

**NEWPORT BEACH TOURISM BUSINESS IMPROVEMENT DISTRICT**  
**ANNUAL REPORT FOR FISCAL YEAR 2022-2023**

**JULY 1, 2022 THROUGH JUNE 30, 2023**

**ORIGINATION:**

On April 28, 2009, Resolution 2009-21 was adopted by the Newport Beach City Council creating the Newport Beach Tourism Business Improvement District (TBID) and approving the Management District Plan. The TBID's Management District Plan was later modified with the adoptions of Resolution 2012-28, Resolution 2014-7, and Resolution 2018-54. The amendments included revised assessments from 2% to 3%, the renewal period of ten (10) years, and the addition of hotels and resorts to its membership. The TBID is a benefit assessment district proposed to help fund marketing and sales promotion efforts for Newport Beach lodging businesses.

Under an agreement with the City of Newport Beach, Visit Newport Beach, Inc. (VNB) serves as TBID's Owner's Association and oversees its administration and coordinates its sales and marketing activities.

This is the annual report of the Newport Beach TBID for the 2022-23 fiscal year (FY) and is filed with the City Clerk, according to the California Streets and Highways Code Sections 36650.

**PURPOSE:**

The Newport Beach TBID is responsible for representing and managing conferences, meeting, and group sales efforts in partnership with the nine TBID lodging businesses. One of the member hotels, the Fashion Island Hotel, has permanently closed. The property will be renovated and reopen as the Pendry Newport Beach in 2023, under new ownership and management. At this time, it is projected that the hotel will not be operational for FY 2022-23.

Currently, TBID services are designed to benefit the remaining eight operational properties that will be assessed within the City of Newport Beach, as well as generate additional revenue to grow the Newport Beach hotel and tourism industry. The current participating lodging businesses are as follows:

- Newport Beach Marriott Resort and Spa (now known as VEA Newport Beach, A Marriott Resort and Spa)
- Renaissance Newport Beach Hotel
- Hyatt Regency John Wayne Airport Newport Beach
- Newport Beach Marriott Bayview
- Hyatt Regency Newport Beach
- The Balboa Bay Club and Resort
- Newport Beach Dunes Waterfront Resort and Marina
- Lido House Hotel

## **FY 2022-23 SITUATIONAL ANALYSIS**

After a pandemic that crippled the meetings industry, FY 2021-22 saw great strides in recovery. The sales team booked about 50% of the highest actual definite room night number in FY 2021-22. The number of RFPs (Request for Proposal) from January 2022 through June 1, 2022, was at 89% of where it was pre-pandemic. Although this is an optimistic data trend, VNB needs to further analyze the suitability of those RFPs for the new hotel amenities and rate expectations.

The ideal group for the portfolio is evolving to look different than what it was in FY 2018-19 and FY 2019-20. The peak room block has been reduced by up to 25-30% leaving more inventory for leisure rooms. The group rates being quoted are 50-200% higher, depending on the property and program details. This is a result of post pandemic demand, as well as substantial reinvestment in amenities. The member hotels understandably want higher rated bookings with solid food and beverage contributions and desirable day patterns. Looking toward FY 2022-23, the VNB sales team is aware of ideal group parameters and is pursuing programs that are the ideal fit for the hotel members. Given that some prior clients have opted for different destinations, the sales team is replacing those clients with other group bookings and programs that better fit the member hotels' amenities and offerings. This may mean less group room nights but more revenue in the group segment.

## **COST BASIS**

Annual assessment rates are 3% of gross short term (less than 30 days) room rental revenue on the participating lodging businesses within the City of Newport Beach. Lodging business stays of longer than 30 consecutive days will not be assessed. Based on the benefit received, stays by airline personnel and government employees on government business will not be assessed. Additionally, stays at time shares will not be assessed. The renewal year for the current TBID agreement is 2024.

## **BUDGETED REVENUE FOR FY 2022-23:**

The TBID is still in recovery from the COVID-19 pandemic that created a serious economic crisis in the hotel industry. The budgeted TBID revenue for FY 2022 - 23 is \$3,807,884.

The proposed budget for FY 2022-23 is based on the following assumptions:

- VEA Newport Beach, A Marriott Resort & Spa, has undergone a major renovation during 2021 and 2022 and will be fully reopening beginning July 2022.
- Fashion Island Hotel has closed but will be renovated and reopened under new owners in 2023.
- Meetings and business travel are recovering, but are not yet up to pre-pandemic levels.
- TBID hotels are forecasting a 4% growth over FY 2021-22 revenue. This amount was applied to VNB's FY 2021-22 actual revenue to obtain the budgeted TBID revenue for FY 2022-23.

## **FY 2022-23 TBID ROLL UP BUDGET**

<b>FY 2022-23 Proposed Budget</b>	
Total Revenue	\$3,807,884
Total Expenses	\$4,526,445

Operating Expenses	\$2,174,245
Promotional Expenses	\$485,000
Community Relations Expenses	\$148,200
Digital Marketing Expenses	\$190,800
Trade Show Expenses	\$354,400
Sponsorships Expenses	\$286,700
Sales Initiatives Expenses	\$429,100
Customized Destination Support Expenses	\$458,000

The shortfall for the proposed FY 2022-23 budget will be supplemented by FY 2021-22 carry over of \$718,561.

### **TBID Sales Staffing in FY 2022-23**

The VNB sales staff is currently operating with a vice president of sales and 3 full-time sales managers. Pre-pandemic, VNB had 5 full-time sales managers. With the business meetings bookings close to 90% of pre-pandemic levels and the substantial repositioning of available amenities, VNB plans on hiring an additional salesperson by January 2023. Additionally, VNB intends to fill the sales coordinator position, which has remained vacant since March 2020.

### **FY 2022-23 Direct Sales Initiatives/Goals**

#### OBJECTIVE 1: Grow Luxury Meeting Bookings

Implement seamless integration of branding, messaging, planning support, and online/offline touchpoints for the sales leads, producing an inspired and informed planner experience. Efforts will increase booked meetings and events, which will positively impact the TBID member hotels retail and restaurant establishments, and the overall destination as a group experience destination.

STRATEGY 1: Content generation, sales support materials, and targeted promotions.

STRATEGY 2: Reinforce and expand in-person and virtual tradeshow and industry partner engagements, expanding awareness and building relationships.

STRATEGY 3: Highly desirable sales lead engagement and TBID member support.

#### OBJECTIVE 2: Reinforce Partnerships between Visit Newport Beach and Meeting Planners

Further establish and reinforce the partnerships between VNB and the meeting planners. Engagement with the meeting planning community advances the consideration and bookings at TBID member hotels.

STRATEGY 1: Position Visit Newport Beach as a valuable resource to meeting planners, from the beginning to end of the booking experience.

STRATEGY 2: Connect with meeting planners in advance to educate, inspire and motivate bookings in Newport Beach.

#### OBJECTIVE 3: Understand and Elevate Meeting Planner Guidance through Data Intelligence

Leverage qualitative and quantitative data gained through digital engagement to deliver effective marketing and provide meeting planners with the information necessary to close sales.

STRATEGY 1: Incorporate data from industry partnerships, studies, and platforms to enhance sale strategies.

STRATEGY 2: Translate learnings from digital marketing platforms to deliver effective messaging and marketing.

### **FY 2022-23 GOALS/PRODUCTION**

For FY 2022-23, the VNB sales team is proposing a definite room night goal of **75,000**. If achieved, this number will get the TBID back to approximately 75% of its highest goal to date and paves the way for a 100,000 room night goal for FY 2023-24.

Goals and production numbers from the last 5 years:

<b>Fiscal Year</b>	<b>Definite Room Night Goal</b>	<b>Actual Definite Room Night Sales</b>
2017-18	83,000	90,318
2018-19	93,000	111,501
2019-20	100,000	75,300
2020-21	N/A	1,954
2021-22	38,000	49,500
2022-23	75,000	N/A

As the TBID regains its momentum in the meetings market, the challenge is to find the right business for a higher tier hotel portfolio. The largest member hotel has reduced its room count by 20%, yet has a rate expectation increase of approximately 50%. Other TBID member hotels have also raised group rates, repositioning VNB staff to cater to new group clientele.

The TBID member hotels have observed the VNB sales team consistently exceed goals; however, the TBID member hotels will reconvene in January 2023 to discuss any necessary adjustment as the hospitality industry continues to recover.

### **ASSESSMENT AND BOUNDARIES:**

The TBID Agreement was renewed in January 2014 extending the renewal period for ten (10) years.

### **ESTIMATE OF NON-ALLOCATED FUNDS CARRIED OVER FROM FY 2022:**

\$718,561 – These funds will be used to meet the expected revenue shortfall in FY 2022-23.

### **AMOUNT OF ANY CONTRIBUTIONS OTHER THAN ASSESSMENTS LEVIED IN FY 2022-23:**

\$0