



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: James Colangelo, City Manager

MEETING DATE: May 17, 2006

SUBJECT: **CONSIDER REQUEST FROM THE MONTEREY COUNTY CONVENTION AND VISITORS BUREAU FOR PARTICIPATION IN THE TOURISM IMPROVEMENT DISTRICT FORMATION AND PUBLIC-PRIVATE TOURISM PROMOTION FUNDING PROPOSAL**

RECOMMENDATION:

Deny the request.

DISCUSSION:

The Monterey County Convention and Visitors Bureau (MCCVB) has submitted the attached letter requesting the City's participation in the formation of a Tourism Improvement District (TID). The City's participation would require a contribution of \$85,770 and would entitle the City to the continued benefit of the MCCVB's joint marketing efforts.

The Pacific Grove Chamber of Commerce also recommends denial of the request.

FISCAL IMPACT:

The requested action would cost the City \$85,770. Inclusion in the TID could result in additional transient occupancy tax revenues, although that is only speculative at this point.

RESPECTFULLY SUBMITTED:

James J. Colangelo

Digitally signed: I have reviewed this document

James J. Colangelo
CITY MANAGER



April 26, 2006

Mr. Jim Colangelo
City Manager
City of Pacific Grove
300 Forest Ave.
Pacific Grove, CA 93950

Re: Tourism Improvement District Formation and
Public-Private Tourism Promotion Funding Proposal

Dear Mr. Colangelo:

Thank you for meeting with the Monterey County Convention and Visitors Bureau (MCCVB) on April 10, 2006, to discuss the regional Tourism Improvement District (TID) initiative and the newly proposed tourism funding formula. As presented, this TID initiative would require the lodging community to match the government contribution with a self-assessment, thus doubling the marketing dollars available to boost occupancy and, as a result, increase TOT revenue for the general fund.

The TID initiative is at a critical juncture. To date, the MCCVB has received preliminary approval on the proposed funding formula from most major lodging properties, the County of Monterey and all of its current city partners, including the City of Carmel-by-the-Sea. Furthermore, the Monterey County Hospitality Association recently committed funds to secure the legal team needed to finish the TID. As I am sure you recognize, this TID is a once-in-a-lifetime opportunity to unify Monterey County's tourism communities and a means to finally develop the supplemental private funding mechanism for destination marketing that the region has long sought.

The City of Pacific Grove's contribution is crucial to the formation and success of the TID. To finish the process and allow the countywide TID to go forward, the MCCVB respectfully requests a recommendation by the City staff to fund the MCCVB at the proposed level of \$85,770 in FY2006-07 (3% of Pacific Grove's FY2004-05 TOT revenue). Due to the time-sensitive nature of this initiative, we request a commitment from the City of Pacific Grove for the \$85,770 contribution by May 20, 2006.

Should the City of Pacific Grove or its lodging properties decline participation in the TID, the effects will be deeply felt. First, we regret that the MCCVB will no longer be able to offer membership to the 52 current MCCVB members located in Pacific Grove. Second, per the mandates of the TID, the MCCVB will be prohibited from including the City or any of its businesses in maps, websites, public relations efforts, advertising, tour and traveling consumer shows, regional promotions, and all other destination marketing activity. Third, the MCCVB will have to support the City of Monterey staff recommendation (tentatively scheduled for City Council action on May 16, 2006) that the City not extend contracts for inclusion in the Monterey Visitor Center to municipalities that do not join the TID. Please

monterey county convention & visitors bureau
In partnership with Monterey County and the Cities of Marina • Monterey • Sand City • Seaside

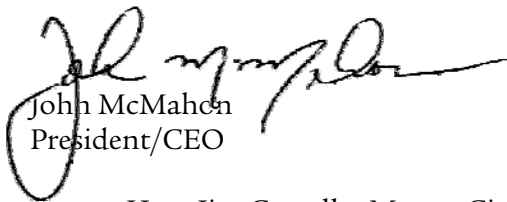
Post Office Box 1770, Monterey, CA 93942
TEL 831 657 6400 FAX 831 648 5373
www.montereyinfo.org

note that municipalities will not have another opportunity to join the TID for at least two years, and municipalities that join at a later date will have to absorb the significant legal, administrative and public outreach expenses necessary to instigate and formalize their participation.

The MCCVB has met with leadership of the Pacific Grove Chamber of Commerce in the hope of working in tandem to communicate the benefits of the TID to the Pacific Grove lodging community. Although collaboration with the Chamber has not yet come about, the MCCVB would like to continue to engage the lodging community and gain their petition support for the TID. Through a unification of lodgings and municipalities in a TID, countywide hotel revenues could increase by \$56.2 million annually. Imagine the return on investment that doubling the City of Pacific Grove's tourism contribution with private dollars could bring for your general fund.

Please contact me at (831) 657-6402 for any additional information about the MCCVB's efforts and the TID initiative. We look forward to forging a strong partnership with you to generate additional revenue for the City of Pacific Grove.

Sincerely,



John McMahon
President/CEO

cc: Hon. Jim Costello, Mayor, City of Pacific Grove
300 Forest Ave., Pacific Grove, CA 93950

Mr. Dan Cort, Mayor Pro Tempore, City of Pacific Grove
300 Forest Ave., Pacific Grove, CA 93950

Ms. Lisa Bennett, Council Member, City of Pacific Grove
300 Forest Ave., Pacific Grove, CA 93950

Ms. Susan Goldbeck, Council Member, City of Pacific Grove
300 Forest Ave., Pacific Grove, CA 93950

Mr. Scott Miller, Council Member, City of Pacific Grove
300 Forest Ave., Pacific Grove, CA 93950

Ms. Susan Nilmeier, Council Member, City of Pacific Grove
300 Forest Ave., Pacific Grove, CA 93950

Mr. Ron Schenk, Council Member, City of Pacific Grove
300 Forest Ave., Pacific Grove, CA 93950

Mr. Moe Ammar, President, Pacific Grove Chamber of Commerce
P.O. Box 167, Pacific Grove, CA 93950

Mr. Dave Potter, District 5 Supervisor, County of Monterey
1200 Aguajito Rd., Ste. 1, Monterey, CA 93940

Mr. Mike Zimmerman, MCCVB Chairman
765 Wave St., Monterey, CA 93940

MCCVB Board of Directors
via e-mail

MCCVB Executive Committee
via e-mail

MCCVB's Members in Pacific Grove
via e-mail



Increasing Tourism & Occupancy in Monterey County with a Tourism Improvement District

Tourism Summary

Tourism in Monterey County peaked in 1999 and dropped off significantly thereafter as the economy faltered. Since then, Monterey County has recovered at a much slower rate than the rest of California, with occupancy still 12.1% lower than it was in 1999.

A 23.8% increase in room revenue since 1999 has created a false sense of a healthy tourism industry in the county. The reality is that room revenue has increased largely because our room rates have risen 36.6% to become the highest in California. In fact Monterey County is losing tourism market share to competing California destinations—and trend that will continue until we make bringing more tourists here our primary goal.

The Monterey County Convention and Visitors Bureau (MCCVB)

The non-profit MCCVB is this region's umbrella destination marketing organization. It exists to promote the county as a whole, strengthen its brand image, attract visitors, and grow visitor spending. The MCCVB successfully drives tourism by creating award-winning advertising campaigns, unique travel promotions, and Internet marketing programs. Through execution of an innovative marketing plan, the MCCVB surpassed its FY2005-06 mid-year goals. Compared to last year, lodging revenue rose 7%, confirmed room nights for group sales rose 386%, print and online media coverage rose 25%, broadcast media coverage rose 67.7%, and visitor guide requests rose 54.6%.

But in spite of the MCCVB's strategic allocation of funds, its current marketing budget does not allow for penetration into vital core markets such as San Francisco. While communities such as San Jose, Sacramento, the Napa Valley, and San Francisco increase their marketing budgets to attract the business and leisure travel segments, the MCCVB's budget remains the lowest among competitors statewide. The MCCVB forecasts that unless more funds are generated for destination marketing, Monterey County's market share will continue to drop.

A Tourism Improvement District (TID) for Monterey County

Tourism Improvement Districts (TIDs) have been used successfully in destinations throughout the country to promote tourism, increase occupancy, enhance visitor services, and increase sales and commercial activities. Competing California destinations such as Sonoma County, San Jose, and Sacramento are three of the many state locales with TIDs in operation; Napa County, San Diego, and San Luis Obispo, among numerous other communities, now have TIDs in development.

The MCCVB, together with a coalition of lodging owners and general managers, proposes forming a TID in Monterey County to take effect January 2007. The proposed TID includes, preliminarily, all lodging establishments located within the unincorporated areas of Monterey County and the incorporated city limits of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Pacific Grove, Salinas, Sand City, Seaside, and Soledad.

TID Mission & Vision

The mission of the TID is to provide the county and the MCCVB with a well-managed, stable funding source for tourism promotion, which will generate more revenue for lodgings and tourism-related businesses, and deliver a direct return on investment to municipalities in the form of increased transient occupancy tax (TOT) revenue for the general fund.

A TID will allow the MCCVB to realize its vision for the county, a vision of regaining market share and becoming a top destination nationwide for individual travelers and groups. MCCVB projects that by driving occupancy back up to the 1999 level of 71.2%, the county will generate an additional \$56.2 million in annual hotel revenues within five years.

Funding the TID

The proposed TID requires an assessment of \$1.00 per room night for full-service lodging establishments and \$0.50 per room night for limited service lodging establishments (level of service as defined by Smith Travel Research). In addition, the MCCVB has developed an updated funding formula for municipality contributions based on TOT revenue. This unique matching of public contributions with private funding could result in an additional \$2.2 million to be used exclusively for destination marketing.

TID Facts

- The TID will be designed and governed by the assessed lodgings, and customized to fit the needs of our district
- Assessed businesses will automatically become members of the MCCVB, with no additional membership fee required to receive benefits
- TID funds cannot be diverted for other government programs
- TID funds will be used exclusively for tourism promotion

The TID presents a once-in-lifetime opportunity for the public and private sectors to double their investment.

Through a unification of lodgings and municipalities in a TID, countywide hotel revenues could increase by a staggering \$56.2 million annually.

Core Benefits of a TID

- The many types of lodging establishments in Monterey County, from B&Bs to resorts, will unite in an unprecedented effort to promote tourism
- The TID will fund a greater number of innovative marketing initiatives by the MCCVB, proven to bring additional tourists to Monterey County
- An increase in overall tourists will bring more business to lodging establishments and tourism-related businesses countywide
- Participating municipalities will benefit from a greater TOT contribution to the general fund
- Sales and other taxes from visitors will also add revenue to municipal coffers

Conclusion

In 2004, visitors accounted for 53.8% of total tax receipts in Monterey County, the equivalent of \$365 per household. Our streets, police, fire department, libraries, and community programs are funded, in part, by the channeling of TOT revenue into municipal services. As the second largest industry in the Monterey County and the largest industry on the Monterey Peninsula, tourism must be protected.

Monterey County will continue to be out-marketed by competing California communities unless we more aggressively promote the county as a destination. Forming a Tourism Improvement District will unite lodgings and municipalities, doubling the investment of each. A stable funding source will enable the MCCVB to conduct intensive marketing on behalf of Monterey County—a destination with a rich history, distinctive attractions, and stunning natural beauty capable of drawing visitors from around the world.

**Petition to Establish the
Monterey County Tourism Improvement District**

Dear City Council/Board of Supervisors:

Our lodging property, in coordination with the Monterey County Convention & Visitors Bureau (MCCVB), supports the proposal to establish a Tourism Improvement District in Monterey County.

A Tourism Improvement District (TID) will enable us to establish an adequate and stable funding source to promote Monterey as a tourism destination for year-round travel. We support the proposal of an assessment of \$1.00 per occupied room per night for full service lodging properties and \$0.50 per occupied room per night for limited service lodging properties, as defined by Smith Travel Research.

The Tourism District is proposed for the County of Monterey's unincorporated areas and the Cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Pacific Grove, Salinas, Sand City, Seaside and Soledad.

We understand these funds will be used exclusively for the tourism industry promotion in Monterey County. A Tourism District will provide economic benefit to lodging establishments, tourism related businesses, MCCVB, and the local jurisdictions in Monterey County.

Please take this letter of support for a Tourism District under consideration. Thank you for your time.

Sincerely,

Name of Lodging Property (printed)

Owner/Representative Name (printed)

Owner/Representative Signature

Date

Please return the completed petition to:

**Nat Rojanasathira
Monterey County CVB
P.O. Box 1770
Monterey, CA 93942**

**Monterey County Convention & Visitors Bureau
Tourism Outreach Efforts, FY 2004-05**

<p>Leisure Advertising & Promotions</p>	<ul style="list-style-type: none"> ▪ Four full-page, four-color ads featuring Monterey County message with photos of Monterey Bay Aquarium, Cannery Row, Carmel Valley and Big Sur <ul style="list-style-type: none"> - Total ad buy: \$565,616 - Total circulation: More than 10 million in the Western U.S. - Print ads ran in: <i>Sunset, 7x7 Magazine, Travel + Leisure, Departures, California Travel Planner, T+L Golf, Food & Wine, T+L Family, AAA Tourbook</i> ▪ Print advertorials and co-op ads also ran in: <i>7x7 Magazine, VIA, San Francisco Chronicle</i> ▪ Coordinated more than \$1,665,192 in Trade Promotions including off-season promotion radio trades and CTTC international promotions, including: <ul style="list-style-type: none"> - KEZR (San José): \$78,250 - PBS on-air auctions: \$35,000 - CTTC/Sunset/Kleenex promos in Canada: \$500,000 - <i>Edmonton Sun</i> and <i>Calgary Sun</i> promos in Canada: \$300,000 - KFBK (Sacramento): \$12,000 - KHTN (Modesto): \$16,000 - KUBB (Merced): \$29,225 - The Zone (Sacramento): \$10,000 - CTTC/Budweiser: \$100,000 - CTTC/Europe MasterCard: \$122,000 - CTTC/Jelly Belly: \$400,000 - CTTC/Southwest Airlines: \$50,000 ▪ Off-Season Promotions: <ul style="list-style-type: none"> - Holiday Bounty (12th Year), 27 participating hotels, 20 merchants, drew direct revenue of \$53,000, 208 room nights - Monterey's Wild for Nature (Jan-Feb), 27 participating hotels, 12 merchants, drew over \$10,212 in direct revenue, 93 room nights - Girls Goodlife Getaway, 24 participating hotels, 14 merchants, drew direct revenue of \$10,072, 82 room nights ▪ Tee Time on a Dime Promotion June-December (green fees under \$100) ▪ In-Magazine Promotions, including copy and reader response cards in <i>T+L Golf, Travel + Leisure, Food & Wine</i>: value of \$45,925, total of 3.8 million subscribers reached
<p>Visitor Services</p>	<ul style="list-style-type: none"> ▪ Assisted/Referred over 538,885 visitors through calls, visits, letters and e-mails <ul style="list-style-type: none"> - 176,568 Visitors Served at El Estero and Heritage Harbor Visitor Centers - 106,664 eSpecials Delivered - 224,977 eNewsletters Delivered - 18,426 Travel Planners Mailed - 17,171 Calls (Visitor Guides, Reservations, General Information) subscribers reached ▪ 2,725 visitors served from cruise ships

<p>Fulfillment & Direct Mail</p>	<ul style="list-style-type: none"> ▪ Printed and Distributed 130,000 Official Travel and Meeting Planners (170+pgs.) <ul style="list-style-type: none"> - Total Circulation: 2.4 million - 120,000 soft cover copies: <ul style="list-style-type: none"> - 22,085 mailed by request - 76,515 to individuals/families - 5,355 to event venues - 25,212 to convention delegates - 10,000 hardcover copies for inclusion for hotel in-room copies (total circulation: 2.28 million) ▪ 335,000 direct mail pieces sent through affinity programs with <i>Travel + Leisure</i>, <i>T+L Golf</i> and <i>Food & Wine</i> magazines
<p>Collateral Development</p>	<ul style="list-style-type: none"> ▪ Developed and Redesigned Official Travel and Meeting Planners (170+pgs.) <ul style="list-style-type: none"> - Total Circulation: 2.4 million ▪ Distributed and supplied collateral to convention group attendees, others
<p>Communications & Media Relations</p>	<ul style="list-style-type: none"> ▪ Assisted and generated \$6.8 million in print and online media equivalency ▪ National television coverage assisted by CVB valued at \$447,000 including coverage in: Today Show, MSN, Travel Channel ▪ Radio coverage assisted by CVB valued at \$32,250 ▪ 324 CVB assisted or generated articles, including coverage in: <i>Coastal Living</i>, <i>California Homes</i>, <i>Newsweek</i>, <i>Sunset</i>, <i>United Hemispheres</i>, <i>Woman's World</i>, <i>Wine Enthusiast</i>, <i>Boston Globe</i>, <i>Chicago Sun Times</i>, <i>Chicago Tribune</i>, <i>Denver Post</i>, <i>Deseret Morning News</i>, <i>Dallas Morning News</i>, <i>Indianapolis Star</i>, <i>Los Angeles Times</i>, <i>Miami Herald</i>, <i>New York Post</i>, <i>New York Times</i>, <i>Orlando Sentinel</i>, <i>San Diego Union Tribune</i>, <i>San Francisco Chronicle</i>, <i>St. Louis Post-Dispatch</i>, <i>Vancouver Sun</i>, <i>Washington Post</i>, and more ▪ 576 Media Assisted ▪ 67 Press Kits Distributed ▪ 167 Proactive Story Pitches ▪ 25 Media Releases Sent ▪ Included in 8 California Tourism national releases/mailings ▪ Provided media info on 7 events ▪ Attended American Travel Writers National Conference (250 delegates) and reception for LA media (62 reps) ▪ Coordinatned Travel Channel visit, National Examiner sweepstakes, ▪ Coordinated and sent 5 issues of Monterey Magazine insert through <i>San José Mercury News</i>, <i>Contra Costa Times</i> and Hills Newspaper Group, total circulation: 400,000 ▪ Tracked 661 articles on Monterey County
<p>Research</p>	<ul style="list-style-type: none"> ▪ Electronic Survey discussed to update 1999 Wirthlin visitor perception study ▪ Coordinated data sharing with CTTC ▪ Use of Smith Travel Research for reporting of occupancy, ADR, RevPAR

