

**SUMMARY OF ACTION
OCCUPANCY TAX ADVISORY BOARD
CITY HALL, COUNCIL CHAMBERS
WEDNESDAY, MARCH 27, 2019, 10:00 AM**

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
<u>PROCEDURES</u>		
CALL TO ORDER		1
ROLL CALL	QUORUM	1
APPROVAL OF AGENDA	APPROVED	1
APPROVAL OF MINUTES	APPROVED	1-2
INTRODUCTION OF NEW BOARD MEMBERS	INFORMATION/DISCUSSION	2
<u>UPDATES FROM RANDY RANDALL</u>		
LODGERS TAX	INFORMATION/DISCUSSION	2-4
NORTHERN NEW MEXICO AIR ALLIANCE	INFORMATION/DISCUSSION	4-5
2019 OTAB GRANT FUNDING RECAP	INFORMATION/DISCUSSION	5-6
<u>CVB ACTIVITY REPORTS</u>		
SALES REPORT	INFORMATION/DISCUSSION	6
MARKETING REPORT	INFORMATION/DISCUSSION	6
EXECUTIVE DIRECTOR REPORT	INFORMATION/DISCUSSION	6-9
OTHER MATTERS BY THE BOARD	INFORMATION/DISCUSSION	10

ADJOURNMENT

ADJOURNED

10

**OCCUPANCY TAX ADVISORY BOARD
CITY HALL, COUNCIL CHAMBERS
WEDNESDAY, MARCH 27, 2019, 10:00 AM**

I. PROCEDURES

A. CALL TO ORDER

The meeting of the Occupancy Tax Advisory Board was called to order by Chair Blyth, at 10:00 am, on Wednesday, March 27, 2019, at City Hall in the City Council Chambers, Santa Fe, New Mexico.

B. ROLL CALL

MEMBERS PRESENT

Rik Blyth, Chair
Tohnia Miller
Carlos Medina
Keith Kirk
Chris Hyer, Ad Hoc member

MEMBERS ABSENT

Bonnie Bennett, Excused

OTHERS PRESENT

Randy Randall, Tourism Santa Fe Executive Director
David Carr, Tourism Santa Fe Director of Sales
Jordan Guenther, Tourism Santa Fe Marketing Director
Elizabeth Martin, Stenographer

C. APPROVAL OF AGENDA

MOTION A motion was made by Mr. Kirk, seconded by Mr. Medina, to approve the agenda as presented.

VOTE The motion passed unanimously by voice vote.

D. APPROVAL OF MINUTES

MOTION A motion was made by Mr. Kirk, seconded by Mr. Medina, to approve the minutes as presented.

VOTE The motion passed unanimously by voice vote.

II. INTRODUCTION OF NEW BOARD MEMBERS

A. TOHNIA MILLER, EL REY

Ms. Miller introduced herself as the General Manager of El Rey Court. She has been in this position for four months. She was the General Manager of the Hilton Hotel in Santa Fe for the last five years.

B. RIK BLYTH, LA FONDA

Chair Blyth introduced himself as the General Manager of the La Fonda Hotel. He moved to Santa Fe two years ago from Rhode Island.

C. CARLOS MEDINA, MEOW WOLF

Mr. Medina introduced himself as an entertainer and singer who works for Meow Wolf as a content creator and singer/songwriter. He was born in Las Vegas, New Mexico and has worked in this field all of his life.

E. KEITH KIRK, DURY HOTELS

Mr. Kirk introduced himself as the General Manager of the Dury Plaza Hotel and is the current President of the Santa Fe Lodgers Association. He has been in Santa Fe for five years.

F. BONNIE BENNETT, KAKAWA CHOCOLATES

Ms. Bennett was unable to attend the meeting due to travel plans.

III. UPDATES FROM RANDY RANDALL

A. LODGERS TAX

Mr. Randall reported that they do not have most recent lodgers tax available today. He will have it for the Board by the end of this week and will send it to you. For the calendar year lodgers tax was up over the prior year just shy of \$1.4 million. That is a 12.4 % improvement. It is the strongest increase we have had in the last five years.

The lowest was about 5%. The economy continued to improve and our marketing and sales programs are hitting on all cylinders. Hotels are making really good RevPAR decisions. That worked really well. His compliments to the industry. It is a really strong performance.

Mr. Randall said on page 13 on the Rocky Mountain Lodgers report information for February our RevPAR is up \$1.50. It was up \$1.00 on Cerrillos Road. The stronger \$1.50 reflects downtown. This report includes non City hotels such as Buffalo Thunder, Four Seasons, Sunrise Springs, Homewood Suites and Cities of Gold Hotel. That was the one place that was down year to date, the periphery lodgers tax. Buffalo Thunder is 80% of that number. On page 15 of the Star Report it shows RevPAR up 13% for the first two months of the year. This report does not have any non County hotels in it. Page 18 is a breakdown between downtown and Cerrillos Road. The great news is that we had a great year last year and are off to a good start for the first two months of the year. We operate with a rear view mirror. We do not do projections citywide. We tried to work with a consultant to do 6 months out, at a cost of \$5,500 to City, and thought there was not enough usable information for the lodgers. We do more of a year round, all time marketing program.

Mr. Kirk said part of the increase in revenues is Air B and B. Is that included.

Mr. Randall said yes. Two years ago our increase was almost 100% because of short term rentals. The hotels were flat. Last year it was equally divided between short term rentals and hotels. The short term rentals are definitely diluting the hotel opportunities to increase occupancy and rate. We see that change in this last calendar year. The rates were increased and the RevPAR went up significantly. Our improved enforcement of short term rental collections is part of it. We have more than twice the number of short term rentals we had five years ago. 80% of them are in the Historic District.

Chair Blyth asked was there legislation that effected short term rentals or lodgers tax.

Mr. Randall said they did pass the modification to the lodgers tax enabling Legislation that got rid of the exemption of three or less rooms. The only reason we can do an agreement with Air B and B and not VRBO is that Air B and B collects all the funds. VRBO does not touch the money so we can't make that agreement. Home Away is the parent. So Home Away and Air B and B are 80% of the market. There is still a good piece of the market handled by local companies.

Chair Blyth asked has there been any discussion about how when a homeowner has a short term rental there would be a way to track that and collect taxes.

Mr. Randall said he has a report that shows each permitted short term rental and how much has been collected from them. Funds from Air B and B come in as a lump

check. It is not individualized. In order to get the agreement with them they were not willing to give us detail. They may be giving us revenue from owners who are not licensed with the City. That is not their job. He thinks we still have unlicensed short term rentals. As a City we still have a ways to go with enforcement. Our rules could be better, but we have to get what we have taken care of and enforcement done through the Land Use Department and collection through the Finance Department first. It is of benefit to the Tourism Department. As Land Use gets their internal issues resolved hopefully their enforcement will improve.

Mr. Kirk asked does the City still cap short term rentals at 1,000 permits

Mr. Randall said yes.

Mr. Miller asked about VRBO operations.

Mr. Randall said the communications are directly with the owner. He thinks VRBO is taking a small fee out of the rent now. Home Away is evolving. They are jealous of Air B and B and are moving more toward an Air B and B model.

Mr. Medina asked if we cap at 1,000 is there an average. An average of the sum we are receiving.

Mr. Randall said right now there are over 800 permits. He knows Air B and B represents 40% of the revenue the City receives from short term rentals. That indicates that more and more owners are actually collecting and remitting the lodgers tax than used to.

Mr. Medina said if we have 100 permits and we receive \$1,000 a month that is \$100 average per permit.

Mr. Randall said right now we get \$1.9 million in lodgers tax divided by 850 permits is about \$2,200 per year per permit. He can't do monthly because he can't seem to get a monthly total of how many permits are out. That will be part of the improvements at Land Use.

Chair Blyth asked can someone from Land Use come to the meeting next month and tell us more about it.

Mr. Randall said he will see if Carol Johnson wants to come do it or one of her staff. He will check with her for next month.

B. NORTHERN NEW MEXICO AIR ALLIANCE

Mr. Randall said he serves ex-officio on the Board of the Northern New Mexico

Air Alliance, but is not a member because they received funding from Tourism. It embarked on obtaining a third party evaluation of air traffic and demand into Santa Fe to document the gaps that are there that could be filled by increased air traffic. They commissioned a third party to do it and have received a preliminary report. He would like to ask Paul Margetson and Stuart Kirk to report to us in April and tell us where they see moving next and how they are going to use this information. For the Phoenix flight American came to the City and asked for revenue guarantees. The Alliance committed to raise funds to provide \$400,000 the first year and \$200,000 the second year. That ended in November. The flight is continuing on its own now.

Ms. Miller asked how much did that cost the City.

Mr. Randall said the City only provided part of the funds. The flight is running close to 80% now. The last flight to LA that was cancelled was running at a 72% load. American determined that it was profitable, but could be more profitable in another venue. That is what you fight. The airlines are a business. They can change their schedules any time they want.

IV. 2019 OTAB GRANT FUNDING RECAP

Mr. Randall said we had seven recipients of the 2019 OTAB grants this year. As an example, one is Santa Fe Network who received a \$30,000 grant for Hey Santa Fe. That program will be able to be put a program on hotel closed circuit televisions talking about upcoming events in Santa Fe that month and out thirty days. This funds three pilot programs for June, July and August to see if there is enough interest to sustain it. The Network will need to sell advertising.

Chair Blyth asked how are the grants decided upon and funded.

Mr. Randall said every fall from mid September to mid November we allow nonprofit organizations to apply for as much as \$30,000 for a grant to market a new or expanded event. If someone receives a grant the next year they can apply for up to 50% of what they received in year one and the third year 50% of what they received in year two. In early December this Board meets and potential grantees present their application. If they are not applying for what is an approved use of the funds we disqualify them. The Board, along with the three of us, listen to the presentations and come up with awards. Last year we had \$100,000 to grant. We have had \$70,000 before. He continued with the \$100,000 in his budget request this year.

Chair Blyth asked so at the end of year they come in and report to the Board.

Mr. Randall said when their program is complete they come in and report to OTAB. Some organizations are really small. If they spend \$4,000 or \$5,000 on an ad we allow them to submit that for reimbursement. We process payment once a month.

Final payment is not made until the report to OTAB is done.

Mr. Randall said the Music Hall of Fame awards, held during Music Week, is in it's second year of funding. Global Running and Santa Fe Thunder did not qualify, Film Week is in it's third year, the New Mexico Artisan market is a new program in the Convention Center that Heritage Hotels is putting on in February or March next year and the Cloud Top Comedy Festival is going to be a new festival.

Mr. Medina said in full disclosure, he has been asked to be a part of Cloud Top, He agreed to help with the Lowrider event and is working with Hey Santa Fe.

Mr. Randall said if those items come before the Board you can express your opinion, but cannot vote.

Mr. Kirk said we are a sponsor of Cloud Top as well. So we need to let you know that next year if they come before OTAB for funding again.

Mr. Randall said yes.

Mr. Kirk asked does it have to be a nonprofit.

Mr. Randall said yes.

Mr. Kirk asked how are Heritage Hotels and Cloud Top able to apply.

Mr. Randall said they have a nonprofit arm.

V. CVB ACTIVITY REPORTS

A. SALES REPORT

Mr. Carr said his sales report is included in the meeting packet. He reviewed the report.

B. MARKETING REPORT

Mr. Guenther said his marketing report is included in the meeting packet. He reviewed the report.

C. EXECUTIVE DIRECTOR REPORT

Mr. Randall said he does not put his report in the meeting packet. If that still works with the new Board he will continue to speak on the issues and items he wants to cover. If you would like a written report he can do it that way as well.

Mr. Randall said he wants to make sure the record reflects his thanks and the Tourism Department thanks to the former OTAB Board who served for four and a half years. They did a great job. He is really excited about the new makeup of the Board. Having three hoteliers on it is terrific, but he does not mean to minimize the value of the third party related categories. Thank you all for serving. Yesterday we had a meeting to vet the advertising agencies who are applying for our contract. The predominate thing we are hearing is the importance of our advertising campaign being story telling based. To tell the story we need a stronger video. We are fully committed to move in that direction. In all the finalists proposals there is anywhere from \$100,000 to \$200,000 worth of new production included. We hope that will predominantly go into video. In addition in his budget that they will present we have an extra \$50,000 for the production of a video. Not only do we need good video, all our partners need good video. There is no reason to have to do it individually.

Mr. Randall stated our visual arts and museum campaign is an exciting opportunity. We hope we can properly track the success on that campaign to think about continuing it to the 2021 fiscal year. We are in the process of looking for an Arts Commission Director. That Department is currently under Tourism. We are in the process of looking at the Arts Commission, renaming it and determining what it really should be. He just came out of a meeting with the Mayor on that. The position has been noticed and is open. He has received sixteen qualified applicants that he has not looked at yet. If a member of this Board is willing to serve on the review committee for this position let him or our Chair know and he will add you to it. Currently we have four people on the review committee. He is on it along with the Mayor's Chief of Staff and two members of the Arts Commission. One is in performing arts and the other one is from the visual arts side. He can add another person.

Mr. Randall informed the Board that Tourism has three major contracts. Our Advertising contract, our PR contract and our contract to manage our website. He is excited about the new Administration on a Tourism level. He talked with the new Secretary and they are going to allow communities who do not want to brand themselves as New Mexico True to be a full player in the campaign. It used to be if you did not go 100% in you could not participate. That will go away. The Secretary and he talked about the idea of any partners within the State who have national PR firm affiliations will be brought together to work together as a group of professional PR agencies to jointly work to benefit the State of New Mexico.

Mr. Randall said we have some new events coming up and Tourism is proactive in them. The Gran Fondo New York Santa Fe is June 23rd. The Gran Fondo New York has preliminary events around the world. We will be the 16th and the only one other than New York that is in the United States. We brought on a contractor to promote it. It has huge potential for us. We have 200 riders so far. 35% are from outside the United States. We think they will stay for a week or longer.

Chair Blyth asked is this funded by a grant.

Mr. Randall said Tourism provided \$50,000 to start the event. It will be annual if it is successful.

Mr. Randall continued, last year we added Music Week over the last week of August and Labor Day weekend. Film week is in February. We provide some funding for that. An addition this year is Art Week, July 13th through July 21st. It covers both weekends. The City will be full. To get Art Week started we decided to do it when we had strong events on the weekends. We are excited about bringing back the Canyon Road Crawl. It is a major effort, but we are making it happen. The City and State are getting behind it. There are over 60 other events that will happen between that Sunday and the end of the day on Thursday. We will add next year Book Week. It will be about books, poetry and story telling as well.

Mr. Randall said the whole Public Art Program in the City falls under the Arts Commission. The program gets 2% of all the capital funding the City gets. It is one of their missions. He is serving as interim director at this time and is taking this on. We need to better catalogue where the public art is and have a brochure so people can do a bit of an art trail and see where it is in Santa Fe.

Mr. Randall said there is a downtown bathroom project that is happening. It will be in the Water Street parking lot. The Cerletti Park area. The design will incorporate the stonework of that park into the front of the bathroom facilities and create a bit of a seating area. In the process there will be a loss of six parking spaces. There is a meeting tomorrow to look at possibilities. The City received \$550,000 from the Legislature to build these restrooms. That will be a bit short. The County is committed to put \$50,000 into it. If we are still short his recommendation is that some capital funds from Tourism be put into it. It has been a problem for years. We need to fix the problem. It will involve some ongoing costs to Tourism for staff and maintenance. There may be a small space for retail or an information center.

Mr. Randall stated we are going to produce an Annual Report. Jordan took on the job of drafting it. He did a way bigger and better job than he thought we would do. He is going to look through it and would like to send the final draft to each of you with the idea that you would look at it quickly and give us feedback by the end of day Friday, if you can. He committed to the Mayor that we would have it by the first of next week. He is really excited about it. Jordan did a great job.

Mr. Randall reported that we have a preliminary budget we have presented. It continues what we are doing currently. Anything we wanted as an expansion or that we wanted to eliminate we had to submit separately. It is a great way to handle the budget for government. We will start presenting before the Finance Committee in April. We do have internal approval on our budget to add \$1.5 million in expenditures. Lodgers tax is forecasted to be \$2.8 million for next fiscal year. This is a fairly safe budget. We can

only spend money if it was budgeted to be spent. It has nothing to do with the revenue side. If revenue is falling short fund balances are cut back. If revenues go over we cannot spend that money unless it is authorized by Council. This is the biggest increase he has been able to accomplish. The Visit Santa Fe site marketing and sales is 40% of that.

Chair Blyth asked the term of PR contract, it is in it's second year.

Mr. Randall said it is the second year of a four year contract. We can only do a one year contract, but are allowed up to three years of renewals so each year we do an amendment to it. Our new City Attorney is suggesting we may be able to do four year contracts. She is looking into that. We are trying to reduce the load of contract approvals through Council monthly.

Mr. Kirk said the budgeting process and fiscal year for the City and Tourism is July through June. When you are budgeting for trade shows and planning them out for your fiscal year, most of the hotels are on a calendar year planning schedule. So trying to sync those up can be challenging. Can we figure out how to do better.

Mr. Carr said he typically looks out 18 months. If we add anything we will let your Director of sales know. We have 90% to 95% of travel anticipated by July.

Mr. Randall said advertising and sales are projected out 18 months.

Mr. Kirk asked how are the OTAB grants publicized. Most nonprofits and others are unaware of them.

Mr. Randall explained we distribute information through things like the Hospitality breakfasts on a monthly basis. We announce them here at the OTAB meetings and at the Lodgers meetings. We try to put out the word. There are quite a bit of restrictions on how it can be used. An OTAB grant can only be used for marketing outside a 60 mile radius of Santa Fe. We exclude Albuquerque. We can try to market it better. He has not spent money on it. We can do an ad in the paper.

Mr. Medina asked there is no administrative funding. It is all promotional.

Mr. Randall said yes.

Mr. Randall said the Arts Commission does over \$1million in grants. They allow up to 50% to be used for programing but 50% must be used for marketing.

VI. OTHER MATTERS BY THE BOARD

There was a discussion about adding public comments to the agenda at the end of the meeting and when the Board can expect the minutes.

Mr. Randall informed the Board that meetings are held on the 4th Tuesday of the month unless advised otherwise.

VII. ADJOURNMENT

There being no further business before the Board the meeting adjourned at 11:50 am.

Rik Blyth, Chair



Elizabeth Martin, Stenographer