

From: Donna McCurrie <donna@losgatoschamber.com>

Sent: Thursday, June 2, 2022 2:51 PM

To: Council <Council@losgatosca.gov>

Cc: Catherine Somers <catherine@losgatoschamber.com>; Randi Chen <randi@losgatoschamber.com>

Subject: Visit Los Gatos Agreement-June 7 Town Council Meeting

EXTERNAL SENDER

Dear Mayor Rennie and Council Members,

For your consideration prior to the June 7, 2022 council meeting.

Thank you,
Donna McCurrie

ATTACHMENT 4



June 2, 2022

Dear Mayor Rennie and Council Members,

The Los Gatos Visitor Center would like to pull the Visitor and Information Center Contract from the June 7 Consent Agenda.

The past few years the Visitor Center staff has been committed to building the Visitor and Information Center into Visit Los Gatos CA. Visit Los Gatos CA is the destination marketing arm for Los Gatos. This continuing commitment entails building and marketing the Visit Los Gatos CA brand through social media and the destination website in addition to the brick-and-mortar visitor and information center.

The money from our annual \$55K agreement plus the \$55K ARPA one-time emergency destination marketing funds have allowed us to build these foundations over the past year. In order to maintain, grow the brand and bring more visitors to Los Gatos, we are requesting an annual increase of \$33.5K to our existing agreement bringing the total to \$88.5K. (See Charts 1 & 2)

The Chamber fully understands the Town's current financial constraints and concern regarding a projected \$1,000,000 shortfall in TOT from 2018-2019. While the staff is still navigating the destination & digital marketing learning curve, studies have shown there is a direct positive impact on visitor spending per \$1 invested in sales and marketing. (See Chart 3). Increasing our brand awareness as a destination location has the added benefit increasing our hotel occupancy rate and in return a financial benefit for the Town. In other words, heads in beds increases TOT and sales tax revenue. (See Chart 4)

There are two questions Council should consider:

1. "Do you want Los Gatos to be a destination location?"
Visit Los Gatos CA plays a vital role in the development of Los Gatos as a destination location.
 - Boosts audience engagement and following. Followers have increased by 47.6% since the transition from Experience Los Gatos to Visit Los Gatos.
Experience Los Gatos (1999-6/7/21)-2706 Followers
Visit Los Gatos (6/8/21-Present)-5685 Followers
 - Increases brand awareness of Los Gatos as a destination by reaching potential visitors outside of Silicon Valley.
 - Represents and promotes ALL businesses in Los Gatos. Whereas the Chamber social media accounts & website promote members only, Visit Los Gatos CA levels the playing field for all businesses. It gives all businesses free marketing and advertising exposure.
 - Promotes non-business sectors of Los Gatos: parks, hiking, biking, and Town and community organizations' special events.
 - Establishes the Social media staff person as an influencer who drives our message to a target audience. Through the creation of targeted, engaging and quality content, our social media influencer has established themselves as an expert. They continue to build credibility and trust among our followers who in turn recommend the site and social media accounts to others.
2. How much longer can Los Gatos rely only on its residents to financially support the Town?
Tourism plays a critical role in funding the Town's budget and takes the tax burden off the residents.

As an example, in their destination business plan supplement for 2022, Newport Beach and Company, the Destination Marketing Organization (DMO) for Newport Beach, CA summarizes it as follows:

"By enticing visitors to stay in Newport Beach, the City of Newport Beach generates Transient-Occupancy Tax (TOT), its third-largest revenue source. This income to the city benefits residents, saving each household an average of \$1,139 in additional taxes every year, while maintaining the exceptional infrastructure and city services expected in Newport Beach. To keep the Newport Beach economy churning at the same levels and to keep thousands of local businesses open, each household would have to spend an additional \$43,922 more locally each year in Newport Beach, to make up for the economic benefits of tourism."

Source: https://newportbeachandco.com/wp-content/uploads/2021/05/DBP_2022.pdf

Visit California recently published its California's Visitor Economy Travel Forecast & Key Drivers for April 2022 with the following major takeaways.

- Tourism spending in California grew to \$100.2 billion in 2021, 69% of the 2019 amount.
- Travel-related spending from Domestic visitors is expected to recover to 104% of 2019 levels in 2022, while international spending will only recover to 53%.
- Total travel-related spending in California is not expected to reach pre-coronavirus levels until 2023 and 28% above 2019 spending levels by the end of 2026.
- Overall, Leisure travel (person trips) could recover to 94% of 2019 volume in 2022, while Business-related travel will recover to 79%.
- International Inbound travel spending increased 3% in 2021, and is expected to reach \$15 billion, or 53% of 2019 spending in 2022.
- Travel-generated tax revenue increased to \$15.0 billion in 2021, an increase of 23.1% from the prior year. Compared to 2019, travel-generated tax revenue is down 25.4 percent.
- Visitors who stayed in a Hotel, Motel, or STVR spent \$52.4 billion in 2021, an increase of 44.0%. Visitors who stayed in a Private Home with friends and relatives spent \$17.0 billion in 2021, an increase of 136.1%.
- Direct travel-related spending in California grew to \$100.2 billion in 2021, a 46.3 percent increase from the previous year. Compared to the peak of 2019, travel spending was down 30.9 percent in 2021.
- Statewide hotel occupancy averaged 71.5% in April 2022, a 19.4% increase from 2021.

Note: San Francisco Bay Area occupancy averaged 67.1% in April 2022

- The state's average daily rate was \$188.95 per night, up 41.3% year over year and 12.3% vs. 2019.

Note: San Fran Bay Area average daily rate was \$186 per night

Source: <https://industry.visitcalifornia.com/research/economic-impact>

The short answer to all of this is, now more than ever, we must be competitive to increase our share of the domestic travel market. There is money to be had. Each additional visitor to Los Gatos will incrementally increase the Town's TOT and sales tax revenue. (Chart 5) (Chart 6)

The requested increase in the Visit Los Gatos CA budget is a short-term funding fix. The requested \$33.5K increase will fund social media outreach, further website enhancements, and inviting street pole banners.

Long-term funding strategies such as Tourism Improvement Districts (TID) combined with a percentage of TOT that puts the tax burden on the visitors and not the residents require further discussion. Municipalities across the state and country have invested in forming tax-funding mechanisms that support their destination marketing efforts. If this is a consideration perhaps Council can convene a work study session with stakeholders; Town staff, Chamber, Visit Los Gatos CA, Finance Commission, and hotel representatives to consider the direction going forward.

Thank you for your consideration in this matter.

Respectfully,

The Executive Director and Staff of Visit Los Gatos CA

Chart 1

Scope of Services Visit Los Gatos CA FY 2022-23

Item	Cost
Visit Los Gatos CA Visitor Center	\$55,000
Visit Los Gatos CA social media salary	\$24,000
Visit Los Gatos CA website maintenance	\$2,500
Street Pole Banners	\$7,000
Total	\$88,500

Chart 2

Visit Los Gatos CA Pie Chart

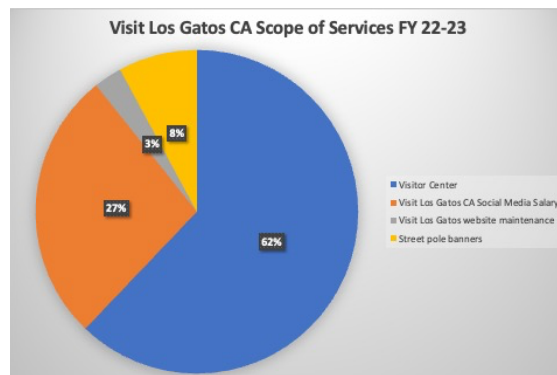


Chart 3

Visitor spending per \$1 invested in Sales & Marketing

City	Year	Visitor \$
Visit Baltimore	2019	\$36
Visit San Antonio	2019	\$50
Visit SLO	2018	\$44.40

Source: <https://www.lovecatalina.com/tbid/>

Note: A consultant could provide Los Gatos with this information.

Where to Find us on social media

<https://www.facebook.com/LosGatosChamberofCommerce/>
<https://www.instagram.com/losgatoschamber/>

VISIT LOS GATOS
The complete site for all things Los Gatos. Dining,
shopping, outdoor activities, events and more.



visitlosgatosca.com

Los Gatos Chamber of Commerce
10 Station Way, Los Gatos, CA 95030
losgatoschamber.com, 408-354-9300

Chart 4

Los Gatos chamber of Commerce Occupancy and TOT Analysis

2018/19					
Hotel	# of rooms	Average Daily Rate	80% occupancy (one day)	80% occupancy (year)	TOT (12%)
Hotel Los Gatos	72	\$375	\$21,600	\$7,884,000	
Toll House	115	\$250	\$14,400	\$5,256,000	
Los Gatos Lodge	129	\$130	\$7,488	\$2,733,120	
Garden Inn	28	\$127	\$7,315	\$2,670,048	
Best Western	48	\$160	\$9,216	\$3,363,840	
Totals	392	\$191.39	\$60,019	\$21,907,008	\$2,628,841
Note: Record TOT year for the Town of Los Gatos					
2021/22					
Hotel	# of rooms	Average Daily Rate	50% occupancy (one day)	50% occupancy (one year)	TOT (12%)
Hotel Los Gatos	72	\$225	\$8,100	\$2,956,500	
Toll House	115	\$225	\$12,938	\$4,722,188	
Los Gatos Lodge	129	\$100	\$6,450	\$2,354,250	
Garden Inn	28	\$100	\$1,400	\$511,000	
Best Western	48	\$150	\$3,600	\$1,314,000	
Totals	392	\$165.75	\$32,488	\$11,857,938	\$1,422,953
LGCC Projected 2022/23 using published rates					
Hotel	# of rooms	Average Daily Rate	60% occupancy (one day)	60% occupancy (one year)	TOT (12%)
Hotel Los Gatos	72	\$300	\$12,960	\$4,730,400	
Toll House	115	\$300	\$20,700	\$7,555,500	
Los Gatos Lodge	129	\$120	\$9,288	\$3,390,120	
Garden Inn	28	\$120	\$2,016	\$735,840	
Best Western	48	\$160	\$4,608	\$1,681,920	
Totals	392	\$210.77	\$49,572	\$18,093,780	\$2,171,254
Total LG Hotels					
Projected 2022/23 using Visit California YTD ADR & varying occupancy rates					
Hotel	# of rooms	* CA YTD Average Daily Rate as of April '22	One Day	One Year	TOT (12%)
Projected 22/23 @ 50 %	392	173.94	\$34,092	\$12,443,668	\$1,493,240.11
Projected 22/23 @ 60 %	392	173.94	\$40,911	\$14,932,401	\$1,791,888.13
Projected 22/23 @ 70 %	392	173.94	\$47,729	\$17,421,135	\$2,090,536.16

Source: LGCC & <https://industry.visitcalifornia.com/research/researchdashboard>

Town of Los Gatos

Proposed 22/23 \$1.6M

Forecast 23/24 \$1.7M

24/25 \$1.8M

25/26 \$1.9M

26/27 \$1.9M

27/28 \$2.0M

Source: <https://www.losgatosca.gov/DocumentCenter/View/30442/FY-2022-23-Proposed-Budget>

Chart 5

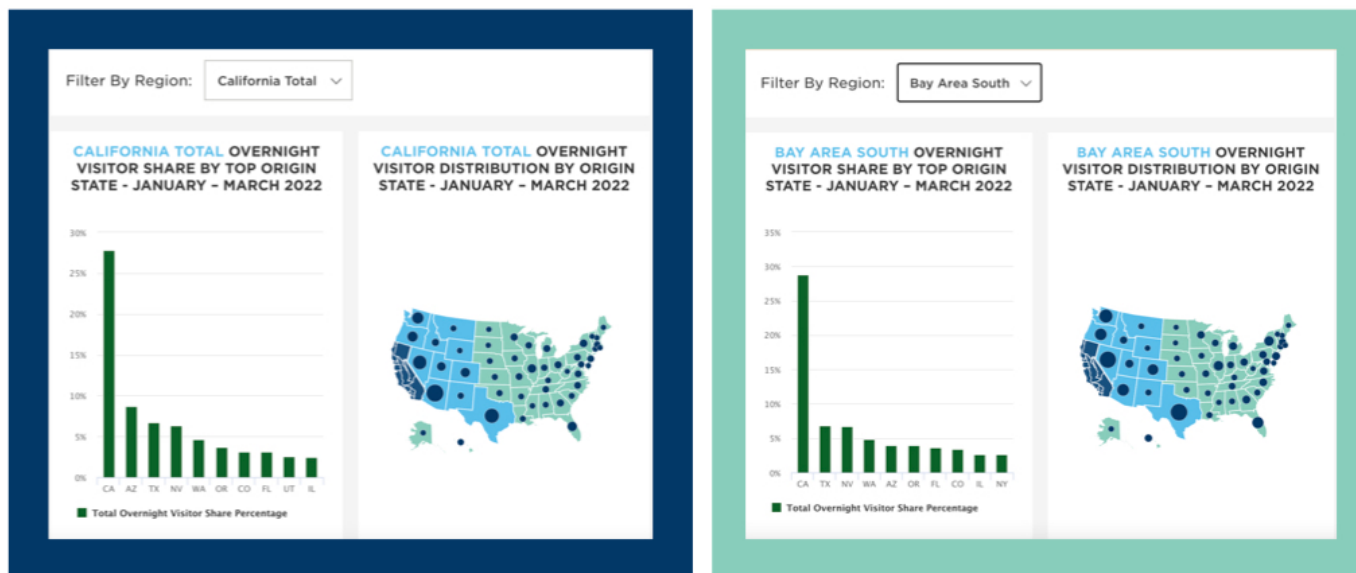
The following Chart summarizes information published by Visit California for 2021 Travel Related Spending & State & Local Tax Revenues generated.

Location	'21 Travel related spending	'21 State & Local Tax Revenue	By County % total CA '21 State & Local Tax Revenue
California	\$100.2 B	\$9.8 B	
Santa Clara County	\$4.1 B	\$368.4 M	3.76%
Santa Cruz County	\$692.8 M	\$69.8M	.70%
Monterey County	\$2.5 B	\$264 M	2.69%
Sonoma County	\$2.0 B	\$197.6 M	2.0%
Napa County	\$1.5 B	\$159.5 M	1.62%
San Francisco County	\$6.1 B	\$539M	5.5%
LA County	\$19.6 B	\$2.3 B	23.5%
San Diego County	\$9.4 B	\$878.7 M	8.9%

Source: <https://industry.visitcalifornia.com/research/economic-impact>

Chart 6

Overnight Visitors to California by Origin State



Source: <https://industry.visitcalifornia.com/research/researchdashboard>