

Visit Huntington Beach

TRAVEL SPENDING IMPACT STUDY AND ANALYSIS



Final Report
2.0

Presented by:



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Project Overview

Visit Huntington Beach (VHB) is the Destination Marketing Organization (DMO) for Huntington Beach. Its efforts include promoting Surf City USA to attract overnight visitors, which, in turn, generates travel spending that creates revenues, taxes and employment for the city and its residents, thus helping ensure a positive quality of life for the community.

Currently, the City of Huntington Beach assesses a 10% Transient Occupancy Tax (T.O.T.) of which Visiting Huntington Beach receives 10%. The Huntington Beach Lodging Industry self-assesses, via a Tourism Business Improvement District (TBID), an additional 2% on all overnight lodging. The industry is contemplating a 1% increase of its TBID assessment, bringing the total assessment of overnight visitors from 12% to 13%.

Project Goal:

To understand the potential impacts (both positive and negative) of this proposed TBID increase. With this information, industry stakeholders can be better informed in their decision-making.

Project Objectives:

- ▶ **Understand the current situation**
 - ▶ Recent performance of the region
 - ▶ Identify trends from 2011/13
 - ▶ Visitor volumes
 - ▶ Visitor spending by category
 - ▶ Total economic impact
 - ▶ Employment impact
 - ▶ Income impact
 - ▶ Tax impacts and tax savings per household
 - ▶ Ranking of tourism employment

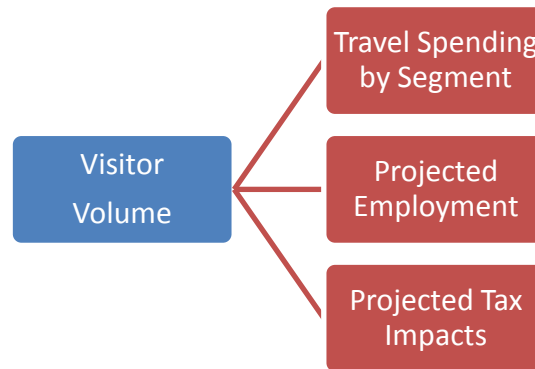
- ▶ **Quantify the impact of destination marketing in Huntington Beach**

- ▶ **To understand the impact of a 1% TBID Assessment**
 - ▶ Project the proceeds from a 1% increase
 - ▶ Assess any negative effects from a 1% increase
 - ▶ Quantify potential return on investment from a 1% increase
 - ▶ Quantify Destination Product Development (DPD) return on investment
 - ▶ Quantify marketing return on investment in terms of spending by industry
 - ▶ Recent performance of the region/Identify trends from 2011-13
 - ▶ Visitor volumes/Visitor spending by category
 - ▶ Total economic impact

- ▶ Employment impact
- ▶ Income impact
- ▶ Tax impacts and tax savings per household

Methodology

Much of the analysis completed was done using the results of the comprehensive “Visitor Profile and Economic Impact & Fiscal Impacts of Huntington Beach Tourism” study completed in 2011. In all cases possible, SMG sought to update the analysis to determine the volume of visitors in the market. Once that has been determined, the visitor volume was then used to update travel spending, employment and tax impacts.



The next phase of the report focuses on the potential travel spending impact of the additional TBID funds. To accomplish this, SMG developed a two-step analysis that quantifies the value of current Visit Huntington Beach marketing efforts and, from that analysis, quantifies the potential travel spending that could occur as a result of the increased TBID funding.



The final elements include the price and demand issues related to the increase in the TBID from the current 2% to 3% and the potential impact of Destination Product Development (DPD) that could be funded with a portion of the TBID funding that is generated.



Report Organization

The report includes the following sections:

Part 1: Current Tourism Trends

Part 2: Quantifying the Importance and size of Travel Spending Economic in Huntington Beach
2011/2013

Part 3: DMO Marketing Value and TBID Investment Projections

Part 4: Price and Demand Issues

Part 5: Potential Impact of Destination Product Development (DPD)

Additionally in the Appendix section, SMG has included a variety of spreadsheet models for its calculations.

Executive Summary

Since the 2008 recession, the tourism industry in California and beyond has become increasingly important as the private and public sectors recognize the value of the revenues, employment and taxes the industry generates. With that recognized importance there has been a significant increase in competition, with well over seventy TBID funded destinations in California. Consequently the amount of marketing dollars for tourism marketing has increased significantly. To remain competitive, destinations must continually look both at marketing and destination product development improvements to retain visitors and attract new ones.

Visit Huntington Beach (VHB) is the official Destination Marketing Organization (DMO) for Huntington Beach. The Mission of the organization is “To market and sell Huntington Beach’s Surf City USA brand experience as the preferred quintessential California beach destination leading to increased visitor spending and enhanced quality of life for residents”.

VHB’s efforts include promoting Surf City USA to attract overnight visitors, which in turn generates travel spending that creates revenues, taxes and employment for the city and its residents, thus helping ensure a positive quality of life for the community.

Currently, the City of Huntington Beach assesses a 10% Transient Occupancy Tax (T.O.T.) of which Visiting Huntington Beach receives 10%. The Huntington Beach Lodging Industry self-assesses, via a Tourism Business Improvement District (TBID), an additional 2% on all overnight lodging. The industry is contemplating a 1% increase of its TBID assessment, bringing the total assessment of overnight visitors from 12% to 13%. These funds would be used to augment marketing promotions, as well as fund Destination Product Development (DPD) improvements and enhanced visitor services.

The goal of this report is to understand the potential impacts (both positive and negative) of this proposed TBID increase. With this information, industry stakeholders can be better informed in their decision making.

- Overall travel spending has increased at both the state and local level. State travel spending has **increased to over \$106B in 2012 from the previous year**; travel spending in **Orange County has increased to \$9.5B**. In **Huntington Beach, overall demand as measured by occupancy and Average Daily Rate has consistently increased since 2011.**
- It is estimated that visitor volumes have increased to 3.5M in 2013, up from 2.9M visitors in 2011, **approximately 20%.**
- It is also estimated that travel spending has increased from \$280M in 2011 to approximately \$352M in 2013, **an estimated increase of 26%.**
- Based on the estimated \$352M in travel spending, it is estimated that there are **3,419 jobs directly related to tourism spending. Additionally there are 513 indirect jobs and 547 and induced jobs for an estimated total of 4,479 total employment related to tourism.**

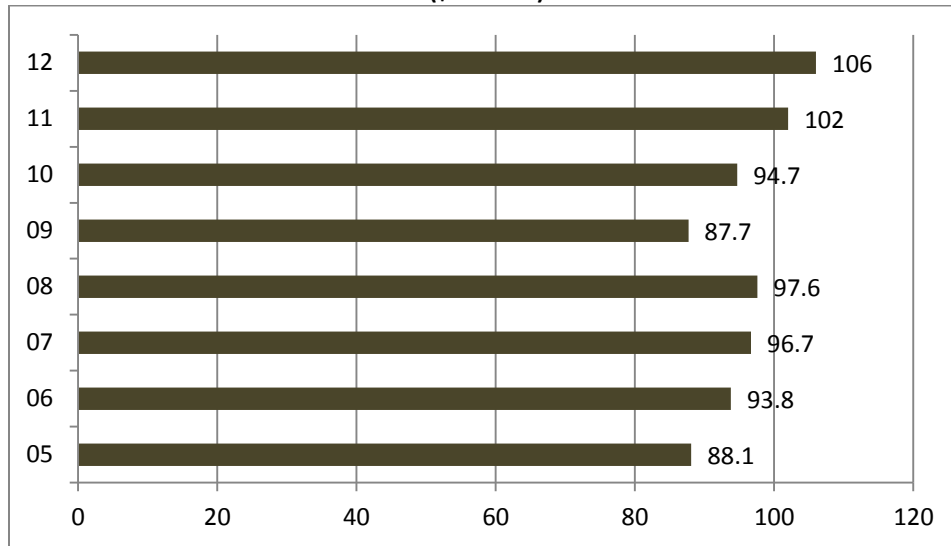
- It is estimated that **\$9.7M is generated in local taxes, primarily through Transient Occupancy Tax.**
- It is estimated that Visit Huntington Beach generates approximately **\$40M in travel spending, of which \$6.1M is gauged to be lodging spending.**
- It is estimated that the increase in TBID funding **could generate an incremental \$120M** in travel spending (including spending by all overnight and day visitors) by 2018/19.
- With regard to pricing, the proposed increase in TBID collections from 2% to 3% will have an impact of approximately 1% on current Average Daily Rates. **This is well within the price increases that have happened within other competitive destinations.**
- Capital Product Development (CPD) expenditures as a result of the increase in TBID funding **could generate between 1% and 3% in incremental travel spending.**

Part 1: Current Tourism Trends

A. California Travel Trends

Each year, California residents and visitors travel within the state to experience its variety of attractions, scenic beauty and local culture. According to the most recently released data by Visit California¹, **the state generated \$106 billion in direct travel spending in 2012**, a 4.4% increase over the preceding year.

Figure 1
California Travel Spending
2005/2012
(\$ Billions)



Source: Visit California

For perspective, Orange County generates approximately \$9.5 billion² in travel spending, and it is estimated Huntington Beach generates \$350M in travel spending.

In terms of visitor volumes, Californians represent the lion's share of the state's travel and tourism industry. In 2012 78% of visits and 60% of spending were from California in state residents³.

B. Orange County Travel Trends

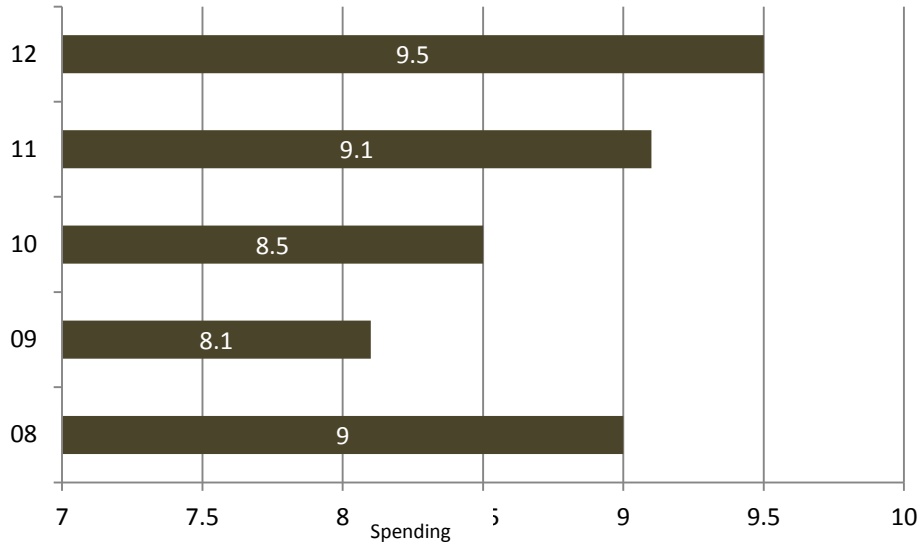
Overall, Orange County generated approximately \$8.6B in travel spending during 2012 (the most recent data available). Travel spending has been steadily increasing since its decline in 2009. See Figure 2 on the following page.

¹ Visit California Economic Impact of Travel 2013

² Ibid

³ California Travel Outlook 2013

Figure 2
Orange County Travel Spending
2008/2012
(\$ Billions)



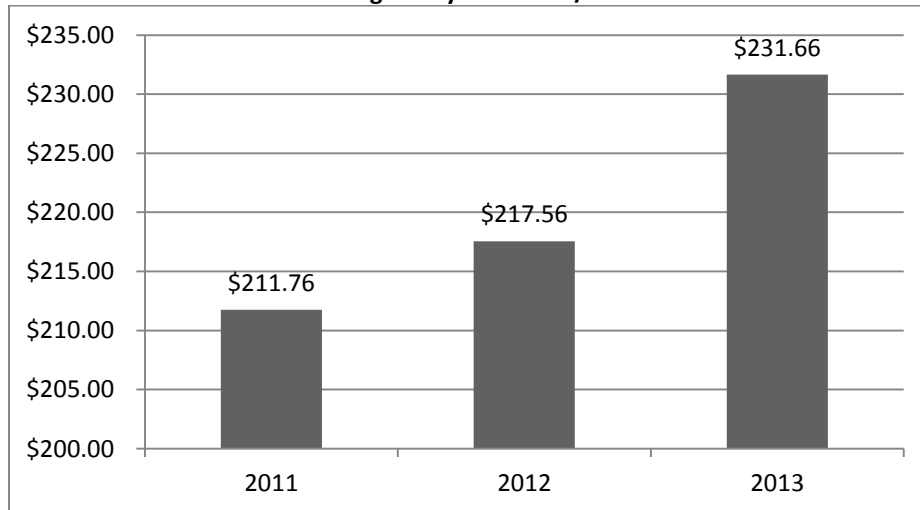
Source: Visit California

Additionally, travel spending in Orange County generates approximately 82,000 jobs and \$578M in direct tax revenues, with \$214M in local tax receipts and \$363M in state tax receipts.

C. Huntington Beach Travel Trends

Huntington Beach has also seen a consistent improvement in its travel trends. Figure 3 below illustrates the consistent improvement in Average Daily Rate, which increased 9% between 2011 and 2013.

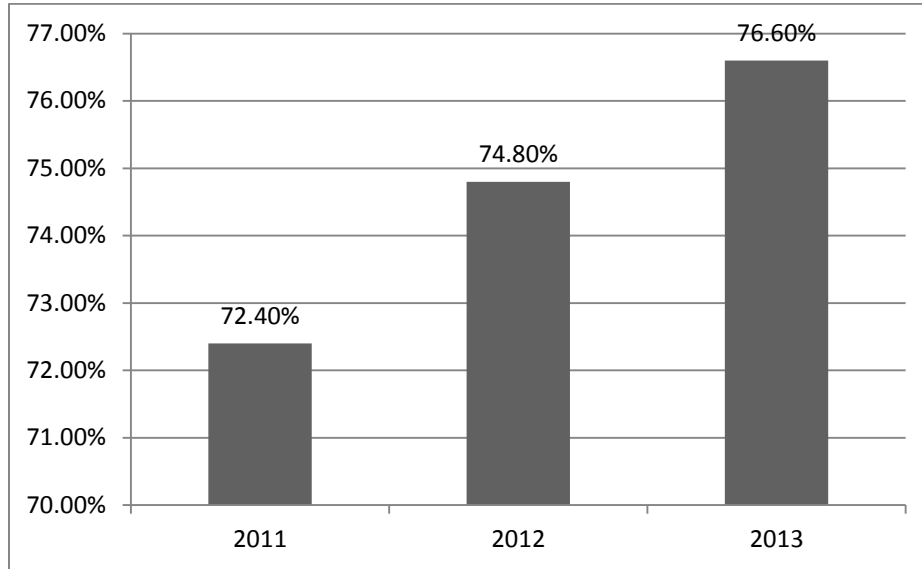
Figure 3
Huntington Beach
Average Daily Rate 2011/2013



Source: PKF

Additionally, the occupancy rate for Huntington Beach has increased from 72.8% to 76.5%, a 4.2% increase since 2011.

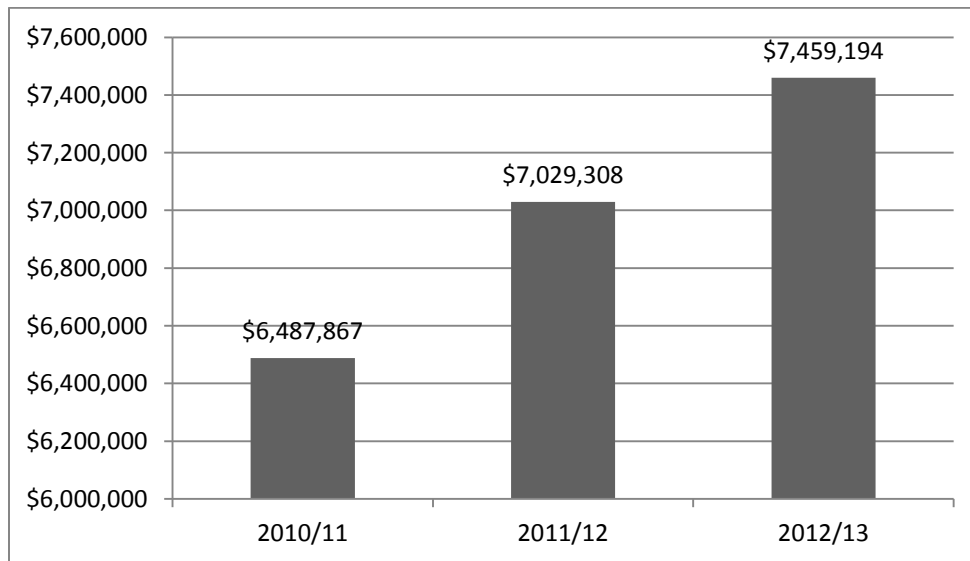
Figure 4
Huntington Beach
Annual Occupancy Rate 2011/2013



Note: 2011 Occupancy Rate is sourced from "Visitor Profile and Economic Impact & Fiscal Impacts of Huntington Beach Tourism," and 2012 and 2013 are from PKF.

An increase in occupancy and Average Daily Rate has facilitated approximately a \$1M increase in Transient Occupancy Tax collections, a 19% increase since 2011.

Figure 5
Huntington Beach
Total Transient Occupancy Tax Collections 2011/2013



Source: City of Huntington Beach

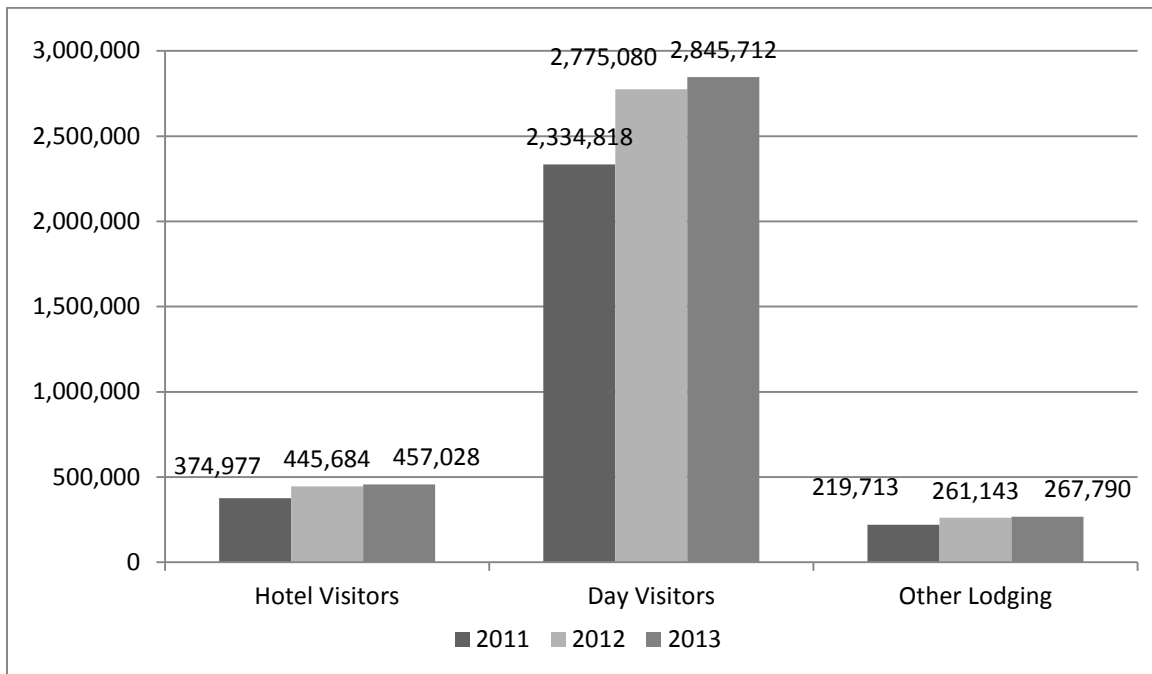
Note: Visit Huntington Beach only receives 1% of total Transient Occupancy Tax collections.

Part 2: Quantifying the Importance and Size of Travel Spending in Huntington Beach 2011-2013

A. Visitor Volume

Overall visitor volume projections indicate an increase in visitation between 2011-2013. Given the increase in occupancy previously identified in Figure 5, this also increased the number of visitors to the destination. Based on increased demand overall, visitation is estimated to have increased from 2.9M to an estimated 3.5M total visitation.

Figure 6
Estimated Visitor Volumes



Source(s): Visitor Profile and Economic Impacts of Huntington Beach for 2011; PKF, SMG estimates for 2012 and 2013.

Note(s)

1. Hotel Guests represents guests staying overnight in any Huntington Beach hotel, motel or inn. Other Lodging represents those who stayed in other Huntington Beach paid or unpaid lodging, and Day Visitors are non-Orange County residents visiting Huntington Beach during the day but not staying overnight.⁴
2. Appendix 1 includes the calculations of visitor volume.

⁴ Visitor Profile and Economic Impacts of Huntington Beach for 2011

B. Huntington Beach Travel Spending Impacts

In an effort to understand the economic impact of tourism in Huntington Beach, the most recent completed studies estimate the value of direct tourism spending at \$280M for 2011.⁵ In 2011 the visitor spending breakdown between segments identifies overnight visitors as having the highest spending impact within Huntington Beach. Hotel visitors generated approximately \$166M in visitor spending, followed by day visitors at \$65M and other lodging visitors (visitors staying in homes) at \$48M.

Table 1
2011 Visitor Spending by Segment⁶

	Hotel Visitor	Other Lodging Visitor	Day Visitor	Total
2011	\$166,980,483	\$48,149,181	\$65,678,430	\$280,808,094
2012	\$202,436,256	\$58,372,976	\$81,650,878	\$342,460,110
2013	\$211,740,646	\$57,843,065	\$83,283,896	\$352,867,607

Source: Visitor Profile and Economic Impacts of Huntington Beach for 2011, SMG estimates

SMG has developed projections based on the 2011 study that increase overall spending to approximately \$352M. Appendix 2 in this report identifies the travel spending *projections* for 2012 and 2013 by spending segment.

Based on the projected spending of \$352M, it is *estimated* that indirect and induced spending is as follows:

Table 2
2013 Estimated Travel Spending

Direct Effect	Indirect Effect	Induced Effect	Total
\$352,867,607	\$88,216,902	\$91,745,578	\$532,830,087

Source: Visitor Profile and Economic Impacts of Huntington Beach for 2011, SMG estimates, Implan Orange County Data estimates

Note: For a definition of Direct, Indirect and Induced Effect, see Appendix 3.

⁵ Visitor Profile and Economic Impacts of Huntington Beach for 2011

⁶ Ibid

C. Projected Employment

Overall employment generated by travel spending is estimated at 3,419 jobs, with the highest concentration in lodging and dining sectors.

Table 3
Estimated 2013 Employment Generated by Travel Spending

2013	Employment Ratio	Direct	Indirect	Induced	Total
Lodging	31.3%	1,070	161	171	1,402
Meals	36.5%	1,248	187	200	1,635
Beverages	10.7%	366	55	59	479
Shopping/Gifts	9.7%	332	50	53	434
Admissions/Attractions	0.9%	31	5	5	40
Local Transport/Parking	8.3%	284	43	45	372
Amenities/Health/Spa	0.8%	27	4	4	36
Activities	1.1%	38	6	6	49
Groc/Conv/ Incidentals	0.8%	27	6	6	39
Total		3419	513	547	4,479

Source: Visitor Profile and Economic Impacts of Huntington Beach for 2011, SMG estimates

Notes: Employment ratio from the 2011 report is one new job per \$103,200 in direct travel spending. This ratio was utilized with new travel spending estimates.

According to the City of Huntington Beach demographic profile in 2011 (most recent data available), there were 115,000⁷ people employed, with employment generated by tourism estimated to be approximately 3% of total employment within the City. Including all direct, indirect and induced employment accounts for 4% of total employment within the City.

⁷ City of Huntington Beach Demographic Profile

D. Projected Tax Impacts

In terms of local taxes generated, Table 4 illustrates that the primary source of local taxes is the Transient Occupancy Tax, estimated to generate approximately \$7.4M. Total tax collection is estimated at \$9.7M, and with approximately 74,046 households⁸, this equals \$157 per household⁹. This means a household tax burden **is reduced by \$132**.

Table 4
Estimated Local Tax Generation

	Projected Revenue	Tax Rate	Projected Tax Revenue
Lodging	\$74,591,940	10%	\$7,459,194.00
Meals	\$114,526,360	1%	\$1,145,263.60
Beverages	\$33,717,591	1%	\$337,175.91
Shopping/Gifts	\$84,505,827	1%	\$845,058.27
Admissions/Attractions	\$2,079,243	0%	\$0.00
Local Transport/Parking	\$16,184,729	0%	\$0.00
Amenities/Health/Spa	\$3,004,569	0%	\$0.00
Activities	\$2,641,367	0%	\$0.00
Groc/Conv/ Incidentals	\$6,418,391	0%	\$0.00
Total			\$9,786,691.78

Source: SMG estimates

⁸ U.S. Census

⁹Household definition: those who dwell under the same roof and compose a family; *also* : a social unit composed of those living together in the same dwelling. –Webster’s.

Part 3: DMO Marketing Value and TBID Investment Projections

In an effort to understand the potential travel spending impact possible with the additional TBID funds, SMG developed a two-step process. The first step is to quantify the value of the current marketing efforts of Visit Huntington Beach.

One of the biggest challenges for destination marketing organizations (DMOs) is the issue of measurement. Many DMOs are able to measure their effectiveness at the program level, including measurements such as website user sessions, bounce rates, and social media programs. The biggest challenge remains how to measure the organization’s effectiveness through the number of room nights generated, the amount of revenue generated and the return on the invested capital.

At SMG we believe there is a comprehensive approach to macro level DMO measurement. This approach is based on the core premise that **the primary duty of the DMO is to influence prospective visitors to visit the destination.**



To do this we have developed estimates of the value of Visit Huntington Beach marketing efforts as measured by their website traffic and the percent of those who are influenced to visit the destination based on information and presentation of the destination.

Step 1: Understanding the Travel Spending and Return on Investment Generated by Visit Huntington Beach

Table 5 on the following page identifies the travel spending generated by Visit Huntington Beach and its marketing efforts, which are designed to drive potential visitors to their website. It is estimated that current marketing efforts generate approximately \$40M in travel spending and of that, \$6.1M is spending on lodging. Based on just current TBID spending, the estimated ROI is \$9 for each dollar invested.

Based on total spending available to Visit Huntington Beach, the estimated ROI is \$17 for each dollar invested. It should be noted that the cost of a unique visitor to the website using TBID funding is approximately \$5.05 per unique visitor.

Table 5
Estimated Visit Huntington Beach ROI
(Based on website unique visitors)

Total Spending	
DMO Influence Model (Overnight Visitors)	
Total Number Unique Visitors (Projected through 2013/14)	314,814
Percent unique VMC website visitors who were influenced to Visit	10.00%
Number of unique travel parties who were influenced to visit	31,481
Party Size	2.75
Length of Stay	3.27
Per Person Daily Spending	\$141.68
Total DMO Influenced Spending	\$40,109,110.63
Total VHB Budget	\$2,398,359
Total Budget ROI	\$17
Cost Per Acquisition (TBID)	\$5.05
Lodging Spending	
DMO Influence Model (Overnight Visitors)	
Total Number Unique Visitors (Projected through 2013/14)	314,814
Percent unique VMC website visitors who were influenced to Visit	10.00%
Number of unique travel parties who were influenced to visit	31,481
Length of Stay	3.27
Party Size	2.75
Lodging Spending	\$59.34
Total DMO Influenced Lodging Spending	\$16,798,945.69

Note: Unique visitors is a 6-year average of Visit Huntington Beach unique website visitors.

Note: Conversion rate is based on SMG studies' average of other destinations.

Number of travel parties x party size x length of stay = DMO Influenced spending.

TBID Budget ROI=DMO influenced spending/TBID Budget.

Total Budget ROI=DMO influenced spending/Total Budget
Cost per acquisition=TBID Budget/# of Unique Visitors

Note: Unique visitors is a 6-year average of Visit Huntington Beach unique website visitors.

Note: Conversion rate is based on SMG studies' average of other destinations.

DMO influenced Lodging spending = # of travel parties x length of stay x per day lodging spending

Sources: Visitor Profile and Economic Impacts of Huntington Beach for 2011, Visit Huntington Beach Website reports, SMG estimates

Step 2: Projecting Potential ROI with Additional TBID Funding

In developing an estimate of lodging revenues based on the additional TBID funding, we used the estimated acquisition cost of \$5.05 per unique visitor. Based on the new TBID funding for promotional purposes, it is estimated Visit Huntington Beach can drive an additional 114,851 unique visitors to its website. Using a conversion estimate of 10%, with an annual Average Daily Rate increase of 3% and unique visitor growth of 3%, we can estimate this will generate approximately \$13.1M **more additional lodging dollars** over the next 5 years.

Table 6
Projected Lodging Revenue Estimates

	Base Year	2014/15	2015/16	2016/2017	2017/18	2018/19
Unique website visitors	314,814	429,665	442,555	455,832	469,507	483,592
Incremental Unique website visitors		114,851	12,890	13,277	13,675	14,085
Conversion Rate	10%	10%	10%	10%	10%	10%
Length of Stay	3.27	3.27	3.27	3.27	3.27	3.27
Party Size	2.75	2.75	2.75	2.75	2.75	2.75
Incremental Room		37,556	4,215	4,341	4,472	4,606
Per Person Avg. Daily Rate	\$59	\$61.12	\$62.95	\$64.84	\$66.79	\$68.79
Projected Revenue	\$16,798,946	\$23,615,394	\$25,053,571	\$26,579,334	\$28,198,015	\$29,915,274
Projected Room						
Revenue Growth 2013/14-2018-19	\$13,116,329					

Forecast Assumption:

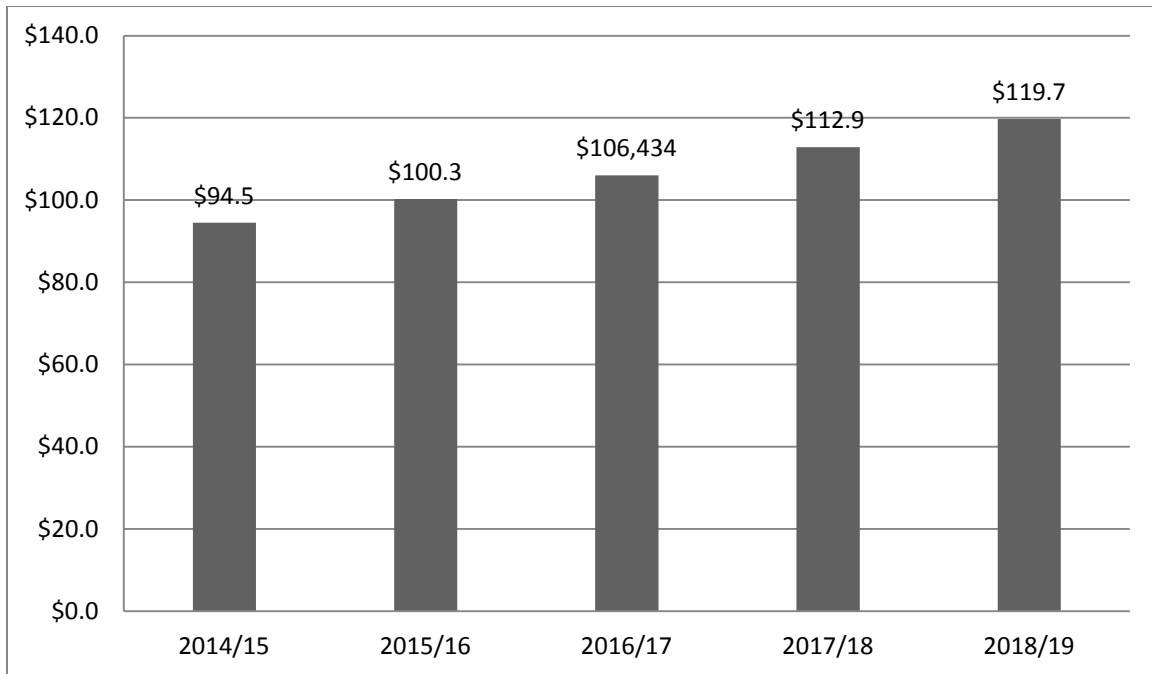
1. Cost of acquisition for new unique website visitors is assumed \$5.05/per unique visitor. Calculation is as follows:
 - \$520,000 anticipated new TBID funds that will not be used for capital investment.
 - Acquisition cost based on current TBID funds/number of unique website visitors
 $\$520,000/\$5.05 = 114,851$ new unique visitors + Base level of visitors 314,814 = 429,665.
2. This forecast is a static view and assumes new unique visitors to the website will happen in year 2014-15; actual transition may occur over time.
3. Unique website visitor growth is estimated at 3% annually.
4. Average Daily room rate is projected at 3% annually.
5. Conversion rate is SMG estimate.

Note: The above projections are based on an extrapolation of current estimates. These projections do not take into account changed market conditions, implementation and execution of marketing programs or other unforeseen circumstances that may impact these results.

In terms of overall incremental travel spending generated by the additional TBID funding, Figure 7 on the following page illustrates the potential to generate between \$94 and \$119M.

Note: Complete incremental travel spending estimates are available in Appendix 4.

Figure 7
Incremental Travel Spending Estimates 2014/14-2018/19
(000's) Millions



Source: SMG Estimates

Note: This spending includes total spending of overnight hotel visitors, other lodging visitors and day visitors. Estimates are based on 2011 visitor spending ratios.

Note: The above projections are based on an extrapolation of current estimates. These projections do not take into account changed market conditions, implementation and execution of marketing programs or other unforeseen circumstances that may impact these results.

Potential New Job Creation

It is also estimated that if incremental travel spending reaches \$119M, it could generate approximately an additional 1,000 tourism related jobs over the next 5 years.

Table 7
Estimated Incremental Employment

2018/19	Employment Ratio	Direct	Indirect	Induced	Total
Lodging	31.3%	1,412	212	226	1,849
Meals	36.5%	1,646	247	263	2,156
Beverages	10.7%	483	72	77	632
Shopping/Gifts	9.7%	437	66	70	573
Admissions/Attractions	0.9%	41	6	6	53
Local Transport/Parking	8.3%	374	56	60	490
Amenuties/Health/Spa	0.8%	36	5	6	47
Activities	1.1%	50	7	8	65
Groc/Conv/ Incidentals	0.8%	36	7	8	51
Total		4,515	679	724	5,918

Source: Visitor Profile and Economic Impacts of Huntington Beach for 2011, SMG estimates

Notes: Employment ratio from the 2011 report is one new job per \$103,200 in direct travel spending. This ratio was utilized with new travel spending estimates.

It is also estimated that additional local taxes generated could be \$3.6M by 2018/19.

Table 8
Estimated Local Tax Generation

	Projected Revenue	Tax Rate	Projected Tax Revenue
Lodging	\$29,560,000	10%	\$2,956,000
Meals	\$36,133,000	1%	\$361,330
Beverages	\$10,660,000	1%	\$106,600
Shopping/Gifts	\$26,668,000	1%	\$266,680
Admissions/Attractions	\$687,343	0%	\$0
Local Transport/Parking	\$4,403,000	0%	\$0
Amenuties/Health/Spa	\$1,826,000	0%	\$0
Activities	\$1,874,000	0%	\$0
Groc/Conv/ Incidentals	\$1,120,000	0%	\$0
Total			\$3,690,610

Source: SMG estimates based on extrapolated travel spending

Part 4: Price and Demand Issues

The Huntington Beach lodging industry is currently in the process of increasing TBID collections from 2% of the room rate to 3% of the room rate. This, combined with a 10% Transient Occupancy Tax Rate, will boost total collections from 12% of the room rate to 13% of the room rate.

The impact of this change can be seen below:

Current Impact:

- Estimated 2013 Annual Average Daily Rate \$231.56¹⁰
 - Transient Occupancy tax 10%
 - Current TBID Collection 2%
- = Room Rate + T.O.T. and TBID Charges \$259.34

Proposed TBID Increase:

- Estimated 2013 Annual Average Daily Rate \$231.56
 - Transient Occupancy tax 10%
 - Current TBID Collection 3%
- = Room Rate + T.O.T. and TBID Charges \$261.66

The net change between the current changes and the proposed charge to the consumer is less than 1%.

Without the benefit of primary research to gauge consumer attitudes to the pricing change, SMG reviewed pricing and demand statistics of a number of competitive destinations, which can be found on the following page. The summary findings are as follows:

- With the above comp set, group average ADR increase between 2013 and 2010 was 17.86%.
- During this same time the average occupancy rate increased by almost 6 percentage points.
- Given that Huntington Beach has proposed an increase of 1%, it is not anticipated there would be any price resistance to lodging properties based solely on the proposed TBID increase.

¹⁰ PKF December 2013 Trends in the Hotel Industry Report

Table 9
2010/13 Occupancy and Average Daily Rate Changes

	2013 Occ	2012 Occ	2011 Occ	2010 Occ	2013-2010 Difference	2013 ADR	2012 ADR	2011 ADR	2013-2010 Difference
San Diego Area									
Carlsbad/Oceanside	65.9	63.4	61.8	61.7	4.2	\$136	\$123	\$117	\$19
San Diego/La Jolla	73.1	72.1	70.2	67.0	6.1	\$167	\$161	\$153	\$14
City of Dana Point, CA	64.7	62.5	61.2	55.3	9.4	\$261	\$249	\$236	\$26
City of San Diego, CA	74	73.5	71.7	69.0	5.0	\$140	\$136	\$130	\$9
L.A. Area									
City of Santa Monica, CA	83.2	83.2	81.1	79.0	4.2	\$284	\$266	\$251	\$34
Orange County/Beach Area									
City of Laguna Beach, CA	73.5	71.3	69.8	64.6	6.6	\$265	\$253	\$240	\$24
City of Huntington Beach, CA	74.9	73.0	71.0	67.7	5.3	\$164	\$156	\$150	\$14
City of Newport Beach, CA	73.4	72.9	71.1	67.2	5.7	\$212	\$196	\$180	\$32
Average	72.8	71.5	69.7	66.4	5.8	\$204	\$193	\$182	\$21

Source: Smith Travel Research

Part 5: Potential Impact of Destination Product Development (DPD)

It is estimated the incremental TBID funding will generate approximately \$400,000 per year for capital projects designed to enhance the visitor experience. It is anticipated that as the total number of lodging rooms increase and as overall demand for the destination increases (as reflected in Average Daily Rates), the amount of available funds for capital projects will also increase. In conjunction with this capital spending, Visit Huntington Beach will design specific Destination Product Development funding criteria and an awards process designed to provide grants or loan guarantees for capital projects. There have been many projects discussed in Huntington Beach that may be eligible for funding consideration. Possible projects include:

- Comprehensive and integrated way-finding signage system, including clear signage to parking decks and lots.
- Rubber tire trolley transportation program connecting hotels with downtown and other attractions.
- Art and cultural projects.
- Gateway enhancements, including Pacific Coast Highway improvements.
- Innovative wetlands experiences that protect and expose visitors to the value of vital ecosystems.
- Improvements to existing parks and sports facilities.
- Safe and fun entertainment complex for young teens and adults.
- Golden Bear–type music venue.
- Infrastructure improvements, including those that enhance Huntington Beach’s competitive position to attract targeted special events on a year-round basis.

While given the preliminary nature of the funding and the projects, it is difficult to understand the impacts the projects could have if they were implemented in part or whole. As such, SMG has developed a conservative range of estimates these project(s) might have on travel spending. This is an effort to provide some possible scenarios for discussion and consideration. Table 9 illustrates the potential impact of capital spending projects at ranges of 1% to 3% of current travel spending levels.

Table 10
Estimated Ranges of Incremental Spending as a Result of Capital Spending

		1.00%	1.50%	2.00%	2.50%	3.00%
Baseline Travel Spending	352,278,872	\$355,801,661	\$357,563,055	\$359,324,449	\$364,696,702	\$368,289,947
Incremental Revenue		\$3,522,789	\$5,284,183	\$7,045,577	\$12,417,830	\$16,011,075

Source: SMG estimates

Appendix

Appendix 1 Notes

A. Calculating Visitor Volume

Projected Visitor Volumes			
Visitor Volumes	2011	2012	2013
Hotel/Lodging			
Units Available	1,826	1,945	1,945
Number of Days	365	365	365
Occupancy %	0.669	0.7465	0.7655
People/Unit	2.75	2.75	2.75
Length of Stay	3.27	3.27	3.27
# of Hotel Vistors	374,977	445,684	457,028
Total Vistors Analysis			
Hotel Visitors	374,977	445,684	457,028
% of Total	12.80%	12.80%	12.80%
Total Visitors	2,929,508	3,481,908	3,570,530
Day Visitor %	0.797	0.797	0.797
# of Day Visitors	2,334,818	2,775,080	2,845,712
Other Lodging%	0.075	0.075	0.075
# of Other Lodging	219,713	261,143	267,790
Total Visitors	2,929,508	3,481,908	3,570,530

Source:

1. Visitor Profile and Economic Impacts of Huntington Beach for 2011
2. PKF Lodging Occupancy Data

Notes:

1. We are unable to duplicate overnight visitor volumes for hotel visitors with the 2011 report.
2. Occupancy and ADR are not available from the City of Huntington Beach, just T.O.T. and TBID collections.
3. SMG has accessed PKF lodging data for Huntington Beach and data were used where appropriate.
4. SMG used the known occupancy from the 2011 report of 66.9% and used PKF data in 2012 and 2013.
5. We have used the same Length of Stay variables but have slightly modified the people/unit to match 2011 end data.
6. Note: We were able to get very close to total visitor count from the 2011 study; 2011 was 2,939,332 vs. 2,933,756 (less than 1% variance.)

It should be noted that different sources for occupancy rates were used. The 2011 occupancy data came from the Visitor Profile and Economic Impacts of Huntington Beach for 2011, while 2012 and 2013 Occupancy data came from PKF.

Appendix 2: 2012 & 2013 Visitor Travel Spending Estimates

2012							
	Hotel	Annual Spending	Home	Annual Spending	Day	Annual Spending	Total Spending
Length of Stay	3.27		4.54		1		
Volume	445,684		261,143		2,745,712		
Lodging	\$58.18	\$84,791,922.95	\$3.48	\$4,123,716.43	\$0.00	\$0.00	
Meals	\$37.86	\$55,180,157.43	\$18.74	\$22,214,859.45	\$11.57	\$31,759,101.56	
Beverages	\$10.61	\$15,459,957.90	\$4.67	\$5,538,598.60	\$4.05	\$11,118,486.17	
Shopping/Gifts	\$25.80	\$37,594,455.32	\$16.45	\$19,506,025.20	\$8.54	\$23,441,241.63	
Admissions/Attractions	\$1.05	\$1,531,130.45	\$0.05	\$60,465.05	\$0.14	\$392,087.67	
Local Transport/Parking	\$2.51	\$3,656,874.66	\$1.90	\$2,249,299.87	\$3.45	\$9,466,116.69	
Amenities/Health/Spa	\$0.67	\$981,112.71	\$1.36	\$1,608,370.34	\$0.10	\$280,062.62	
Activities	\$0.90	\$1,308,150.28	\$0.00	\$0.00	\$0.44	\$1,204,269.28	
Groc/Conv/ Incidentals	\$1.33	\$1,932,494.74	\$2.59	\$3,071,624.55	\$0.41	\$1,120,250.50	
Total	\$138.90	\$202,436,256.44	\$ 49.24	\$58,372,959.48	\$28.69	\$78,781,616.13	\$339,590,832.06
2013							
	Hotel	Annual Spending	Home	Annual Spending	Day	Annual Spending	Total Spending
Length of stay	3.27		4.54		1		
Volume	457,028		267,790		2,845,712		
Lodging	\$59.34	\$88,689,135.40	\$3.55	\$4,313,252.98	\$0.00	\$0.00	\$93,002,388.38
Meals	\$38.62	\$57,716,351.79	\$19.11	\$23,235,911.19	\$11.80	\$33,574,097.19	\$114,526,360.18
Beverages	\$10.82	\$16,170,529.60	\$4.77	\$5,793,166.75	\$4.13	\$11,753,894.70	\$33,717,591.05
Shopping/Gifts	\$26.31	\$39,322,374.37	\$16.78	\$20,402,571.99	\$8.71	\$24,780,881.26	\$84,505,827.63
Admissions/Attractions	\$1.07	\$1,601,504.37	\$0.05	\$63,244.18	\$0.15	\$414,495.03	\$2,079,243.58
Local Transport/Parking	\$2.56	\$3,824,952.19	\$1.94	\$2,352,683.44	\$3.52	\$10,007,094.23	\$16,184,729.86
Amenities/Health/Spa	\$0.69	\$1,026,206.69	\$1.38	\$1,682,295.15	\$0.10	\$296,067.88	\$3,004,569.71
Activities	\$0.92	\$1,368,275.58	\$0.00	\$0.00	\$0.45	\$1,273,091.87	\$2,641,367.45
Groc/Conv/ Incidentals	\$1.35	\$2,021,316.20	\$2.64	\$3,212,804.27	\$0.42	\$1,184,271.51	\$6,418,391.97

Source: Visitor Profile and Economic Impacts of Huntington Beach for 2011, SMG estimates

Notes:

1. Per capita spending was adjusted 2% annually for inflation. All other variables held constant except for visitor volumes.

Note: The above projections are based on an extrapolation of current estimates. These projections do not take into account changed market conditions, implementation and execution of marketing programs or other unforeseen circumstances that may impact these results.

Appendix 3: Glossary of Terms

Glossary of Terms

Indirect Impact: Additional impacts caused by industries purchasing from other industries.

Induced Impact: The impacts of household expenditures.

Direct Impact: Direct travel spending impact.

Appendix 4: Projected Total Travel Spending by Segment estimates with incremental TBID funds

2014/15							
	Hotel	Pct of Total	Other Lodging	Pct of Total	Day	Pct of Total	Total Spending
Lodging	23,615,394	41.9%	\$1,141,411	7.1%	\$0	0.0%	
Meals	\$15,386,641	27.3%	\$6,108,962	38.0%	\$8,765,320	40.3%	
Beverages	\$4,283,460	7.6%	\$1,527,241	9.5%	\$3,066,775	14.1%	
Shopping/Gifts	\$10,483,206	18.6%	\$5,369,456	33.4%	\$6,481,552	29.8%	
Admissions/Attractions	\$450,891	0.8%	\$16,076	0.1%	\$108,751	0.5%	
Local Transport/Parking	\$450,891	0.8%	\$626,972	3.9%	\$2,610,021	12.0%	
Amenities/Health/Spa	\$1,014,504	1.8%	\$450,134	2.8%	\$65,251	0.3%	
Activities	\$281,807	0.5%	\$0	0.0%	\$326,253	1.5%	
Groc/Conv/ Incidentals	\$338,168	0.6%	\$852,039	5.3%	\$304,502	1.4%	
	\$56,304,960						
Total	\$56,361,322		\$ 16,076,215.89		\$21,750,174.44		
							\$94,565,975.84
2015/16							
	Hotel	Pct of Total	Home	Pct of Total	Day	Pct of Total	Total Spending
Lodging	25,053,571	41.9%	\$1,210,923	7.1%	\$0	0.0%	
Meals	\$16,323,687	27.3%	\$6,480,998	38.0%	\$9,299,128	40.3%	
Beverages	\$4,544,323	7.6%	\$1,620,249	9.5%	\$3,253,541	14.1%	
Shopping/Gifts	\$11,121,633	18.6%	\$5,696,456	33.4%	\$6,876,279	29.8%	
Admissions/Attractions	\$478,350	0.8%	\$17,055	0.1%	\$115,374	0.5%	
Local Transport/Parking	\$478,350	0.8%	\$665,155	3.9%	\$2,768,971	12.0%	
Amenities/Health/Spa	\$1,076,287	1.8%	\$477,547	2.8%	\$69,224	0.3%	
Activities	\$298,969	0.5%	\$0	0.0%	\$346,121	1.5%	
Groc/Conv/ Incidentals	\$358,762	0.6%	\$903,929	5.3%	\$323,047	1.4%	
Total	\$59,793,726		\$ 17,055,257.44		\$23,074,760.07		

Appendix 4 Continued....

2016/17							
	Hotel	Pct of Total	Home	Pct of Total	Day	Pct of Total	Total Spending
Lodging	26,579,334	41.9%	\$1,284,669	7.1%	\$0	0.0%	
Meals	\$17,317,800	27.3%	\$6,875,691	38.0%	\$9,865,445	40.3%	
Beverages	\$4,821,072	7.6%	\$1,718,923	9.5%	\$3,451,682	14.1%	
Shopping/Gifts	\$11,798,941	18.6%	\$6,043,370	33.4%	\$7,295,044	29.8%	
Admissions/Attractions	\$507,481	0.8%	\$18,094	0.1%	\$122,400	0.5%	
Local Transport/Parking	\$507,481	0.8%	\$705,663	3.9%	\$2,937,602	12.0%	
Amenities/Health/Spa	\$1,141,833	1.8%	\$506,630	2.8%	\$73,440	0.3%	
Activities	\$317,176	0.5%	\$0	0.0%	\$367,200	1.5%	
Groc/Conv/ Incidentals	\$380,611	0.6%	\$958,978	5.3%	\$342,720	1.4%	
Total	\$63,435,164		\$ 18,093,922.62		\$24,480,012.96		\$106,434,838.94
2017/18							
	Hotel	Pct of Total	Home	Pct of Total	Day	Pct of Total	Total Spending
Lodging	28,198,015	41.9%	\$1,362,905	7.1%	\$0	0.0%	\$29,560,920
Meals	\$18,372,454	27.3%	\$7,294,420	38.0%	\$10,466,251	40.3%	\$36,133,125
Beverages	\$5,114,676	7.6%	\$1,823,605	9.5%	\$3,661,889	14.1%	\$10,600,170
Shopping/Gifts	\$12,517,496	18.6%	\$6,411,411	33.4%	\$7,739,312	29.8%	\$26,668,219
Admissions/Attractions	\$538,387	0.8%	\$19,196	0.1%	\$129,854	0.5%	\$687,437
Local Transport/Parking	\$538,387	0.8%	\$748,638	3.9%	\$3,116,501	12.0%	\$4,403,526
Amenities/Health/Spa	\$1,211,371	1.8%	\$537,484	2.8%	\$77,913	0.3%	\$1,826,767
Activities	\$336,492	0.5%	\$0	0.0%	\$389,563	1.5%	\$726,055
Groc/Conv/ Incidentals	\$403,790	0.6%	\$1,017,380	5.3%	\$363,592	1.4%	\$1,784,762
							\$112,390,980
Total	\$67,298,365		\$ 19,195,842.51		\$25,970,845.74		\$112,465,054
							\$112,916,720.63

Appendix 4 Continued....

2018/19							
	Hotel	Pct of Total	Home	Pct of Total	Day	Pct of Total	Total Spending
Lodging	29,915,274	41.9%	\$1,445,906	7.1%	\$0	0.0%	
Meals	\$19,491,336	27.3%	\$7,738,650	38.0%	\$11,103,646	40.3%	
Beverages	\$5,426,160	7.6%	\$1,934,663	9.5%	\$3,884,898	14.1%	
Shopping/Gifts	\$13,279,811	18.6%	\$6,801,866	33.4%	\$8,210,636	29.8%	
Admissions/Attractions	\$571,175	0.8%	\$20,365	0.1%	\$137,762	0.5%	
Local Transport/Parking	\$571,175	0.8%	\$794,230	3.9%	\$3,306,296	12.0%	
Amenities/Health/Spa	\$1,285,143	1.8%	\$570,216	2.8%	\$82,657	0.3%	
Activities	\$356,984	0.5%	\$0	0.0%	\$413,287	1.5%	
Groc/Conv/ Incidentals	\$428,381	0.6%	\$1,079,338	5.3%	\$385,735	1.4%	
	\$71,325,439						
Total	\$71,396,836		\$ 20,364,869.32		\$27,552,470.25		
							\$119,793,348.92

Note: The above projections are based on an extrapolation of current estimates. These projections do not take into account changed market conditions, implementation and execution of marketing programs or other unforeseen circumstances that may impact these results.