

EXECUTIVE SUMMARY

May 5, 2020

This is the annual report by the participating hotel properties in Santa Clara's Tourism Improvement District (TID) and in collaboration with the newly formed Destination Marketing Organization (DMO) on the use of the revenues collected from the TID.

- In December 2004, the City Council approved the TID to collect a \$1.00 fee on each occupied hotel/motel room in the now 11 hotels near the Santa Clara Convention Center: AC Santa Clara (joined 2019), Avatar Hotel, Biltmore Hotel & Suites, Element (joined 2019), Embassy Suites, Hilton Santa Clara, Hyatt House, Hyatt Regency, Marriott Santa Clara, The Plaza Suites, and TownePlace Suites by Marriott.
- The intent of the TID is to serve as a vehicle of subsidy with the participating hotels self-assessing a fee in order to properly market the City of Santa Clara as a convention and visitors' destination.
- The hotels began to collect the TID assessment on February 14, 2005.
- Forecasted Collection FY 2019/2020 - \$709,977
- Forecasted Collection FY 2020/2021 - \$600,000
- Current Reserve Funds - \$1.6 million

Actual 2017-18	Actual 2018-19	Estimated 2019-20*	Forecasted 2020-21
\$780,451	\$660,711	\$709,977	\$600,000

*FY2019-20 collections are estimated based collection through May 5, 2020 assuming current funding levels due to COVID-19 occupancy projections.

- The TID Board directs the spending of the TID funds through the newly created DMO "Visit Santa Clara". The attached report outlines the results for fiscal year 2019-20.

The Honorable Mayor and City Council
City of Santa Clara
1500 Warburton Ave
Santa Clara, CA 95050

May, 5, 2020

CC:

Deanna J. Santana, City Manager
Ruth Mizobe Shikada, Assistant City Manager
Nancy Thome, Assistant to the City Manager
Kenn Lee, Director of Finance
City Clerks' Office

The following is a report on the Santa Clara Tourism Improvement Districts (TID) FY 2019/2020 activities and FY 2020-21 goals.

To assist the newly formed Destination Marketing Organization (DMO) with selling and marketing the City of Santa Clara to hotel and convention center groups and visitors, the TID, which was established in 2004 as a marketing revenue supplement, is now the entire funding source for citywide sales and marketing efforts.

Each participating hotel is assessed \$1.00 per occupied room night. This assessment funds the TID's efforts to successfully market and sell the City of Santa Clara and convention center. The TID is composed of 11 Santa Clara hotels that surround the Santa Clara Convention Center. They include the AC Santa Clara, Avatar Hotel, Biltmore Hotel & Suites, Element, Embassy Suites, Hilton Santa Clara, Hyatt House, Hyatt Regency, Marriott Santa Clara, The Plaza Suites, and TownePlace Suites by Marriott.

Since the inception of the TID on February 14, 2005, the District has provided over \$8.37 million in additional funding to the former CVB, which further supported the marketing of the hotels and Santa Clara Convention Center. As determined by Council on September 18, 2018 to terminate the Santa Clara Chamber of Commerce's contract to manage the CVB and SCCC, the TID funds have since been collected by the City with minimal expenditures. The TID, knowing how critical future marketing efforts were to future groups, events, visitors and the economy, stepped up to be the sole funding source for a new DMO following the Council decision to terminate the Chamber's agreement for these services. This insertion of the TID as the sole funder of sales and marketing efforts saves the City about \$1.6 annually and enables the hotels to fund the DMO entirely based on the TID funding mechanism, which the TID is interested in evolving to a percent model of room rate in order to sustain DMO operations.

The goal of the TID is to review annual work programs and budget for the DMO. Each TID hotel holds a seat on the Board as a voting member. Below is a recap of FY 2019-2020 YTD through April 17, 2020.

Key Accomplishments

The current year has been dedicated to preparing for the future with the development of the newly formed DMO “Visit Santa Clara” including establishing new strategic selling efforts, systems of governance, a new staffing model and supporting a new budget for the upcoming fiscal year.

The following are key accomplishments of the 2019/2020 fiscal year:

1. Funded administrative expenses for the formation of the new DMO including legal, district formation and insurance.
2. Formation of the new DMO Board of Directors with guidance from Council.
3. Identified and solicited bids for insurance coverage of the DMO operation.
4. Execution of a hotel room block survey to guide sales strategies as it relates to booking group business into the SCCC and Santa Clara hotels.
5. Development of a new Booking Strategy for the DMO and SCCC to follow jointly. This strategy sets the course for the DMO to sell the space to regional and national markets into the years ahead while the SCCC sales efforts focus on the short-term windows for local uses.
6. Development of budget to function under multiple scenarios, including forecasting the situation related to COVID-19 recovery.
7. Development of a year-1 budget for the DMO.
8. Gathered support to allow the TID hotels devise a future solution to properly fund the future marketing efforts of the newly formed DMO in support of the City of Santa Clara and Santa Clara Convention Center. The percent solution will remove any previous financial obligations by the City that were \$1.6M annually with the previous management agreement.
9. Development of the recruitment materials and approval for the executive search to begin for a new industry professional to be the CEO of the DMO. The DMO has finalized candidates.
10. Development of an organizational chart with position by position descriptions to support a sustainable DMO operation into the future.
11. Identified sales and marketing programs to be vetted by the incoming CEO.
12. Solidified a website maintenance agreement to maintain the Visit Santa Clara website.
13. Completed a framework for future success in marketing the destination with direct benefits to the City of Santa Clara, the Santa Clara Convention Center, the Tourism Improvement District and Visit Santa Clara.

This is the 15th year of operation for the TID and it has been successful in supporting the development and direction of the newly formed DMO. Much groundwork has been laid over the past nearly two years to get to this stage. Future years will be dependent on modifying and enhancing the existing funding structure as stated by Council in recent meetings. However, in the interim, the TID is committed to achieving success of the goals laid out for the TID and City with this effort and the TID is utilizing a portion of its reserve funding to jump start the operation at this level. With two prior years of no marketing efforts in place,

the TID hotels believe this utilization of the reserve funds will set up the organization and the City for joint success for sales and marketing at the Santa Clara Convention Center. Once the temporary \$1.00/room funding is converted to a percentage operations will be sustainable. The TID hotels remain as committed as ever to building a successful future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eron Hodges', with a long horizontal flourish extending to the right.

Eron Hodges
TID Board Chair