



COUNTY OF HUMBOLDT

Legislation Text

File #: 21-75, Version: 1

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:

Humboldt County Visitor's Bureau Second Marketing Report to the Board of Supervisors and an Examination of the Current Transient Occupancy Tax (TOT) Rate for Humboldt County

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a marketing report, and hear a 15-minute presentation from the Humboldt County Visitors Bureau (HCVB);
2. Direct staff to perform a detailed analysis of Humboldt County's Transient Occupancy Tax (TOT) rate and return to the Board in 90 days with recommendations; and
3. Take other appropriate action as required.

SOURCE OF FUNDING:

1100 General Fund Transient Occupancy Tax

DISCUSSION:

Background

The Humboldt County Visitors Bureau (HCVB) is the lead contracted agency responsible for the marketing and promoting of Humboldt County resources and assets. HCVB is also a partner with the county in its efforts to attract safe tourism to the area and to promote travel and trade activity which contributes overall to Humboldt's economic wellbeing.

On July 18, 2018, the County of Humboldt amended the July 5, 2016 agreement with the Humboldt County Visitor's Bureau (then called the Humboldt County Convention and Visitors Bureau) for the advertising, promoting, and marketing of Humboldt County resources and assets.

Later, on June 4, 2019, your Board approved a two (2) year extension to that agreement. This extension constituted the second amendment to the original agreement and was signed by your Board on June 25, 2019.

On December 10, 2019, at the request of your Board, staff returned with an update outlining the Humboldt County Visitors Bureau's marketing and operating strategies for the future. During that meeting the HCVB also made a presentation to your Board. After their presentation, your Board asked for another (second) update to be presented to your Board in another six (6) months' time.

The deadline for bringing the second marketing update before your Board coincided with June 2020. However, after the execution of the aforementioned agreements, and the receipt of HCVB's prior presentation, Humboldt County soon found itself mired in efforts to mitigate the COVID-19 crisis.

Similarly, and because of the initial adverse impact of COVID-19 on Humboldt's tourism economy during the second quarter (March 16 - June and mainly accommodations and food service), the Humboldt County Visitors Bureau's efforts were focused on responding to public demands for information and relaying the county messaging to the public, pre-empting the June 2020 presentation to your Board.

Therefore, on July 7, 2020, your Board extended the deadline for HCVB to bring its second marketing update before your Board for a later time and for a period which coincided with the lifting of business and COVID-19 restrictions for the travel and tourism industry.

Now, wherefore, staff recommends that your Board receive the attached marketing report(s) from HCVB and hear a ten (10) minute presentation from HCVB staff.

HCVB Marketing Update and Presentation.

The Humboldt County Visitors Bureau has prepared an update for your Board titled, "Report to the Humboldt County Board of Supervisors" which is attached hereto. This report outlines HCVB's 2020 marketing endeavors, lays out future strategies, and makes certain recommendations concerning investing in tourism during a post COVID-19 economic recovery.

HCVB also recently underwent several organizational changes and adopted a new mission which reads, "The Humboldt County Visitors Bureau develops and maintains, for its stakeholders, partners and communities, marketing programs and experiences that keep Humboldt County and our Redwoods as a premier travel destination."

HCVB also adopted a new Vision statement which reads, "The Humboldt County Visitors Bureau develops and maintains, for its stakeholders, partners and communities, marketing programs and experiences that keep Humboldt County and our Redwoods as a premier travel destination."

HCVB's report to your Board also includes, "Funding Objectives & Budget Narrative", also attached hereto. Therein, the Humboldt County Visitors Bureau states, "To build upon the County's previous investment and ensure a robust future for tourism, it is imperative that HCVB be fully funded to competitively engage in the full spectrum of available PR (public relations) and marketing programs and services." Included in the HCVB's Funding Objectives & Budget Narrative are two proposed levels of funding. Level one for \$692,500. And level two for \$880,000.

Presently, the county supports the Bureau through an allocation of 18% of the total annual TOT funds received. In Fiscal Year 2019-20 this amounted to \$364,470. Although, the HCVB keeps only 53% of this total revenue as the remainder is distributed by the HCVB to the gateway communities for marketing. There is presently no contractual agreement governing the use of those funds which are given to the gateway communities. The amount remaining to the HCVB after making said distributions was \$194,384 in Fiscal Year 2019-20.

Your Board may also note that in 2019 the HCVB was defunded by the City of Eureka as the city entered into a new marketing agreement with Eddie Alexander. This reduced the HCVB's total programmatic funding by approximately \$360,000. The county also subsequently entered into an Memorandum of Understanding (MOU) with the City of Eureka which was signed by your Board for the sharing of marketing knowledge, resources, and assets.

In addition, HCVB has also prepared a presentation titled, "Humboldt County Visitors Bureau 2021 - 2024 Marketing Strategy. A roadmap to the successful, unified marketing of Humboldt County", attached hereto. This presentation includes a comparison of marketing activity and expenditures for other neighboring counties, and includes other data and analysis related to travel trends and tourism metrics. This presentation also includes the HCVB's proposed digital and contact strategy, as well as an analysis of current marketing initiatives throughout the county.

The Humboldt County Visitors Bureau is before your board today to make a fifteen (15) minute presentation on the three aforementioned reports and the content that is contained therein. Staff recommends that you receive these reports and hear this presentation and take other action as necessary. Though this agenda item is moving through the Economic Development office, the request for additional funding comes from the HCVB directly and not from staff. Staff recommends that the HCVB's financial request be considered by your Board in accordance with the county's budget approval process.

Transient Occupancy Tax (TOT)

Though staff recommends that HCVB's financial request be considered by your Board in accordance with the county's budget approval process, staff does ask your Board to consider that exploring an update to our county's current Transient Occupancy Tax (TOT) rate might be a way for the county to invest additional revenues into activities and agencies (such as tourism) whose purposes may be critical to our county's post COVID-19 economic recovery.

The economic needs and tolerance of any given community can be both diverse and varied. Not all communities have an interest in "brick and mortar" development. Moreover, the construction and expansion of facilities which leads to the creation of tax revenue and jobs (while a fundamental principle of economic development) is but only one way to increase prosperity.

Funding agencies whose operations are related to travel, film, festivals, arts, outdoor recreation, and other tourism related activities, vis-a-vis an allocation of TOT, is not only common, but it is also

preferred in many jurisdictions because TOT is performance based. In other words, the better a particular agency or activity does at attracting tourism and positively affecting TOT, the more funding they will receive. TOT (also called bed tax) is also preferred by many communities as it is a use tax which is paid for by the traveler/tourist.

Although Humboldt County is an area of high tourism interest and is known as a travel destination (the redwoods, ocean, cannabis, etc.), Humboldt's TOT rate is lower than many other highly traveled jurisdictions such as Fresno, Oakland and Sacramento. Moreover, given the cultural and psychological impact of COVID-19, tourism is expected to increase in rural communities. As such, rural regions throughout the state are beginning to reconsider their Transient Occupancy Tax (TOT) rates. Siskiyou County is one example who just passed an increase to TOT in November and whose TOT rate went from 8% to 12%

At present, Humboldt's TOT rate is 10% of all reported room charges for hotels. According to the Treasurer Tax Collectors office \$21,944,260 in hotel room charges were reported for FY 2019-20. This accounted for \$2,123,922 in county TOT revenues for FY 2019-20. If Humboldt's TOT rate were to remain flat at 10%, and using current modeling and predictions for the industry, the total TOT generated over the next five years is anticipated to be \$11,325,665. A two percent increase to Humboldt's TOT (for example) would be expected to yield (using the same modeling and predictions) an additional \$2,212,765 in revenue over that same five-year period making the total \$13,538,430. If so desired, this increase of additional TOT could be used to also support activity such as the funding request made by HCVB.

Economic Development staff have explored potential increase to TOT with county leadership and the Treasurer Tax Collector. However, only a limited number of community partners have been engaged thus far. Therefore, staff recommends that your Board direct staff to perform a thorough and detailed analysis of the county's current Transient Occupancy Tax (TOT) and the use of those funds, and that staff engage the community to discuss the pros/cons of a making change to the county's TOT rate aimed at supporting travel, tourism, arts, outdoor recreation, film, festivals, and similar activities which spur travel and tourism in our communities.

FINANCIAL IMPACT:

The agreement with the HCVB is for a sum equal to 18% of Transient Occupancy Tax received by the county. In fiscal year 2020-21, \$394,997 has been budgeted for the HCVB. There is no impact to the General Fund by extending the presentation deadline.

STRATEGIC FRAMEWORK:

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

OTHER AGENCY INVOLVEMENT:

Treasurer Tax Collector

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board Discretion

ATTACHMENTS:

HCVB_12_10_Supervisors_REPORT
1_HCVB Budget & Funding Narrative
HCVB_Marketing_Strategy_21_24

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: May 28, 2019; Dec 10, 2019; June 25, 2019; July 7, 2020

File No.: 19-621, 19-891, 19-1699, 20-788