LODGING TAX ADVISORY COMMITTEE

JULY 22, 2021 SPECIAL MEETING AGENDA

DATE: July 22, 2021
TIME: 11:00 AM – 11:30 AM
LOCATION: Join Zoom Meeting
https://zoom.us/j/93352757315
Call-in: (253) 215-8782
Meeting ID: 933 5275 7315

Call to Order

- Review 2021 LTAC Grant approach, provide feedback
  - Supporting Materials: 2021 Budget YTD spend, 2021 LTAC Grant Proposal

Adjourn

Next Regular Meeting: August 12, 2021

PROPOSAL: LTAC GRANTS

THANK YOU

DEVELOPING A VISION FOR GIG HARBOR TOURISM

In 2019, three members of Council served on the Blue Ribbon Committee to evaluate the best path forward for the city's tourism efforts, resulting in the definition of the department's purpose, clarity in goal-setting, and a vision of modernizing the City's approach and becoming more competitive in the market.

After growing up here in Gig Harbor, and serving in tourism and communications roles throughout the country, I am honored to be here and working to bring that vision to life.

EXECUTIVE SUMMARY

Legal Guidelines on LTAC Fund Categories

Set forward by RCW 67.28.1816, there are four categories to which LTAC Funds can be applied.

Three are administered by the city:

1) Tourism Marketing
2) Tourism-Related Capital Projects in Structures Owned by a Municipality
3) Destination Marketing Organization Functions

EXECUTIVE SUMMARY

Legal Guidelines on LTAC Fund Categories

Only one category is awarded to an external source, which has two parts:

4a) Marketing and Operations of Special Events and Festivals Designed to Attract Tourists

4b) Operations of Tourism-Related Facilities Owned or Operated by Non-Profit Organizations that result in increases in the number of people traveling for business or pleasure on a Trip that Includes Staying Overnight in Paid Accommodations.

EXECUTIVE SUMMARY

WHAT WE'RE FUNDING NOW

FROM THE CITY SIDE:

- ✓ 50% of Tourism and Communication salaries for 1.6 FTE
- ✓ Standard printing, internet, phone and administrative costs
- ✓ Advertising fund of $75k for 2020 (tourism marketing)
- ✓ Capital improvements for Skansie VIC, New signage at Stinson, Pioneer, Harbor Hill
- ✓ Fuel dock, Bogue Roof and Kiosk at Jerisich Park Dock
- ✓ Reserve fund
- ✓ Partnerships with Travel Tacoma/Pierce County; Visit Kitsap
- ✓ Visitors' Guide production and distribution
- ✓ Events: Summer Sounds, Movies in the Park, Annual Tree Lighting
- ✓ Gig Harbor Trolley underwriting percentage
- ✓ Harbor WildWatch Grant – city's required match to Port of Seattle grant
- ✓ Volunteer Coordination for the Skansie Visitors' Center
- ✓ Professional photography
- ✓ Media hosting / travel writers

EXECUTIVE SUMMARY

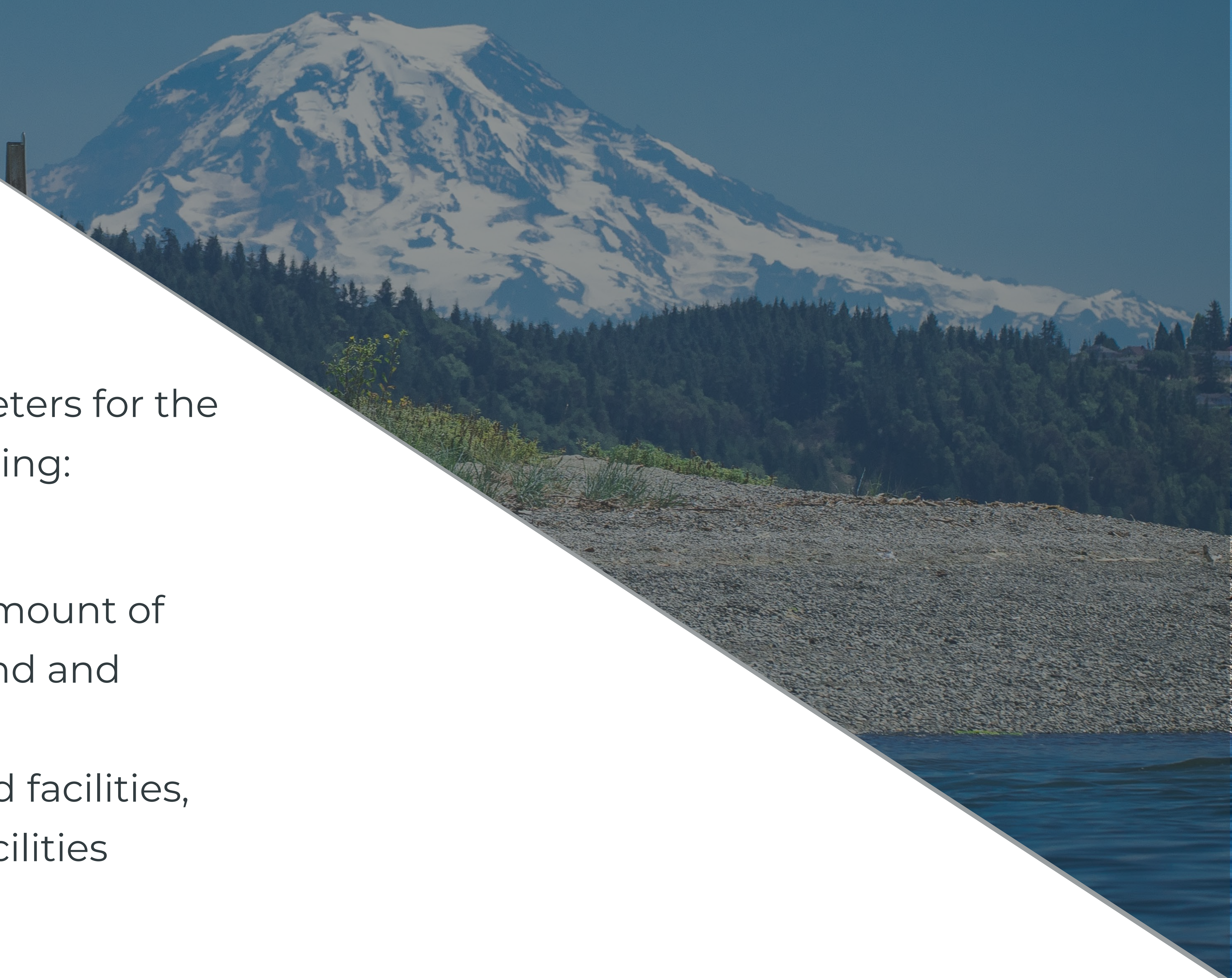
WHY IS THERE AN OVERAGE IN THE FUND?

- ✓ While in Blue Ribbon review, spending was paused
- ✓ With the addition of a new Tourism Director, previous spend in each category was evaluated and reviewed for efficiency and ROI
- ✓ COVID re-direct and new digital strategy for drive markets as a result of massive market shift.

OUR OPPORTUNITY

- ✓ To keep the fund forward-looking, and tied to the vision set forth by the Blue Ribbon committee, we need to establish fund guidelines.
- ✓ The main purpose of the fund is to encourage the city's economic development through tourism
- ✓ An additional benefit is heightened sales tax revenue from non-resident spending in the city
- ✓ Avoiding the perception that a reserve fund serves as a slush fund for internal or external projects

WHERE WE'RE HEADED



BUILDING LONG-TERM SUSTAINABILITY

To meet the continued goals for the LTAC fund, parameters for the application of funds need to address main goals, including:

- ✓ Primary goal of tourism promotion
- ✓ End goal for each project funded is to increase the amount of lodging tax generated, thereby re-generating the fund and enabling more fund disbursement in future years
- ✓ Retain existing high-draw events and tourism-related facilities, but also provide opportunities for new events and facilities
- ✓ Encourage innovation

2019 SITUATION ANALYSIS

FUNDS REQUESTED IN EXORBITANT AMOUNTS

Some grant requests came in at $300,000. Nearly all excessive amounts were vetoed by LTAC.

NON-PROFIT FUNDING AVAILABLE THROUGH OTHER CITY MECHANISMS

Six local non-profits receiving LTAC funds also receive funding from the General Fund and Creative Arts Grants, which may be more appropriate outlets.

NO MEASURABLE RETURN ON INVESTMENT

Non-profit facility improvements can lack a direct tie to increasing year over year tourism.

VOLATILITY IN EXTERNAL REQUESTS

City-administered funds have a projected budget amount and are predictable in spend. External requests are where we see volatility.

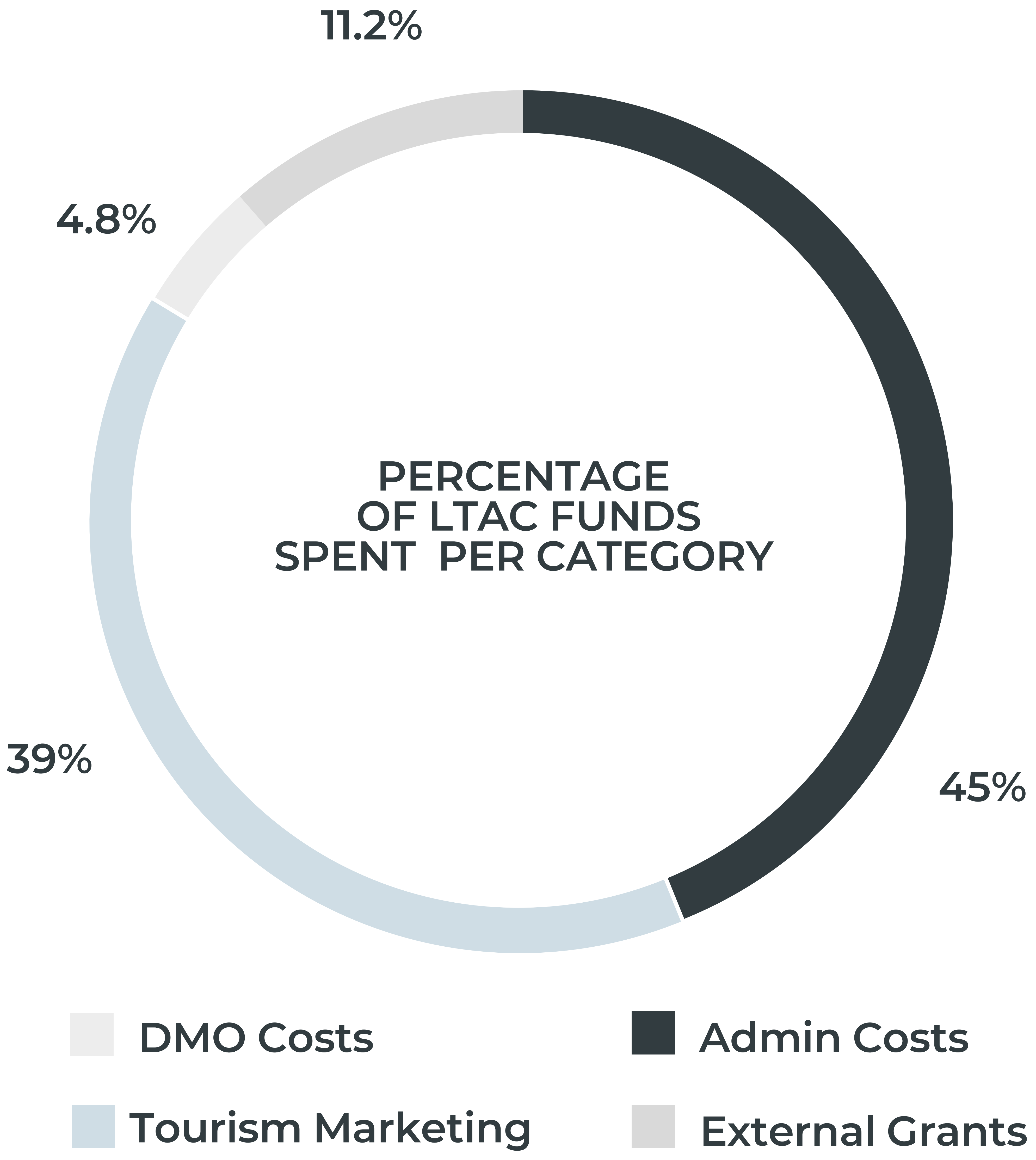
CONCENTRATION OF FUNDS TO SAME PROJECTS

Funding a limited number of projects year after year leads to a stagnant tourism marketing plan focused on niche audiences.

UNDERSPENDING ON NONPROFIT AMOUNTS APPROVED

In 2019, we spent only $75,000 in approved LTAC grants. The proposed increase is a minimum spend of $125,000 a year.

2019 SITUATION ANALYSIS



HOW IT WAS SPENT

In 2019, we underspent on budget by nearly half.

The factors that contributed toward this included the freeze in spending from the review of the tourism department's overall goals and vision, but also a minute amount spent on external / non-profit grants. In 2019, only $22,139 was awarded.

In 2020, $75,000 was awarded, however end grant amounts were adjusted based on cancelled events. In 2021, we hope to assure a minimum of $125,000 invested into the community, and see additional funds put toward DMO services, Tourism Marketing and Municipality-Owned Capital Projects.

PROPOSED SOLUTION

PROVIDE MORE FUNDING

1

The bill proposes an annual spend of $125,000 on external projects, ensuring there is a greater amount of LTAC funds working in the community.

DIVERSITY IN FUNDING

2

Setting a per-project request maximum at $20,000 ensures we can at least fund six projects per year, and perhaps more (no minimum for requests).

ENCOURAGING INNOVATION

3

By setting aside $5,000 of the funding amount to be applied to new or emerging non-profit events or facilities, we encourage new developments..

FOCUS ON FISCAL RESPONSIBILITY

4

Standardizing the amount for tourism marketing ensures the re-generation of the fund, keeping a reserve ensures the city weathers challenges and provides future growth opportunity

EXPLORING NEW OPPORTUNITIES

5

By setting a standard amount, we can explore lucrative new avenues under Destination Marketing – including reaching out to the lucrative MICE market.

CONTINUITY IN A COMPETITIVE MARKET

6

By standardizing the spend for external requests, we can ensure we remain competitive and grow our market share among regional competitors through continuity in marketing outreach.

L T A C S U P P O R T

JULY 28 SPECIAL MEETING

When presented to the advisory committee, a vote by all current members confirmed support of these spending guidelines. One dissenting voice proposed alternates.

SUPPORT FOR MARKETING

Members have approved the informed strategic approach the Tourism/Communications Department is taking through modernized outreach, digital marketing and data gathering

TARGETED MEDIA OUTREACH

The Committee sees the value in hosting media from the region, in a strategic move to increase our drive-market business in new, high net worth regional markets

SHIFT TO DIVERSIFY

Support has also been expressed for fairness and diversity in funding external projects that can prove a measured year-over-year increase in tourism. This is measured through lodging tax growth and sales tax growth.

PAST STANDARDIZATIONS

LTAC funding guidelines were not followed in previous years, with accountability lacking for driving growth. Previous funding cycles saw max grants awarded between $2-4k, with requests up to $10k. This raises the ceiling to $20k.

INDUSTRY OUTLOOK

DISRUPTION LEADS TO ACCELERATION

What we have learned from past disruptions is that these events accelerated things that were already in motion. There can be some comfort in this. We're never going to go back to before, but we can get a sense of the future by by looking at what was already taking hold going into this year.

- Forced necessity leads to heightened adoption
- Tech Changes / Adaption
- Higher rates of engagement with digital marketing
- Loss of physical touchpoints

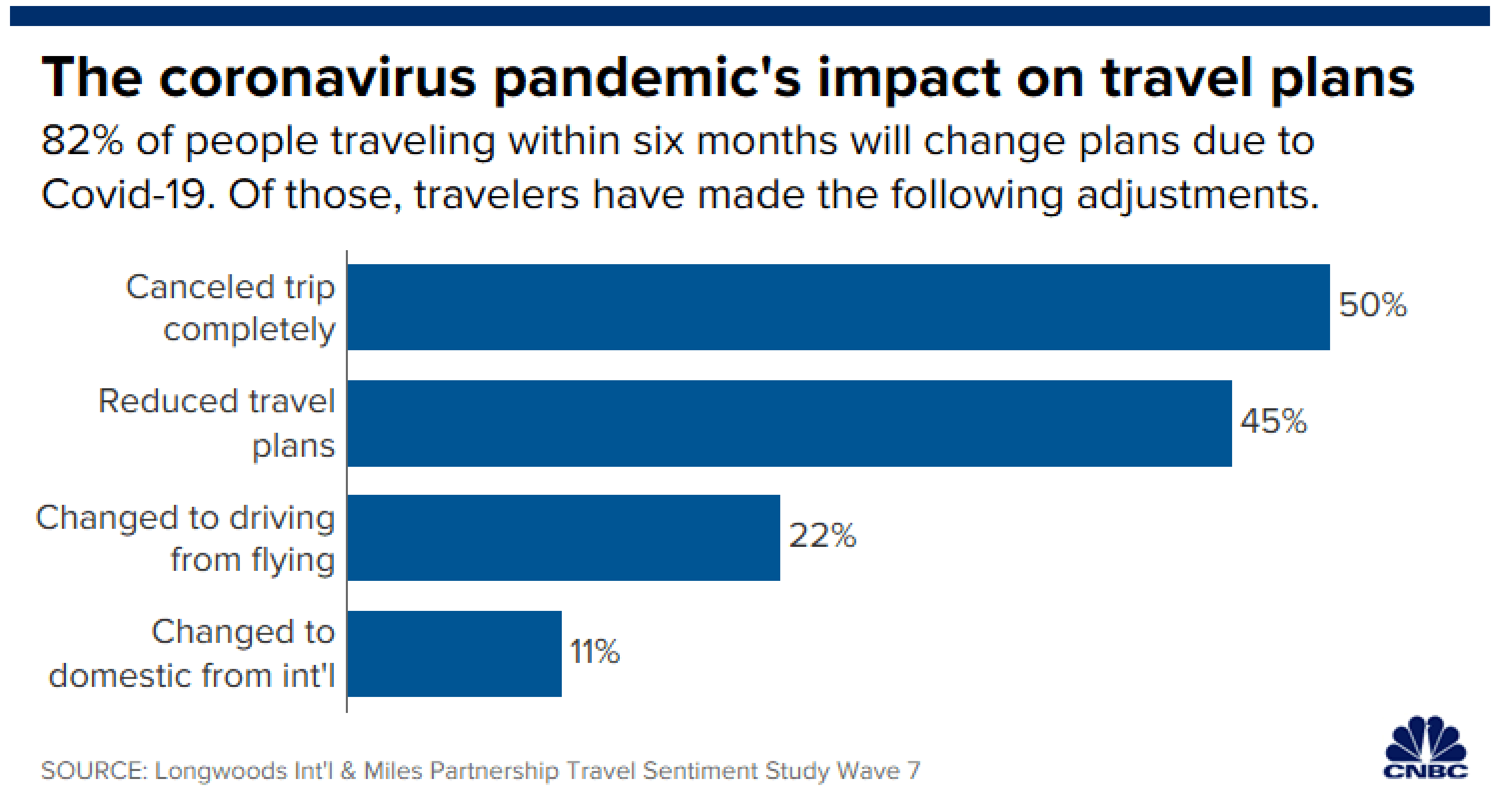
The Covid-19 pandemic has brought travel and tourism to a near-standstill, and no one is sure when it will restart.
When travel does begin again, look for it to start with road trips not too far from home, say experts.

The new travel normal may mean a shift to vacation rentals over hotels, driving rather than flying, and an increase in the use of travel insurance and personal travel advisors. – ***Ken Kionowski for CNBC***

Tripadvisor.com: "Tourism recovery typically begins locally. Travelers tend to first venture out closer to home, and visit their local eateries, stay local for a weekend getaway or travel domestically before a robust demand for international travel returns."
"We see a much better recovery and occupancy for drive-to destinations. People say 'we don't know what's going to happen with flights, but we do know that we're going to be able to get in the car and drive for three hours and have our own place and stay there for two weeks.'"

Longwoods' annual travel survey found that of those that had changed their travel plans for this year, nearly a quarter, or 22%, had switched to driving from flying .

Aviation industry group **Airlines for America** says U.S. airlines have idled 3,000 aircraft, or half the nation's fleet, due to the downturn, while the number of passengers passing through TSA checkpoints at airports is down 93% over last year.



I N D U S T R Y   O U T L O O K

FAHLGREN MORTINE'S TOP 5

fahlgren mortine

RECOMMENDATIONS

for DMOs considering hosting a FAM during the COVID-19 pandemic

1 **Don't abandon FAMs completely, but instead find a way to keep your destination top of mind during a time of uncertainty.**

It's no surprise that FAMs are a major cornerstone of most DMOs' PR/marketing strategy, with **nearly half of survey respondents** touting them as "extremely important." If you can't physically bring media and influencers into market right now, **looks for ways to keep your destination relevant** in the interim. **Virtual press trips** and **desk-side briefings**, complete with **tangible food items** or **real-time partner interaction**, are just a few ways this can be done.

2 **Be more "hands on" with itinerary building to ensure an optimal visit experience for those coming into market.**

Ensuring an optimal visit experience, with **some attractions and restaurants being closed temporarily**, was the top concern of DMOs responding to the survey. Alleviate this worry by taking a heavier hand with itinerary building, and **being completely transparent** about what is open vs. what is not. Creating a temporary "media pass"-type guide of approved stops – which, ideally, you or someone on your staff has visited personally – will **help guide media and influencers** to the locales that will best showcase the destination.

3 **Consider ways to stretch your hosting budget while facing unprecedented financial cuts.**

It's no secret that many DMOs' budgets have been cut significantly across the board, with FAMs often a top out-of-pocket line item eliminated or on hold. **Get creative with targeting** during this time, seeking out hyperlocal influencers who may be open to **bartering deliverables** – **like imagery and/or social media content** – in exchange for a visit. Also focus on **drive-market targets** who could easily visit **via a road trip (or even day trip)** to help control costs. Finally, consider collaborating with nearby destinations to create a multi-stop road trip FAM.

4 **Protect your destination by incorporating a liability waiver into your hosting process.**

This is one of the **hottest issues in the tourism industry** right now, with many **unsure of their destination's liability** should a media/influencer contract COVID-19 while in market and incur additional costs as a result (extended lodging stays, for instance). According to Susan Rector, an attorney with Peterson Conners LLP who has been closely following this issue, **standard negligence law applies** – meaning that there would only be liability if the destination failed to follow the readily available guidance as to how to prevent the transmission of COVID-19 – **but it never hurts to have a waiver in place to ensure both parties are aware of the risks.**

5 **Remain nimble, but always value health and safety first.**

It goes without saying that we are **people first and destination markets second**, so we need to be **mindful of health and safety** when inviting media/influencers – and consumers – into our destinations. This includes things like working closely with partners to **ensure they are aware of and complying with the appropriate protocols**, and **shifting to custom FAM visits** instead of group FAMs. **Monitoring CDC guidelines** closely and **evolving your hosting program accordingly** should be a top priority.

Reservations for Thanksgiving, Christmas and New Year's stays are up 38%, 40% and 23%, respectively, compared to the same time in 2019 - This also means that a lot of people are unable to take summer vacations or don't feel comfortable making bookings and travel plans for June, July, August."

WHAT CAN WE EXPECT?

- a big surge in family and multi-generational travel once people are willing to book trips again.
- Sports travel as a growth market
- Short-term rental market expansion, based on comfort with volume and sanitization practices.

TOURISM STRATEGY

DATA GATHERING

Result:

Utilize industry reports, projected tourism recovery analysis, and data organization sources like geofencing / deep marketing data gathering on past and current travel behaviors in Gig Harbor

INFORMED DIGITAL MARKETING PLAN LAUNCH

Result:

Using data acquired, craft niche market messaging (family, romance, foodie, yachter, outdoors/adventure) and build ads to targeted audiences through Google Ads, social media platforms and media partnerships.

EVALUATE

Result:

Because of the segmented approach, we can measure the efficacy of each and every performing market segment against real numbers – click-throughs, number of resulting bookings, re-targeting

REASSESS AND ADJUST

Result:

With performance data measured, we can adjust our hypothesis to focus on high-performance targets, and have a real and accurate view of where future opportunity lies, and adjust our creative approach from there.

BACKGROUND

THE ONLY SOURCE OF KNOWLEDGE IS EXPERIENCE

Building a tourism marketing plan relies on experience, industry knowledge, continuing education on the shifting marketing atmosphere and informed decision-making based on what provides a measurable return.

Our strategy is built out of research and experiential industry knowledge: 18 Years in Tourism Marketing and Public Relations with past client work including:

- ✓ Barbados Tourism Authority
- ✓ St. Lucia Tourism Board
- ✓ Four Seasons Hotels & Resorts
- ✓ Air Tahiti Nui / Tahiti Tourism
- ✓ Qantas Airways / Tourism Australia
- ✓ Auberge Resorts
- ✓ InterContinental Hotels & Resorts
- ✓ Banyan Tree Hotels & Resorts

WHY NOW?

01

With approval from Council today, we'd like to move to place this onto the agenda for the August 24 City Council Meeting.

02

We can then modify grant application forms and introduce them in the fall.

03

We can open the call for grant applications for 2021 projects and publicize the greater amounts.

04

Based on responses and approvals, we can fine-tune our tourism marketing strategy.

QUESTIONS?

General Ledger
Hotel-Motel Fund 107

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GIG HARBOR ®
"THE MARITIME CITY"

Account Number	Description	Budget	Period Amt	Ending Balance	Variance	Exp %
107	**Hotel - Motel**					
107-029-508-00-00-00	Ending Fund Balance	0.00	0.00	0.00	0.00	0.00
508	Ending Fund Balanse	0.00	0.00	0.00	0.00	0.00
107-029-557-30-00-00	Tourism	0.00	0.00	0.00	0.00	0.00
107-029-557-30-11-00	Salaries	68,700.00	3,971.68	20,110.19	48,589.81	29.27
107-029-557-30-12-00	Overtime	500.00	168.59	1,514.27	-1,014.27	302.85
107-029-557-30-21-00	Personnel Benefits	25,900.00	1,571.39	8,691.82	17,208.18	33.56
107-029-557-30-31-00	Office & Operating Supplies	15,000.00	115.82	269.72	14,730.28	1.80
107-029-557-30-35-00	Small Tools & Equipment	3,500.00	0.00	83.19	3,416.81	2.38
107-029-557-30-40-00	Tourism	0.00	0.00	0.00	0.00	0.00
107-029-557-30-41-00	Tourism - Professional Service	28,000.00	0.00	2,461.97	25,538.03	8.79
107-029-557-30-41-20	L&I Insurance Premium	0.00	0.00	0.00	0.00	0.00
107-029-557-30-42-00	Communications	10,000.00	578.56	4,587.58	5,412.42	45.88
107-029-557-30-43-00	Travel	1,950.00	0.00	27.35	1,922.65	1.40
107-029-557-30-44-00	Tourism - Advertising	118,000.00	3.20	3.20	117,996.80	0.00
107-029-557-30-45-00	Operating Rentals & Leases	1,200.00	201.02	1,063.17	136.83	88.60
107-029-557-30-48-00	Building Maintenance	42,615.00	0.00	0.00	42,615.00	0.00
107-029-557-30-49-00	Tourism - Miscellaneous	155,750.00	1,660.55	3,961.79	151,788.21	2.54
107-029-557-30-49-10	ConferenceTraining	0.00	0.00	103.70	-103.70	0.00
107-029-557-30-51-00	Intgov't Professional Services	0.00	0.00	0.00	0.00	0.00
557	Community Services	471,115.00	8,270.81	42,877.95	428,237.05	9.10
107-029-594-57-63-18	Signs	10,000.00	0.00	0.00	10,000.00	0.00
107-029-594-57-64-00	Capital Expenditures	0.00	0.00	0.00	0.00	0.00
594	Capital Expenditures	10,000.00	0.00	0.00	10,000.00	0.00
107-029-597-00-00-00	Transfer out	0.00	0.00	0.00	0.00	0.00
597	Operating Transfers-Out	0.00	0.00	0.00	0.00	0.00
107	**Hotel - Motel**	**481,115.00**	**8,270.81**	**42,877.95**	**438,237.05**	**8.91**

	107 - HOTEL - MOTEL FUND						
		2019	2020	2021	2021	2021	2022
Account Number	**Account Title**	**Actual**	**Actual**	**Budget**	**Actual Thru June**	**YE Estimate**	**Department Request**
	Revenues						
107-000-308-00-00-00	**Beginning Fund Balance**	**662,659**	**936,048**	**928,107**	**964,393**	**964,393**	**864,393**
107-000-313-31-00-00	Hotel - motel tax	432,927	257,980	200,000	126,188		
	Total Taxes	**432,927**	**257,980**	**200,000**	**126,188**	**-**	**-**
107-000-361-10-00-00	Investment interest	16,786	5,950	7,000	442		
107-000-367-10-00-00	Contributions & Donations	20,750	-	-	500	-	-
107-000-369-90-00-00	Miscellaneous		-	-	-	-	-
	Total Miscellaneous Revenues	**37,536**	**5,950**	**7,000**	**942**	**-**	**-**
	Total Revenues	**470,463**	**263,930**	**207,000**	**127,130**	**-**	**-**
	Total Resources	**1,133,122**	**1,199,978**	**1,135,107**	**1,091,523**	**964,393**	**864,393**
	Expenditures						
107-029-557-30-11-00	Regular salaries	58,337	40,867	68,700	20,110		
107-029-557-30-12-00	Overtime	31	646	500	1,514		
107-029-557-30-21-00	Personnel benefits	19,422	14,816	25,900	8,692		
107-029-557-30-31-00	Office & Operating Supplies	6,785	859	15,000	270		
107-029-557-30-35-00	Small Tools & Equipment	1,301	6,534	3,500	83		

		2019	2020	2021	2021	2021	2022
Account Number	**Account Title**	**Actual**	**Actual**	**Budget**	**Actual Thru June**	**YE Estimate**	**Department Request**
107-029-557-30-41-00	Tourism Professional Services	37,572	90,230	28,000	2,462		
107-029-557-30-41-20	L&I Insurance Premium	41	-	-	-		
107-029-557-30-42-00	Communications	6,905	22,186	10,000	4,588		
107-029-557-30-43-00	Travel	2,610	52	1,950	27		
107-029-557-30-44-00	Tourism - Advertising	41,060	12,184	118,000	3		
107-029-557-30-45-00	Operating Rentals & Leases	95	1,614	1,200	1,063		
107-029-557-30-48-00	Building Maintenance	26	121	42,615	-		
107-029-557-30-49-00	Tourism - Miscellaneous	22,139	4,504	155,750	3,962		
107-029-557-30-49-10	Conference/Training	750	170		104		
107-029-557-30-51-00	Professional Service Intergov't	-	40,802				
107-029-594-57-63-18	Signs	-	-	10,000			
107-029-594-57-64-00	Capital expenditures	-	-			-	
107-029-597-00-00-00	Transfer Out (Human Powered Dock)		-	100,000	-	100,000	
	Total Expenditures	**197,074**	**235,585**	**581,115**	**42,878**	**100,000**	**-**
	Ending Fund Balance	**936,048**	**964,393**	**553,992**	**1,048,645**	**864,393**	**864,393**
	Total Uses	**1,133,122**	**1,199,978**	**1,135,107**	**1,091,523**	**964,393**	**864,393**