



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 30, 2014

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Public Meeting On The Proposed Renewal Of Santa Barbara South Coast Tourism Business Improvement District

### **RECOMMENDATION:**

That Council hold a public meeting to hear comments from the public on the proposed renewal of the Santa Barbara South Coast Tourism Business Improvement District.

### **DISCUSSION:**

#### **Overview**

On September 28, 2010 the Santa Barbara City Council approved resolution No.10-080 establishing the Santa Barbara South Coast Tourism Business Improvement District (TBID) and approved the TBID Management District Plan. The TBID is a benefit assessment district designed to increase tourism by creating a supplemental funding source for marketing the south coast region of Santa Barbara County. The TBID region includes the Cities of Santa Barbara, Goleta, and Carpinteria, and the nearby unincorporated areas of the County of Santa Barbara, with the City of Santa Barbara designated as the lead jurisdiction. The TBID currently generates approximately \$1.75 million for marketing outreach. The funds of the District are administered by Visit Santa Barbara (VSB) with oversight from a special committee designed for this purpose.

The five year term of the TBID is set to expire on January 1, 2016. In late 2013, VSB began the TBID renewal process by meeting with lodging industry focus groups and stakeholders to provide an overview of the TBID accomplishments, answer questions, and get input regarding changes to the TBID assessment. In addition, VSB sent out multiple emails to the lodging establishments (hotels, motels, inns and vacation rentals) with information regarding the planned meetings and the proposed modifications to the assessment model. The proposed renewal of the district will generate an additional \$1.38 million for marketing efforts resulting in a total annual TBID budget of \$3.13 million.

## **Legal Process**

On July 29, 2014, The Council adopted the Resolution Requesting Consent, asking the included jurisdictions to give their consent to renew the district. The County Board of Supervisors of the County of Santa Barbara and the Goleta City Council granted their consent on September 2, 2014. The Carpinteria City Council considered the item on September 22, 2014 and did not grant consent to renew the district. The TBID Management District Plan will be revised to exclude the City of Carpinteria and the TBID budget will be modified to exclude the assessment revenue related to Carpinteria lodging establishments.

On September 9, 2014, Council took the second step required to renew the TBID by adopting the Resolution of Intention, declaring intent to renew the district. The City received signed petitions from 65.88% of affected lodging establishments in support of renewing the TBID. This exceeds the greater than 50% support required to begin the formal process under the Property and Business Improvement District Law of 1994.

The public meeting on September 30, 2014 marks the third step required to renew the district. At this meeting, Council will hear comments from the public and affected business owners on the proposed district renewal. Council will not be asked to take any action at the public meeting.

The final step in the legal process is scheduled for October 28, 2014 when the public hearing will be held and the written protests tabulated. If no majority written protest is received from business owners that would pay more than 50% of assessment, Council would determine whether to adopt both the Resolution of Renewal, formally renewing the district, and the final Management District Plan.

## **BUDGET/FINANCIAL INFORMATION:**

The proposed TBID will have an overall positive impact on the City, increasing tourism and potentially raising both transient occupancy and sales taxes. Because the City will collect the TBID assessment from lodging businesses, it will be paid a fee equal to 3% of the assessment collected. The current TBID generates approximately \$1.75 million for marketing outreach; the renewal will generate an additional \$1.38 million for marketing efforts.

**PREPARED BY:** Genie Wilson, Treasury Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

# Santa Barbara South Coast Tourism Improvement District (TBID) Renewal



# Agenda

- ❖ Importance of Tourism
- ❖ Who Votes?
- ❖ Return On Investment
- ❖ New Model/Renewal Process



# Importance of Tourism

- 6.2 Million Visitors Annually
- \$45.8 Million in Tax Revenues
- \$1.5 Billion in Visitor-Related Spending
- 12,000 Tourism-Supported Jobs



# Here is what we strive to do

- Position Santa Barbara South Coast as a premiere destination
- Open new markets to fill off peak seasons
- Stay ahead of the competition
- Increase profits for the Lodging Industry
- Increase mid-week length of stay



# What is a TBID

- Is a lodging community self-assessment that generates tourism promotion funds to augment efforts of the Santa Barbara's South Coast.
- Was created by the lodging industry and voted by the industry.
- Generates funds and leverages dollars to create efficient marketing programs which ensure more business and increase profits for all segments of the Santa Barbara South Coast Lodging Industry.



# Voting Process

- Requires a 50 plus 1 percent support by the lodging industry in the south coast
- Votes are weighted by the lodging business's revenue





# Support

To date, 29 hotels have signed the petitions, representing 68.12% support.



# Return on Investment



# Destination Performance Indicators

- Transient Occupancy Taxes  
Increased 14.6% in FY 14
- Occupancy  
Increased 1.9% in CY 13
- ADR  
Increased 7.3% in CY 13



# Program Metrics

Santa Barbara

[Marketing Presentation](#) | [Executive Presentation](#)

VISIT  
**SANTA BARBARA**  
THE AMERICAN RIVIERA®

KPIs Tax Economic Impact Incremental Rooms STR

TOT  Sales

Integrated... Offline Online Paid Search CRM Website Mobile Site Social Media JackRabbit Trip Advisor

Facebook Twitter Instagram/Pinterest YouTube Conversions Advertising

## Facebook Fans



# ROI on TBID Dollars

	Base Year 2010/11	2013/2014
South Coast Lodging Revenue	\$217,746,403	\$280,571,410
VSB Generated Lodging Revenue	\$28,954,758	\$59,303,091
VSB Lodging Revenue as a % Total	13.3%	21.1%
Revenue generated if Bureau was at 13.3% of total revenue in 2013/14		\$37,308,892
Difference between \$37M and \$59M= Incremental change		\$22,024,199
TBID Investment		\$1,750,000
Return on Investment = Incremental Change/TBID Investment		\$13:\$1

**If you would like to learn more,  
please contact our office for a link to a narrated video presentation.**

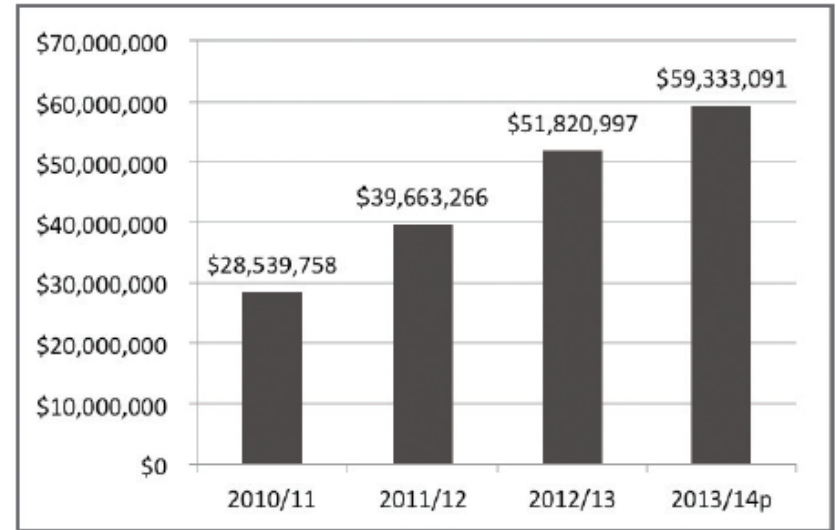


# Increased Demand Leads to Increased Lodging Revenue



**\$31 Million Increase**

in VSB's Share of Total Lodging Revenue  
since 2010/2011



Source: Visit Santa Barbara Destination Strategic Marketing Plan



# Competition is Increasing

	Amount	Assessment Rate
<b>Major Destinations</b>		
San Francisco	\$67,332,000	.75% - 1.5% room revenue
San Diego	\$30,000,000	.55% - 2% room revenue
Los Angeles	\$19,000,000	1.5% room revenue
<b>Wine Country</b>	<b>\$6,200,000</b>	
Napa	\$4,000,000	2% room revenue
Sonoma County	\$2,000,000	2% room revenue
<b>LA/South Coast</b>	<b>\$7,079,031</b>	
Newport Beach	\$2,500,000	3% room revenue
Santa Monica	\$3,350,000	\$2.25 - \$4.25 per night
<b>North Central Coast</b>	<b>\$4,860,000</b>	
Monterey	\$3,500,000	\$.50 - \$2.50 per night
<b>The Desert</b>	<b>\$6,000,000</b>	
Palm Springs	\$6,400,000	2% room revenue
<b>The Sierras</b>	<b>\$6,480,000</b>	
Mammoth Lakes	\$4,680,000	1% - 2% Revenue Hotels/Restaurant Retail



# TBID Renewal





# Assessment Categories

## CURRENT TBID ASSESSMENT

Average Daily Rate	Assessment Rate Per Night
Less than \$100	\$0.50
\$100 - \$150	\$1.00
Over \$150 - \$200	\$1.50
Over \$200	\$2.00

## PROPOSED TBID ASSESSMENT

Average Daily Rate	Assessment Rate Per Night
Less than \$100	\$0.75
\$100 - \$149	\$1.50
\$150 - \$199	\$2.25
\$200 - \$249	\$3.00
\$250 - \$299	\$3.50
Over \$300	\$4.00

**Vacation rentals are assessed on a per unit basis and at a rate of \$2.00 per night**



# Escalator Clause

## Hotels, Motels & Inns

Assuming that the assessment increases are enacted in years 3 and 5 the annual assessment rates will be as follows:

TBID Escalator		
Year 1	Year 3	Year 5
\$0.75	\$0.85	\$0.95
\$1.50	\$1.65	\$1.85
\$2.25	\$2.50	\$2.75
\$3.00	\$3.30	\$3.65
\$3.50	\$3.85	\$4.25
\$4.00	\$4.40	\$4.85



# Escalator Clause Vacation Rentals

TBID Escalator		
Year 1	Year 3	Year 5
\$2.00	\$2.20	\$2.40



# Escalator Clause Total Budget

TBID Collections			
Year	Hotels, Motels, Inns	Vacation Rentals	Total
2015 - 2016	\$2,832,762	\$113,078	\$2,945,840
2017 - 2018	\$3,116,038	\$124,396	\$3,240,434
2019 - 2020	\$3,427,642	\$136,824	\$3,564,466



# Where We Are Now & Looking Forward

## Current District

- Santa Barbara, SB County, Carpinteria & Goleta
- 5-year term
- \$1,750,000 per year
- Businesses over 4 rooms

## Renewed District

- Santa Barbara, SB County, & Goleta
- 6-year term
- \$2,945,000 per year
- All businesses



# Opportunities for Growth



# Marketing Initiatives

NON-PEAK SEASONS



SALES DEPT. EXPANSION



FILMING INCENTIVES



INTERNATIONAL



SNOW CAMPAIGN



INNOVATIVE DELIVERY



NON-PEAK SEASONS



MARKET TARGETING



PROMOTE SMALL HOTELS



NEW PARTNERSHIPS



TV & RADIO



MORE FAM TRIPS



POP-UP EVENTS



NEW AIR SERVICE



MUSIC MARKETING



INDUSTRY ALLIANCES



WEBSITE REDESIGN



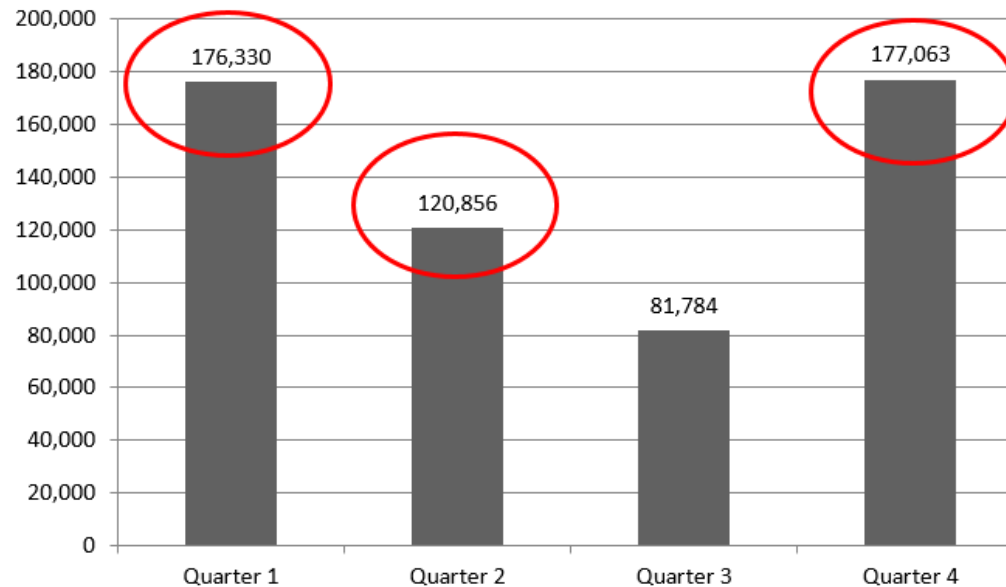
RESEARCH



Develop campaign to promote the smaller, limited service hotels.

# We have the opportunity to build mid-week and low season demand

Room Availability by Quarter



Source: Smith Travel Research





# Increase Bottom Line

- ✓ **Extended Stays**
- ✓ **Higher Midweek**
- ✓ **Higher ADR**



THANK YOU!

