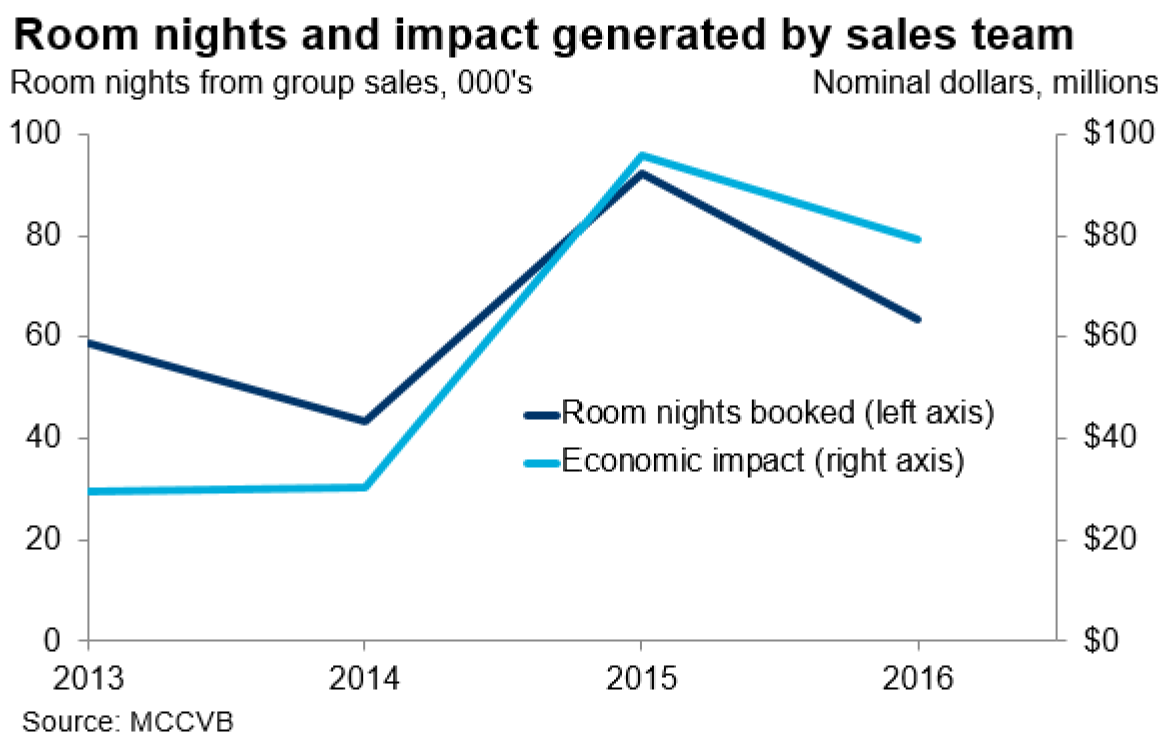
Booking large groups and generating millions of dollars in economic impact

In 2016, the MCCVB sales team facilitated 87,500 room nights and created a total economic impact of $79 million

The following slides detail the major impacts that the MCCVB has on the Monterey County tourism sector and the Monterey County brand.

The MCCVB sales team actively pursues group bookings for Monterey County hotels.

In 2016, the sales team facilitated 87,500 rooms for group bookings; this equates to 2.8% of all Monterey County room nights. These bookings generated $79 million in local economic impact.



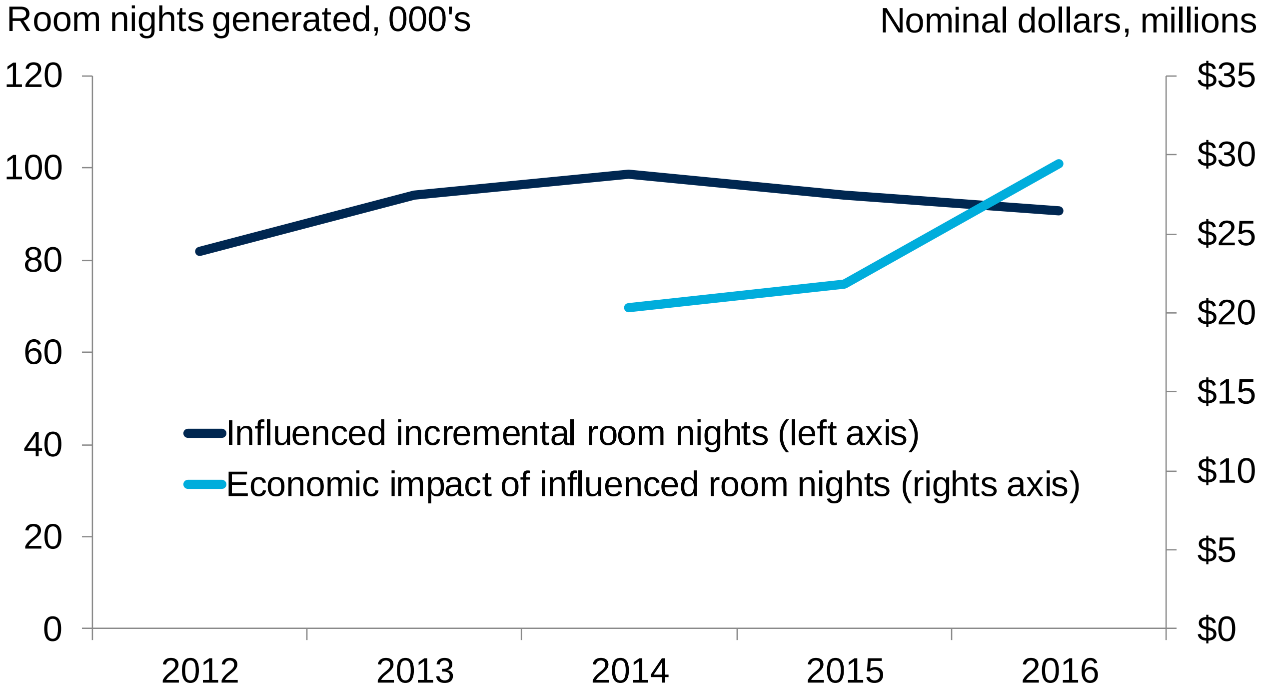
Influencing visitors to spend the night

Visitor Services Specialists work to encourage visitors to lengthen their stays and spend more money in Monterey County

The Monterey Visitors Center serves as a local tourism hub and encourages inquisitive visitors to stay in Monterey longer and spend more money at local businesses. In 2016, 62% of visitors served by Visitor Services Specialists extended their stay as a result of their interaction.

In addition to influencing visitors at the official visitors center, the MCCVB operated satellite services at 43 local events and conferences. In 2015-16, 108,000 visitors were assisted by specialists, these meetings generated 90,700 incremental room nights and $29 million in additional visitor spending.

Visitor services



Source: MCCVB

Promoting Monterey County as a destination

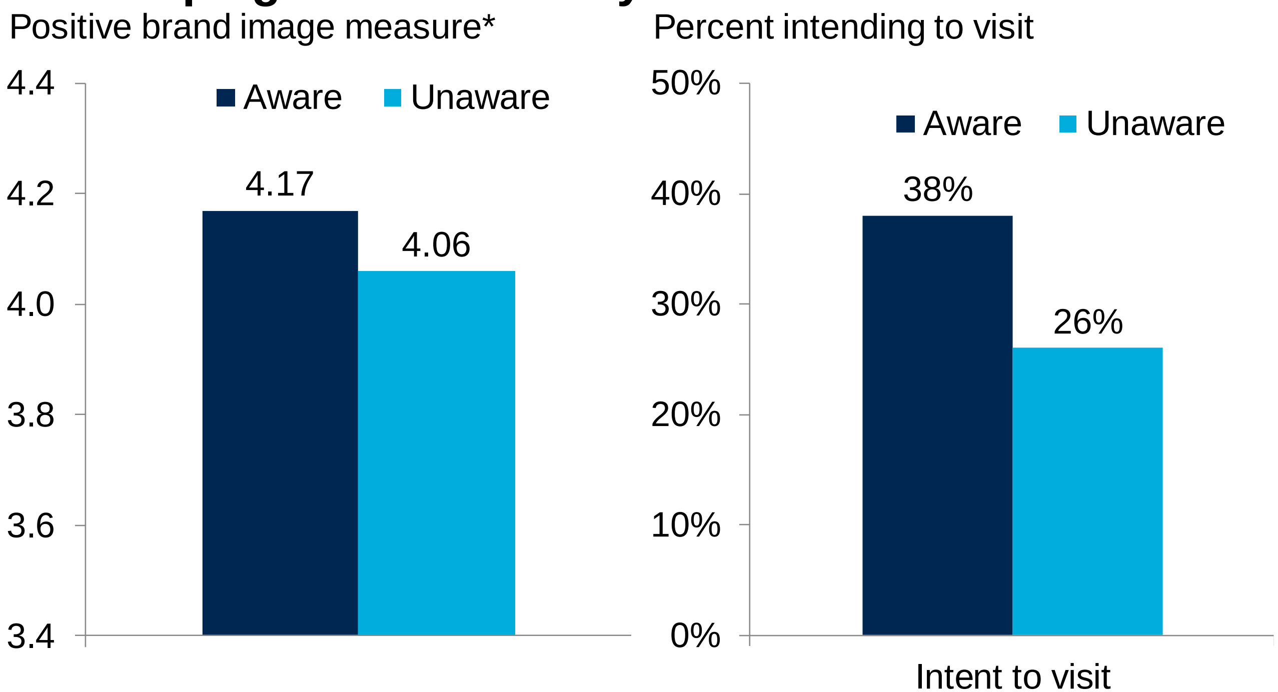
Media campaigns increase perceptions of Monterey County and make travelers more likely to visit Monterey County

The MCCVB has partnered with Strategic Marketing & Research Inc. (SMARI) to measure the impact of its advertising campaigns.

SMARI's research indicates that individuals that have seen media produced by the MCCVB have more positive association with the Monterey brand and are more likely to visit in the future.

38% of individuals that recall seeing media produced by the MCCVB ("Aware") report that they intend to visit in the future vs only 26% of those not aware of the MCCVB's advertisements.

Ad campaigns effect on key indicators



Source: SMARI

Source: SMARI

*Measures the degree with which survey respondents have positive associations with the Monterey brand

Targeting the international market

The MCCVB engages with the rapidly growing international market to ensure that the County does not miss out on the increasingly lucrative segment

China

- Targeted tour operator promotion resulting in over 4700 bookings (average 3-5 room nights each) over 3 month promo period
- Gained over 50,000 Weibo (China's main social media site) followers
- Hosted China-ready training seminars for hospitality professionals in Monterey County

Mexico

Conducted Brand USA campaigns and Visit California media & sales missions to Mexico

- Campaign delivered social reach of 8.7MM
- Presented to 240 travel agents;
- Held one-on-one meetings with 10 largest tour operators

Canada

- Targeted travelers with an ad campaign on Expedia Canada receiving 338,000 impressions and booked over 2,500 rooms during the campaign
- Ran a print campaign in Air Canada's in-flight magazine in promoting new flights to the region

The United Kingdom

- Partnered with Brand USA to host the Jeni and Olly Show, a popular Travel Channel show with an estimated 1.7 million viewers
- Partnered with San Jose and Santa Cruz CVBs to launch Expedia and British Airways promotions

3) Competitive Analysis of Funding

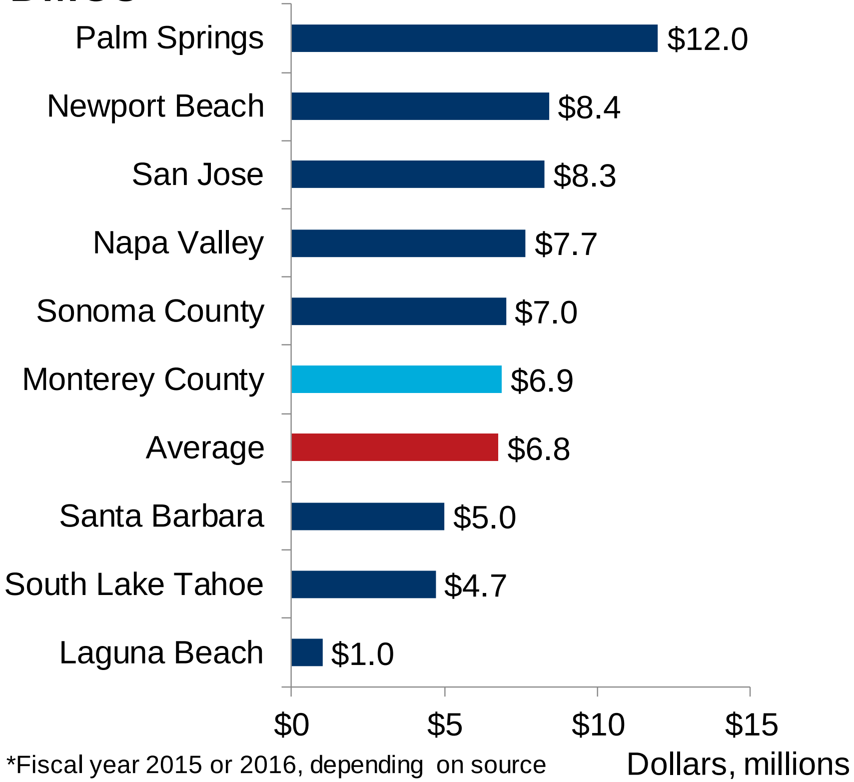
Funding comparison (1 of 3)

The MCCVB receives less funding than five of its eight competitors.

The following slides will analyze the MCCVB's level of public funding compared to competing and similar destinations. To analyze the appropriateness of funding for tourism promotion in Monterey County, we analyze a competitive set of eight destination marketing organizations (DMOs). These are the destinations that the MCCVB considers major competitors for the leisure market. This analysis provides key benchmarks in understanding an appropriate level of funding for the MCCVB.

With total public funding (city, county, and assessments) of $6.9 million, the MCCVB receives less funding than five of its eight competitors but slightly more funding than the set average of $6.8 million.

Total public funding* for competitive DMOs



*Fiscal year 2015 or 2016, depending on source data availability

Sources: DMAI; STR; DMO annual reports

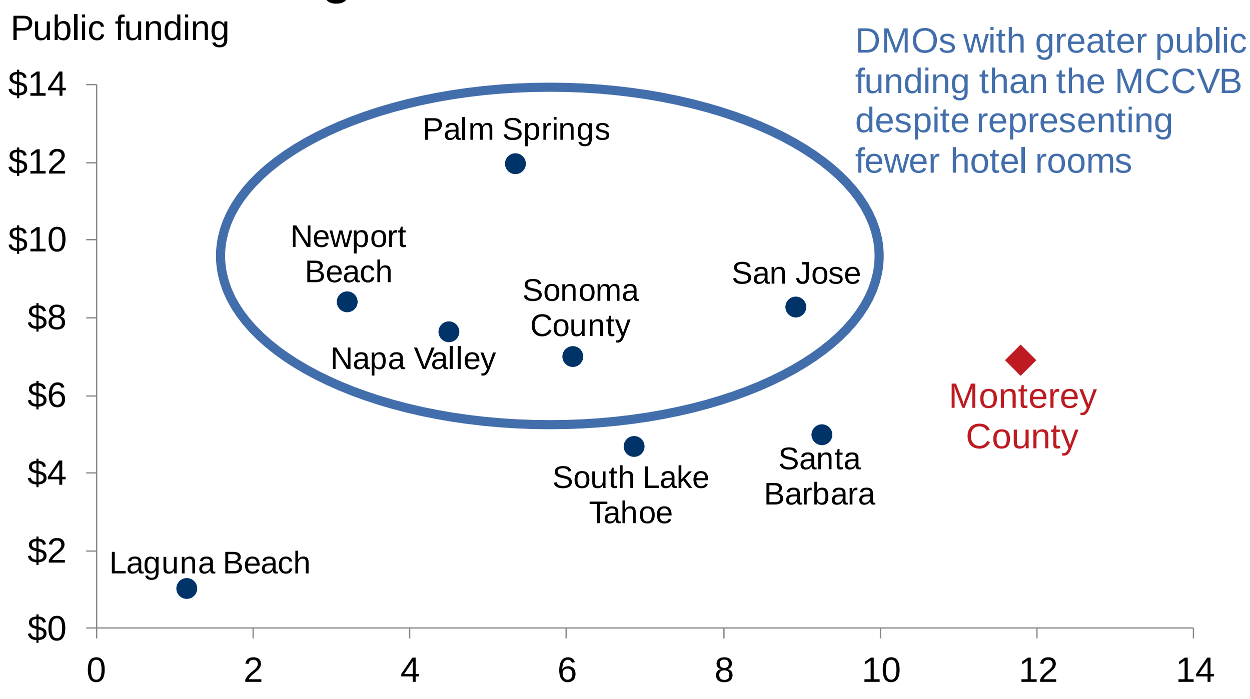
Funding comparison (2 of 3)

Monterey County has low DMO funding relative to its hotel inventory

To more fairly compare the appropriateness of DMO funding across the competitors, we evaluate the size of the tourism sector in these destinations (as measured by the number of hotel rooms) compared to the amount of public funding they receive (from the city, county, or special assessment).

Plotting the data reveals that a number of competing destinations receive greater public funding than the MCCVB despite representing a smaller tourism sector.

Public funding and destination size



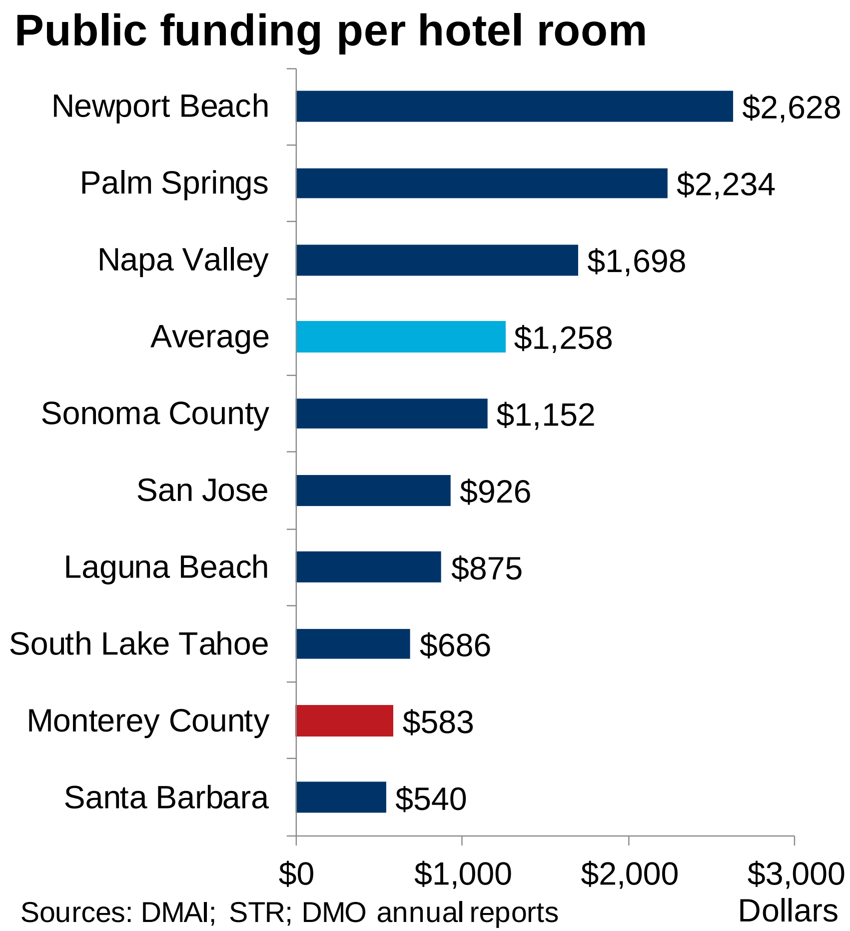
Sources: DMAI; STR; DMO annual reports

Funding comparison (3 of 3)

Monterey County has the second lowest per room funding of the destinations in its competitive set

Continuing our analysis, we calculate the amount of public funding per hotel room to benchmark an appropriate level of public funding for the MCCVB. We find that the MCCVB receives only 43% of the funding suggested by this benchmark. Only Santa Barbara receives less funding than Monterey. **<u>This analysis demonstrates that the MCCVB is not funded at a competitive level.</u>**

To reach the average of its competitive set, the MCCVB would need to receive 130% more funding or approximately $7.8 million in additional public funds.



Sources: DMAI; STR; DMO annual reports

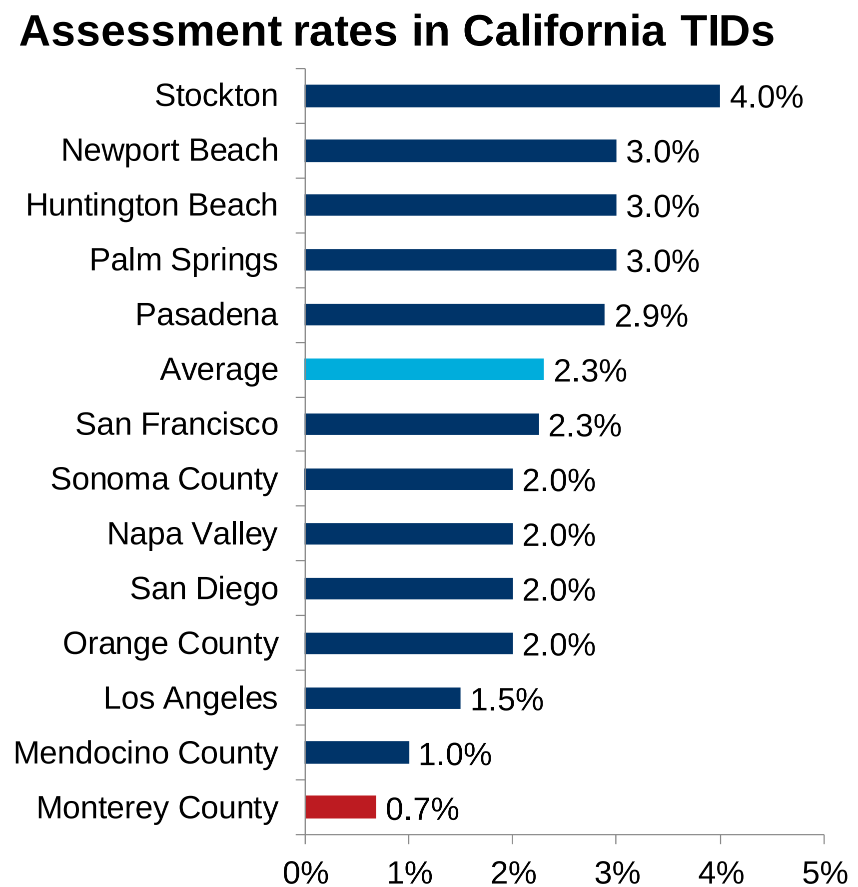
The relatively low assessment rate in Monterey County impacts the destination's competitiveness

Adjustments to the TID assessment rate are worth consideration

To benchmark an appropriate assessment rate for the MCCVB , we analyze TID assessments in a number of California TIDs. These TIDs include the MCCVB's competitive set and additional DMOs that disclosed their assessment rate to Destination Marketing Association International (DMAI) to Monterey's competitive set (data on the entire competitive set was not available).

Analysis reveals that Monterey County's TID assessment rate of 0.7% (while the assessment is levied on a per room basis, its equals 0.7% of room revenue) is well below the average rate of 2.3%. In fact, Monterey County levies the lowest assessment of any destination examined.

Since the assessment is the primary source of revenue for the MCCVB (and the vast majority of other DMOs on this list), this results in a limited tourism promotion budget for Monterey County.



Sources: DMAI; STR; DMO annual reports

4) Impacts of the TID on Monterey County’s Economy

The TID makes Monterey more competitive

The following slides detail the potential impact of MCCVB's work without benefit of the TID in Monterey County.

While the analysis in section 3 demonstrated that the MCCVB is underfunded, the TID comprises a significant portion of the funding for the MCCVB, and makes the destination more competitive.

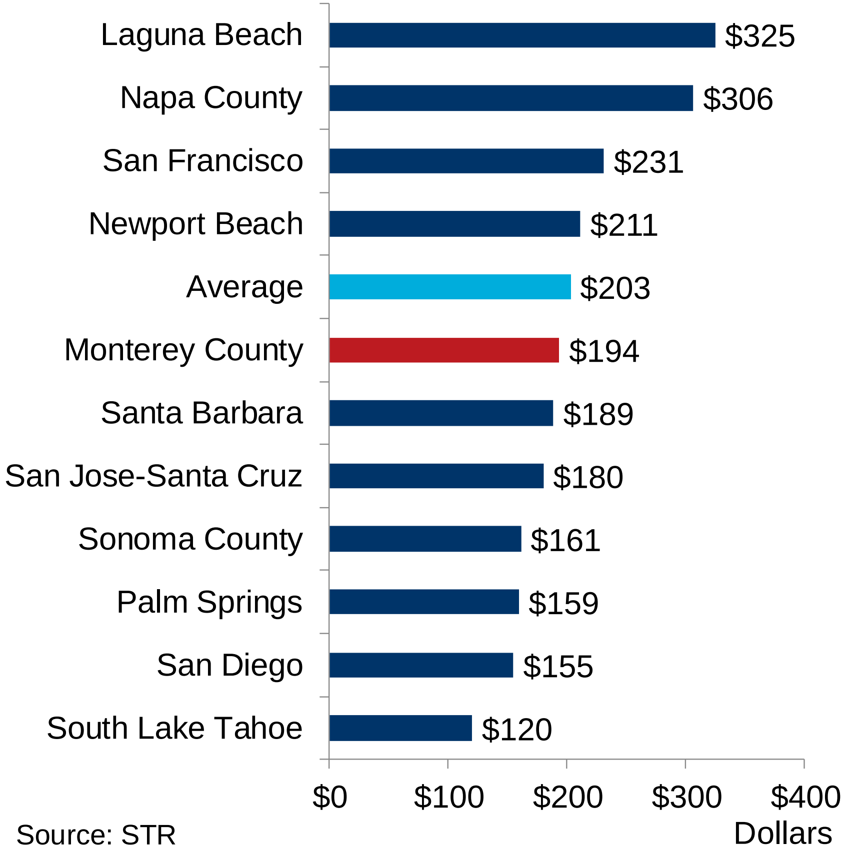
This is important for the MCCVB and the tourism sector of Monterey County as the TID must be re-approved by the City Council on an annual basis.

Economically, absence of the TID is unlikely to produce any positive benefit on room demand. Tourism Economics modeling on behalf of STR has consistently found hotel room demand to be inelastic at the market level. That is, while an individual property may gain or lose share within a market based on price, a **market-wide shift in rate has no appreciable impact on room demand**. The one caveat is that the market ADR remains competitive. Analysis shows that ADR in Monterey County is below average for its competitive set, so customers are not 'priced out' of Monterey County.

The absence of tourism promotion funding would in all likelihood far exceed any possible negative effect of higher room costs. We also note that while Monterey County's ADR has increased 23% since 2011, total room demand has increased 17%. This indicates that price sensitivity does not seem to be a major factor for visitors. In sum, **we believe that the absence of the TID would not have an appreciable positive effect on room demand in Monterey County**.

ADR is below the average competitive destination, and the benefits of DMO funding far exceed any benefit of room cost reduction

ADR in competitive destinations



Source: STR

Scenario Development (1 of 2)

The TID is a critical component of Monterey County's tourism promotion competitiveness

To analyze the impact of the TID, we create two scenarios, an **Absence of TID Scenario** and a **Baseline Scenario** in which the TID remains in place. We estimate the fiscal and economic impacts of these two scenarios

To provide an example of the fiscal impact for the MCCVB, we examine fiscal year 2017's forecasted revenue. If the TID did not exist, the MCCVB would lose $4.2 million in public funding. This is equal to 59% of its total revenue or 62% of its total public funding.

Without the TID, Monterey would be severely underfunded in comparison to competing destinations. Without the TID, Monterey would receive only $214 of public funding per hotel room, or 17% of the public funding amount suggested by our benchmarking analysis.

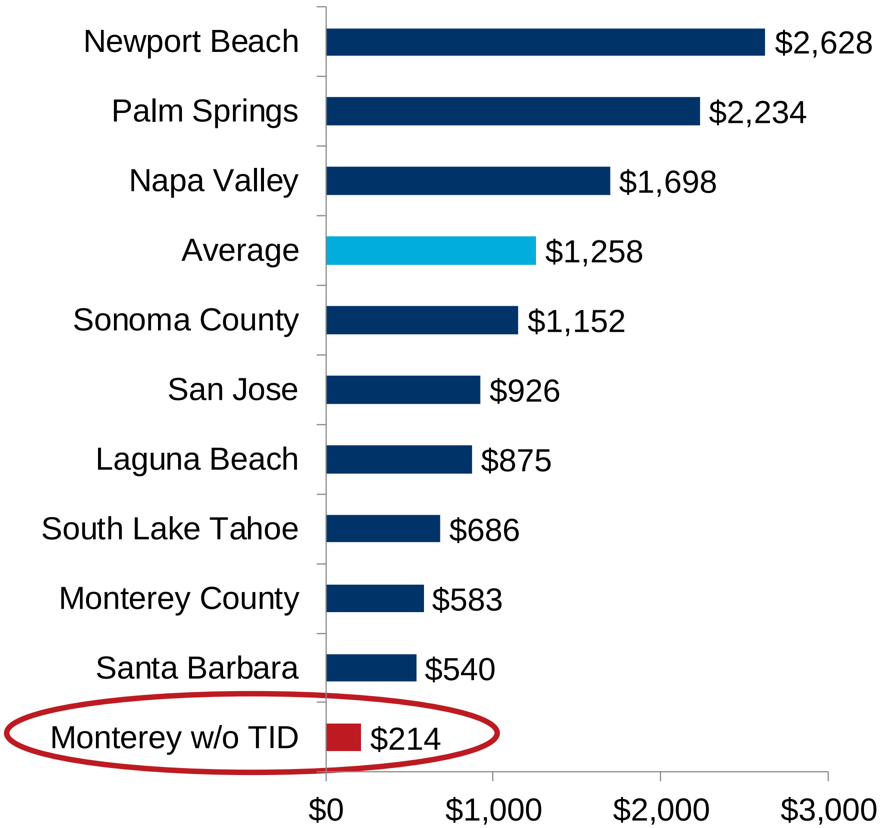
Two Scenarios example, fiscal year 2017

Dollar figure in millions

	Baseline Scenario	Absence of TID Scenario
TID revenue	$4.2	--
Hotel tax revenue	$2.6	$2.9
Private revenue	$0.3	$0.3
Total MCCVB revenue	**$2.9**	**$3.2**

Source: MCCVB

Public funding per hotel room



Sources: DMAI; STR; DMO annual reports

Scenario Development (2 of 2)

Without TID, Monterey County could lose $129 million in visitor spending

We provide additional details on the two scenarios in fiscal year 2020, as this is the first year without a “cool-down” effect (i.e. while immediate effects would be felt, the full effect of a funding decrease will not be felt in the first two years of budget cuts as lags exists between taxes being collected, distributed, media spending being curtailed, consumers making travel plans, and visitors actually traveling).

In 2020, our **Baseline Scenario** forecasts MCCVB receiving $7.6 million in public funding. In the **Absence of TID Scenario**, the MCCVB receives $3.2 million in public funding, a decrease of $4.4 million. We assume 90% of this funding would have been spent on marketing efforts (or $4.0 million). Based on a meta-analysis of ROI and conversion studies performed on DMO marketing efforts, we conservatively estimate a 32-to-1 ROI on this lost marketing spending (see Appendix 1 for additional details on methodology). **<u>This results in $128.9 million of lost visitor spending.</u>**

This lost spending is split into five visitor spending categories and then input into an economic model of the Monterey County economy created in the IMPLAN modeling software. The model calculates the direct impact of this lost spending (the impact from the initial visitor spending), as well as the indirect (supply-chain) effects, and induced (income) effects. The model reports the impact on Monterey County sales, income, employment, and taxes.

DMO revenue and visitor spending in two scenarios, 2020

Dollar figure in millions

	Baseline Scenario	Absence of TID Scenario
TID revenue	$4.4	--
Hotel tax revenue	$2.9	$2.9
Private revenue	$0.3	$0.3
Total MCCVB revenue	$7.6	$3.2
Total Funding decrease relative to baseline	--	$4.4
Total decrease in marketing spending (90%)	--	$4.0
Anticipated total ROI on lost marketing spending	--	32-to-1
Decrease in visitor spending	--	**$128.9**
Total visitor spending	$3,067	$2,938

Sources: Tourism Economics

Benefits of TID – five year forecast

Over the next five years, the TID will result in an additional $518 million in visitor spending, and $36 million in state and local tax revenue

On a cumulative basis, from 2018-2022, we forecast that eliminating the TID would cost Monterey County $518 million in less visitor spending. This lost spending costs a total of $36 million in state and local tax revenue.

Additionally, 782,000 total room nights and $174 million in room revenue would be lost.

Note that all indicators increase in the **Non-TID Scenario**, however the rate of increase is slower than in the **Baseline Scenario**.

Forecast: fiscal years 2017-2021

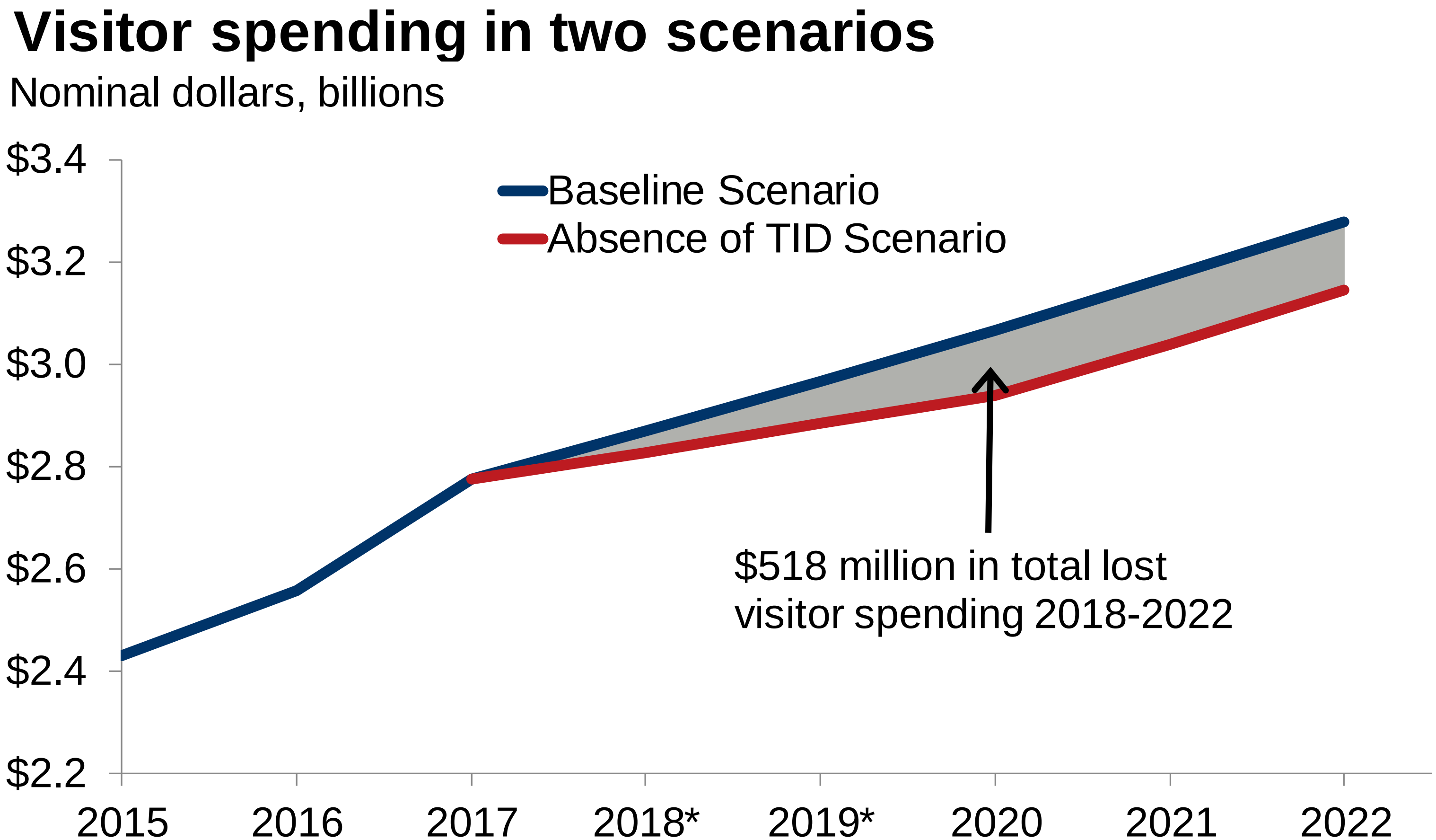
Dollar amounts in millions of nominal dollars	2017	2018*	2019*	2020	2021	2022	2018-2022 Total	2018-2022 Annual average
Baseline Scenario								
Total MCCVB funding	$7.1	$7.3	$7.4	$7.6	$7.8	$8.0	**$38**	**$7.6**
Visitor spending	$2,774	$2,869	$2,966	$3,067	$3,171	$3,279	**$15,352**	**$3,070.4**
Room demand, 000's	3,181	3,245	3,310	3,376	3,444	3,513	**16,888**	**3,378**
Room revenue	$637	$672	$709	$749	$790	$834	**$3,754**	**$750.8**
State and local taxes	$251	$259	$268	$277	$287	$296	**$1,387**	**$277.5**
Losses in Absence of TID Scenario								
Total MCCVB funding	--	$4.2	$4.3	$4.4	$4.4	$4.5	**$22**	**$4.4**
Visitor spending	--	$41.0	$83.5	**$128.9**	$131.3	$133.7	**$518**	**$103.7**
Room demand, 000's	--	68.5	133.8	198.0	193.3	188.8	**782**	**156**
Room revenue	--	$14.4	$28.8	$43.6	$43.5	$43.5	**$174**	**$34.8**
State and local taxes	--	$2.9	$5.9	$9.1	$9.2	$9.4	**$36**	**$7.3**
Absence of TID Scenario								
Total MCCVB funding	$7.1	$3.1	$3.2	$3.3	$3.4	$3.4	**$16**	**$3.3**
Visitor spending	$2,774	$2,828	$2,883	$2,938	$3,040	$3,145	**$14,834**	**$2,966.8**
Room demand, 000's	3,181	3,176	3,176	3,178	3,251	3,325	**16,106**	**3,221**
Room revenue	$637	$658	$680	$705	$747	$790	**$3,580**	**$716.0**
State and local taxes	$251	$256	$262	$268	$277	$287	**$1,351**	**$270.2**

*"Cool-down" years in which the reduction in impact of reduced funding is not fully realized

Source: Tourism Economics

Benefits of TID – visualization

In the Non-TID scenario, visitor spending still grows but at a diminished rate; losses in visitor spending total $518 million over 5 years



*Cool-down years in which the full impact of funding decrease is not realized
Source: Tourism Economics

Benefits of TID – 2020 details

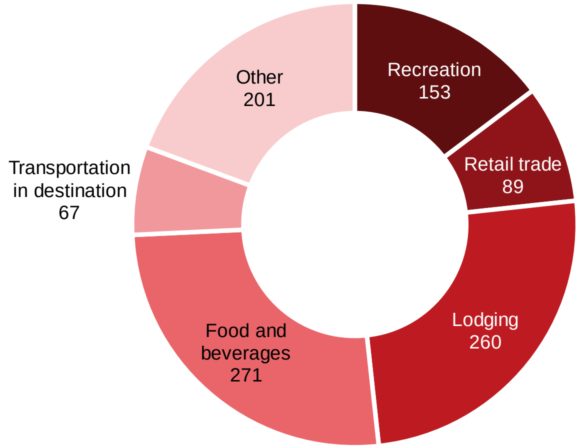
In the **Non-TID** Scenario, $4.4m in lost TID funding results in $128.9m in lost spending in Monterey County, which in turn costs:

- $176.9m in total business sales;
- $50.5m in total income;
- 1,042 total jobs; and
- $9.1m in state and local taxes.

201 jobs are lost in industries not typically thought of as in the tourism sector.

Lost jobs in Absence of TID Scenario

Jobs



Source: Tourism Economics

Losses in Absence of TID Scenario - FY 2020

Dollar amounts in 2020 dollars, millions

Decrease in DMO funding	**$4.4**
Impacts on Monterey County	
Lost visitor spending	**$128.9**
Total economic output	**$176.9**
Direct expenditures	$128.9
Indirect and induced output	$48.1
Total income	**$50.5**
Direct income	$33.9
Indirect and induced income	$16.6
Total jobs	**1,042**
Direct jobs	685
Indirect and induced jobs	357
State tax revenue	**$3.4**
Sales	$1.8
Personal income	$0.1
Corporate	$0.2
Excise, fees, and other taxes	$1.4
Local government tax revenue	**$5.6**
Sales	$0.6
Lodging tax	$4.2
Excise, fees, and other taxes	$0.8
Key Ratios	
Business sales lost per $1 of funding decrease	$39.90
Jobs lost per $1,000,000 of funding decrease	235
Income lost per $1 of funding decrease	$11.40
State and local taxes lost per $1 of funding decrease	$2.00

Source: Tourism Economics

Benefits of TID – 2020 conservative estimate on hotel impact

Occupancy rates could drop 4% and hotels could see a substantial decline in room revenue

The loss of visitors and visitor spending would have major effects on the local hotel sector. We created two estimates of the possible impact.

In our conservative estimate of potential losses, ADR still grows at the same rate in both scenarios, reaching $222 in 2020. Even with this assumption, the loss of visitors and visitor spending would have a major impact on local hotels.

- A small hotel (50 rooms) with a below average ADR ($166) could lose 800 rooms and $130,000 in room revenue.
- A medium sized hotel (100 rooms) with a destination average ADR ($222) could lose 1,600 rooms and $360,000 in room revenue.
- A large hotel (200 rooms) with an above average ADR ($333) could lose 3,300 rooms and $1,100,000 in room revenue.

Hotel KPIs in two scenarios - alternative estimate, 2020

Dollar figures are nominal

Baseline Scenario

		Annual rooms sold	Annual room revenue (000's)	Occupancy	ADR	RevPAR
	Monterey County totals	3,376,000	$748,600	75%	$222	$167
Examples	50 room economy	13,300	$2,210	73%	$166	$121
	100 room midscale	27,500	$6,100	75%	$222	$167
	200 room upscale	55,900	$18,590	77%	$333	$255

Absence of TID Scenario

		Annual rooms sold	Annual room revenue (000's)	Occupancy	ADR	RevPAR
	Monterey County totals	3,277,100	$693,100	73%	$211	$150
Examples	50 room economy	13,100	$2,100	72%	$159	$115
	100 room midscale	26,700	$5,600	73%	$211	$153
	200 room upscale	53,700	$17,000	74%	$317	$233

Losses in Absence of TID Scenario

		Annual rooms sold	Annual room revenue (000's)	Occupancy	ADR	RevPAR
	Monterey County totals	98,900	$55,500	2%	$10	$17
Examples	50 room economy	200	$110	1%	$8	$6
	100 room midscale	800	$500	2%	$10	$14
	200 room upscale	2,200	$1,590	3%	$15	$22

Source: Tourism Economics

Benefits of TID – 2020 alternative estimate on hotel impact

If ADR does not grow at its forecasted rate, the revenue impact on hotels could be even greater

In our alternative estimate, hotels react to falling occupancy rates by reducing ADR. In this estimate, ADR still increases from its present level, but at only half the speed as the **Baseline Scenario**. The reduced rates do have a positive effect on occupancy and lost room nights are cut in half.

- A small hotel (50 rooms) with a below average ADR ($159) could lose 200 rooms and $110,000 in room revenue.
- A medium sized hotel (100 rooms) with a destination average ADR ($211) could lose 800 rooms and $500,000 in room revenue.
- A large hotel (200 rooms) with an above average ADR ($317) could lose 2,200 rooms and $1,590,000 in room revenue.

Hotel KPIs in two scenarios - conservative estimate 2020

Dollar figures are nominal

Baseline Scenario

		Annual rooms sold	Annual room revenue (000's)	Occupancy	ADR	RevPAR
	Monterey County totals	3,376,000	$748,600	75%	$222	$167
Examples	50 room economy	13,300	$2,210	73%	$166	$121
	100 room midscale	27,500	$6,100	75%	$222	$167
	200 room upscale	55,900	$18,590	77%	$333	$255

Absence of TID Scenario

		Annual rooms sold	Annual room revenue (000's)	Occupancy	ADR	RevPAR
	Monterey County totals	3,178,000	$705,000	71%	$222	$157
Examples	50 room economy	12,500	$2,080	69%	$166	$114
	100 room midscale	25,900	$5,740	71%	$222	$157
	200 room upscale	52,600	$17,490	72%	$333	$240

Losses in Absence of TID Scenario

		Annual rooms sold	Annual room revenue (000's)	Occupancy	ADR	RevPAR
	Monterey County totals	198,000	$43,600	4%	$0	$10
Examples	50 room economy	800	$130	4%	$0	$7
	100 room midscale	1,600	$360	4%	$0	$10
	200 room upscale	3,300	$1,100	4%	$0	$15

Source: Tourism Economics

Report summary

1 Tourism is a major driver of Monterey's economy

- Visitors spending reached $2.7b in Monterey County in 2015
- 24,400 local jobs are directly generated by tourism
- Market share analysis indicates that Monterey County is gaining a larger share of the state's and region's overnight travel market

2 The MCCVB drives visitors to Monterey County

- Media campaigns increase perceptions of Monterey County and make travelers more likely to visit
- In 2016, the sales team facilitated 87,500 room nights. These bookings generated $74m in local economic impact.
- The MCCVB operates in the international market

3 The 2012 assessment increase boosted growth in the tourism sector

- From 2013-2017, the increased assessment rate raised visitor spending by $220 million.
- This spending generated a total of $16 million in tax revenue, 403,000 total room nights, and $76 million in room revenue would be lost.

4 The MCCVB is underfunded in comparison to local competitors

- A number of local competitors receive higher funding than the MCCVB despite representing fewer hotels
- Monterey would need to receive $8.8m in additional public funding to reach its benchmark average
- Monterey County's TID assessment rate of 0.7% is well below the average rate of 2.3%

5 The absence of a TID would result in significant economic and fiscal losses

- In 2020, $4.4m in lost TID funding could results in $128.9m in lost spending which in turn costs:
  - $50.5m in total income;
  - 1,042 total jobs;
  - $9.1m in state and local taxes; and
  - $44m in room revenue.

Appendix 1) Methodology

Methodology

Gains Due to TID Assessment Increase

To calculate potential loss in the No Assessment Increase Scenarios, we first estimate the impact on visitor spending by examining a number of sources detailing the impact of DMO funding cuts and increases on visitor spending.

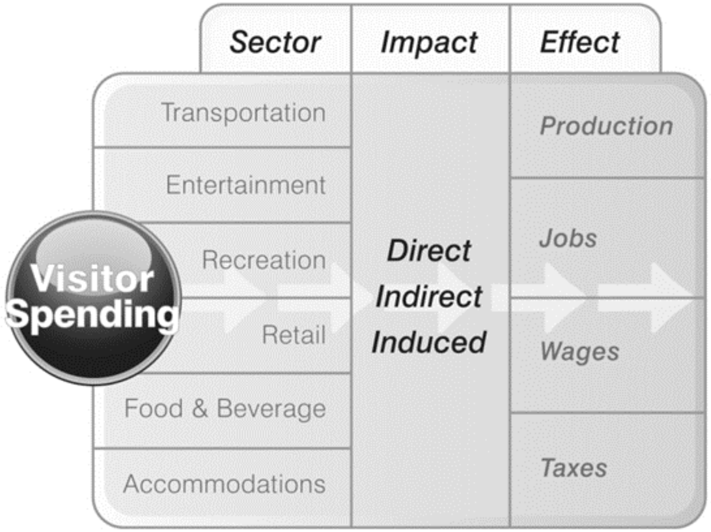
SMARI estimates an ROI on the MCCVB's marketing campaigns of over 200-to-1 using a proprietary survey and derives marketing exposure to a DMA (Designated Market Area) to gauge incremental marketing campaign effectiveness. Our meta-analysis of the ROI of tourism promotion which suggests that every dollar spent on tourism advertising for metro and regional DMOs typically generates $51 in visitor spending (see following slides). We choose to rely heavily on the meta analysis in order to 1) remain conservative in case these higher ROIs cannot be maintained with additional funding, 2) reflect that the MCCVB advertises to a wider audience than the DMA measured by SMARI, and 3) remain conservative in case the MCCVB is not able to commit a high percentage of its budget to incremental marketing.

Given uncertain future economic conditions and the possibility of diminishing marginal returns on additional marketing investment, we assume an ROI of 40-to-1 on the first million dollars of lost DMO funding and a 30-to-1 ROI on additional lost funding. Additional spending is calculated by multiplying the decrease in DMO marketing (assumed to be 90% of the decrease in funding) in the two scenarios by the ROIs described above.

The **Baseline Scenario** forecast is based on a combination of historical data on Monterey County and the Tourism Economics / STR forecast of the nearby San Francisco-San Mateo market. The **Absence of TID Scenario** forecast is calculated by subtracting the estimated losses from the **Baseline Scenario** Forecast.

To spread visitor spending through a number of sectors, we used SMARIs estimates of visitor spending in Monterey County (note that the raw dollar figures are not used, only the percent spending across the different categories). We then input lost visitor spending into an economic model of the Monterey County economy created in IMPLAN. The model calculates the direct impact of this lost spending (the impact from the initial visitor spending), as well as the indirect (supply-chain) effects, and induced (income) effects. The model reports the losses on sales, income, employment, and taxes.

How visitor spending flows through the economy



Destination promotion ROI in other markets (1 of 2)

Many state and local DMOs conduct periodic assessments of marketing effectiveness. There are several goals of these studies, including understanding how specific marketing campaigns are perceived by households, how effective the campaigns are in having an impact on households' intent to travel to a given destination, and which target markets are showing differing level of responsiveness to marketing. Frequently these studies include a specific analysis of the ROI of marketing spending in the form of a quantitative assessment of the level of incremental visitor spending and tax revenues that are attributable to destination marketing.

These studies use a variety of methods, and are measuring the impact of a range of different campaigns across different situations. For example, a specific study may look at incremental visitors attracted by a state-level marketing campaign conducted by a state that attracts travelers from a range of national markets, while another study may focus on the results of a more targeted regional campaign carried out by a city-level DMO. While the results of a specific study pertain most directly to the situation that was analyzed, and the corresponding assumptions, it is appropriate to consider broader inferences from the research.

We analyzed recent studies that included an estimate of the incremental visitor spending attributable to advertising campaign spending. For example, in a fairly typical approach, a study would:

- use a survey to analyze the effect of a specific advertising campaign on households' travel to a given destination, such as by analyzing the impact on actual travel among those that had observed the advertising or by analyzing the impact on households' intentions to travel;
- project that effect to the broader set of households in the marketing area to estimate the number of incremental visits attributable to the campaign;
- apply typical levels of spending per visitor to estimate incremental visitor spending; and,
- compare incremental visitor spending to the level of advertising spending to estimate the ROI.

We summarized the estimates of incremental visitor spending per dollar of advertising campaign spending from these studies in the table on the following page.

Destination promotion ROI in other markets (2 of 2)

Estimates of incremental visitor spending per dollar of advertising campaign spend from the set of studies we analyzed is summarized in the adjacent table, supporting the following observations:

- The results range from as low as $12 for an analysis conducted for Syracuse, NY to as high as $326 for the average of several analyses conducted for California.
- Overall, we observe that recent marketing campaigns by destination marketing organizations at the metro/regional level have generated approximately $51 of incremental visitor spending per dollar of advertising spending.

These ROI estimates relate directly to advertising spending. It is also appropriate to consider a visitor spending ROI relative to total DMO operating costs, or relative to public funding. As an example of the former approach, Meet Minneapolis reports the ratio of visitor spending associated with events tracked in its group sales management system to total DMO operating costs has averaged $33 in recent years. This excludes almost all leisure visitor spending.

As an example of an ROI based on public funding, the Florida state government recently analyzed the return on investment for public funding of Visit Florida. The analysis attributed Visit Florida's public funding (excluding, for example, significant private funding for cooperative advertising and promotions) to generating $11.2 billion of visitor spending during the three-year-period through FY 2013, representing a visitor spending ROI of $97, and a state tax revenue ROI of $3.2 ($3.20 of state tax revenue generated by each $1 of state funding).

Monterey County's Visitor spending per dollar in 2015 was $397.

Marketing ROI matrix

Region	Timing	Visitor spending per ad dollar
States		
California	Average 2009 to 2013	$326
Arizona	Average 2007, '11, '12, '15	$221
Georgia	Average 2011 and 2012	$211
Colorado	2012	$200
Florida	2011	$177
Maryland	2012	$160
Wyoming	Average 2012, '13, '14	$156
Kentucky	2014	$151
Missouri	2013	$131
North Dakota	Average 2010, '12, '14	$101
Utah	Average 2010, '11, '13	$83
New Mexico	2013 to 2015	$72
Virginia	2006	$71
Michigan	Average 2006 to 2014	$69
Large metros and regions		
Philadelphia, PA	2009/10	$100
Kansas City, MO	2013	$65
Washington, DC	2013	$27
San Diego, CA	2013	$19
Smaller metros and regions		
Branson, MO	2012	$79
Springfield, MO	2011	$61
Finger Lakes Wine Country, NY	2012	$44
Syracuse, NY	2008	$12
Average of states		$152
Average of larger metros and regions		**$53**
Average of smaller metros and regions		**$49**

Sources: Local studies compiled by Tourism Economics

Appendix 2: The Economic Rationale for Destination Marketing

The vital role of destination promotion

Destination marketing plays an integral and indispensable role in the competitiveness of the local tourism economy by addressing its unique challenges

Destination marketing plays an integral and indispensable role in the competitiveness of the local visitor economy by addressing three challenges.

Challenge #1: The visitor economy is fragmented

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail stores, transportation, performance venues and other attractions), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, certain benefits accrue across the economy rather to just an individual business.

Because a visitor's spending is spread across businesses, any single business may not capture sufficient share of a visitor's spending to justify marketing to attract visitors to a destination. For example, an individual hotel could market the attractiveness of a destination, but it would only benefit from those additional visitors who not only choose the destination, but also choose that particular hotel; and the hotel would only benefit directly from the visitor's spending at the hotel. In other words, at the level of an individual business, the returns on independent marketing to attract visitors to a destination can be less compelling. However, when viewed at the level of the destination, there is a more direct connection. The destination captures a substantial dollar amount per visitor, and in aggregate there are compelling returns on effective destination marketing.

Solution: destination promotion provides the scale and strategic vision supporting a wide array of individual businesses

Destination promotion organizations also play a role furthering the strategic potential of the visitor economy. Destination marketing organizations (DMOs) can take a long term view of the development of the destination and pursue tactics to help develop a visitor economy that better fits the goals of local residents and businesses. For example, many destinations have a mix of peak, shoulder, and low season periods. DMOs take steps to build shoulder season and low season demand and help fill slower days of the week, supporting a more stable base of employment and helping ongoing operations achieve a "break even" level of profitability. Similarly, DMOs can play a role helping to find solutions that balance the development of the visitor economy with the constraints and goals of a given destination, such as fostering the development of geographic areas with greater capacity for growth.

The vital role of destination promotion

The fundamental motivation driving a visit is not usually the offerings of a single business—instead it is the destination

Challenge #2: The primary motivator of a trip is usually the experience of a destination, extending beyond the offerings marketed by a single business

The fundamental motivation driving a visit to a given destination is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience is comprised of a visitor's interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; conferences; performances and other events; family activities; sports and other recreation; and cultural sites and attractions.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not also adequately address the core motivation for potential visitors.

Solution: destination promotion articulates the brand message that is consistent with consumer motivations

Through coordinated destination promotion, the destination is represented collectively, driving demand for all segments of the visitor economy. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

The vital role of destination promotion

The scale of collaborative destination marketing is more effective than what individual businesses could accomplish

Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets

Effective destination marketing requires significant and consistent funding with the aim of gaining a sufficient "share of voice" to be heard and make an impact. Whether in the form of advertising or public relation efforts scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact, and more specialized efforts. As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses could accomplish. Simply put, the whole of destination marketing is greater than the sum of its individual parts.

Solution: destination promotion pools resources to provide the economies of scale and marketing infrastructure required to generate impact

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMOs are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, DMOs:

- Conduct marketing that leverages a base level of awareness of the destination than has already been established with some target customers, allowing annual marketing spend to be more effective at activating and reinforcing key messages;
- Use existing infrastructure, such as websites and publications, that are updated on a recurring basis;
- Employ a staff with established relationships with local tourism-sector businesses and marketing service providers; and,
- Support market research, such as visitor profile studies, that help individual businesses better target market opportunities, but which would likely not be economical for individual businesses to conduct independently.

Through these economic factors, destination promotion helps expand the visitor economy in ways that are consistent with local priorities, building the types of opportunities that are a critical part of economic development.

Travel has proven its resilience

As incomes rise, consumer spending on travel has grown at an even faster rate and employment in the travel economy has led growth during the recent economic recovery

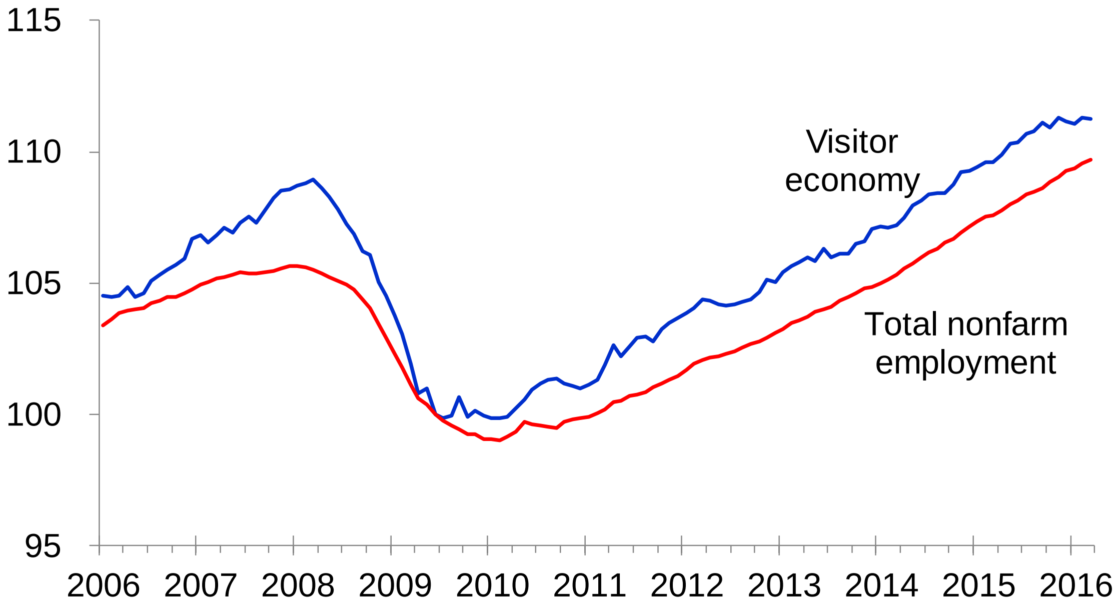
Across the US, favorable tail winds have supported above average growth in the visitor economy. As income levels rise, consumers are dedicating a greater share of spending to travel and tourism. For example, in the span of slightly more than a generation, per capita consumer spending on hotel stays in the US has increased 200% since 1980, even as per capita GDP – as a measure of income levels – has increased only 75%.

Travel has proven its resilience, with a strong recovery from the most recent economic downturn. As the visitor economy has recovered, it has contributed job growth since the end of the recession at a faster rate than the US average. As of March 2016, employment in key sectors of the visitor economy was 11.3% ahead of its June 2009 level, compared to a 9.7% gain for the broader economy.

Visitor economy employment trends

Compared to total nonfarm employment

Index (June 2009=100)



Source: Bureau of Labor Statistics; Tourism Economics

The visitor economy represents an export, drawing new dollars into the local economy

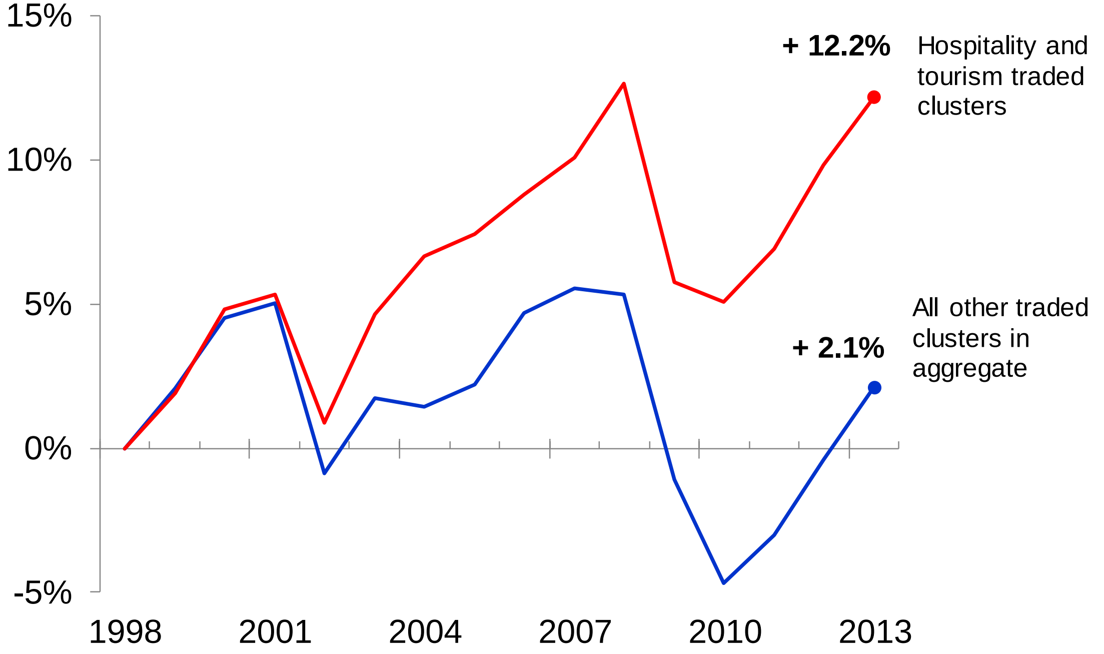
Nationally, hospitality and tourism has outperformed the aggregate of all other traded cluster export sectors since 1998, with employment expanding more than 12.2% while all others grew only 2.1%

The visitor economy represents a valuable locally-produced export for many regional economies. The resulting visitor spending supports jobs, incomes, tax revenues and local business sales that represent part of the region's economic base, critically important in providing demand for local supporting sectors. In this sense, whether referred to as an "export" or a set of "traded" goods and services, the visitor economy plays an important role in the "base" economy of many regions.

As developed through research by Michael Porter, the term "traded cluster" refers to "geographic concentrations of interconnected companies and institutions in a particular field" that sell products and services across regions.

Traded cluster employment gains over time (US)

Index, cumulative percentage points of employment growth since 1998



Source: US Cluster Mapping Project; Census Bureau; Tourism Economics

Destination promotion helps drive economic development (1 of 6)

Destination promotion supports the visitor economy, but it also acts as a catalyst of broader economic development

In recent research[1], Tourism Economics / Oxford Economics identified four primary channels through which destination promotion drives broader economic development and growth.

1) Attracting strategic events

By securing meetings and conventions, DMOs attract the very prospects that economic development agencies target. Not only do these events create valuable exposure among business decision makers, they create direct opportunities for economic development agencies to deepen connections with attendees.

"Economic clusters and conventions have become synergistic"

Tom Clark
Metro Denver Economic
Development Corporation

2) Raising the destination profile

Destination promotion builds awareness, familiarity, and relationships in commercial, institutional and individual networks that are critical in attracting investment.

"We are learning a lot from Visit California by how they brand California and how to take their model and apply it to economic development."

Brook Taylor
Deputy Director
Governor's Office of Business and Economic Development (GO-Biz)

3) Building transport networks

By developing the visitor economy, destination promotion supports transportation infrastructure, providing greater accessibility and supply logistics that are important in attracting investment in other sectors.

"Air service is profoundly important to corporate investment and location decisions... This is one of tourism's most significant contributions since the levels of air service at New Orleans far exceed what local demand could support."

Stephen Moret
Secretary
Louisiana Economic Development

4) Raising the quality of life

Visitor spending helps support a broader and higher quality set of local amenities than an area could otherwise sustain. The cultural, entertainment, culinary, and retail attractions that visitors support make a place more attractive to investors.

"Traveler attractions are the same reason that CEOs choose a place."

Jeff Malehorn
President & CEO, World Business Chicago

[1]Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
Link to http://www.oxfordeconomics.com/engine

Destination promotion helps drive economic development (2 of 6)

Channel of impact: By securing meetings, conventions and trade shows for local facilities, DMOs attract the very prospects that economic development organizations target. Not only do such visits create valuable exposure among business decision makers, they create direct opportunities for economic development organizations to deepen connections with attendees.

DMOs are typically on the front lines of selling their destinations to meeting and event planners. These conventions and trade shows often attract the very prospects that economic development organizations (EDOs) target. As Steve Moore, CEO of the Greater Phoenix CVB states, “Our EDO doesn’t have to fly to DC or China. The low hanging fruit is coming here for events.” EDOs, such as Cleveland’s Department of Economic Development, regularly host special events, tours, and receptions for attendees of key events. Our research, including discussions with both DMOs and EDOs, yielded many such examples of this channel at work. But the discussions also pointed to the further opportunities that exist in many areas for collaborative targeting.

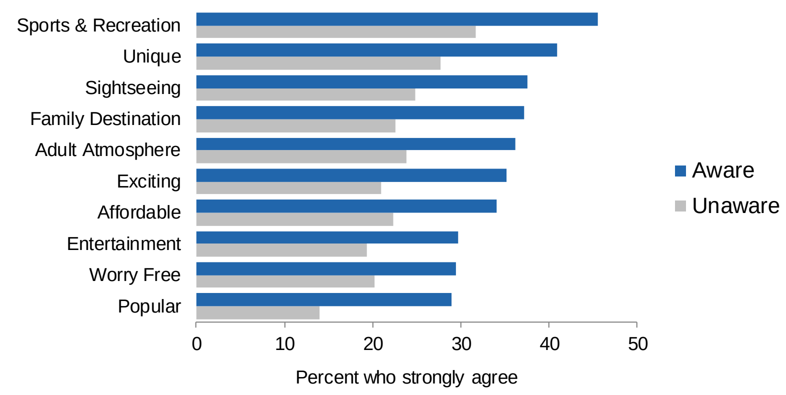
Today’s knowledge-based and innovation-driven economies benefit from face-to-face connections, and relationships. In this context, industry conventions position an economy to acquire knowledge, innovate, and grow. Knowledge-based workers benefit from greater potential to access and encounter specialized knowledge and sustain social connections, and connections to other markets provide access to a wider base of suppliers and access to new production techniques. This makes existing firms more productive, serves to help attract additional investment, and fuels innovation.

Conventions and trade shows can help target economic development on key industries

Oxford Economics conducted a national survey of 300 business travelers in 2012 and asked them to score the impact of conferences and conventions across a number of potential benefits. Nearly 80% of respondents rated “industry insights” as an area of high impact, scoring this benefit as a four or five on a one-to-five scale. Industry insights were cited more consistently as a high impact return on conferences and conventions than any other potential benefit.

Marketing positively influences perceptions of a region

Pure Michigan 2014 campaign impact on perceptions of Michigan as a national tourism destination



Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Destination promotion helps drive economic development (3 of 6)

Destination marketing contributes to a “halo effect” as advertising campaigns positively impact perceptions of a region

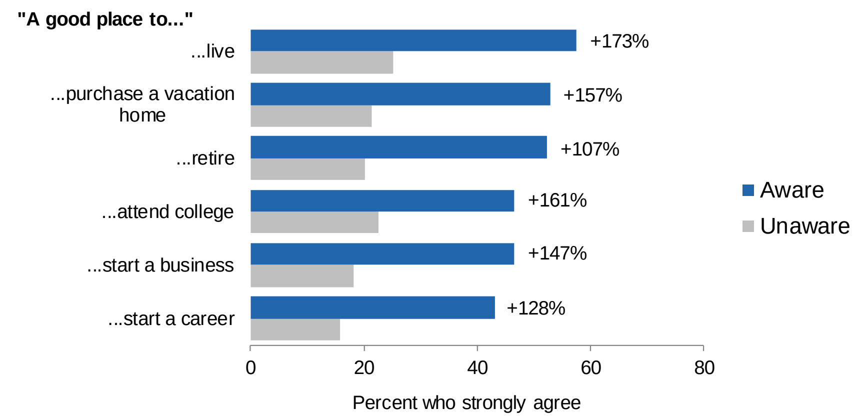
Channel of impact: Destination promotion builds awareness, familiarity, and relationships in commercial networks (institutional, companies, individuals) that are critical in attracting investment. Similarly, destination promotion raises the destination profile among potential new residents, supporting skilled workforce growth that is critical to economic development.

Destination promotion activities support understanding of a destination’s distinct positioning and raise awareness of the destination. Most importantly, by increasing visits, destination promotion activities provide firsthand experience with a destination, resulting in familiarity with a destination that is critically important for economic development. These three components – building a brand, raising awareness, and increasing familiarity – make up the effect which we’ve labeled “raising the destination profile.” As is emphasized in the following sections, these inter-related concepts have the collective impact of supporting economic development efforts to attract investment and build a skilled workforce.

For example, Lake Erie Shores and Island’s 2014 tourism marketing campaign boosted perceptions of the area as a good place to start a career. Among those who were aware of the advertising, 43.2% strongly agreed with the statement that the area was a good place to start a career, representing a 173% increase relative to the 15.8% who strongly agreed among those unaware of the advertising[1].

Marketing influences perceptions on key decision criteria

Lake Erie Shores and Islands 2014 campaign impact on the region's economic development image



Note: Percentages indicate the increase in "ad aware" respondents who strongly agree relative to "unaware".
Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Destination promotion helps drive economic development (4 of 6)

Tourism supports building enhanced transportation networks and connecting to new markets

Channel of impact: By developing the visitor economy, destination promotion supports development of transportation infrastructure, providing greater accessibility and supply logistics that are, in turn, important in attracting investment in other sectors.

Connectivity to other cities, historically by canal and railways, and more recently by road and air, has been long appreciated for its importance to economic growth. Indeed, face-to-face interactions are as important as ever.

How can a region best support the expansion of its transportation infrastructure, including airports? While public investment certainly has a role, as leading cities have long recognized, airlines ultimately choose to expand service to markets that demonstrate passenger demand. Destination promotion efforts build inbound travel volumes that support expanded service, with greater frequency of connections to a greater number of destinations. Inbound business, leisure and group segments each play a role providing the base of demand that supports airlift. Indeed airline cost structures are such that a route with insufficient inbound leisure demand, and therefore lulls in travel around holidays and off-peak periods, is less profitable, or even unprofitable.

As a result, successful destinations experience greater levels of air service. For example, roughly half of all passenger demand for Cleveland is generated by visitors, according to OAG bookings data for 2013. Frontier Airlines, a low-cost carrier which recently entered Cleveland, has continued to expand its schedule from the city, building on leisure business but offering direct flights on routes that are key for business travelers, such as Dallas Ft. Worth.

In turn, improved air connectivity becomes a marketing point that supports economic development. So it is not surprising that collaboration between DMOs and economic development organizations can be successful.

For example: Phoenix touts its connectivity as one of its key economic development assets. This includes extensive service to Mexico and Latin America. Connectivity to Canada is also a major selling point for economic development and exists almost entirely because of the visitor market. Only 20 direct flights to Canada existed six years ago and Phoenix now has over 100 scheduled flights. The Greater Phoenix CVB and the Community and Economic Development office are seeking increased international service. These routes are needed to dually support the convention and investor markets. While air service development is led by the airport, the Community and Economic Development office and the Greater Phoenix CVB support marketing to airlines with market information. Overall, 60% of current Phoenix airlift is supported by visitors.

This impact is hardly rare, and numerous studies (including those listed below) have confirmed a connection between the long-term impacts of improved air transportation and overall economic development.

Jan Brueckner, “Airline Traffic and Urban Economic Development,” Urban Studies 40, no. 8 (July 2003): 1455–69.

Richard K. Green, “Airports and Economic Development,” Real Estate Economics 35, no. 1 (2007): 91–112.

Michael D. Irwin and John D. Kasarda, “Air Passenger Linkages and Employment Growth in US Metropolitan Areas,” American Sociological Review, 1991, 524–37.

Kenneth Button, Rui Neiva, and Junyang Yuan, “Economic Development and the Impact of the EU–US Transatlantic Open Skies Air Transport Agreement,” Applied Economics Letters 21, no. 11 (2014): 767–70.

IATA, Measuring the Economic Rate of Return on Investment in the Aviation Industry, Aviation Economic Benefits, July 2007

Destination promotion helps drive economic development (5 of 6)

Intelligent tourism development can raise destinations' quality of life and attract investors from other sectors

Channel of impact: The visitor economy that is fueled by destination promotion supports amenities and a quality of life that are integral to attracting investment in other sectors.

Parks and public areas, dining and nightlife in walkable districts, services and transportation along waterfront areas, creative arts and cultural institutions - these are just some of the facilities and services that benefit from the visitor economy but are also valued by residents and—by extension—site locators, investors, and business executives. Research suggests that this occurs as:

- Visitors provide substantial demand for amenities and generate returns in terms of quality of life improvements for residents, helping raise the quality of life.
- Economic research and real-world business location decisions demonstrate that such amenities and lifestyle characteristics are important in driving economic growth.
- Leading practices in economic development leverage these visitor-supported quality of life assets.

Visitor spending helps support a broader and higher quality set of amenities than an area could otherwise sustain. For many businesses, whether on the smaller scale of a restaurant or on the larger scale of a sports facility or National Park, the difference between breaking even or running at a loss can be thin. As an incremental source of business above and beyond what can be supported locally, visitors provide demand for businesses as well as many not-for-profit institutions, such as museums.

Richard Florida, an urban theorist and author of several popular books, provides an introduction to these concepts, noting that economists and geographers have long looked at the role that the availability of talent has played in the location decisions of firms, but have only more recently turned to the factors that attract talent. Florida writes[1]:

> "A growing stream of research suggests that amenities, entertainment, and lifestyle considerations are important elements of the ability of cities to attract both firms and people." The "traditional view offered by economists is that places attract people by matching them to jobs and economic opportunity. More recent research suggests that places attract people by providing a range of lifestyle amenities."
> "If cities are to remain strong, they must attract workers on the basis of quality of life as well as on the basis of higher wages."

For important new investment bids, EDOs will coordinate with DMOs for the best possible pitch. Given the importance of destination characteristics in the decisions of investors and site locators, NTOs and DMOs can provide the marketing content and experiences to visitors to strengthen the bid

All of the EDOs frequently collaborate with the DMOs, including the use of collateral and media originally developed by DMOs. For example, the Cleveland Department of Economic Development has an entire section on its website called "Living Here" that focuses on amenities and attractions including arts, culture, and entertainment.

[1] Florida, Richard (2005). Cities and the creative class. Routledge. New York.

Destination promotion helps drive economic development (6 of 6)

The four channels of catalytic impacts generate benefits that extend beyond direct effects of driving visitation

Destination marketing supports economic development through four catalytic channels, extending its impact well beyond the effects of visitor spending. Destination marketing builds transport accessibility, attracts major events that build awareness, raises the quality of life for residents, and raises the profile of a destination among potential investors.

As a result, cities and states that succeed as destinations are more likely to succeed in broader economic terms.

Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
Link to http://www.oxfordeconomics.com/engine

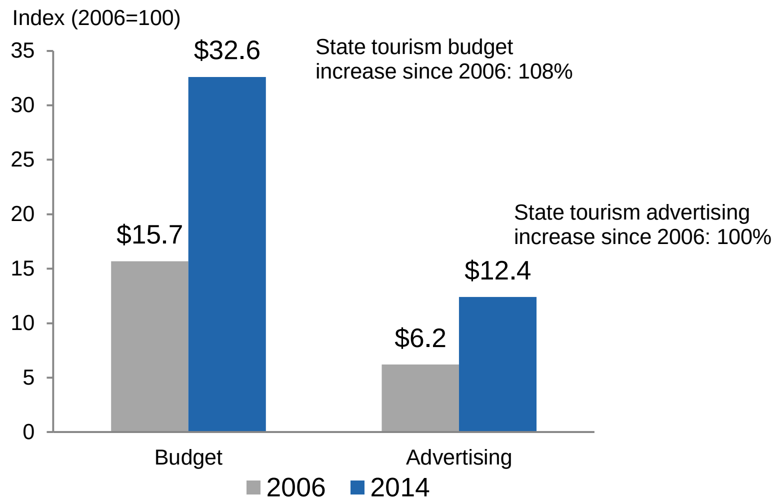
Appendix 3: Case Study Review

Case study: Pure Michigan success (1 of 2)

Michigan successfully invested in destination marketing as part of a strategy to ignite growth.

Budget increases in other US destinations provide case study examples of what has happened when government agencies increase or decrease destination marketing funding. We have summarized several of these case studies in this section, beginning with Michigan and the internationally recognized "Pure Michigan" campaign. While the campaign's advertisements are visually stunning, less appreciated are the important decisions the state took during a period of economic recession to expand the campaign as an investment in future growth.

Michigan state tourism budget



Source: Longwoods International

Bill Siegel, CEO of Longwoods, recently summarized this success story[1]. The following highlights key points:

- The "Pure Michigan" campaign had its fledgling start in 2006 as a regional campaign in an environment of relatively low funding. In preceding years, Michigan's state tourism budget had declined, falling to as little as $7.9 million in FY2005 according to US Travel data. For several years, as the campaign ran in regional markets, research demonstrated that it was building equity in the marketplace, impacting Michigan's image positively and generating positive financial returns.
- In 2009, with the national economy still in recession, and Michigan's manufacturing base hit particularly hard, the state legislature saw tourism as a potential growth opportunity, and approved a one-time doubling of the Travel Michigan budget to $28 million. This allowed the state to promote itself nationally for the first time, and "Pure Michigan" was well-suited to the opportunity.
- In its first year, the national campaign dramatically increased unaided awareness of Michigan as a place in the Midwest US "you would really enjoy visiting". Michigan moved to 2nd place among regional competitors in this metric after the campaign, up from 9th place before the campaign. Three out of ten national travelers were aware of the campaign, and the campaign was recognized by Forbes as among the 10 all-time best travel campaigns, and.

[1] Longwoods International (2015) Michigan: 2014 tourism advertising evaluation and image study.

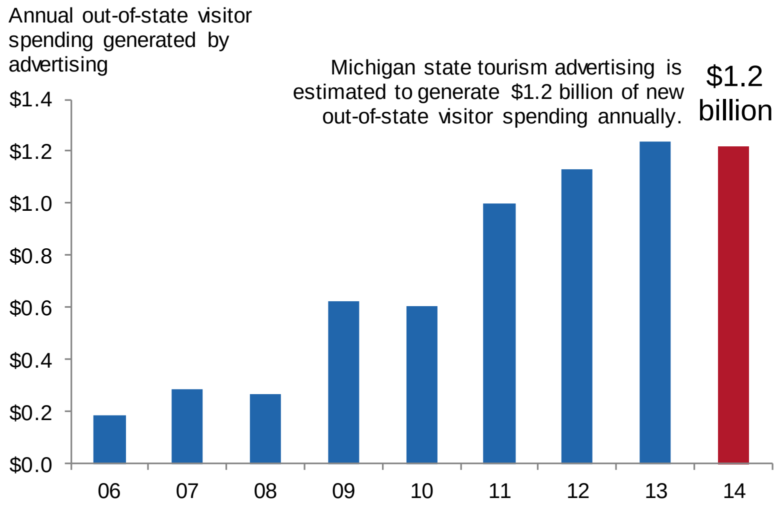
Case study: Pure Michigan success (2 of 2)

Michigan successfully invested in destination marketing as part of a strategy to ignite growth.

- The summer 2009 campaign was estimated to have generated almost two million additional trips to Michigan. As a result, based on a $12.2 million media budget, the campaign is estimated to have generated $588 million of incremental visitor spending and $41.0 million of state taxes, equivalent to $3.36 of state taxes per ad dollar.
- In total from 2006 to 2014, Longwoods estimated that “Pure Michigan” results generated 22.4 million out-of-state trips to Michigan and $6.6 billion of visitor spending at Michigan businesses. This implies a visitor spending return on investment (“ROI”) of $69 based on out-of-state visitors, and a state tax ROI of $4.81.

Michigan built on the initial success by maintaining annual funding slightly ahead of $30 million. From 2006 to 2014, Michigan invested over $95 million in “Pure Michigan” advertising. As a result, “Pure Michigan” has become the singular brand for Michigan, with the state expanding its use across multiple lines of business to promote state objectives, such as economic development.

New visitor spending in Michigan



Source: Longwoods International

Longwoods International (2015) Michigan: 2014 tourism advertising evaluation and image study.

Case study: Influence of DMO content

Visitor information supported by TBID funding consistently influences potential visitors.

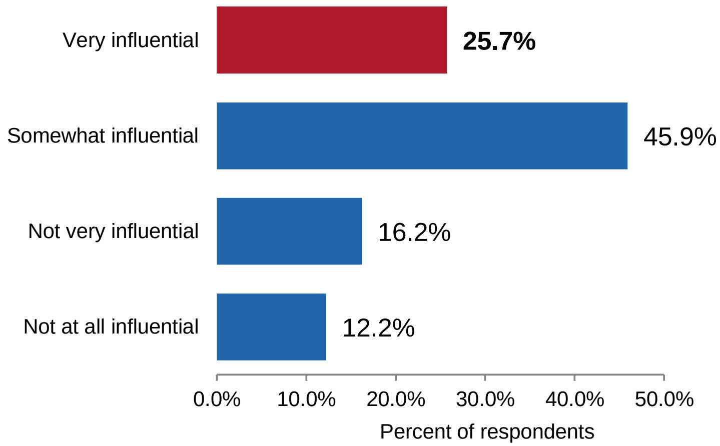
Among respondents who had made an overnight visit to Mendocino County, 25.7% reported that the Visit Mendocino website had been “very influential” in their decision.

Of approximately 160,000 unique website visitors (April 2013 to March 2014), 47.8% made a trip to Mendocino County, of which an estimated 20.2% were influenced to visit by the website.

38% of prospective visitors who received information from Visit Oceanside were influenced by the content and subsequently visited Oceanside.

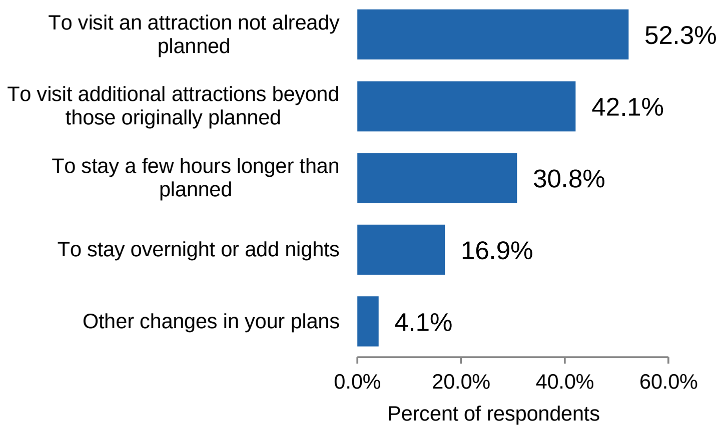
Among those visitors who were influenced by the visitor information, more than half indicated that they decided to visit an attraction or site that they had not already planned to visit and 17% added additional nights to their stay.

Website information influences traveler decisions
Visit Mendocino follow-up survey of website visitors



Question: How influential was the Visit Mendocino website in your decision to take an overnight trip to Mendocino County in the past six months? (Follow-up survey to website visitors, among those respondents who had made an overnight trip to Mendocino County.)
Source: Strategic Marketing Group "DMO Influence/Conversion Study", on behalf of Visit Mendocino/Mendocino County Lodging Association

Visitor information influences visitors to stay longer
Visit Oceanside visitor survey



Question: Which of the following were you influenced to do in Oceanside based on information you received from Visit Oceanside? (Among visitors to Oceanside whose plans were influenced by CWC or Visit Oceanside information.)
Source: Horizon Consumer Science (2013, May) "Visitor Profile/Economic & Fiscal Impacts study - CY2012", on behalf of Visit Oceanside California

Case study: the creation of Brand USA boosts tourism arrivals and spending in the US

Brand USA has maintained a strong ROI and helped revitalize the US as an international destination

Before 2011, the US did not have a national tourism organization. A decade of stagnation of international travel suggested that the lack of an organization that could effectively promote the US' global brand was costing the country billions of dollars in lost potential visitor expenditures.

Brand USA was created to reinvigorate the country's global brand, and positive effects have been realized quickly. The organization has raised the profile of the US as a destination and generated almost one million incremental visitors annually. Spending by these visitors generated $457 million in federal taxes, approximately triple the organizations total operating expenses. In 2015, Tourism Economics estimated an 19:1 ROI on total operating costs.

Summary Results: Brand USA ROI (FY2015)

Region		Investment	Incremental visitors		Incremental Spend	ROI
N America	$	19,392,467	374,195	$	357,230,802	18.4
Europe	$	31,578,844	116,923	$	387,499,367	12.3
APAC	$	29,727,058	198,358	$	1,036,777,492	34.9
LATAM	$	7,520,197	59,165	$	333,653,856	44.4
Other / Global Infrastructure	$	54,974,236	276,542	$	920,917,657	16.8
Total marketing	**$**	**143,192,802**	**1,025,183**	**$**	**3,036,079,174**	**21.2**
Overhead	$	14,483,128				
Total operating	**$**	**157,675,930**				**19.3**
APAC + LATAM	$	37,247,255	257,523	$	1,370,431,348	36.8

Source: Tourism Economics

Case study: Colorado cuts state funding

Within two years, Colorado lost 30% of its US visitor market share

Conversely, budget cuts in other destinations provide case study examples of what has happened when destination marketing spending is reduced. The US state of Colorado represents a particularly powerful example of the impact of a dramatic reduction in destination marketing spending:

- Prior to 1993, the Colorado Tourism Board (CTB) had a $12 million marketing budget, funded by a 0.2% tax on most tourism spending.
- Within two years of repealing its tourism funding in 1993, Colorado lost 30% of its US visitor market share, which translated into the equivalent of over $1.4 billion annually in lost revenues. By the late 1990s, this had escalated to $2.4 billion a year.
- After having moved from 14th to 1st position in the states' summer resorts category, Colorado slipped to 17th in 1994. It also shifted back to being more of a regional drive destination opposed to being a national fly-in venue and attracting fewer international visitors.
- The subsequent establishment of the Colorado Travel & Tourism Authority, which was an attempt to market the state with private sector funding in co-operation with the CTB, failed. This was attributed to the fact that private sector companies had separate priorities.
- The new Colorado Tourism Office opened with a $5 million budget and in 2003, $9 million was approved for tourism promotion. A campaign conducted from October 2003 through December 2004 resulted in 5.3 million incremental visits, representing 17% of total visitation to the state. In 2004, this generated $1.4 billion of additional spending and $89.5 million in state and local taxes.
- These estimates are equivalent to an implied visitor spending return-on-investment (ROI) per marketing dollar of $140 (i.e. each dollar change in marketing spending resulted in a change in visitor spending of $140).

Case study: San Diego TMD funding frozen by litigation

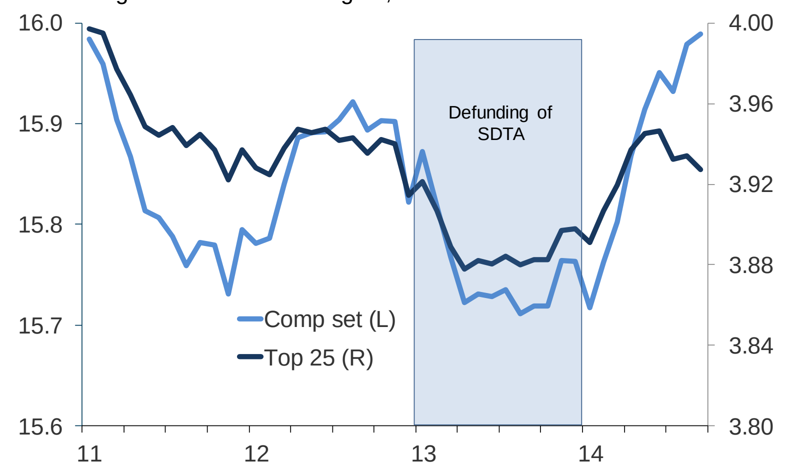
San Diego market share declined when tourism marketing was curtailed in 2013

A series of events in San Diego resulted in a temporary reduction in tourism marketing spending, providing a case study of short-term impacts:

- The San Diego Tourism Marketing District (SDTMD) was established in 2008 with the support of the lodging sector to provide stable funding for marketing and promotion based on a hotel room assessment. For example, in FY2012, the SDTMD allocated more than $25 million in assessment fees.
- As a result of litigation-related risks, funds intended for the SDTDM were held in limbo through much of calendar year 2013, curtailing its funding to local tourism marketing groups.
- The San Diego Tourism Authority (SDTA), the region's primary destination marketing organization, was one of the groups impacted. SDTA depends largely on SDTDM funding and was forced to cancel its important spring 2013 advertising campaign. Later, as the funding challenges persisted, SDTA laid off 40% of its staff in July 2013 and prepared to operate a bare-bones operation with only 15% of the funding that it previously received from SDTDM. SDTDM funding to other groups and events promoting tourism was also curtailed.
- Ultimately, in late-November 2013, the local city council released a portion of the funds previously being withheld and the SDTA restored its advertising in January 2014. As a result, the cutbacks in destination marketing were largely contained in calendar year 2013, and San Diego tourism marketing resumed strongly in 2014.
- The impact of the reduced funding was reflected in the performance of the San Diego hotel industry, as room demand leveled off in 2013, and occupancy rates and price levels increased more slowly than in competing markets. Overall, the city's performance trailed other regional and national destinations that had maintained funding levels and marketing programs.
- The graph below shows San Diego's reduced hotel room demand market share relative to a competitive set (Los Angeles, San Francisco, Anaheim, Phoenix and Seattle) and top 25 US metro markets during the period of reduced funding, and subsequent recovery when marketing was restored.

San Diego room demand market share

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



Sources: STR, Tourism Economics

Case Study: Pennsylvania's cuts DMO budget while NY increases spending; predictable results follow

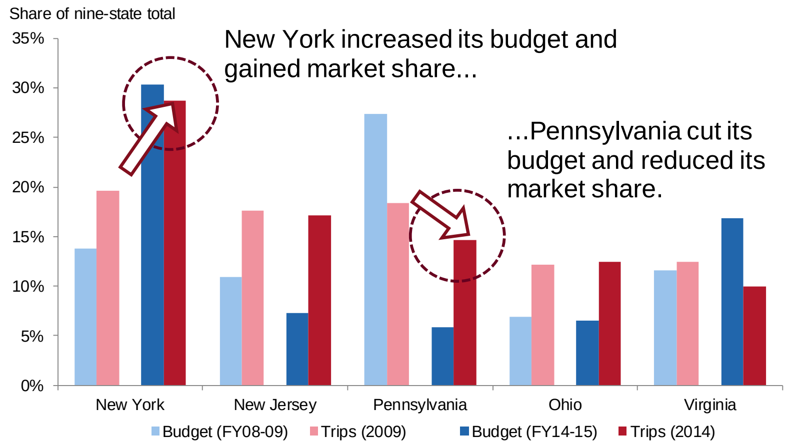
Major budget cuts and increases are followed by corresponding losses and gains in market share

Pennsylvania's DMO saw their budget slashed from $36.3 million in 2007 to $7.3 million in 2015. During this time, Pennsylvania has realized sizable declines in its market share relative to competitive states:

- Pennsylvania's share of overnight marketable leisure trips declined from 17.6% in 2007, to 14.7% in 2014, representing a decline of 16.9% (2.9 percentage points).
- Meanwhile, Pennsylvania's share of day marketable leisure trips declined from 23.2% in 2008 (earliest available data), to 19.4% in 2014, representing a decline of 16.4% (3.8 percentage points).
- In 2008, Pennsylvania was the second most popular state in the US measured on the basis of marketable day trips. By 2014, Pennsylvania had declined to fourth.

Pennsylvania's market share decline is partly attributable to the strong competitive growth of New York State. New York has more than doubled its state tourism budget (from $15.0 million in FY2008-09 to $37.3 million in FY2014-15), and has shown the largest market share gain among competitive states.

Market share and budget share



Note: Trips measured on the basis of marketable overnight trips.
Source: Longwoods International; US Travel Association; Tourism Economics

Between FY2008-09 and FY2014-15, New York increased its state tourism market budget from $15.0 million to $37.3 million, a 148% increase. This funding helped back the successful "I Love New York" campaign, which was relaunched in 2008. This marketing supported New York's substantial gain in market share. Between 2009 and 2014, New York's share of marketable overnight trips in the nine-state region increased 46.1%.

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

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