



Administrative Report

N.1., File # 24-1583

Meeting Date: 11/5/2024

To: MAYOR AND CITY COUNCIL

**From: GREG KAPOVICH, WATERFRONT & ECONOMIC DEVELOPMENT
DIRECTOR**

TITLE

DISCUSSION AND POSSIBLE ACTION REGARDING THE ANNUAL REPORT FROM THE REDONDO BEACH TRAVEL & TOURISM BOARD FOR THE PERIOD SEPTEMBER 2023 TO AUGUST 2024

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2411-107, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, APPROVING THE REPORT OF THE REDONDO BEACH TRAVEL & TOURISM BOARD FOR THE PERIOD OF SEPTEMBER 2023 TO AUGUST 2024 IN CONNECTION WITH THE REDONDO BEACH TOURISM MARKETING DISTRICT

EXECUTIVE SUMMARY

On July 18, 2023, the City Council renewed the Redondo Beach Tourism Management District (RBTMD/District) for a 10-year term. The RBTMD provides a dedicated revenue source to market Redondo Beach as a tourist, meeting, and event destination. Management of the RBTMD is the responsibility of Redondo Beach Travel & Tourism (RBTT), a non-profit entity. The RBTT manages RBTMD funds and implements the District's programs.

On October 17, 2023, the City Council renewed the Agreement with RBTT for a 10-year term for continued management services to administer the RBTMD. In accordance with the RBTMD and the renewed contracts with the City, the RBTT is required to deliver an annual report. The report describes RBTT's recent activities, goals, and achievements.

BACKGROUND

In California, Tourism Management Districts (TMD) are formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of a special benefit assessment district to raise funds within a specific geographic area for activities, such as the promotion of tourism that benefit the proposed district. The formation of the RBTMD allowed lodging and tourism-related businesses within the City to organize their efforts to increase tourism.

Lodging businesses within the RBTMD assess themselves, and those revenues fund the services and marketing efforts that support the businesses within the District. General benefits of a TMD include:

- Customization of programmatic activities to fit the needs of each destination
- Provision of a wide range of services such as: marketing of the destination tourism promotion activities and sales lead generation
- Design, creation, and governance by those who will pay the assessment
- Generation of a stable funding source for tourism promotion
- Funds cannot be diverted for other government programs

The City Council approved a contract with Civitas Advisors, Inc. (Civitas) to assist the City with the formation of the RBTMD. A steering committee comprised of local hoteliers and City representatives crafted a Management District Plan (MDP) which established the framework for the RBTMD. It included the district boundaries, the budget, and the means of governance for the District. More specifically, the Plan outlined the method of assessment for the businesses within the District. The initial contract term of the RBTMD was 5 years and was set to expire in 2023. On July 18, 2023, the City Council renewed the RBTMD for an additional 10 years and later, on October 17, 2023, renewed the management agreement with RBTT for a corresponding period. Management of the RBTMD is the responsibility of RBTT and, in accordance with the recently renewed RBTMD, the RBTT is required to deliver an Annual Report within 90 days following September 1 of each year of the RBTMD's 10-year term.

At the time of formation in 2018, the RBTMD estimated its annual revenues at \$785,000, which was derived from a 1% assessment on gross room revenue for each assessed lodging business. The 1% assessment represents the minimum assessment for the District. The City collects the assessment on a monthly basis from each licensed lodging business within the RBTMD boundaries that are comprised of 20 rooms or more. The TMD assessments are remitted to the City at the same time as the transient occupancy tax (TOT) payments.

The assessment rate may be increased by the RBTT Board to a maximum of 2% of gross room rental revenue - however, the maximum increase or decrease of the assessment in any year is limited to 0.5%. Any proposed assessment increases or decreases approved by the RBTT Board must be included in the annual report and are not effective until they are also approved by City Council. The 1% assessment rate has not been increased or decreased since the formation of the RBTMD, nor are there any proposed changes to the rate at this time.

September 2023 to August 2024 Report: Pursuant to the Management District Plan, the City Council must review and consider for approval the Annual Report for the RBTMD that outlines accomplishments for the period September 2023 to August 2024 and the proposed budget and operational plan for the coming year (September 2024 to August 2025).

Activities, goals, and achievements for the period include:

- Strategic outreach through integrated digital platforms, targeted familiarization (FAM) trips, web engagement, and selected sponsorship opportunities that reached over 383,000 users and 420,000 sessions on RedondoBeachTourism.com
- Seven days of new photo & video shoots to produce a variety of creative assets (intellectual property) to be used by RBTT, its hotels and the city to support larger placemaking and brand awareness
- Three new tactical and targeted ad campaigns were launched around extreme weather-based

travel for local flight markets as well as continuation as the Center of Los Angeles efforts for local theme park visitors, high profile sporting and entertainment events, and downtown group meetings and events

- Brand new Super Metrics platform to evaluate all critical data in LOOKER STUDIO for ongoing campaign and budget optimizations

The sales and marketing program is designed to increase overnight visitation and room night sales by promoting assessed businesses as tourist, meeting, and event destinations. Activities and goals for the upcoming period of September 2024 to August 2025 are expected to include:

- Internet marketing efforts to increase awareness and optimize presence to drive overnight visitation and room sales to assessed businesses
- Print ads in magazines and newspapers, television ads, and radio ads targeted at potential visitors to drive overnight visitation and room sales to assessed businesses
- Attendance of trade shows to promote assessed businesses
- Sales blitzes for assessed businesses
- Familiarization tours of assessed businesses
- Preparation and production of collateral promotional materials such as brochures, flyers, and maps featuring assessed businesses
- Attendance of professional industry conferences and affiliation events to promote assessed businesses
- Lead generation activities designed to attract tourists and group events to assessed businesses
- Promotion of special events designed to drive overnight visitation and room sales to assessed businesses
- Development and implementation of a public relations and communications strategy, inclusive of social media outlets and press release distribution designed to increase overnight visitation at assessed businesses
- Development and maintenance of a website designed to promote assessed businesses
- Development of a marketing plan to ensure RBTMD funds are strategically spent to market assessed lodging businesses
- Development of Return on Investment (ROI) analysis on effectiveness of district funds to improve effectiveness and increase overnight visitation at assessed businesses

September 2023 - August 2024 Budget

The total budget for the September 2023 to August 2024 period included \$606,522 in annual collections, \$487,036 in carry over funds from the previous year, and \$176,130 in delayed remittance of 2022-2023 RBTMD assessment funds. The total budget for the period was \$1,269,689.

September 2024 - August 2025 Projections

The anticipated budget for the period of September 2024 to August 2025 is \$725,000 in new collections, \$509,738 in estimated carry over from the previous year, and \$150,959 in estimated delayed remittance of 2023-2024 RBTMD assessment funds. The projected total budget for the period is \$1,385,697. The categorical breakdown is included in the table below. All categorical budget allocations are within the authorized 15% adjustment of the total budget from the prior year.

Category	%	Collections	Carryover	Delayed Remittance	Total
Sales & Marketing	87%	\$630,750	\$231,505	\$131,334	\$993,589
Administration & Operations	10%	\$72,500	\$185,164	\$15,096	\$272,760
Contingency / Reserve	3%	\$21,750	\$93,069	\$4,529	\$119,348
Totals	100 %	\$725,000	\$509,738	\$150,959	\$1,385,697

RBTT will return to the City Council this time next year to report on the actual earnings from the period of September 2024 to August 2025. At this time, staff recommends approving RBTT’s report for the period September 2023 to August 2024 in connection with RBTMD activities.

COORDINATION

The Waterfront and Economic Development Department represents the City as a non-voting advisory member of the RBTMD and assists with the coordination of the City Council’s review and consideration of the RBTT Annual Report. The City Attorney’s Office has approved the Resolution as to form. The Financial Services Department manages the processing of the assessments and disbursements to the RBTT.

FISCAL IMPACT

Funds from the RBTMD are collected from the assessed hotels by the City via the regular Transient Occupancy Tax (TOT) billing on a monthly basis. Revenues are then submitted to the RBTT. RBTMD assessment collections do not have a fiscal impact on the City’s budget, as the City’s General Fund does not contribute to the RBTT. However, it is expected that RBTMD marketing efforts increase visitation to the City, resulting in an increase in overall TOT and sales tax collections. RBTMD assessments are restricted for exclusive use by the RBTMD and must be reported to the City Council annually.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Reso - No. CC-2411-107, Approving the Report of the Redondo Beach Travel & Tourism for September 2023 to August 2024
- Redondo Beach Tourism Management District Report for September 1, 2023 through August 31, 2024, October 24, 2024
- Redondo Beach Travel & Tourism Financials for September 1, 2023 through August 31, 2024
- Presentation - Redondo Beach Travel & Tourism Presentation, November 5, 2024