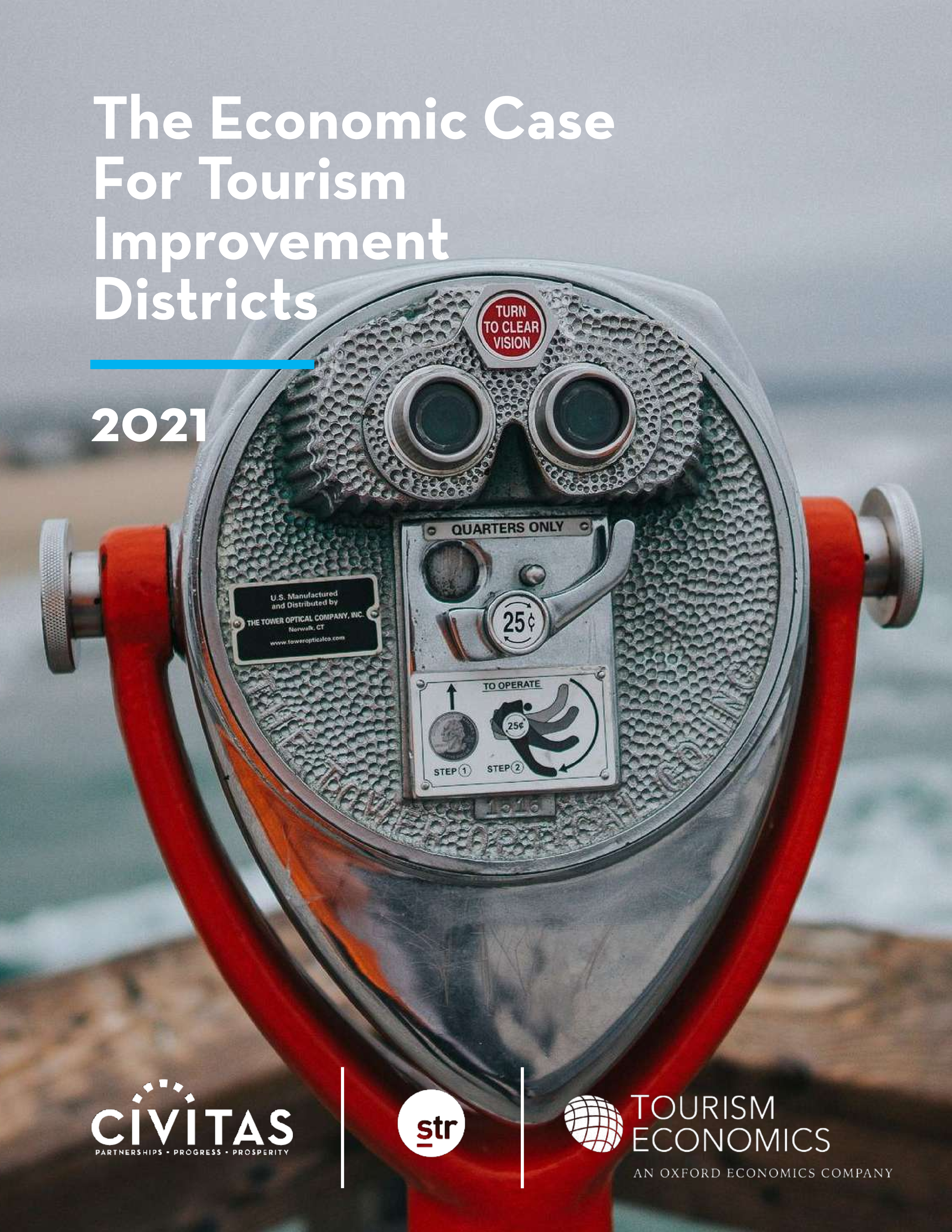
The Economic Case For Tourism Improvement Districts

2021



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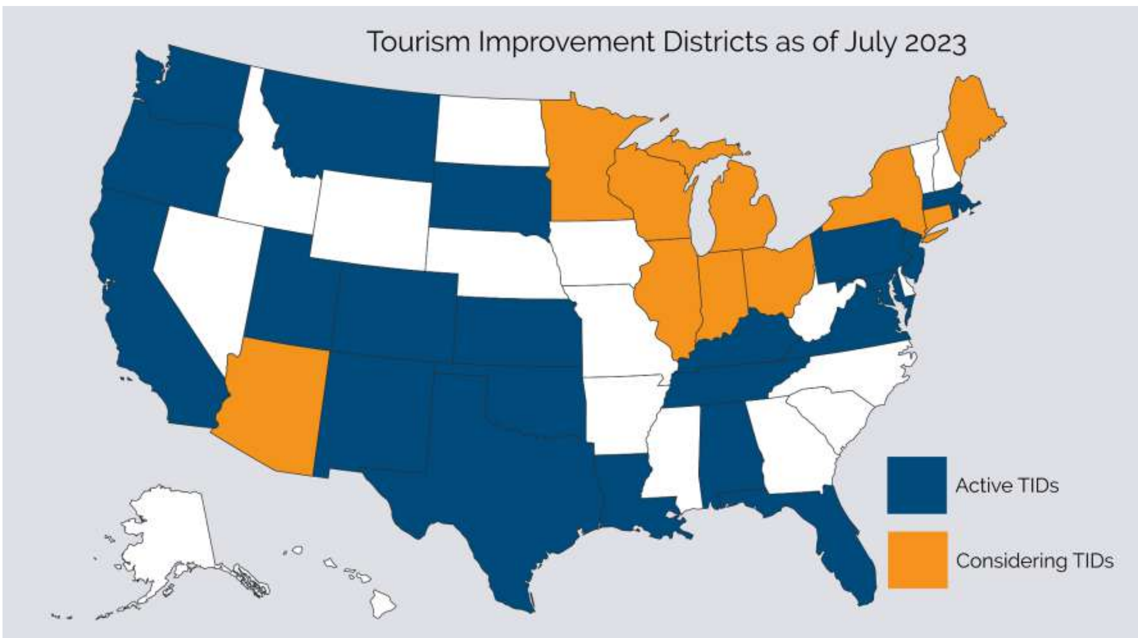
TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

Published July 2021. Updated January 2022.
Data included first presented at the Annual National Tourism Improvement District Summit, April 2021.

INTRODUCTION: SECURE FUNDING FOR DESTINATION PROMOTION

194 TID DESTINATIONS IN 19 STATES

Tourism improvement districts (TIDs) are mechanisms for funding tourism promotion and destination development activities. TID funding is raised via industry-imposed assessments, typically on lodging stays, within a designated geographic area. Those funds are then used to provide services desired by and directly benefiting the assessed businesses in the district. Because TIDs are dedicated for the benefit of tourism, funds raised cannot be diverted to government programs.



This structure has made TIDs an invaluable piece of the tourism funding puzzle for destinations. First implemented in California in the early 1990s, the innovative concept has spread to 209 destinations in 22 states, with more destinations looking to create their own TIDs.

MEASURING SUCCESS: INCREASED ROOM DEMAND, REVENUE INCREASES, AND VISITOR SPENDING

Thanks to an innovative study conducted by Tourism Economics in partnership with STR and Civitas, we have comprehensive, industry-wide data that proves TIDs provide a competitive advantage for destinations. By examining TID impacts on room demand, revenue, and visitor spending, this white paper will explore that groundbreaking research and explain how TIDs enhance destinations' economic impact.

GOALS & METHODOLOGY: 100 CITIES, 30 YEARS OF DATA

DEFINE LIST OF CITIES: In collaboration with Civitas, Tourism Economics selected 100 US cities for this analysis. This included 29 cities with TIDs, and 71 non-TID cities. The 100 locations represented a mix of market sizes, geographic regions, and states. For each city, Tourism Economics identified a corresponding representative county as the basis for analysis.

100 CITIES:

29 TID CITIES

71 NON-TID CITIES

COMPILE DATA: Tourism Economics selected relevant measures and prepared a dataset containing 30 years of annual data (1990 to 2019). The measures selected included lodging performance and local economic characteristics, such as GDP and employment. STR provided lodging performance measures, such as supply, demand and room revenue, for each destination. Tourism Economics sourced economic variables from Oxford Economics' subscription databases. The resulting panel dataset contained 100 geographies, with 30 time periods, resulting in 3,000 observations.

ESTABLISH TIMING: Tourism Economics defined a variable to reflect whether a TID was active in each location, for each year, based on the TID start dates prepared by Civitas.

ANALYZE RELATIONSHIPS: The goal was to assess whether the presence of a TID had a measurable impact on lodging performance. This impact can be difficult to discern when examining the performance of individual markets, because factors such as business cycles, local demand and business trends, major events, weather and holiday patterns, and random fluctuations can impact hotel performance year to year. Therefore, the approach was to analyze the panel data set as a whole, using regression models to control for several factors and isolate the contribution of the presence of a TID to lodging demand (occupied hotel room nights), and hotel room revenue.

In the lodging demand model, Tourism Economics explored variables that help explain the level of lodging demand in each market, each year. The team found that the combination of three variables explained a large share of the variation in demand levels: the size of the local economy measured as GDP, the size of the local arts, entertainment and recreation sector, measured as GDP within that sector, and the presence of an active TID. The room revenue model that the team explored was similar to the lodging demand model in terms of its structure and data inputs, but with hotel room revenue as the dependent variable of focus.

RESULTS:
TOURISM IMPROVEMENT DISTRICTS PROVIDE A COMPETITIVE EDGE

Destinations with TIDs are more competitive and drive higher economic impact than those destinations without them. The high-level results of the study show that TID cities are growing faster than non-TID cities, with that growth especially accelerating in the five years before the pandemic.

"THERE REALLY IS A STRONG CASE TO BE MADE THAT TIDs ARE NOT JUST GENERATING ACTIVITY FOR HOTELS, BUT THEY REALLY ARE LEVERAGED FOR ECONOMIC DEVELOPMENT."

ADAM SACKS, PRESIDENT, TOURISM ECONOMICS

To explore the growth of destinations utilizing a TID funding model, Tourism Economics examined a three-year period before and after a TID was implemented in each of the study's 29 TID cities. The team then compared those cities against their non-TID competitors and found that after a TID is implemented, destinations experience a stronger rate of growth in both room revenue and demand. This "growth premium" accumulates year-over-year, and the increase in hotel room revenue and demand translates to increased visitor spending, and in turn tax revenue for the destination.

TIDs INCREASE ROOM DEMAND & REVENUE, LEADING TO AN INCREASE IN VISITOR SPENDING

To further assess the effect of TIDs on destination performance, Tourism Economics created a regression model that shows destinations with TIDs in place consistently outperform others. On average, TIDs produce an average 2.1% lift in hotel room demand and an average 4.5% lift in hotel room revenue for their destinations as compared to those destinations without TIDs. To put this in perspective, lift on hotel room demand and revenue represented an increase in 150,000 room nights and $51M, respectively, for the average destination in 2019.

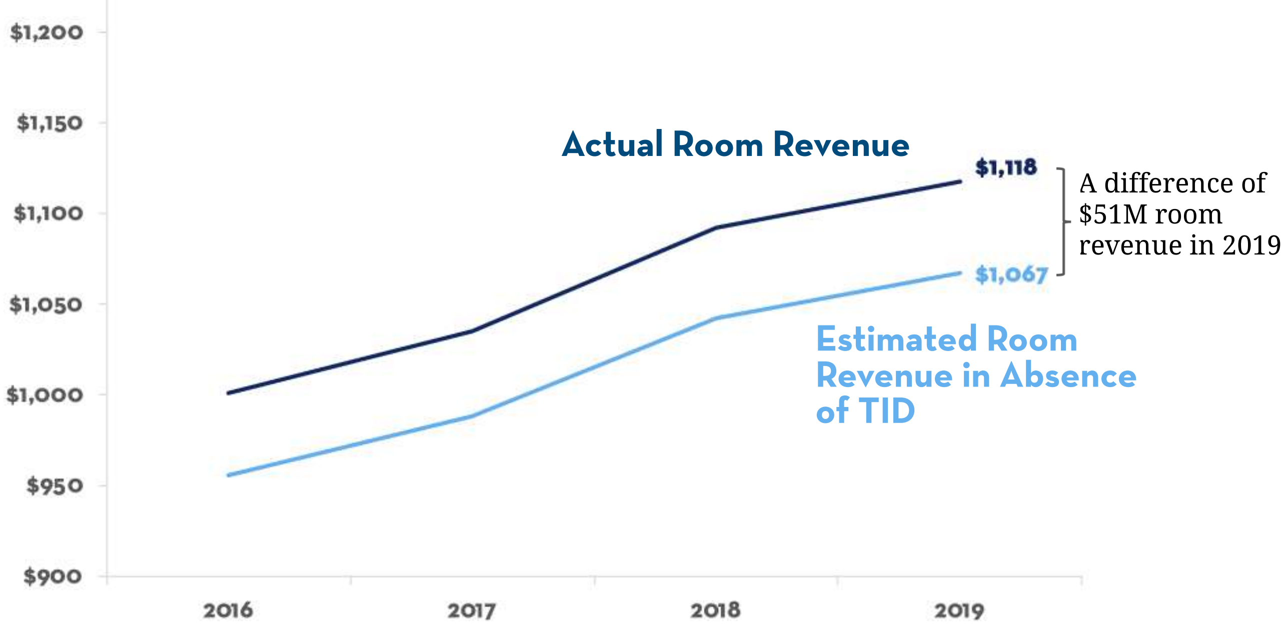
AVERAGE IMPACT OF TIDs ON DESTINATIONS: TIDs vs. NON-TIDS

2.1% ROOM DEMAND → **150K** DIFFERENCE IN DEMAND

4.5% ROOM REVENUE → **$51M** DIFFERENCE IN REVENUE

Average Annual Hotel Room Revenue

TID Cities, Millions



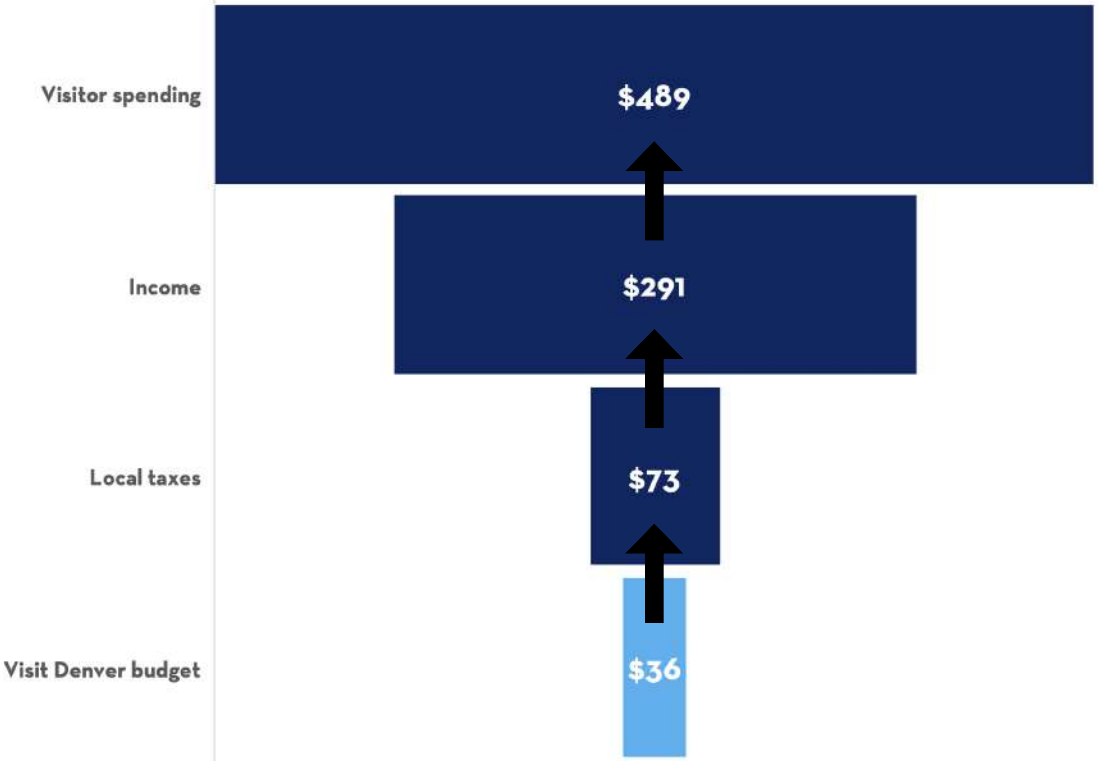
TID RESULTS IN ACTION:
DENVER, CO

Managed by Visit Denver, the Denver Tourism Improvement District (DTID) was created in 2016 with the intent to generate revenue for tourism-related services to increase overnight visitation, including funding capital improvement projects such as the Convention Center. Tourism Economics analyzed the effects of the DTID in 2019 and found that Visit Denver's $36M budget generated $73M in local tax revenue – double the investment to Visit Denver's budget. It is clear that a TID's benefits are not isolated to generating hotel sales but are a key component to increasing overall economic growth.

2019 ROI:
$36M BUDGET GENERATED $73M IN LOCAL TAX REVENUE

Visit Denver's Impact on the City of Denver

2019, Millions



TID RESULTS IN ACTION:
SAN ANTONIO, TX

Working together with Visit San Antonio and the San Antonio Hotel and Lodging Association (SAHLA), Civitas assisted with forming the San Antonio Tourism Promotion Improvement District (SATPID) in 2019. The SATPID collects a 1.25% assessment on gross room night sales at participating lodging properties with 100 rooms or more. Before the effects of COVID-19, Tourism Economics found that in just the first year of its operation, the TPID generated 190,000 room nights of definite and tentative group business, with $15.70 in room revenue for every $1.00 investment. Furthermore, when utilizing mobile device locations, Tourism Economics found that for every $1.00 spent on advertising, $50 in visitor spending was generated.

2019 ROI:
$50 IN VISITOR SPENDING GENERATED PER EVERY AD DOLLAR INVESTED

2018 ROI:
$44.40 OF VISITOR SPENDING INFLUENCED PER EVERY DOLLAR INVESTED

TID RESULTS IN ACTION:
SAN LUIS OBSIPO, CA

In 2008, Visit SLO established the San Luis Obispo Tourism Business Improvement District (SLOTBID). The SLOTBID assesses all lodging properties in the City of San Luis Obispo including hotels, motels, bed and breakfasts, hostels, inns and owner occupied homestays. The SLOTBID services stand out as a unique case in the TID world - Visit SLO not only funds sales and marketing programs typical to TIDs, but also more specific initiatives such as airlift. Tourism Economics found that in 2018, each dollar invested influenced $44.40 of visitor spending, contributing to $40.5M in total visitor spending.

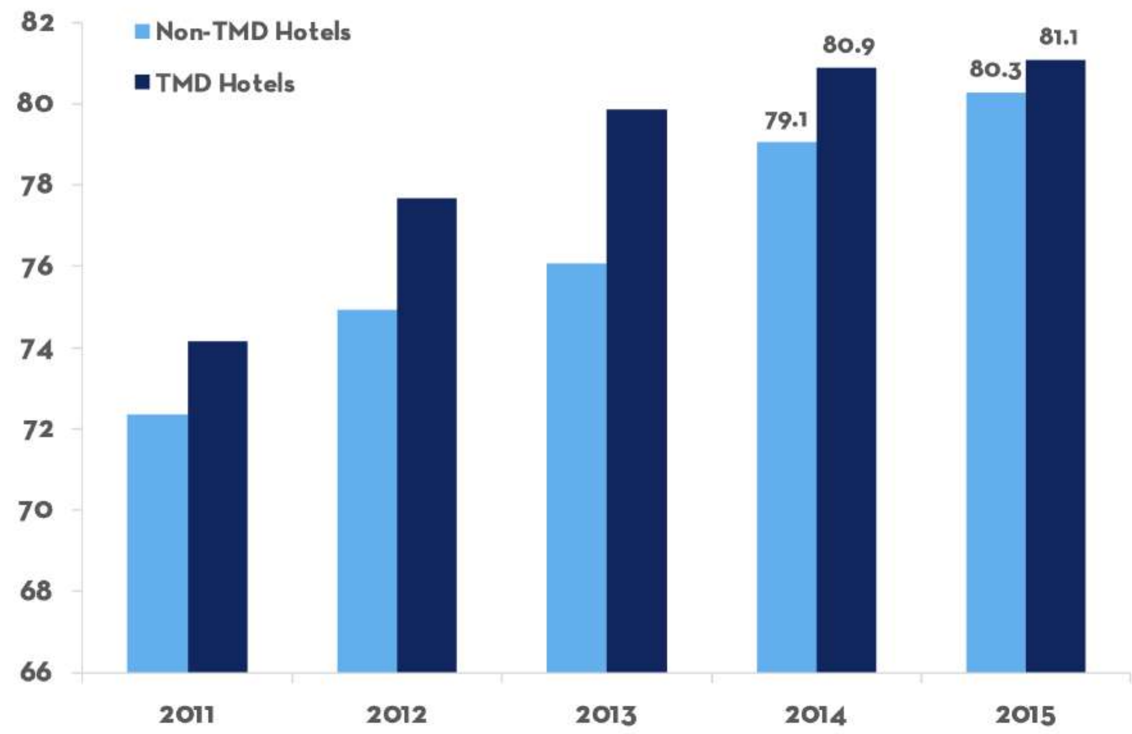
TID RESULTS IN ACTION: LOS ANGELES, CA

Just how much do TID-participating lodging businesses benefit compared to their non-TID counterparts? To explore this question, Tourism Economics looked to the Los Angeles Tourism Marketing District (LATMD). Formed in 2011, the LATMD levies an assessment on lodging businesses with 50 rooms or more. When Tourism Economics delved into the benefits that participating lodging businesses receive in comparison to their non-LATMD counterparts, the results conclusively showed that hotels participating in the LATMD not only received benefits commensurate with the amount they paid in, but saw their revenue exceeding the mandated benefit threshold. Simply put - lodging businesses within the LATMD receive more than their fair share in benefit as a direct result of LATMD efforts.

BENEFITS TO TID HOTELS OVER NON-TID HOTELS: HIGHER OCCUPANCY RATES, ROOM REVENUES, & CONTRACTED ROOM NIGHTS

City of Los Angeles Hotel Occupancy Rates

Occupancy Rate, %

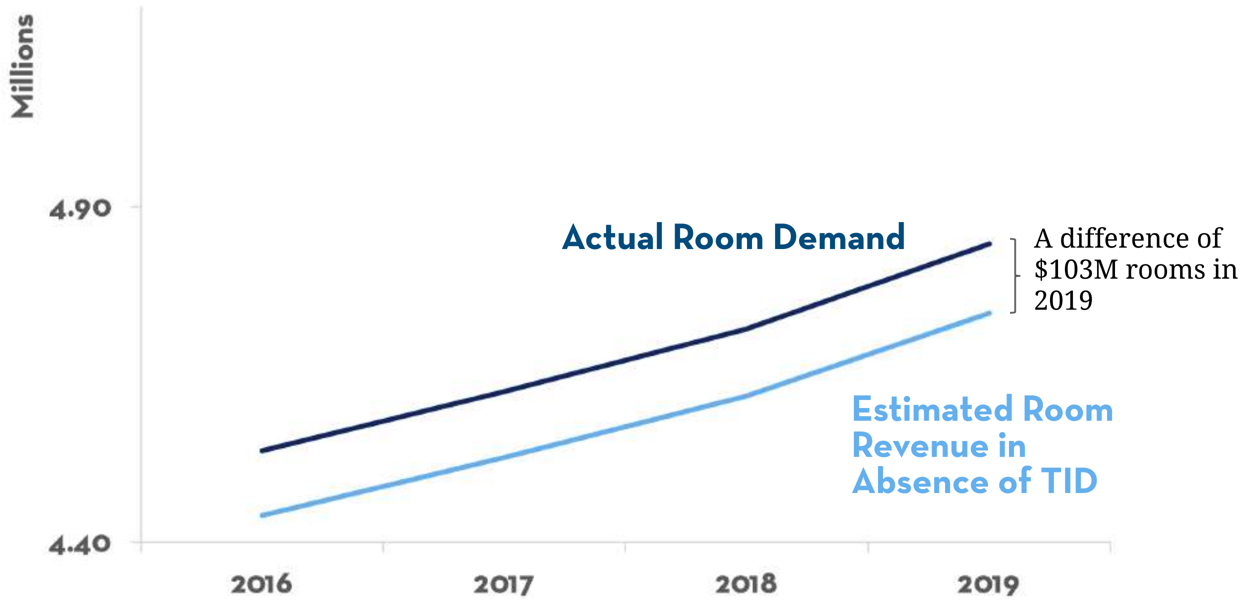


TID RESULTS IN ACTION: PORTLAND, OR

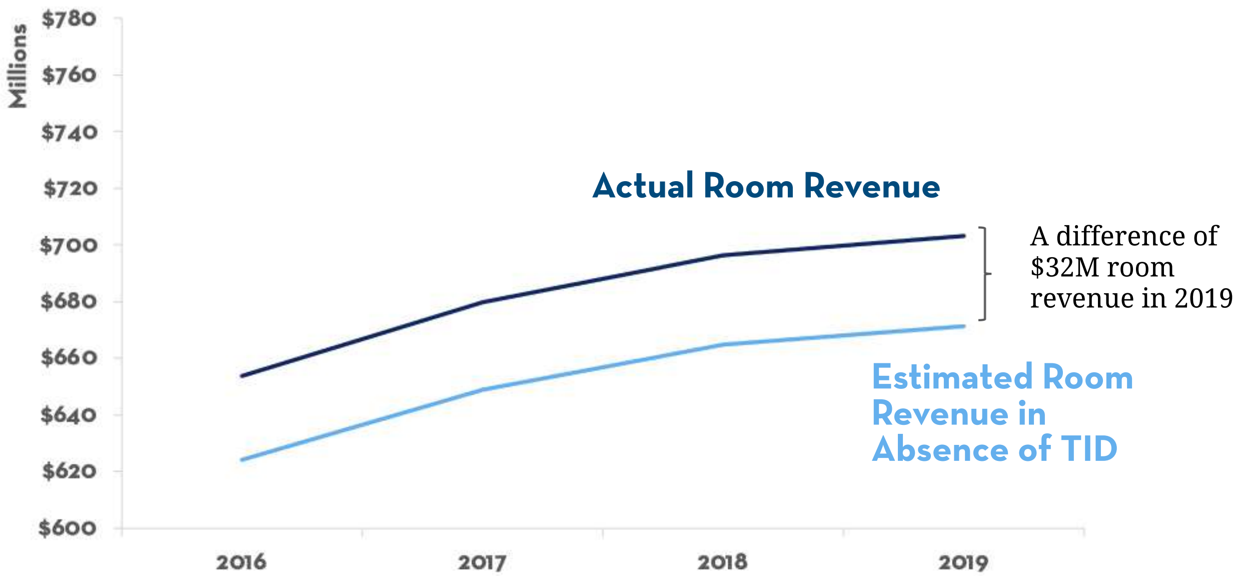
Tourism Economics also examined how a destination with an existing TID would be affected if the TID was not in place. By applying its economic model to Portland, Oregon over an eight-year period, Tourism Economics found that the Portland TID generated an average lift in hotel room demand of 2.1% per year – a difference of about 103,000 room nights in 2019. This room demand lift translated to an average lift in hotel room revenue of 4.5%, which equates to a difference of $32M.

AVERAGE LIFT: 103K ROOM NIGHTS, $32M ROOM REVENUE PER YEAR

Portland Room Demand
2016-2019



Portland Room Revenue
2016-2019



TID RESULTS IN ACTION: SAN FRANCISCO, CA

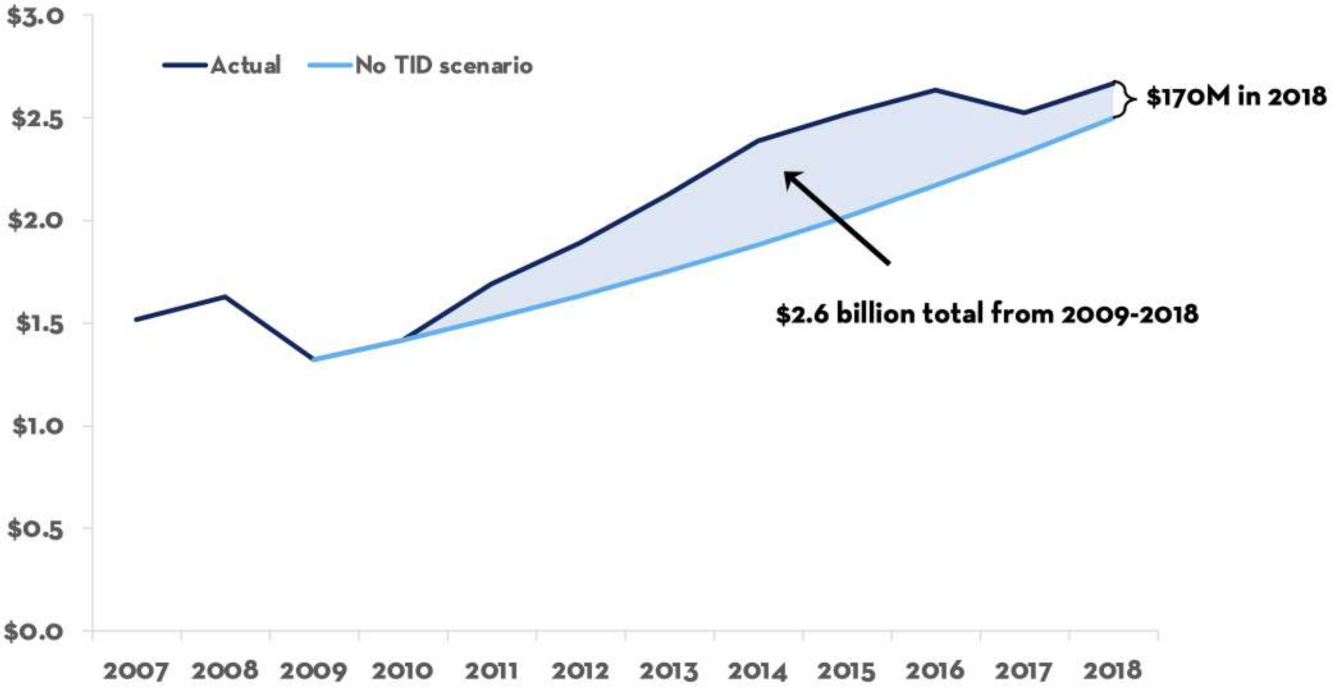
The benefit of TIDs exceeds the scope of their effects on traditional hotels. Established in 2009, the SFTID levies a tiered assessment rate based on proximity to the main San Francisco tourism infrastructure: an assessment of 1% or 1.5% is levied on gross room revenue. When Tourism Economics analyzed the SFTID, it looked at traditional data surrounding hotels as well as short term rentals (STRs). After examining 69 event days, it found a correlation between dates when an event took place and a higher number of rentals: 32K in revenue was added as a result of STR stays during these event dates. Further, the study found a 19% increase in STR room nights booked in San Francisco during major events.

Tourism Economics also examined what San Francisco hotel revenue would look like without the SFTID in place. By examining the market from 2009 to 2018, Tourism Economics found that that the average 200 room hotel in the SFTID realized $1M of additional revenue compared to an alternative scenario in which the market grew at the same rate as the typical top 25 US hotel markets. This represented $2.6 billion in additional revenue over the past decade.

HOTEL REVENUE GROWTH: $1M PER HOTEL, $2.6B OVER 10 YEARS (2009 - 18)

San Francisco Hotel Revenue

Dollars, Billions



CONCLUSION:
TIDs ARE BOTH A RECOVERY AND GROWTH TOOL

As the tourism industry finds itself at the forefront of rebuilding destinations after the COVID-19 pandemic, the findings of Tourism Economics have never been more pertinent. For the first time, destinations have data that conclusively shows that TIDs provide a competitive edge to their destinations - driving room demand and revenue and increasing visitor spending. TIDs are levers for economic development: not only do TIDs increase DMO budgets, but they also generate outsized economic impact benefiting destinations as a whole. The results of this research show that there is a strong economic case for utilizing TIDs both to help destinations recover from the pandemic, and to enhance growth beyond recovery.

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More than 300 leading companies, associations, and destinations work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Learn more at TourismEconomics.com

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For over 20 years, we have provided research, advisory, and district formation services to destinations located around the world, including the United States, Canada, South America, Europe, and Asia. Find us at CivitasAdvisors.com.

APPENDIX:
CITIES SAMPLE SIZE - 29 TID CITIES vs 71 NON-TID CITIES

TID Cities: City, State, Year Established

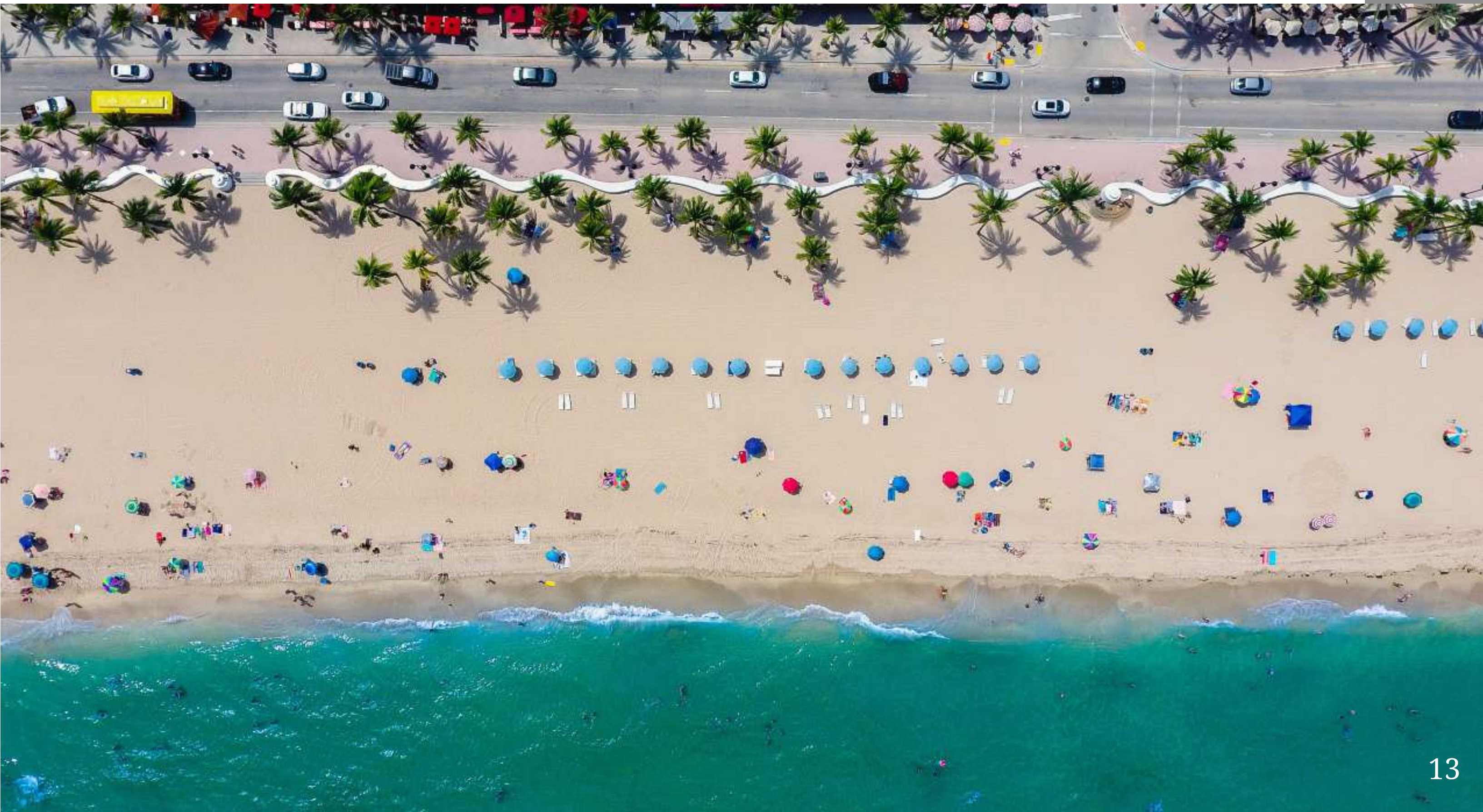
1 Mobile	AL	2020	16 Billings	MT	2007
2 Sacramento	CA	2019	17 Newark	NJ	2013
3 Los Angeles	CA	2011	18 Tulsa	OK	2019
4 Anaheim	CA	2010	19 Portland	OR	2012
5 Napa	CA	2010	20 Philadelphia	PA	2017
6 Palm Springs	CA	2008	21 Newport	RI	2017
7 San Francisco	CA	2008	22 Sioux Falls	SD	2011
8 San Diego	CA	2007	23 Memphis	TN	2015
9 Monterey	CA	2006	24 San Antonio	TX	2018
10 San Jose	CA	2006	25 Fort Worth	TX	2017
11 Denver	CO	2017	26 Arlington	TX	2016
12 Tampa	FL	2020	27 Dallas	TX	2012
13 Wichita	KS	2014	28 Seattle	WA	2012
14 New Orleans	LA	2014	29 Spokane	WA	2003
15 Baltimore	MD	2019			

Non-TID Cities: City, State

1 Anchorage	AK	27 Boston	MA
2 Birmingham	AL	28 Portland	ME
3 Huntsville	AL	29 Detroit	MI
4 Little Rock	AR	30 Grand Rapids	MI
5 Tucson	AZ	31 Minneapolis	MN
6 Mesa	AZ	32 Saint Paul	MN
7 Colorado Springs	CO	33 St. Louis	MO
8 Aspen	CO	34 Kansas City	MO
9 Hartford	CT	35 Jackson	MS
10 New Haven	CT	36 Charlotte	NC
11 Washington	DC	37 Asheville	NC
12 Jacksonville	FL	38 Greensboro	NC
13 Miami	FL	39 Raleigh	NC
14 Orlando	FL	40 Fargo	ND
15 Pensacola	FL	41 Omaha	NE
16 Atlanta	GA	42 Atlantic City	NJ
17 Savannah	GA	43 Albuquerque	NM
18 Honolulu	HI	44 Las Vegas	NV
19 Des Moines	IA	45 Syracuse	NY
20 Boise	ID	46 Albany	NY
21 Chicago	IL	47 Buffalo	NY
22 Fort Wayne	IN	48 New York	NY
23 Indianapolis	IN	49 Lake George	NY
24 Louisville	KY		
25 Lexington	KY		
26 Baton Rouge	LA		

Non-TID Cities: City, State

50 Cincinnati	OH
51 Cleveland	OH
52 Columbus	OH
53 Oklahoma City	OK
54 Gettysburg	PA
55 Pittsburgh	PA
56 Harrisburg	PA
57 Providence	RI
58 Charleston	SC
59 Hilton Head Island	SC
60 Myrtle Beach	SC
61 Chattanooga	TN
62 Nashville	TN
63 Austin	TX
64 Salt Lake City	UT
65 Richmond	VA
66 Virginia Beach	VA
67 Tacoma	WA
68 Madison	WI
69 Milwaukee	WI
70 Charleston	WV
71 Jackson	WY



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