



COUNTY OF HUMBOLDT

For the meeting of: 10/25/2022

File #: 22-1277

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:
County Travel and Tourism Update and Partner Agency Reports

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a travel and tourism presentation from staff and other partner agencies;
2. Receive a marketing report and hear a 20-minute presentation from the Humboldt County Visitors Bureau (HCVB);
3. Receive a marketing report and hear a 20-minute presentation from the Humboldt Lodging Alliance (HLA); and
5. Direct staff accordingly.

SOURCE OF FUNDING:

General Fund Transient Occupancy Tax (1100)

DISCUSSION:

Background

The travel and tourism industry is measured in part by the output of goods and services sold directly to visitors. This industry plays a significant role in Humboldt County's economy. Visitors to Humboldt County spend out-of-area dollars in local communities on lodging, food services, recreation, shopping, local transportation and other areas. This activity leads to many benefits including the preservation of livelihoods, economic activity and service delivery from public institutions.

To raise public funds for travel and tourism activities, jurisdictions often levy lodging fees, assessments and other taxes (such as Transient Occupancy Tax, or TOT) which are imposed by cities, counties, and other jurisdictions in California.

According to a 2021 report by Prepared by Dean Runyan Associates (Attachment 1) titled, "California Travel Impacts by Assembly District," every \$100 of visitor spending results in \$5.50 in local tax revenue. In addition to this tax revenue, communities also benefit from ancillary (secondary impact)

revenues which are generated as a result of direct travel and tourism activity.

Revenue aside, the travel and tourism industry also creates jobs for communities. According to another Runyan Associates report titled, “The Economic Impact of Travel in California,” (Attachment 2) the total number of travel and tourism jobs in the Humboldt County region exceeds 4,700.

The current state of tourism

Given the impacts of COVID-19 on travel and tourism as a whole, communities and marketing agencies across the state (including Visit California, previously known as the California Travel & Tourism Commission) are examining their own tourism marketing strategies. Local partner agencies and residents alike have recently called on elected officials and county staff for a similar examination to be performed within Humboldt County.

Therefore, today your Board will receive an update and report on the current state of travel and tourism in Humboldt County from various partner agencies.

- County Economic Development Division, 10 minutes
- City of Eureka, 10 minutes
- Humboldt County Visitors Bureau (HCVB), 20 minutes
- Humboldt Lodging Alliance (HLA), 20 minutes
- Humboldt Bay Harbor District, 10 minutes
- County Department of Aviation, 10 minutes

Your Board will hear from the Humboldt County Visitors Bureau (HCVB) and Humboldt Lodging Alliance (HLA), both of contract with the county to provide marketing services and are required to make annual reports to your Board. Your Board will also hear from the Department of Aviation and the Humboldt Bay Harbor Recreation and Conversation District who, as ports of entry into the community, play a vital role in travel and tourism. And finally, your Board will receive a presentation from the City of Eureka with whom the county executed a Memorandum of Understanding (Attachment 7) in 2019 to collaborate on marketing efforts.

HCVB Marketing Update and Presentation.

The Humboldt County Visitors Bureau (HCVB) is the lead contracted agency responsible for the marketing and promoting of Humboldt County resources and assets and has been established by your Board to be the county’s Designated Marketing Organization (DMO). The original agreement for services with HCVB was executed July 5, 2016, and later amended in 2018 and 2019 (Attachments 3 through 5).

On Aug. 10, 2021, HCVB’s agreement was extended for a third time for a period of 3 years, and the scope of work for HCVB was significantly expanded (Attachment 6).

Since execution of these agreements, HCVB has been paid a total of \$2,228,562.39 from Transient Occupancy Tax revenues for its services.

Humboldt Lodging Alliance Update and Presentation.

On May 23, 2017, your Board adopted resolution No. 17-47 (Attachment 8) renewing the Humboldt County Tourism Business Improvement District (HCTBID), which was originally established in 2012. The HCTBID is a benefit assessment district to help fund marketing and sales promotion efforts to benefit Humboldt County lodging properties. Currently, the district includes all lodging businesses within the boundaries of Humboldt County, including the cities of Arcata, Eureka, Ferndale, Fortuna, Rio Dell, and Trinidad. This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights.

On July 25, 2017, the county entered into an agreement for services with the Humboldt Lodging Alliance (HLA) to Manage HCTBID funds in accordance with the Dec. 14, 2016, Management District Plan (MDP) and which established that HLA shall be the manager and owners' association of the HCTBID as defined by the Streets and Highways Code section 36612. In 2018 the MDP was modified to exclude short-term rental operators of less than 5 units. The agreement and MDP are included as Attachments 9 and 10.

Since execution of these agreements, HLA has received a total of \$2,248,892.53 from in TBID revenues to manage its obligations under the MDP.

Gateway communities

As part of its agreement with the county, HCVB is obligated to pass through a portion of funding it receives to "Gateway Communities." Said funding is to be used by these communities for efforts related to travel and tourism. Of the total amount of funding HCVB receives, 42% is distributed as follows:

- 2% Southern Humboldt Visitor's Bureau
- 23% Garberville Chamber of Commerce
- 5% Arcata Chamber of Commerce
- 6% Willow Creek Chamber of Commerce
- 6% Orick Chamber of Commerce

Unified approach

Given the various county-wide marketing efforts which are currently underway, and in order to maximize the efficiency of publicly funded travel and tourism programs, local partners and community members have expressed a need for a unified approach to travel and tourism strategies in Humboldt County. Both the HCVB and HLA currently receive liaison support from the County Administrative Office - Economic Development Division. Economic Development staff have also met with local area chambers, main street associations, and trade associations to discuss travel and tourism efforts. However, your Board may find after today's presentations that a deeper level of county collaboration and engagement with these community partners may be warranted.

Letters sent to HCVB and HLA regarding these matters are included as Attachments 11 through 14.

The recently adopted increase to Transient Occupancy Tax (TOT) also changes the landscape for travel and tourism tax revenues. Measure J, which voters passed in June 2022, increased the TOT rate, and specifically called for the use of TOT dollars to include theater and public art, among other functions. In April of 2022 your Board directed staff to work with local partner agencies on recommended uses of increased TOT funding. This engagement effort is still underway.

Travel and tourism strategies

Based on today's presentations your Board may wish to:

- Direct staff to commission a study of Humboldt County's travel and tourism marketing, and/or develop a related marketing plan.
- Consider what future engagement looks like with HLA and HCVB.
- Consider whether any modifications should be made to the HCTBID or MDP.
- Take other action as appropriate.

FINANCIAL IMPACT:

Visitor's Bureau Agreement

The agreement with the HCVB for tourism and marketing services has a total payable amount equal to 18% of TOT received by the county annually for the period of July 18, 2018 through June 30, 2024. TOT is a General Fund revenue. Of the amount allocated to HCVB, 42% is required to be passed through to Gateway Organizations.

Expenditures and appropriations related to this agreement were included in the FY 2022-23 adopted budget for the County Administrative Office - Economic Development Promotion Budget (1100-181).

Lodging Alliance Agreement

The agreement with HLA to manage the HCTBID and implement the related MDP has a total payable amount equal to the HCTBID assessment of 2% of gross revenue from short-term rentals (excluding operators of less than 5 units) annually, less reimbursement to cover the county's cost of collection and administration.

For the county's share, the HCTBID assessment is collected by the Treasurer-Tax Collector and then remitted to the HLA, which adopts its own budget.

The reimbursement from HLA to the county is received by the General Fund as charges for services by the Treasurer Tax-Collector's Office (1100-112). This revenue and the related expenditures were included in the Treasurer's FY 2022-23 adopted budget. Therefore, modifications to the HCTBID and/or MDP would impact the General Fund.

Tourism and Marketing Study and Plan

Should your Board direct staff to conduct a tourism and marketing study and develop a related plan, staff would likely need to develop a request for proposals (RFP) and contract out those services. Cost for tourism and marketing studies and services vary widely. If needed, staff would return to your Board with cost estimates and funding sources to pay for those services.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by supporting business, workforce development and creation of private-sector jobs .

OTHER AGENCY INVOLVEMENT:

County Department of Aviation, City of Eureka, Humboldt Bay Harbor District, Humboldt County Visitors Bureau (HCVB), Humboldt Lodging Alliance (HLA).

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board Discretion

ATTACHMENTS:

1. CA Assembly District Travel Impact Report by Dean Runyan and Associates
2. CA Impact of Travel and Tourism Report by Dean Runyan and Associates
3. Original HCVB Agreement
4. First Amendment to HCVB Agreement
5. Second Amendment to HCVB Agreement
6. Third Amendment to HCVB Agreement
7. County and Eureka MOU for Marketing Collaboration
8. Resolution No. 17-47 Renewing the TBID
9. HLA Agreement
10. Management District Plan
11. CAO HCVB Letter
12. HCVB Response Letter
13. CAO HLA Letter
14. HLA Response Letter
15. HLA Report
16. HCVB Report
17. Southern Humboldt Report

PREVIOUS ACTION/REFERRAL:

Board Order No.: C-8, K-1, I-1

Meeting of: May 23, 2017, May 28, 2019, Oct 15, 2019, Jan 14, 2020, Jun 11, 2021, April 26, 2022.

File No.: 19-621, 19-1481, 20-14, 21-872, 22-508