

NEWPORT BEACH TOURISM BUSINESS IMPROVEMENT DISTRICT
ANNUAL REPORT FOR FISCAL YEAR 2021-2022
JULY 1st 2021 THROUGH JUNE 30th 2022

ORIGINATION:

Implemented beginning May 1, 2009 through an ordinance approved by the City Council, the Newport Beach Tourism Business Improvement District (TBID) was amended effective January 29, 2014. The amendment included a revised assessment from 2% to 3% and a renewal period of ten (10) years. 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. serves as the 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 2021-2022 fiscal year 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 conference, meeting, and group sales efforts in partnership with the nine TBID lodging businesses. These services are designed to benefit the nine properties that will be assessed within the City of Newport Beach as well as generating 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
- 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
- Fashion Island Hotel
- Lido House Hotel

FY 2021-22 SITUATIONAL ANALYSIS

After a pandemic that was crippling to the meetings industry, there are signs of growth and recovery in the group market. While meeting RFPs (Request for Proposals) are down 79% year-over year (YOY) for FY 2020-21, RFP submissions year-to-date (YTD) in 2021 are down 61%, and for the past 60 days, are down just 56% YOY. This shows the growth the industry is now experiencing as the meetings market reawakens. The trends for these RFPs are as follows:

1. Smaller peak rooms and overall room nights;
2. Longer lead times (3/4 are for Q4 2021 or sometime in 2022);
3. Half of the RFPs reference some type of virtual component, indicating the number of attendees may be shrinking to accommodate those who have determined they do not want to attend in person; and
4. Higher-end programs labeled as incentive or hybrid incentive: a good thing for the VNB portfolio as they pay higher rates than standard corporate or association business.

Another important indicator of meetings recovery is that previously booked conferences started to actualize in April and May, without cancellations! Additionally, industry conference and client events are coming to fruition. Three individuals from the Visit Newport Beach sales team are travelling to customer industry conferences in the month of June, the first travel of this kind since last March.

While there are reasons to be hopeful about the group market coming back, most meetings are waiting until 2022. Unfortunately, this does not provide much opportunity for bookings in the remainder of 2021. Bookings that are finalized are much smaller than what was booked in the past. It remains to be seen how bookings might resume their previous profile.

COST BASIS

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

BUDGETED REVENUE:

After 10 years of consistent growth in TBID revenue, the COVID-19 pandemic created a serious economic crisis in the hotel industry that is still affecting TBID revenue. The Newport Beach TBID revenue for FY 2019-20 (the last "normal year") was \$4,493,806. In stark contrast, the budgeted revenue for FY 2021-2022 is \$2,776,107.

This budget is based on the following assumptions:

- Marriott Hotel & Spa is undergoing a major renovation for the duration of 2021, with half of its rooms closed at any given time.

- Fashion Island Hotel is still closed with absolutely no indication of plans to reopen. There would be a considerable lead time to reopen, given that there are issues with the physical building, as well as the need to re-staff from the ground up.
- Meetings and business travel are recovering, but the extent is uncertain and unknown. There is still a lot of uncertainty with these two critical markets, which make up the bulk of midweek occupancy.

FY 2021-22 TBID ROLL UP BUDGET

FY 2021-22 Proposed Budget

| | |
|--------------------------------------|--------------|
| Total Operating Revenue | \$ 2,776,107 |
| Total Operating Expenses | \$ 1,679,063 |
| Total Promotional Expenses | \$ 142,000 |
| Total Community Relations | \$ 40,500 |
| Total Digital Marketing | \$ 77,058 |
| Total Trade Show Expense | \$ 184,672 |
| Total Sponsorships | \$ 325,000 |
| Total Sales Initiatives | \$ 213,500 |
| Total Customized Destination Support | \$ 303,000 |

TBID Sales Staffing in FY 2021-22

The COVID-19 pandemic directly affected the TBID. When the TBID budget decreased by almost 80% in 2020, the Visit Newport Beach sales team laid off three full-time employees and furloughed three others. VNB is pleased to report that as of June 7, the three furloughed employees have returned to work. The sales team now consists of five individuals.

As previously mentioned, VNB is seeing momentum in the industry and felt that the team needed to be re-fortified. Additionally, many of our hotel partners are still on reduced staffing levels and have a need for VNB services more than ever, in order to compete for highly competitive business.

FY 2021-22 Direct Sales Initiatives/Goals

Objective: Re-engage & revitalize meetings in Newport Beach

Generate \$20 million or more in group/meetings-related economic impact to Newport Beach TBID hotel partners and the local Newport beach economy.

Strategy 1 - Proactive sales blitzes

Sales campaigns to clients in Southern California with qualified business who are resuming meetings within drive markets for attendees.

Strategy 2 - Reinforce Visit Newport Beach's unique selling proposition

Visit Newport Beach delivers more resources, talent and focus to the small meetings market than any other destination. This unique selling proposition is reinforced through all sales and marketing channels, industry tradeshows and client interactions.

Strategy 3 - Effective target marketing

Deliver highly-targeted, refined messaging via automated email marketing, providing value and inspiration to key contacts.

Strategy 4 - Familiarization trip series for targeted market segments

Educate and inspire small yet highly-qualified client groups for their business.

FY 2021-22 GOALS/PRODUCTION

After 10 years of exponential growth in definite room nights, the Visit Newport Beach sales team is proposing a total goal of 25,000 definite room nights. There are many variables that make goal planning difficult for FY 2021-22, such as hotel closures and the unpredictable nature of the market recovery for meetings. Additionally, the VNB sales team was reduced by a third and many of our hotel partners have significantly reduced their staffing levels and/or have new staff who are still learning the market. Finally, the sales budget is about 55% of what it was in the last normal year, when the goal was 100,000 room nights, resulting in less ability to execute on travel and initiatives.

The VNB team has consistently exceeded goals in the past ten years and will strive to continue exceeding goals and expectations in the coming year. VNB will revisit and realign goals with the TBID Board of Directors in January of 2022.

ASSESSMENT AND BOUNDARIES:

The TBID Agreement was renewed in January 2014 for ten (10) additional years.

ESTIMATE OF NON-ALLOCATED FUNDS CARRIED OVER FROM FY 2020-21:

\$188,686 – These funds will be used to meet the expected revenue shortfall in FY 2021-22.

AMOUNT OF ANY CONTRIBUTIONS OTHER THAN ASSESSMENTS LEVIED IN FY 2020-21:

\$0.00