



**TO:** Board of Directors  
**FROM:** Executive Committee  
**DATE:** July 20, 2016  
**SUBJECT:** CVB Management Agreement, Financing the CVB

**POSITION STATEMENT:**

The San Antonio Hotel & Lodging Association supports maximizing the City's Hotel Occupancy Tax for the Convention and Visitor's Bureau (CVB) budget in order to sustain and grow the impact tourism and hospitality has on our local economy. The protection and growth of the CVB budget was one of the key motivators for our industry's request and support of the structural transition of the CVB and is imperative for the future success of San Antonio's travel industry.

It is not clear who will maintain the function of the hosting obligation, it is SAHLA's position that these obligations should live within the CVB structure. These obligations are utilized to attract lucrative conventions and drive Convention Center Occupancy as well as hotel occupancy. If the hosting obligation is placed within the CVB structure, 41% of Hotel Occupancy Tax funding may be the appropriate percentage. If the hosting obligation remains with the City, we will strongly advocate for at least 35% Hotel Occupancy Tax funding to maintain and grow the CVB budget.

**BACKGROUND:**

City Council's February 18, vote began the restructuring, and that approval was a vote to help the CVB more efficiently and effectively market our city to the visitor of the future.

During a ceremony at City Hall, the CVB's began the formal process of its transformation into a public-private nonprofit organization on May 6. Mayor Ivy Taylor, Frank Miceli from Spurs Sports and Entertainment, and Rusty Wallace from Omni Hotel and Resorts, and Renée Flores from AT&T signed the Articles of Formation which were then submitted to the Texas Secretary of State for an independent, 501c (6) organization.

**HOTEL OCCUPANCY TAX**

San Antonio's current Hotel Occupancy Tax rate of 16.75% is levied on every room night charge and is distributed as follows: 9.00% City of San Antonio; 1.75% Bexar County; 6.00% State of Texas; and 2.00% of the City's 9.00% is dedicated to the City of San Antonio Convention Center Expansion.

The San Antonio Convention and Visitor's Bureau is the City's primary sales and marketing engine that drives the growth of the hotel occupancy tax along with many of the key stakeholders and area attractions. The San Antonio travel and tourism industry generates \$13.4 billion in economic impact and employs 122,500 San Antonians.

## **INVESTING IN MARKETING**

Investing in the marketing/ travel promotion of a city leverages economic generation; increasing visitation and travel spending, drives local job creation and tax revenues which far outperform the initial investment. The State of Texas reported that for every dollar invested into advertising the State received a \$7 return. The SACVB reported for every dollar invested into advertising the City could expect a \$4.72 return.

We know that investment in marketing pays off and know from real world examples of budget bottlenecks that have put destinations even further behind – and we do not want this to happen in San Antonio.

*In 1993, Colorado became the only state to eliminate its tourism marketing function, when it cut its \$12 million promotional budget to zero. As a result, Colorado's market share plummeted 30% within two years, representing a loss of over \$1.4 billion in travel spending within just one year, and went from ranking 1st to 17th in summer destination visitation. Over time, the revenue loss increased to well over \$2 billion a year – and Colorado has still not completely bounced back, even after more than 20 years.*

*Recently, Choose Chicago was not funded at their full capacity (\$7.2 million funding freeze / 40% of budget) resulting in layoffs of a quarter of its staff and drastic cuts to its promotional spending. They are seeing a major immediate decline in their visitation and economic impact, as a result.*

## **REASONS FOR SUPPORT:**

1. The competitive landscape is fierce and San Antonio already has to play "catch-up" against better-funded competitors (within our own state and nationally, such as Dallas, and Houston).
2. The San Antonio business community supports the evolution of the SACVB into a public/private entity, to make the SACVB more autonomous and stronger at what it does best — bringing visitors to San Antonio. A nonprofit structure increases its speed and efficiency, facilitating a quick response to market conditions and act quickly in competing for travel business.
3. The Brookings Institution named San Antonio one of the most recession-proof cities in the United States, citing our hospitality industry as one of the factors. At this critical juncture for what is nearly a fledging entity, now is not the time to reduce the City's commitment or investment.