



TOURISM IMPROVEMENT DISTRICTS

A National Study of Results

2017



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EXECUTIVE SUMMARY

Tourism Improvement Districts have revolutionized destination marketing funding. Since originating in California in 1989, Tourism Improvement Districts have spread to 153 destinations across eleven states. By providing stable, dedicated funds for destination marketing, Tourism Improvement Districts have forever altered the destination marketing financing landscape. Tourism Improvement Districts throughout the United States were surveyed to provide this comprehensive report on the growing phenomenon. Key findings include:

- On average destination marketing funding increased by nearly 180% after forming a Tourism Improvement District.
- If tourism improvement district funds were eliminated, traditional media, online media, website development and staffing would be the most likely budget items to be cut.
- 49% of destinations formed a Tourism Improvement District due to insufficient existing funding or a need for additional funding.
- 68% of Tourism Improvement District assessments are based on a percentage of room night sales.
- No destination had a net budget reduction as a result of Tourism Improvement District formation. Budget increases as a result of district formation ranged from 21% to 633%.
- 32% of destinations identified ongoing education of the local lodging industry as the most challenge aspect of managing their Tourism Improvement District.
- Of a potential respondent pool of 153 districts, 99 participated in the survey, yielding a 64.7% response rate.

INTRODUCTION

Tourism Improvement Districts

The Tourism Improvement District revolution began in West Hollywood, California, in 1989. The concept spread slowly at first, but picked up momentum in the late 1990s and exploded in the mid-2000s. At the time the survey was distributed, there were 153 districts in eleven states, with at least a dozen more in the formation process.

Tourism Improvement Districts are an evolution of the traditional business improvement district. The district levies an assessment on hotel room sales, which is collected by the jurisdiction and dedicated to funding marketing programs. In a few instances, assessments are also levied on ticket sales at ski resorts, admissions at attractions, or retail sales. The funding is managed and programs are implemented by a dedicated nonprofit corporation or advisory board.

Unlike bed taxes and other funds from local governments, Tourism Improvement District money cannot be diverted to general government programs. The district assessment, unlike membership dues, is typically mandatory for the term, making it much more stable. The funding reliability has made Tourism Improvement Districts a must-have for destinations across the country. Although only districts in the United States are included herein, the phenomenon is also beginning to spread globally, with two districts in England and one in Scotland.

Methodology

This study is the second effort to look at the nationwide Tourism Improvement District formation process, challenges, and management. Questions were asked relating to the formation process, funding levels before and after, challenges, and measurable results.

The survey was distributed to Executive Directors, Chairpersons, Presidents and similar senior level district executives. The survey was conducted online. A link was emailed to the potential respondents, with a follow-up email sent thereafter. Those who did not respond to the first and second email were contacted by telephone. Finally, a third email was sent. Of the 153 districts that were sent the survey, there were 99 respondents. This yielded a response rate of 64.7%.

Resources

The following links will connect you with additional Tourism Improvement District resources and individuals in the industry:

- [Tourism Improvement District.com](http://TourismImprovementDistrict.com)
- [LinkedIn Tourism Improvement District Group](#)
- [2014 Tourism Improvement District Survey Report](#)

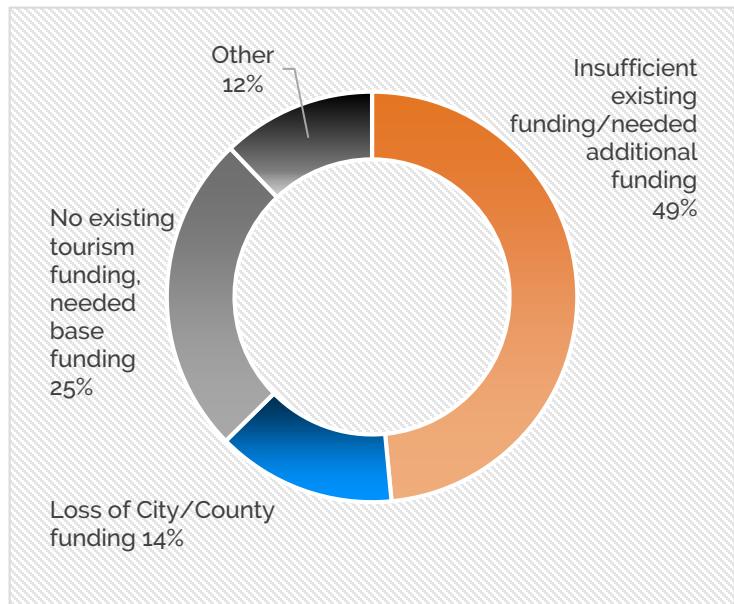
RESULTS

Formation Process

First, respondents were asked a series of questions pertaining to district formation.

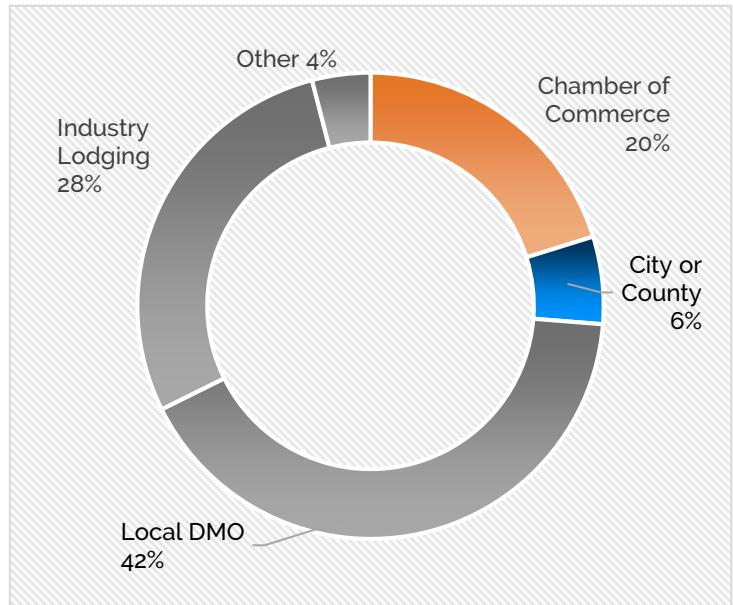
Impetus

TIDs are formed for a variety of reasons. Respondents were asked to select the primary reason they created a district, from a pre-formatted list of selections. Nearly three-quarters reported the primary reason they formed a Tourism Improvement District was either no funding or insufficient existing funding, over a quarter reported no existing tourism funding at all. “Other” responses included: local control on spending funds, the 2008 recession, bed taxes were not spent for tourism marketing, stable source of increased funding, and lodging businesses wanted to increase funding but also control how funds are spent.



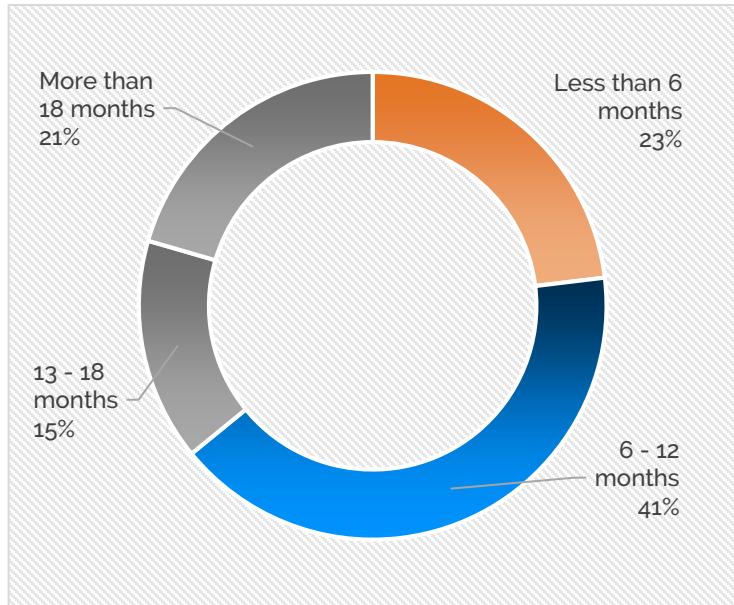
Primary Organizer

When a TID is created, the effort is usually driven by one entity. The vast majority of Tourism Improvement Districts are initiated by the tourism industry. Nearly two-thirds of Tourism Improvement Districts were organized and formed due to efforts by a DMO or Chamber of Commerce. The lodging industry organized district formation for 28% of respondent destinations, while the local government initiated district formation in only 6% of respondents. “Other” responses include combinations of the other groups listed working together to form the Tourism Improvement District.



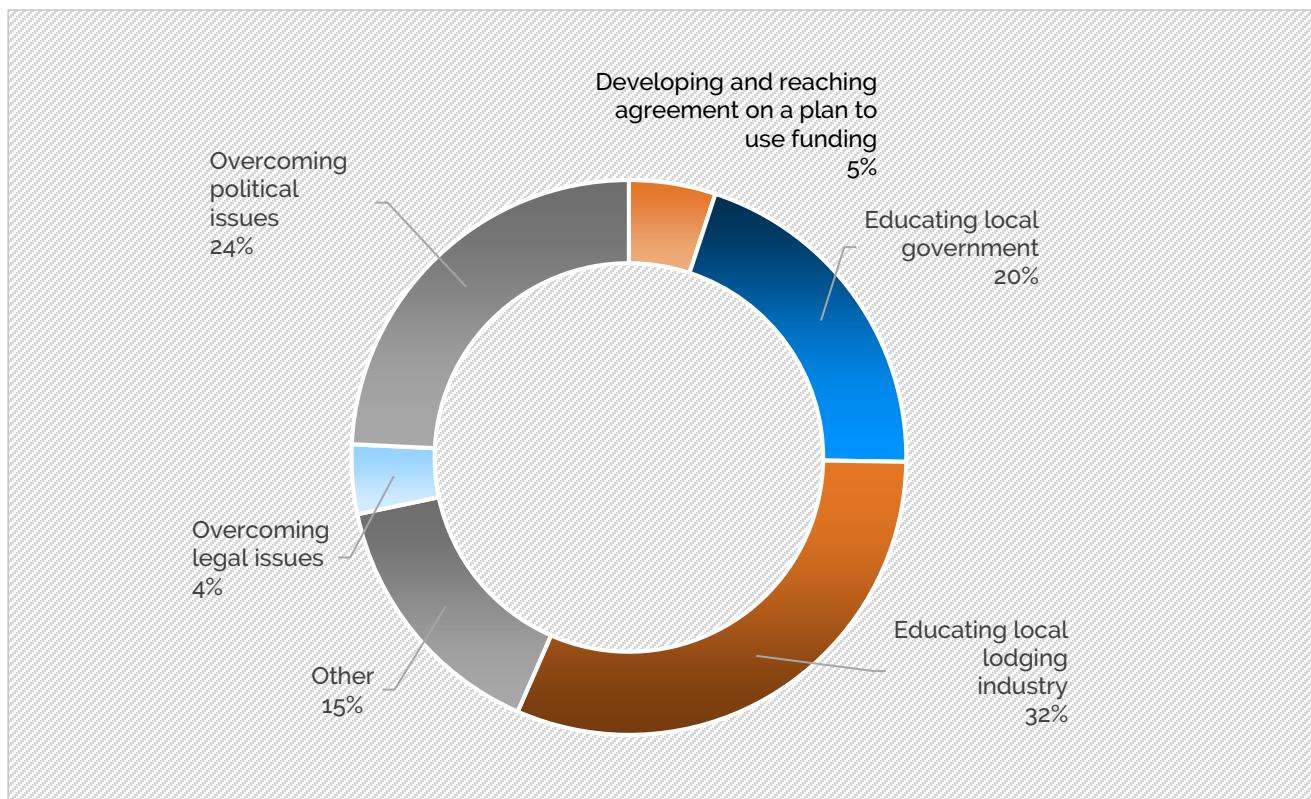
Length of Formation

Respondents were asked how long it took to form their Tourism Improvement District. The most common length was 6 – 12 months, comprising 41% of Tourism Improvement Districts. There is no correlation between the year the district was formed and the length of time it took to form the district.



Challenges

Due to the length and complexity of the TID formation process, some aspects of the process can be challenging. Respondents were given several options and asked to select the one that was the most challenging. Over 75% of respondents indicated education and political issues were the biggest challenges during the formation process. "Other" responses included: no obstacles or challenges, securing state legislation to provide for Tourism Improvement Districts, and length of the formation process.



Assessment Rate

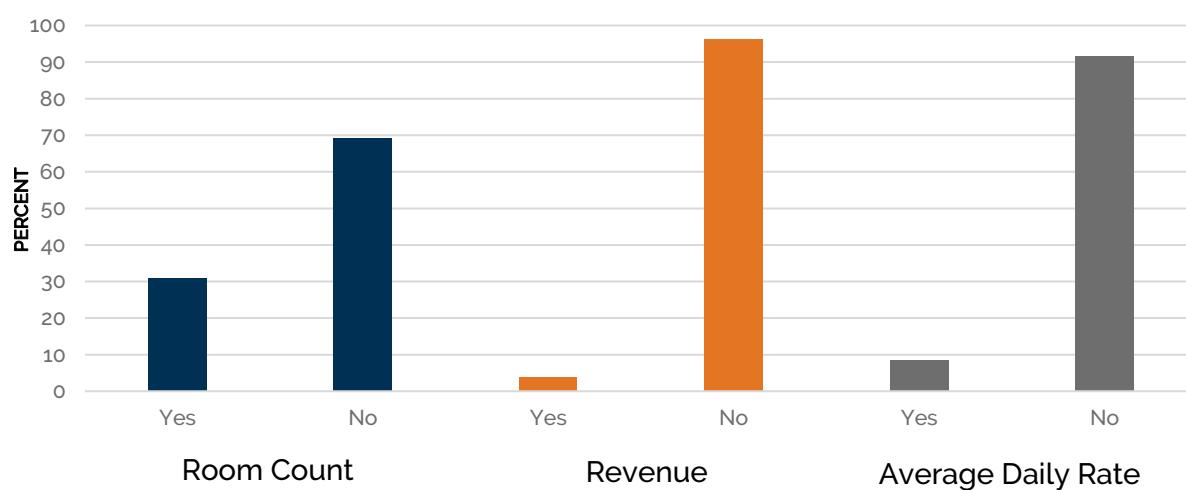
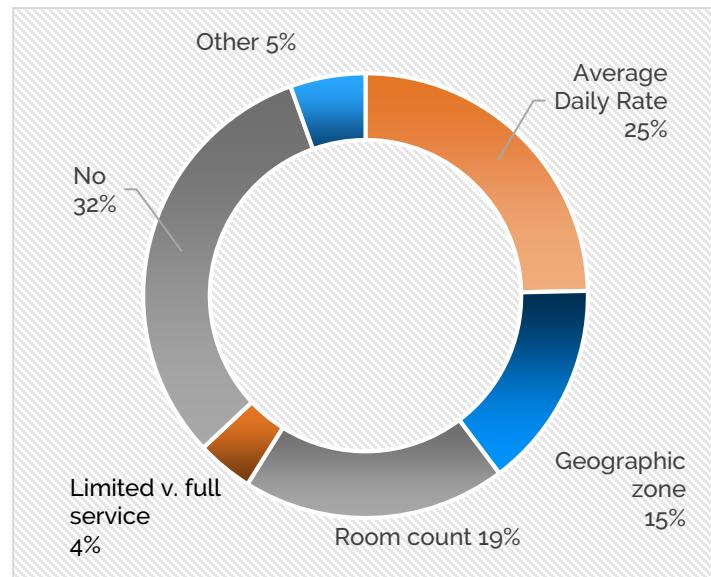
Next, respondents were asked a series of questions related to the district's assessment rate.

Variance

In many districts, different businesses pay a different rate. In a majority of respondent districts (68%) the assessment rate varies based on the factors shown below. "Other" responses included vacation rentals and timeshares.

Threshold

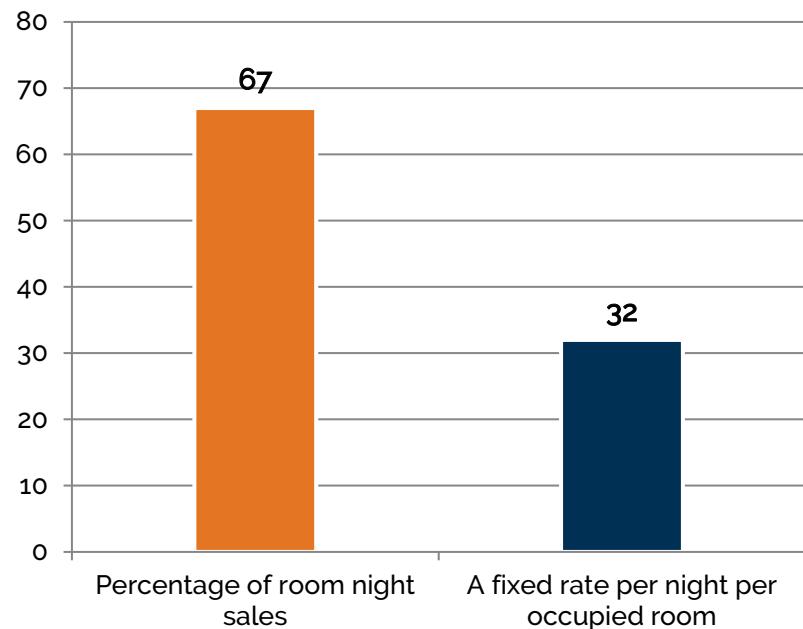
In some destinations, only certain hotels are assessed. Respondents were asked if their district has a threshold to determine which lodging businesses pay the assessment. Thirty-nine of the 91 respondents that answered this question indicated their district had a threshold to determine which hotels pay the assessment. Respondents indicated the most common threshold used for determining who pays the assessment is room count with over 30% of respondent districts using this threshold. Less than 10% of districts use revenue or Average Daily Rate as a threshold for determining which lodging businesses are assessed. "Other" responses included: hotels pay the assessment voluntarily and full service versus limited service properties.



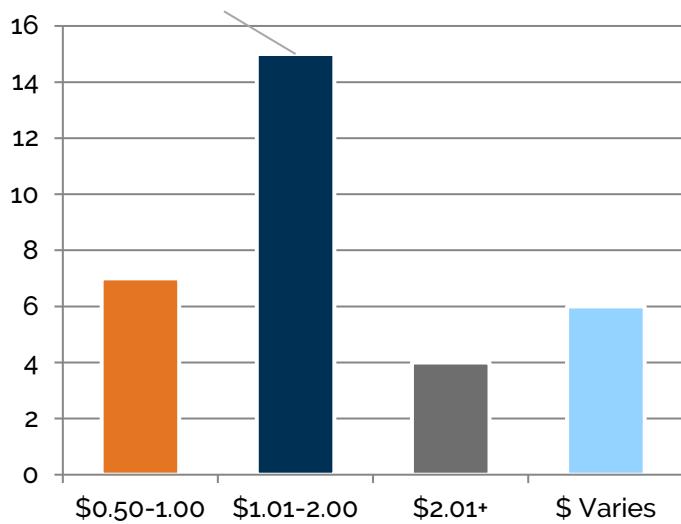
Rates

Respondents were asked whether their district assessment rate is based on a percentage of room night sales or a flat dollar rate per room night sold. Over two-thirds of respondents indicated their assessment rate is based on a percentage of room night sales.

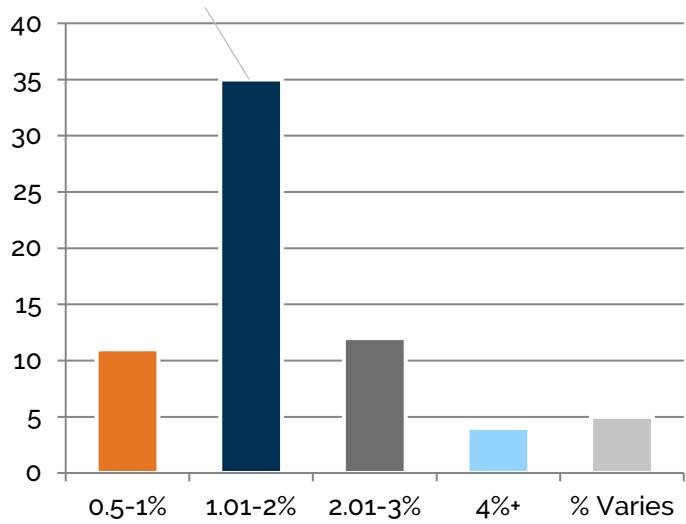
Respondents were then asked for their district's assessment rate. The most common percentage assessment rate range is 1.01-2.00% comprising over 35% of all responses. The most common flat rate assessment rate range is \$1.01-2.00 comprising over 15% of all responses. The graphs below indicate the percentage each range of assessment rates comprise each type of assessment.



Dollar Amount Per Room



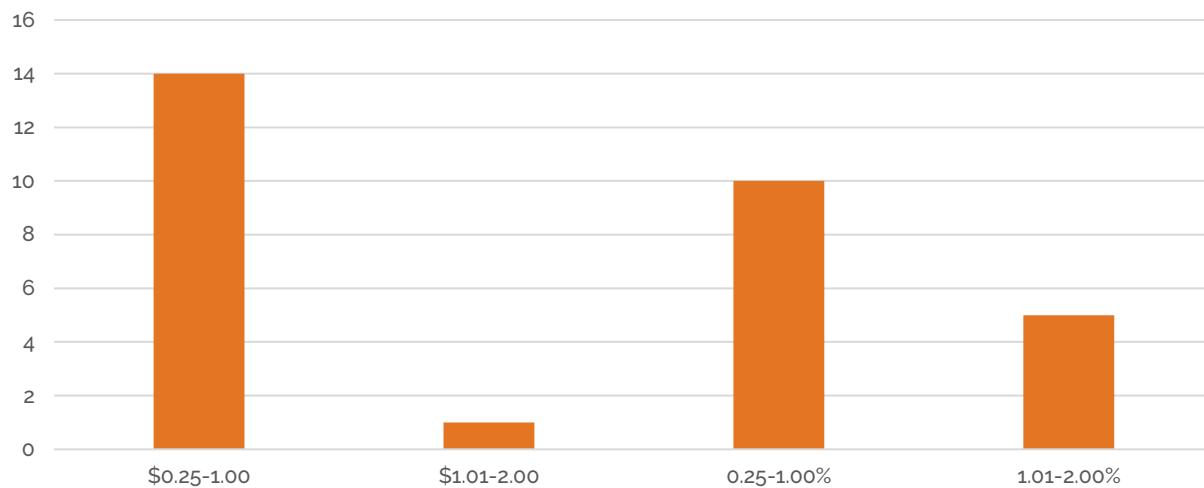
Percentage of room sales



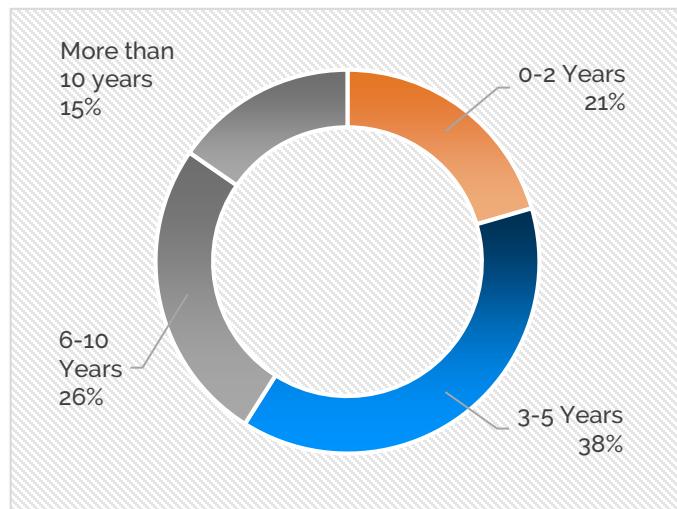
Increases

Respondents were asked if their Tourism Improvement District's assessment rate has increased since formation. Over one-third of respondents have increased their assessment rate. In flat rate assessment rate districts, nearly all assessment increases were \$0.25-1.00. In percentage assessment rate district, most assessment increases were 0.25-1.00%. The chart below indicates the amount or percentage by which the assessment was raised.

By what amount or percentage did you increase the assessment?



The chart at right illustrates the percentage of respondents that increased their assessments rates by the number of years after district formation. Some Tourism Improvement Districts reported increasing their assessment rate multiple times, each increase is included in this graph.



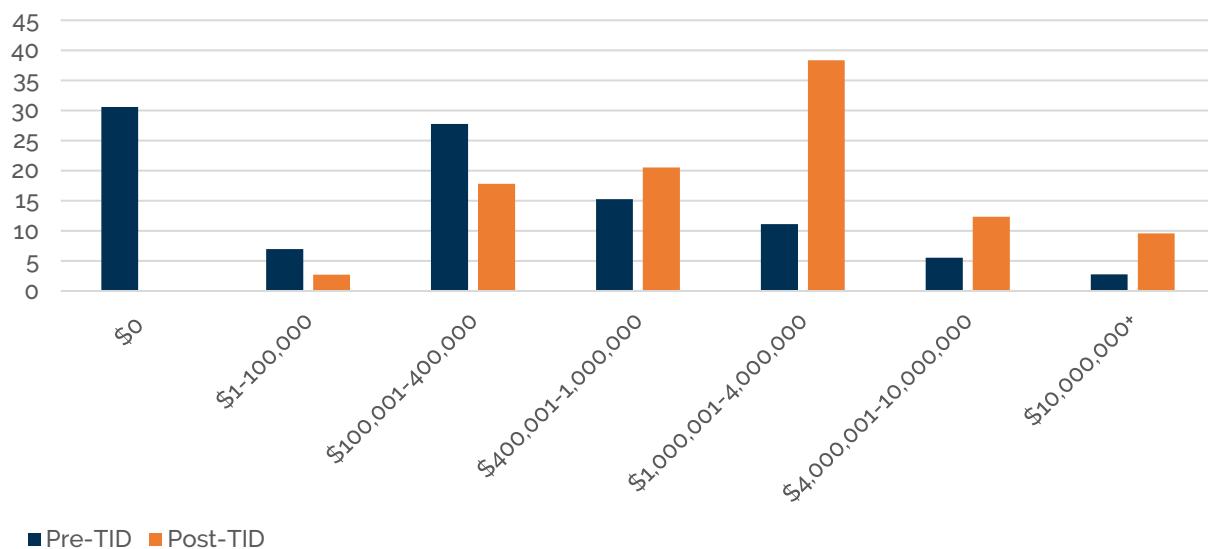
Budget

Next, respondents were asked questions related to the overall impact Tourism Improvement District formation had on their budget.

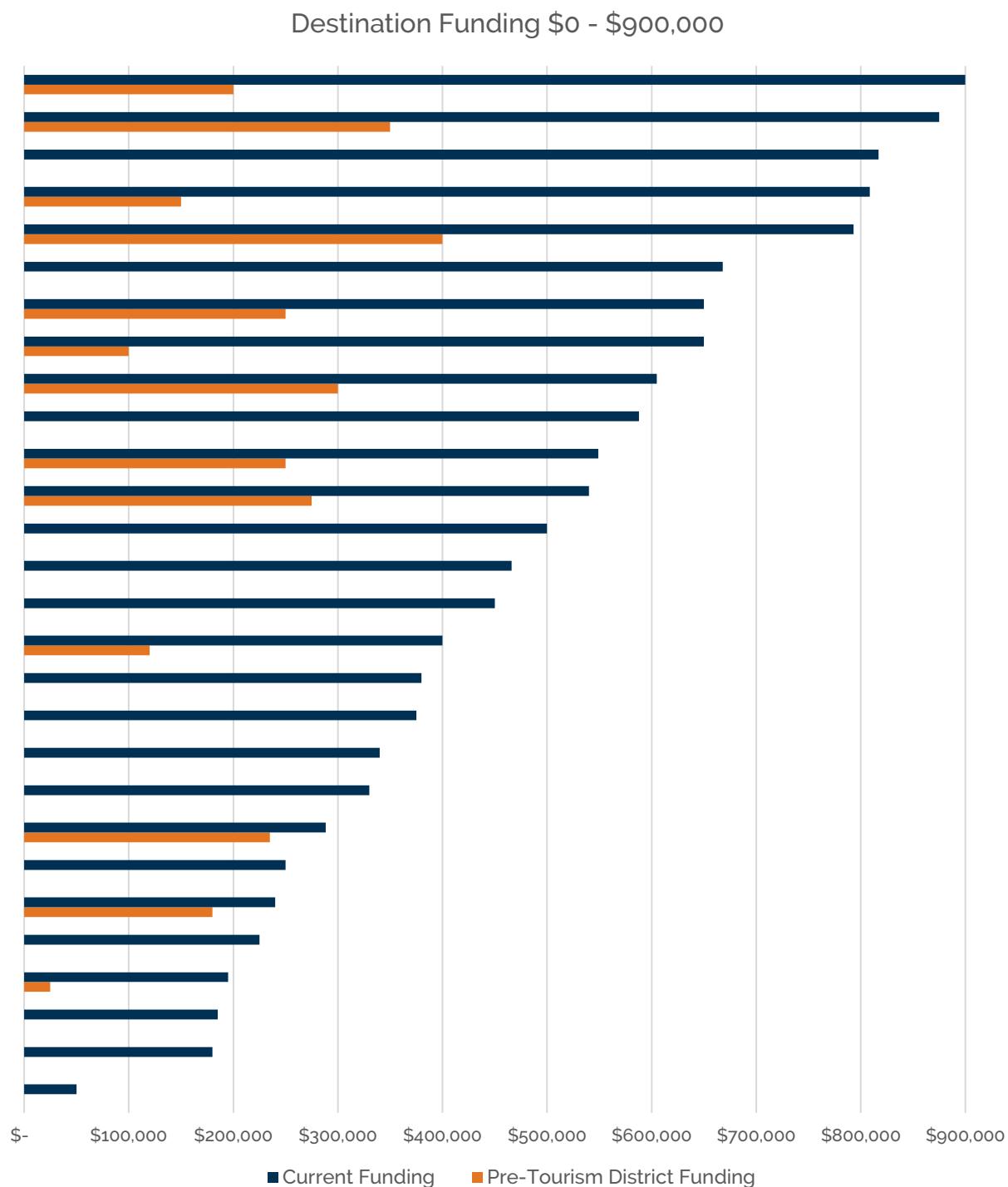
Total Funding Pre-and-Post TID

Respondents were asked how much funding they received prior to Tourism Improvement District formation. The largest category of respondents (31%) indicated that they received no funding whatsoever prior to Tourism Improvement District formation. On average destinations received \$1,363,569 in funding prior to Tourism Improvement District formation. The median amount destinations received prior to Tourism Improvement District formation is \$250,000. The standard deviation is \$3,196,860. Respondents were then asked how much funding they received in the last fiscal year. On average destinations received \$3,820,154 in funding in the last fiscal year. The median amount destinations received after Tourism Improvement District formation is \$1,218,000. The standard deviation is \$7,479,759.

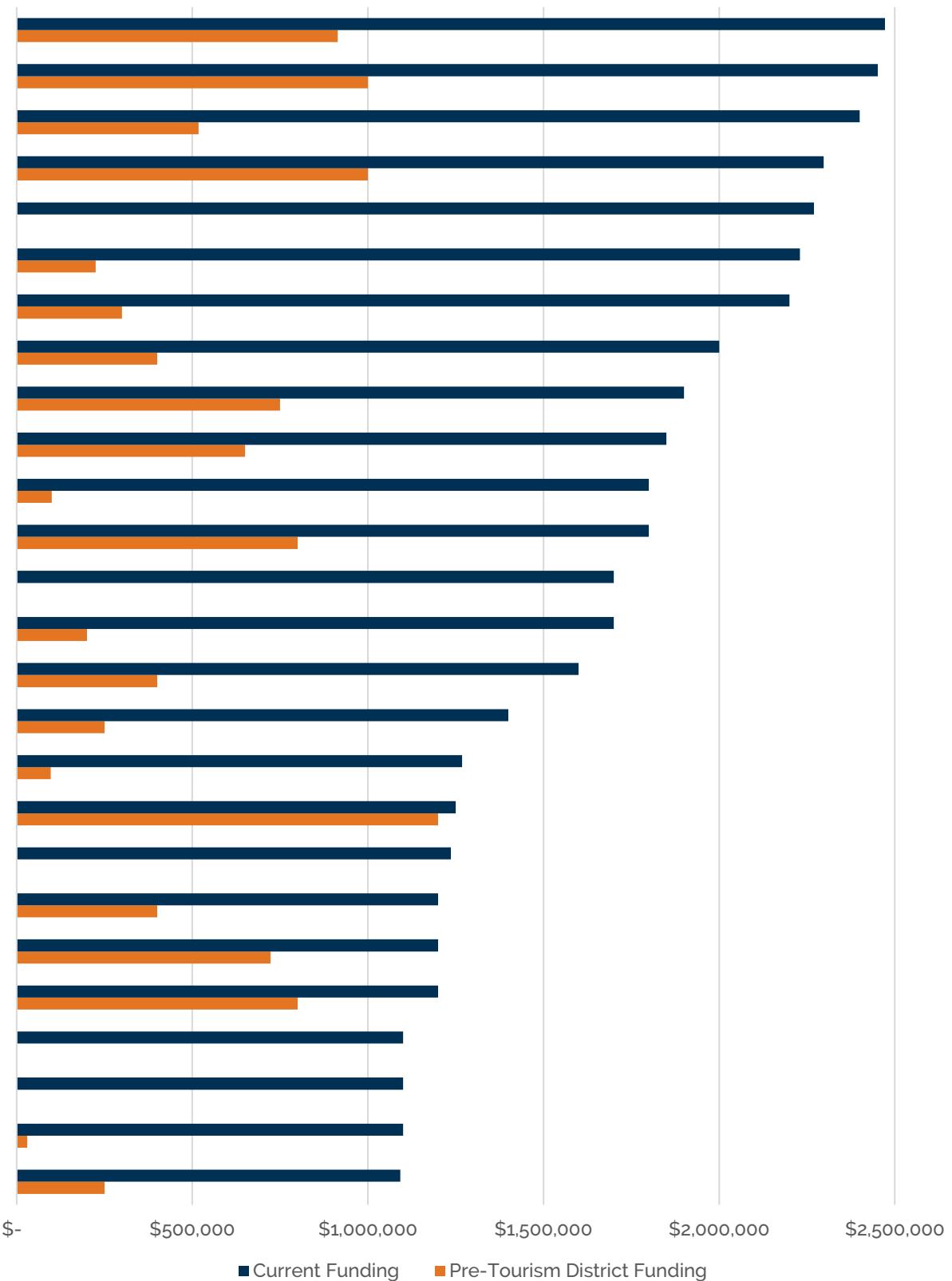
Pre & Post TID Funding



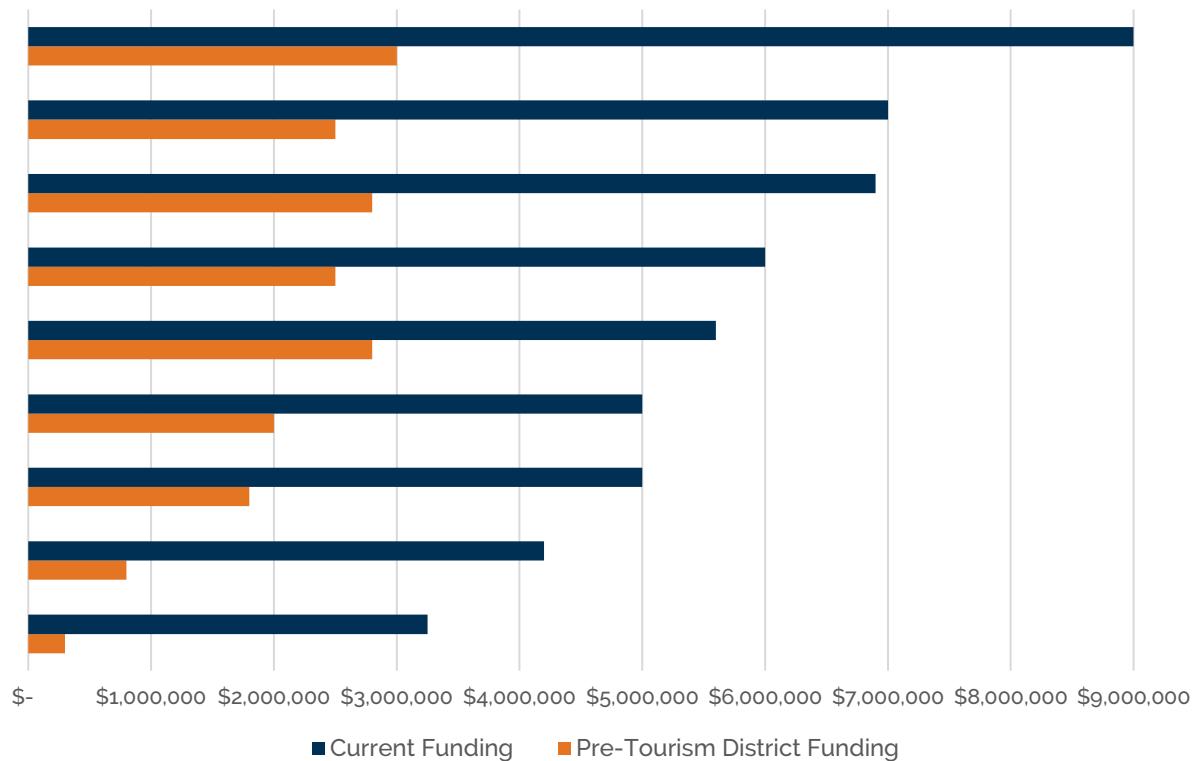
To demonstrate individual budget impacts, each respondent who provided data on their destination's pre-Tourism Improvement District funding and current funding is included in the following charts. Destinations with similar budgets have been grouped together in each chart. Data sets without an orange bar indicate the destination had no funding prior to forming a Tourism Improvement District.



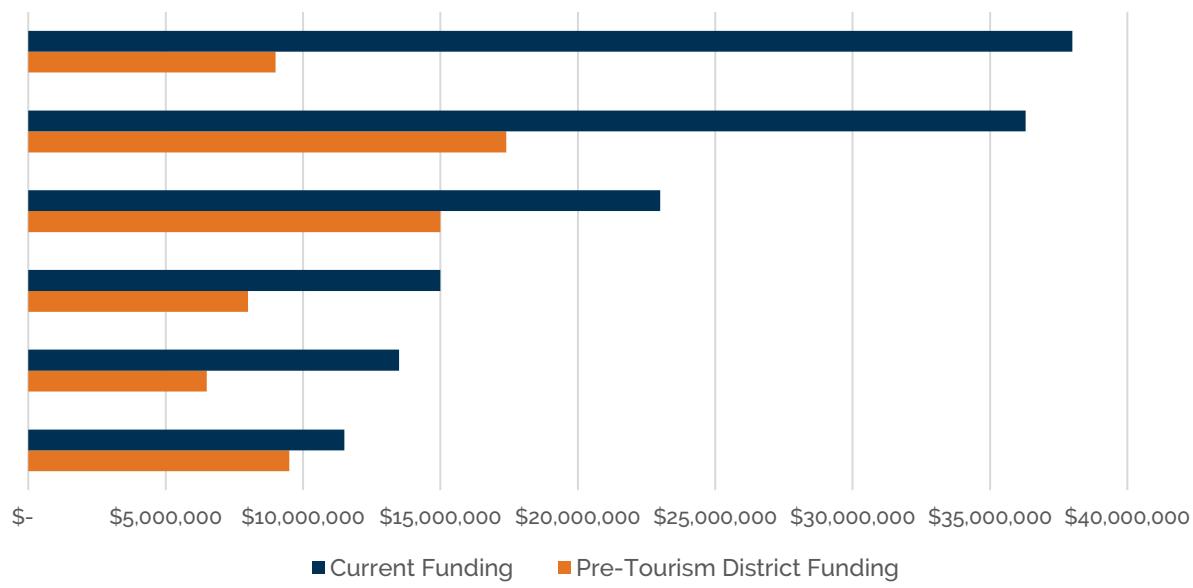
Destination Funding \$900,001 - \$2,500,000



Destination Funding \$2,500,001 - \$9,000,000

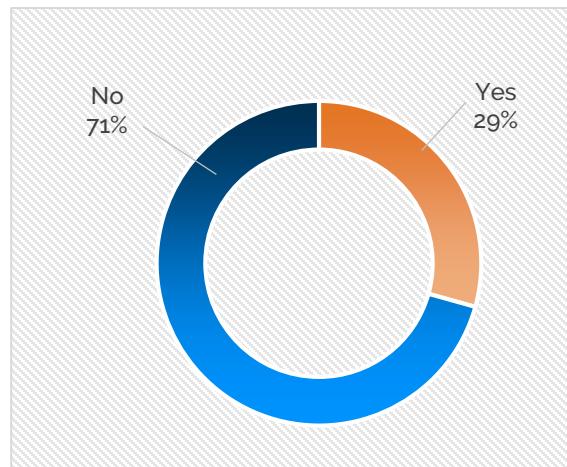


Destination Funding \$9,000,001 - \$40,000,000



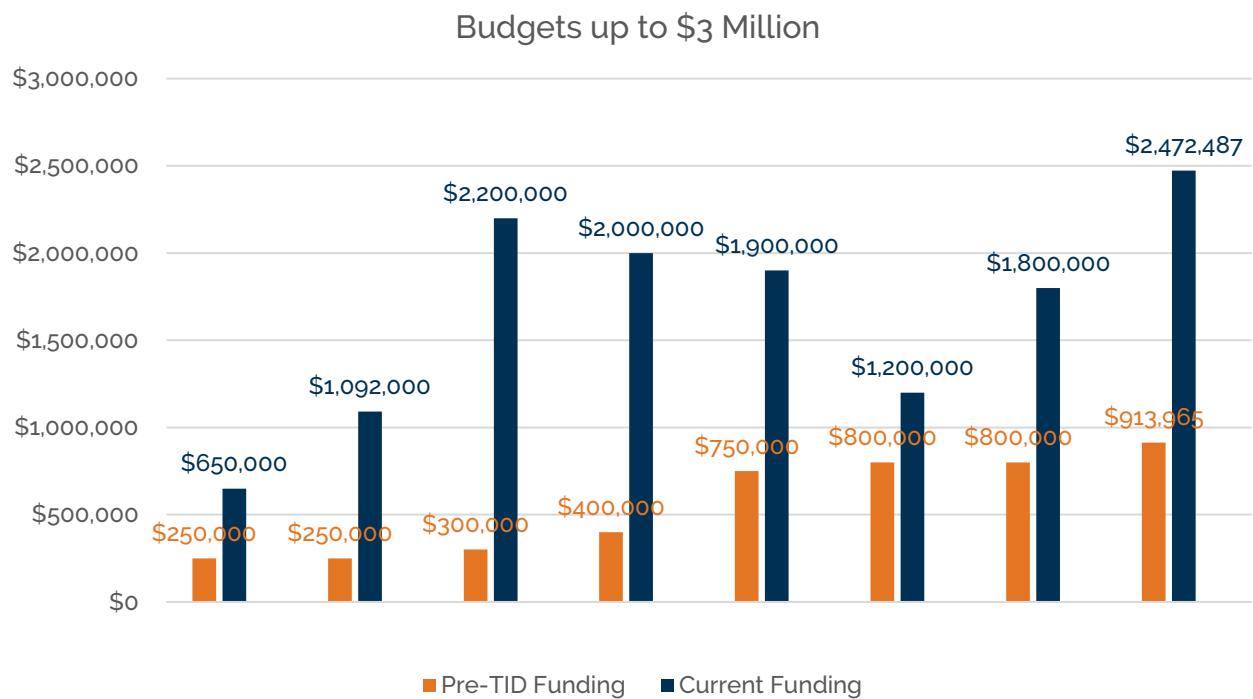
Pre-Existing Funding

A supermajority (71%) of respondents indicated they did not lose any underlying funding due to forming a Tourism Improvement District. Although some respondents lost underlying funding, all indicated that their Tourism Improvement Districts more than made up for the loss. Budget growth (despite the loss of pre-existing funding) ranged from 21% to 633%, with an average growth of 204%.

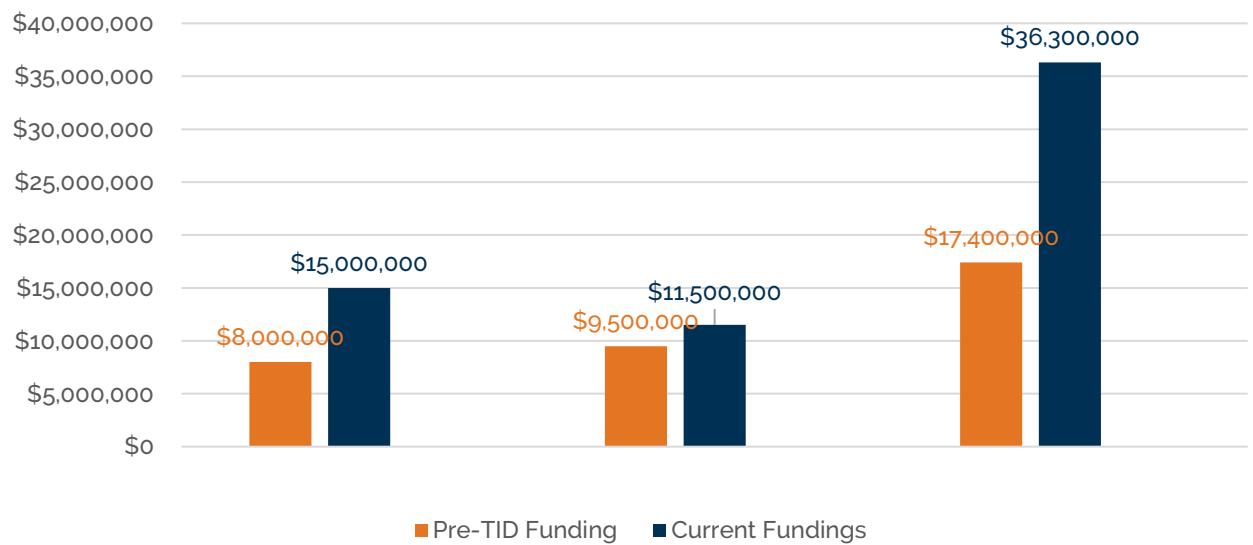


A variety of circumstances led to the loss of funding; many funding losses were pre-planned, with a district formed to mitigate the impending loss, while in other cases the hotels and DMO agreed to trade existing annual funding allocations in exchange for a larger, long-term, industry-controlled funding source in the form of a TID. For example, in San Luis Obispo County, a \$325,000 allocation from the County was scheduled to end in June 2015. A tourism district was formed in July 2015, generating \$1.8 million per year, to overcome and even exceed the lost funding. In San Diego, hotels agreed to “give up” the City’s annual allocation to marketing, in exchange for a tourism district that raises \$30 million each year for destination marketing independently implemented by a board of hoteliers. A similar strategy was employed in San Francisco, which went from an annual budget of \$9 million to \$38 million with creation of a tourism district raising \$25 million that enabled the DMO to leverage other funding sources. In Memphis, Tennessee the City planned to cut \$3.4 million for marketing; the DMO responded by creating the first tourism district in the state and raising its budget to \$11.5 million, also leveraging the district funds into an additional contribution from the County and a new dedicated source of funds for convention center renovations.

Net Gain in Funding



Budgets over \$3 Million

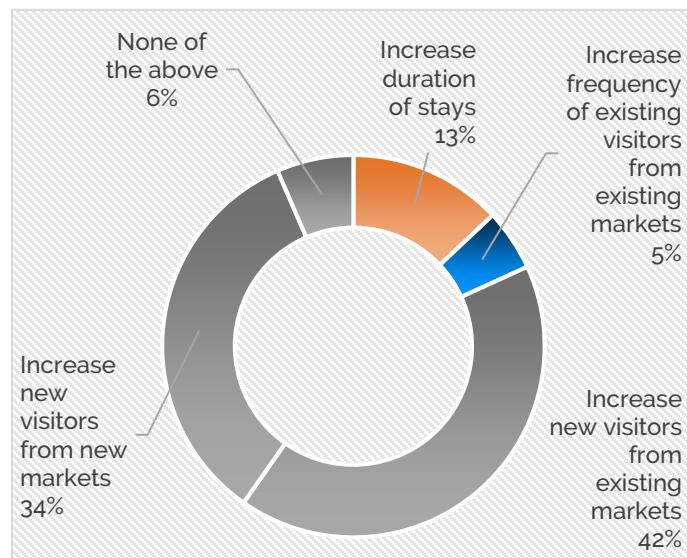


Programs

Finally, respondents were asked questions regarding the impact their Tourism Improvement District has had on the programs and services they provide.

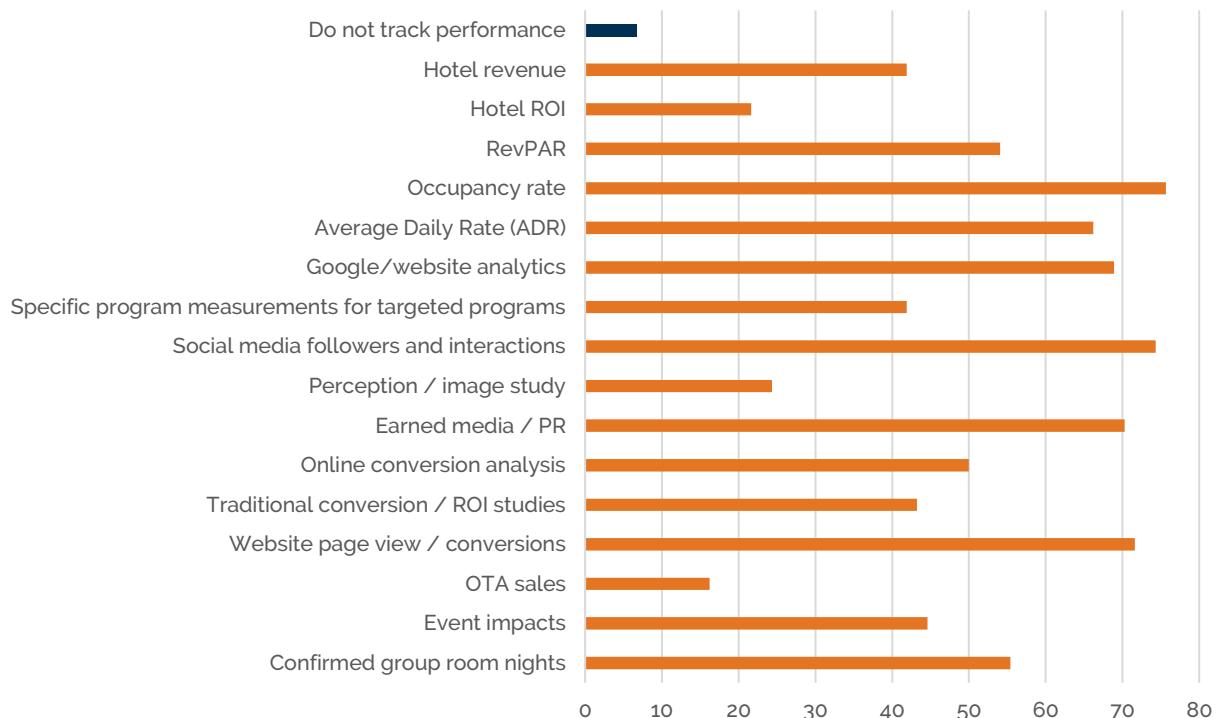
Primary Marketing Objective

Three-quarters of respondents indicated the primary marketing objective was to increase new visitors to the destination. 42% of destinations sought to increase new visitors from existing markets and 34% of destinations sought to increase new visitors from new markets.



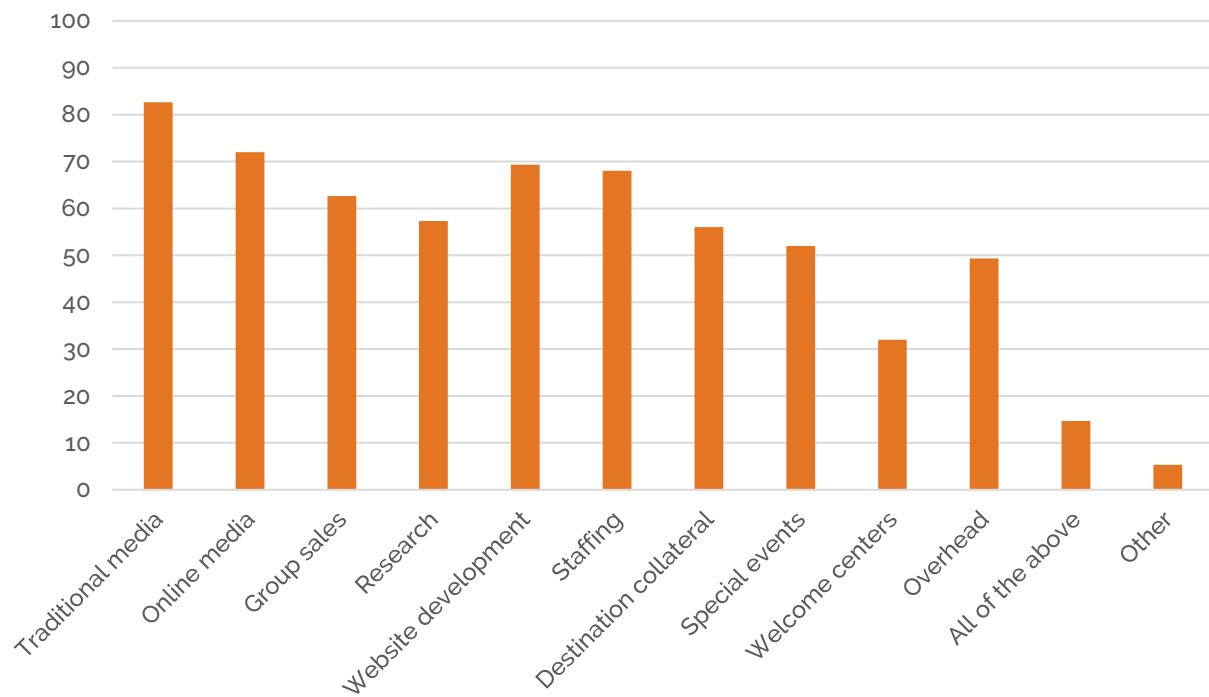
Key Performance Indicators

Respondents were asked which Key Performance Indicators (KPIs) they tracked. Over 60% of respondents indicated that they track website page view / conversions, earned media / PR, social media followers and interactions, Google/website analytics, ADR, and occupancy rate. The most commonly tracked KPI is occupancy rate, which is tracked by over 75% of destinations. Approximately 7% of respondents do not track any KPIs.



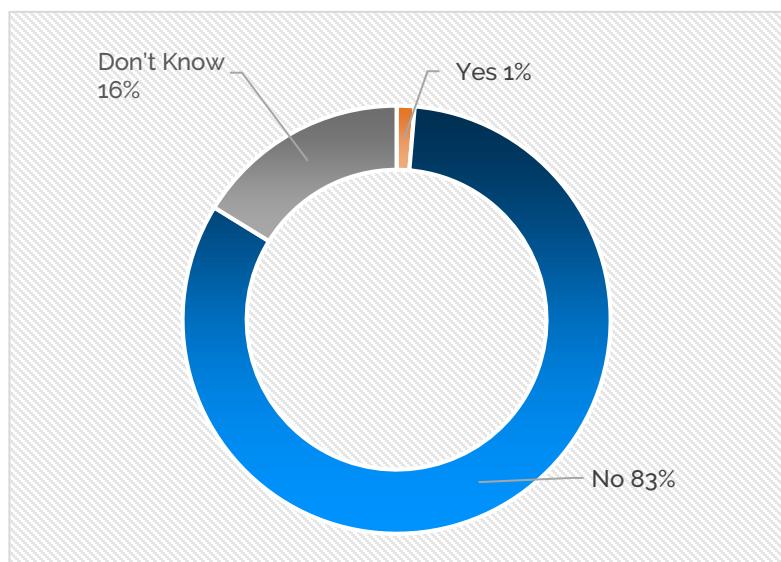
Programs Affected by Tourism Improvement District Elimination

Respondents were asked which programs would be compromised if Tourism Improvement District funding was eliminated. The largest category, traditional media, would be compromised in over 80% of destinations.



Customer Impact

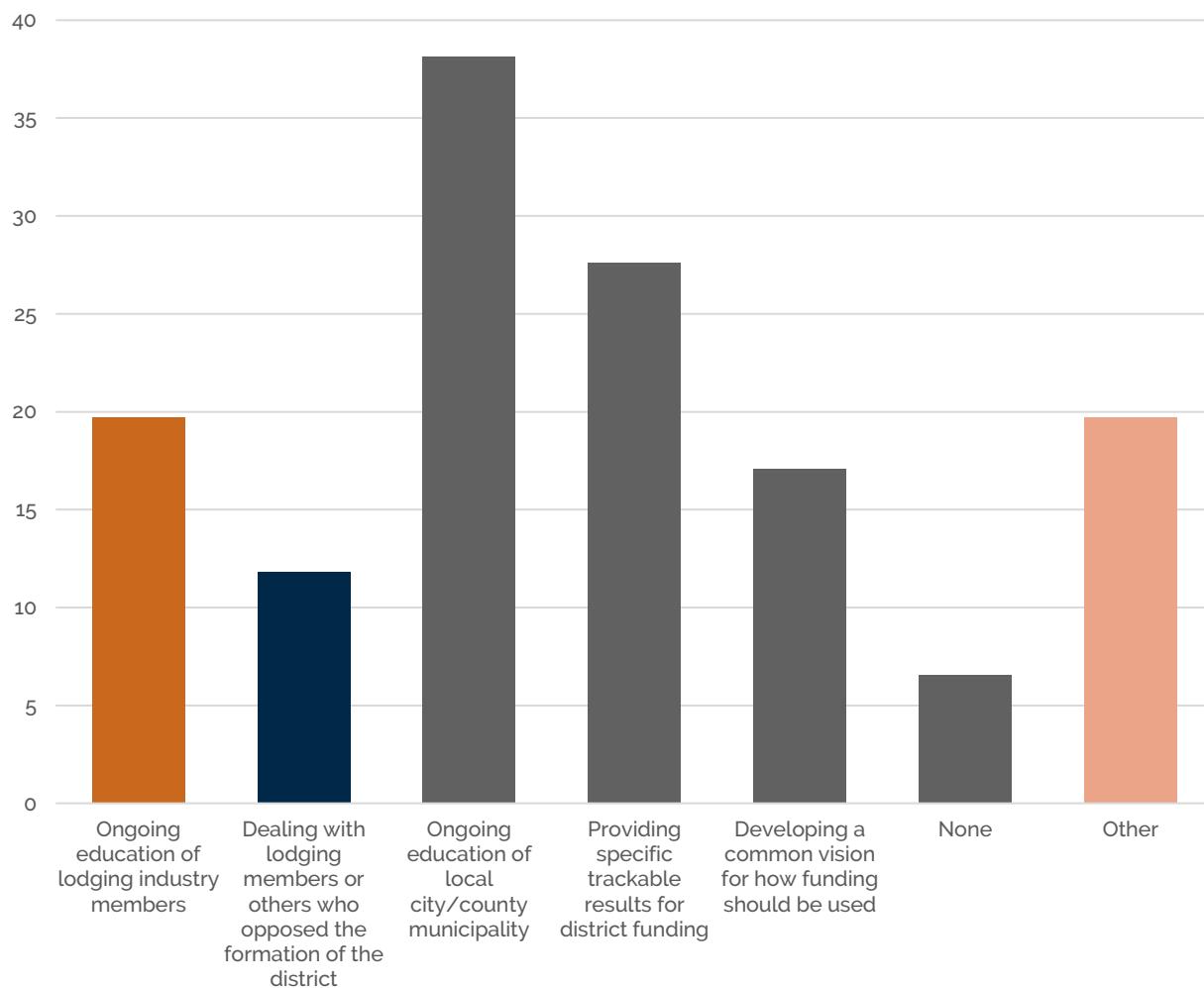
Respondents were asked if any hotels in their district lost customers due to the Tourism Improvement District assessment. Only 1% of respondents indicated they had lost customers. By and large, the respondents indicated that their districts have increased the number of room nights sold.



Operations

Tourism Improvement District Management Challenges

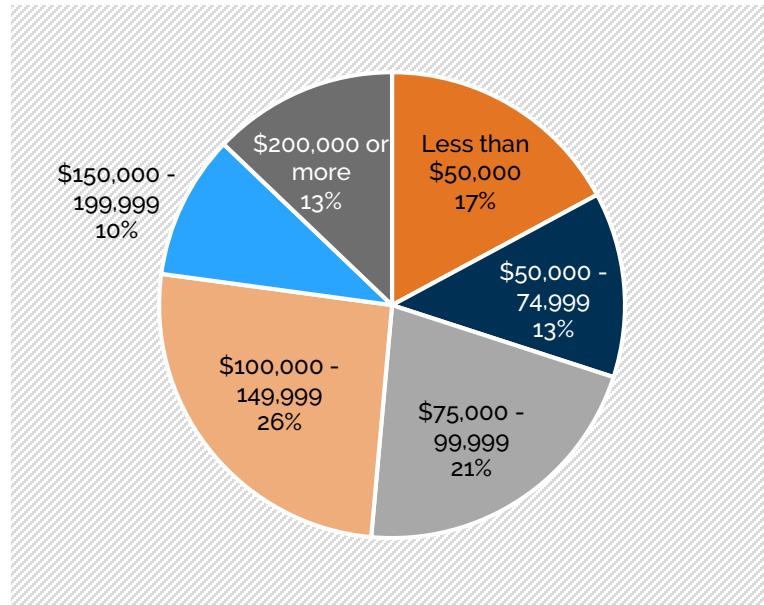
Respondents were asked to indicate the most difficult challenges they experienced managing their Tourism Improvement District. The most common challenge considered difficult by nearly 40% of destinations was ongoing education of the local city/county municipality. “Other” responses included: getting a majority of board members to attend meetings, trying to retain underlying funding, balancing the needs of different types of properties, keeping lodging members engaged and informed in Tourism Improvement District activities, keeping up with new marketing trends, and legal challenges.



Executive Director Salary

Respondents were asked to indicate their executive director's salary. The most common category, \$100,000 - \$149,999, comprises 26% of responses.

Executive Director salaries generally follow the district budget; in most (but not all) cases, the bigger the budget, the higher the salary. The following table illustrates the average (mean), median, low, and high Tourism Improvement District budgets for each range of executive director salaries.



Salary	District Budget			
	Average	Median	Low	High
Less than \$50,000	\$533,400	\$433,000	\$50,000	\$1,236,000
\$50,000 - \$74,999	\$596,888	\$548,995	\$330,000	\$1,200,000
\$75,000 - \$99,999	\$1,171,218	\$1,100,000	\$180,000	\$2,452,000
\$100,000 - \$149,999	\$1,461,099	\$1,550,000	\$122,300	\$3,250,000
\$150,000 - \$199,999	\$4,785,781	\$5,000,000	\$2,400,470	\$7,000,000
\$200,000 or more	\$13,398,310	\$10,250,000	\$1,900,000	\$38,000,000

About Us

Civitas is the recognized thought leader on Tourism Improvement Districts. With over twenty years of experience, we provide expertise in all aspects of forming, modifying and renewing Tourism Improvement Districts.

Creation, Innovation and Renewal

Civitas' team of experts has guided over 80 Tourism Improvement Districts through the formation, modification or renewal process. We have formed property and business based districts, city and county-wide districts, and improvement and marketing districts. Civitas' clients are innovative cities, counties and community organizations creating a strong and stable funding source.

Civitas' team of experts has worked with 79 of California's 97 tourism improvement districts. We also helped spread the concept beyond California by forming Tourism Improvement Districts in Oregon (Portland), Kansas (Wichita), and Tennessee (Memphis). These districts were the first Tourism Improvement Districts in their respective states. We bring our 20+ years of expertise to guide and streamline the formation process for each of our clients, especially for those moving forward to become the first Tourism Improvement District in their state.

Civitas provides expertise in Tourism Improvement District legislation. Our founder and current president, John Lambeth, was the primary author of California's most recent law enabling special districts, the Property and Business Improvement District Law of 1994. Our team has continued to craft legislation, on both the state and local level for clients in several states. In 2014, John Lambeth won the California Travel Association award for "The Promotion & Advancement of Tourism".

Experience That Makes a Difference

Whether your district is new or old, large or small, rural or urban, Civitas' experience will help you make a difference. We provide comprehensive management of all aspects of the formation and renewal process, ensuring an efficient, effective, expertly guided project. We approach every project with a customer-centric philosophy, and work closely with our clients and district stakeholders to make their desires reality.