

# Memorandum



DATE August 14, 2015

TO Members of the Economic Development Committee:  
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano, Lee Kleinman, Carolyn King  
Arnold, B. Adam McGough

SUBJECT **DCVB Update and Contract Renewal**

On Monday, August 17, 2015, you will be briefed on the DCVB Update and Contract Renewal. The briefing materials are attached for your review.

Please let me know if you have any questions.



Ryan S. Evans  
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council  
A.C. Gonzalez, City Manager  
Warren M.S. Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager – Mayor & Council



# DCVB Update & Contract Renewal

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ECONOMIC DEVELOPMENT

AUGUST 17, 2015

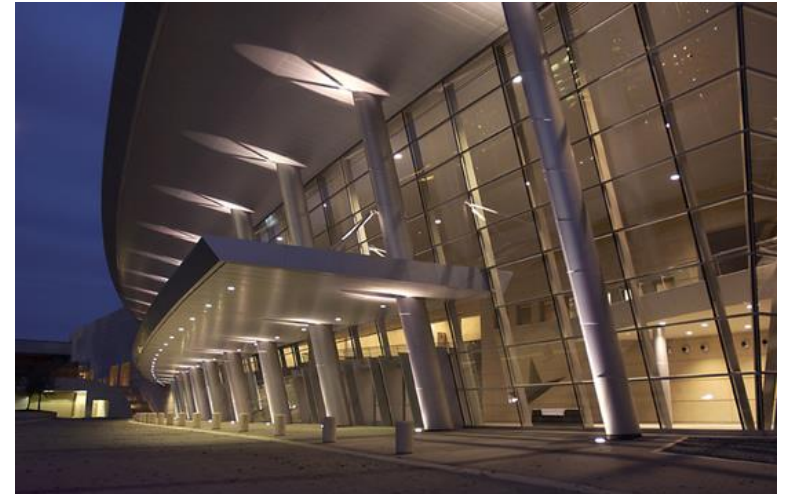


**KAY BAILEY HUTCHISON**  
CONVENTION CENTER DALLAS

# Overview

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- Convention & Event Services Overview
- Hotel Occupancy Tax
- Dallas Convention & Visitors Bureau
- Cultural Arts Funding
- Summary & Next Steps



# Convention & Event Services

- Enterprise department comprised of:
  - Kay Bailey Hutchison Convention Center Dallas
  - Office of Special Events
  - Union Station
  - Contract oversight for AAC & Omni Dallas
- Sources of funding:
  - 7% Hotel Occupancy Tax
  - 10.7143% Alcohol Beverage Tax
  - Operating Revenues, such as:
    - Facility Rental
    - Parking
    - Food & Beverage
- The economic impact of the Convention Center is growing:
  - FY 2014: \$662m
  - FY 2015: \$699m
  - FY 2016: \$762m

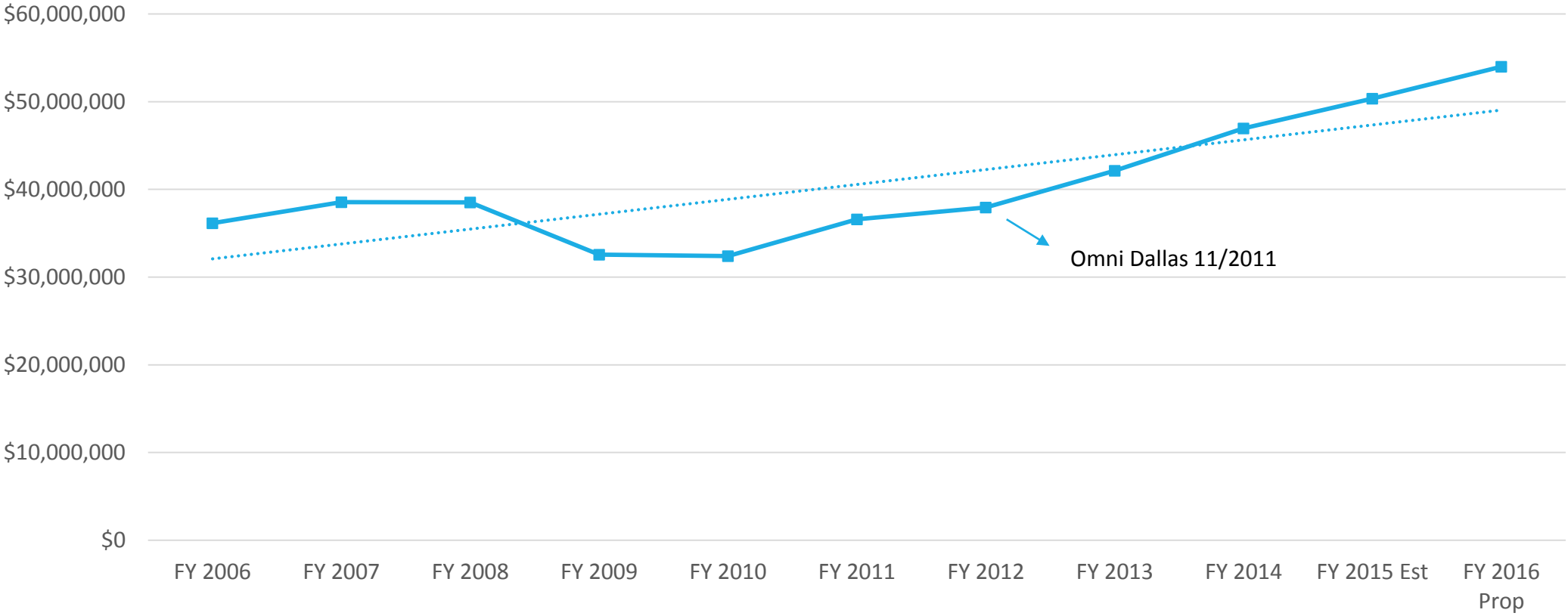


# HOT Tax State Authorization

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- Texas Tax Code Chapter 351, Municipal Hotel Occupancy Taxes, allows for the imposition of a municipal HOT tax and limits it to 7%
- Section 351.101(12)(b) states that HOT revenue may not be used for general revenue purposes or general governmental operations of a municipality
- Section 351.101(a) allows for the use of HOT revenue only to promote tourism and convention and hotel industry, limited to, among other:
  - The acquisition of sites for and the constructing, improving, enlarging, equipping, repairing, operating, and maintaining of the convention center complex or visitor centers
  - Advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity
  - The encouragement, promotion, improvement and application of the arts

# HOT Revenue 10yr History



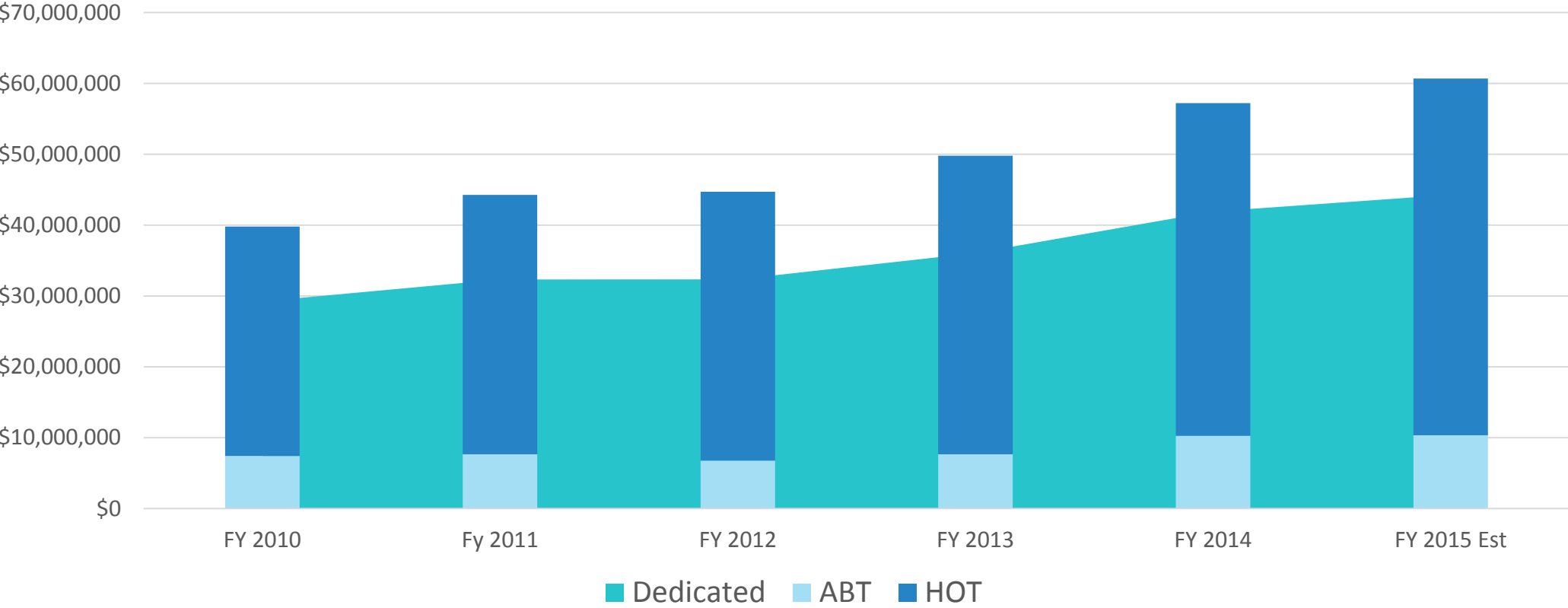
# HOT Allocation

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7% Hotel Occupancy Tax is allocated as follows:

- 4.718% for the repayment of bonds and O&M of the Convention Center
  - City Bond Ordinance 27410 adopted November 19, 2008
  - Allowed for the issuance and sale of revenue, refinancing and improvement bonds not to exceed \$325,000,000, used to refund all outstanding debt and allow for the financing of capital improvements and renovations at the Convention Center
  - 100% of Alcohol Beverage Tax and operating revenues were pledged to the repayment of bonds and O&M of the Convention Center
- 2.282% for advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the city
  - Provided by DCVB per contract
  - DCVB receives 32.6% of all HOT revenue collected by the City

# HOT & ABT Revenue History





# Convention Center O&M

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- In FY 2007-09 revenues were not sufficient to cover operating expense and CES deferred maintenance in order to balance the budget
- 2010 Needs Assessment identified \$170m+ in needed capital improvements and repairs
  - City initiated a \$60m Capital Improvement Program
    - Roof Replacement
    - Upper Level D
    - Fire Alarm/Life Safety Upgrades
    - Lamar Streetscape



# Convention Center O&M

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- \$100m+ in needs remain unfunded, including:
  - Electrical System
  - Plumbing System
  - Security System
- Increases in HOT and ABT revenues have allowed CES to begin addressing unfunded needs by transferring revenues to the Capital Improvement Fund
  - \$7.5m in FY 2015 and an estimated \$4m in FY 2016



# DCVB Contract History

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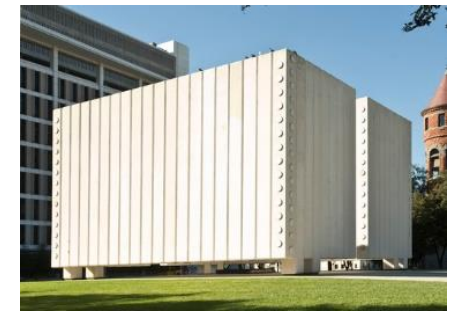
- 1996: City Council authorized a contract with the DCVB for convention facility promotion, advertising and tourism development services
  - 10-years with (2) 5-year extension options (20 years)
  - 33.57% HOT allocation
- 1999: DCVB HOT allocation reduced to 32.6%
- 2006: City Council authorized a contract to exercise the first of (2) five-year renewals
- 2011: City Council authorized an Amended and Restated Contract with the DCVB for a 2-year term with (3) 1-year automatic renewals

# Tourism PID

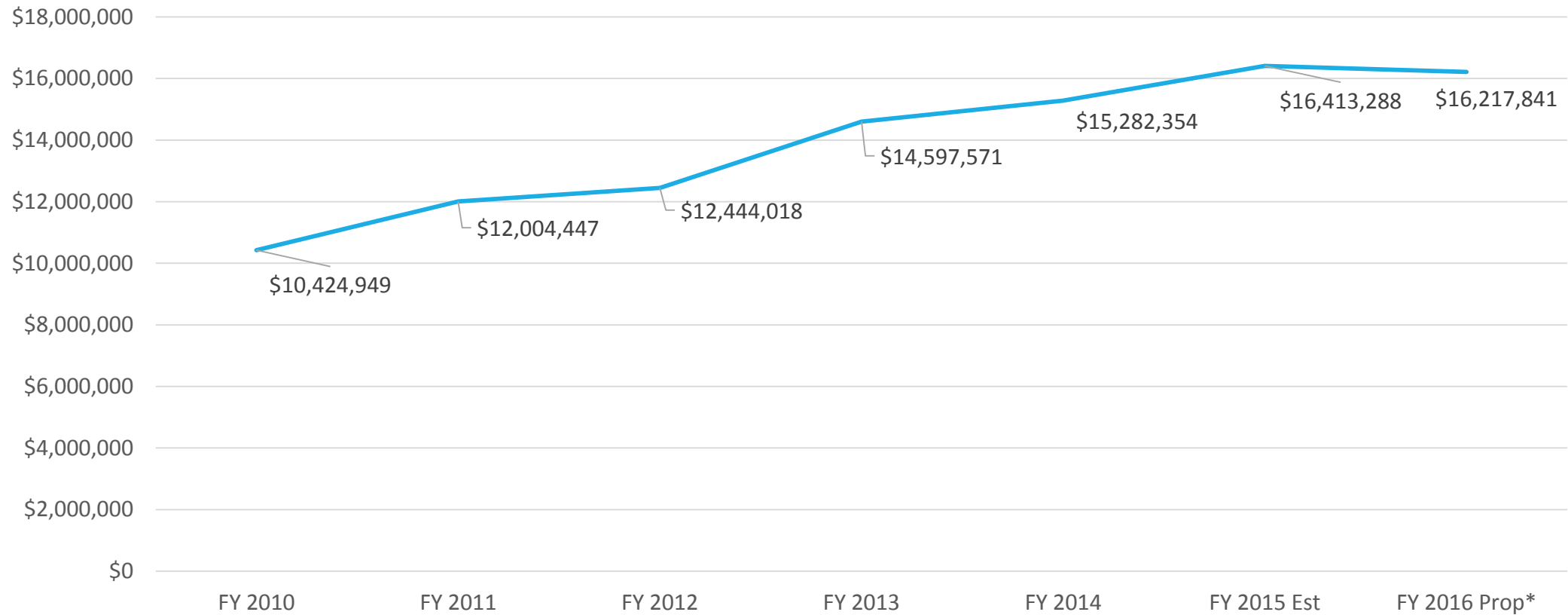
- In addition to the 32.6% HOT Allocation, DCVB administers the city’s Tourism Public Improvement District, created in August 2012
  - 2% assessment designed to market and promote Dallas as a convention and tourism destination
  - Includes 7.5% allocation to the Market/Event Application Pool, which provides local arts groups the opportunity to apply for funding to attract/retain visitors and hotel activity
  - Each applicant/event is limited to \$50k annually and to date approximately \$2m has been awarded



Fiscal Year	Market/Event Application Pool	Applications Approved
FY 2013	\$911,000	\$500,000
FY 2014	\$955,000	\$600,000
FY 2015	\$1,017,000	\$900,000 YTD
FY 2016	\$1,095,000	N/A

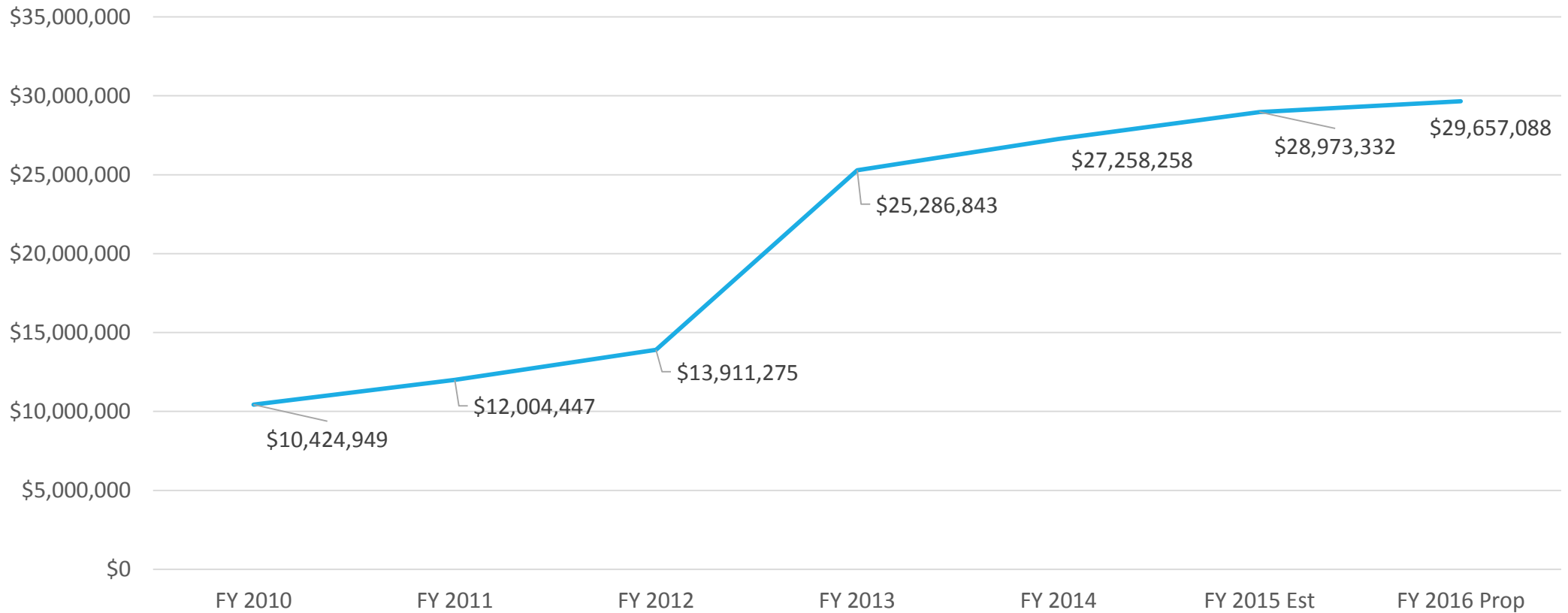


# DCVB Payment History (HOT)



\*FY 2016 Proposed HOT allocation includes 30% rate

# DCVB Payment History (HOT & TPID\*)

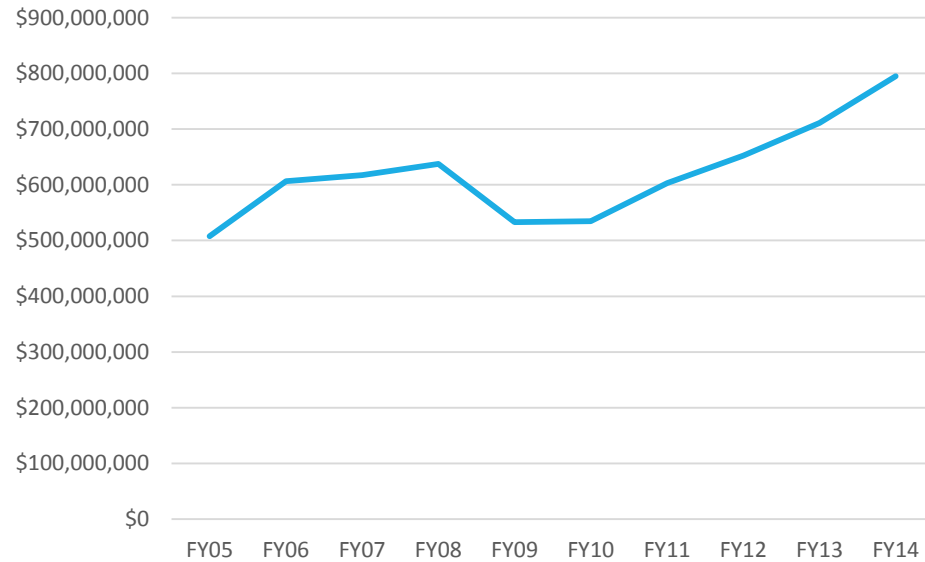


\*TPID collections began in August 2012; TPID payment excludes 7.5% allocation to Marketing/Event Application Pool

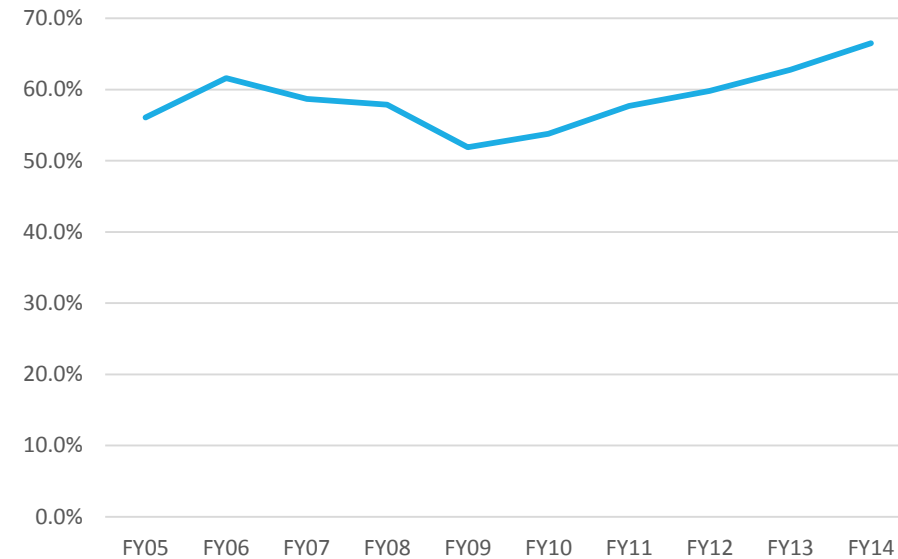
\*\*TPID funds cannot be used for administrative purposes

# HOT/TPID Projections

## Hotel Revenue



## Hotel Occupancy Rate



- Increasing Hotel Revenue and Occupancy Rate project a 6% growth in HOTA revenue and 7% growth in TPID collections
- Due to convention industry success, 10 new hotels are coming online within the next 24 months



# New DCVB Contract

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- Current DCVB contract has one additional automatic renewal scheduled to take effect on October 1, 2015
- The DCVB has agreed to an early contract renewal to reduce their HOT revenue allocation from 32.6% to 30%
- The remaining 2.6% HOT revenue will be reallocated to Cultural Arts, as allowed by State Law, to create a dedicated revenue stream for the Arts





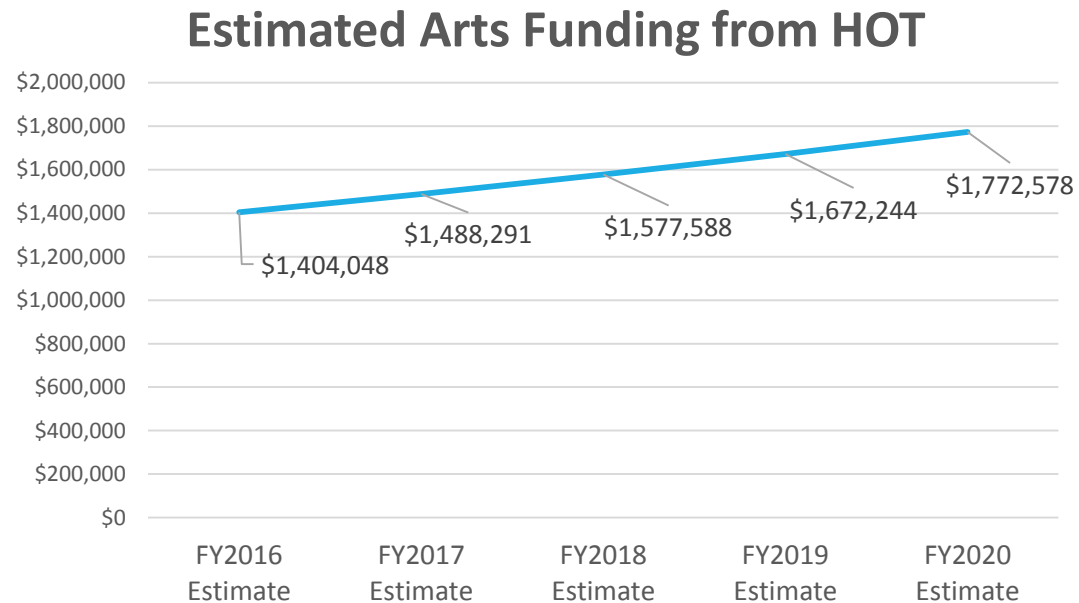
# New DCVB Contract

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- New DCVB contract includes:
  - 5 year term with (1) 5-year and (1) 3-year renewal options (maximum of 13 years)
  - Reduce the current 24 month booking window to 18 months to align with industry standard and increase the opportunities for potential citywide bookings, with the exception of:
    - Any booking with the Convention Center Hotel per Operating Agreement (not to exceed 24 months)
    - KBHCCD will receive 10 exceptions per rolling calendar year (not to exceed 24 months)
  - Update performance goals and reporting requirements
  - \$500,000 annual Capital Contribution from the DCVB for capital improvements to the KBHCCD during the term of the contract
  - Reduce the percentage of HOT collections paid to DCVB from 32.6% to 30%, and include:
    - Retainage of 2% per month paid out quarterly to the DCVB after meeting/exceeding performance goals

# Additional Cultural Arts Funding

- TPID Marketing/Event Application Pool estimated for FY 2016: \$1.1m
- 2.6% HOT allocation estimated for FY 2016: \$1.4m
- Total additional Cultural Arts funding available for FY 2016: **\$2.5m**

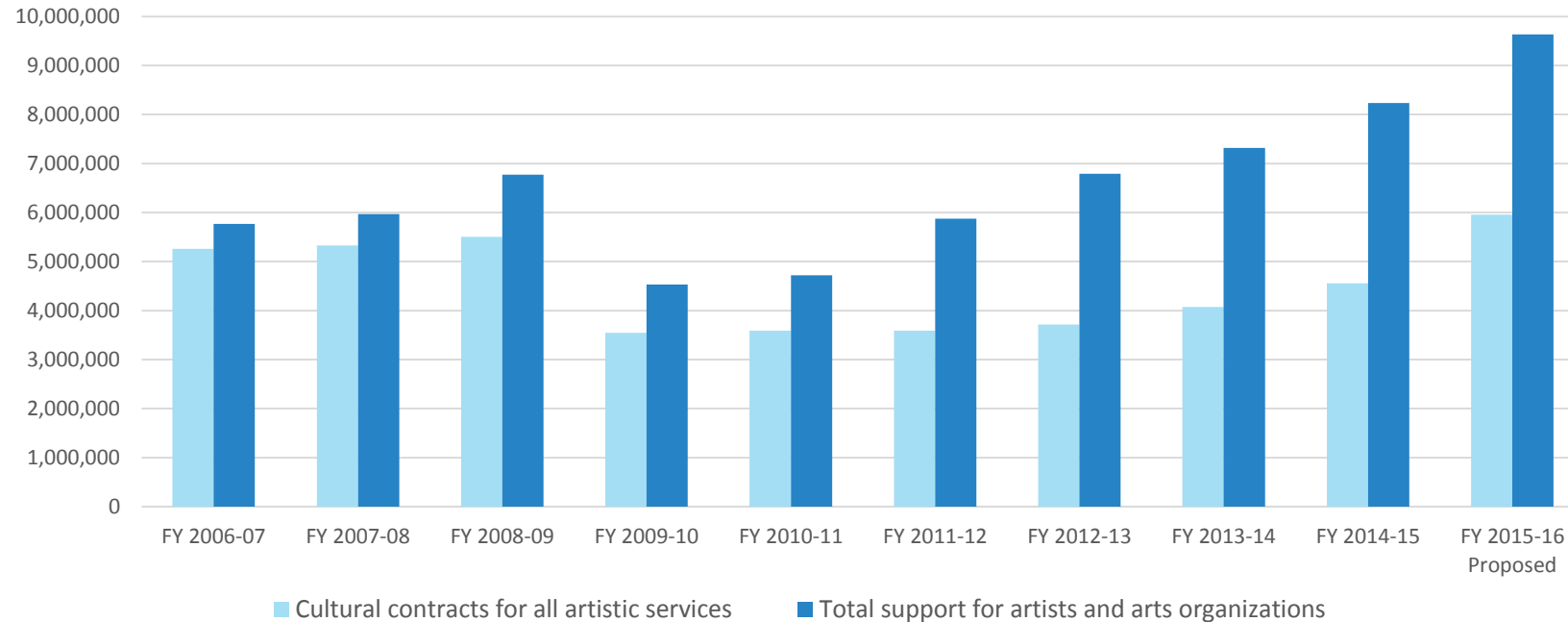


# FY 2016 Planned Activities

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- The Office of Cultural Affairs' FY 16 budget proposes an additional \$1.4m through a transfer from Hotel Occupancy Tax which will restore cultural organizations to at or above peak year levels, and provides additional funds for other cultural programs
  - Pending Council consideration of a renegotiated DCVB contract
  - Will bring funding for cultural contracts for all artistic services to a record high level of \$5.9m (previous peak of \$5.5m in FY09)
- TPID will work with OCA to cross-promote the Marketing/Event Application Pool funding potentially available to arts groups

# 10yr Office of Cultural Affairs Funding History



	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16 Proposed
Cultural contracts for all artistic services	5,262,641	5,330,812	5,503,819	3,548,700	3,593,730	3,589,172	3,717,982	4,072,982	4,557,982	5,957,982
Total support for artists and arts organizations	5,766,026	5,970,692	6,771,265	4,532,594	4,721,140	5,874,257	6,788,632	7,318,861	8,233,121	9,633,121

\* "Total Support" includes funding for artistic/professional services in COP, the other Cultural Contracts programs, Latino, Bath House, South Dallas and Oak Cliff Cultural Centers, public art maintenance, and maintenance/operations support for ATPAC, Dallas Black Dance Theatre, Dallas Summer Musicals and Sammons Center for the Arts.

# Summary & Next Steps

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- The New DCVB Contract will allow for:
  - New performance metrics, with retainage paid upon successfully meeting/exceed goals
  - \$500k annual capital improvement commitment to KBHCCD
  - \$200k annual support for the Dallas Film Commission
  - Establishment of a dedicated revenue stream for the Arts, anticipated to grow by 6% annually
- Council consideration of the following items:
  - September 9<sup>th</sup>: A 5-year contract with the Dallas Convention & Visitors Bureau for convention facility promotion, advertising and tourism development, with (1) 5-year and (1) 3-year renewal options
  - September 22<sup>nd</sup>: An ordinance amending Section 44-35 of Chapter 44, “TAXATION,” of the Dallas City Code providing for the partial reallocation of the 7% hotel occupancy tax and include funding for the encouragement, promotion, improvement and application of the arts

The logo for the Dallas Convention & Visitors Bureau. It features a large, white, stylized letter 'D' on the left, which contains a five-pointed star. To the right of the 'D' is the word 'DALLAS' in a bold, white, sans-serif font. A small 'TM' trademark symbol is located at the top right of the 'S'.

Convention & Visitors Bureau

# Economic Development Committee Briefing

August 17, 2015

B I G   T H I N G S   H A P P E N   H E R E

# PHILLIP J. JONES

President/CEO Dallas CVB



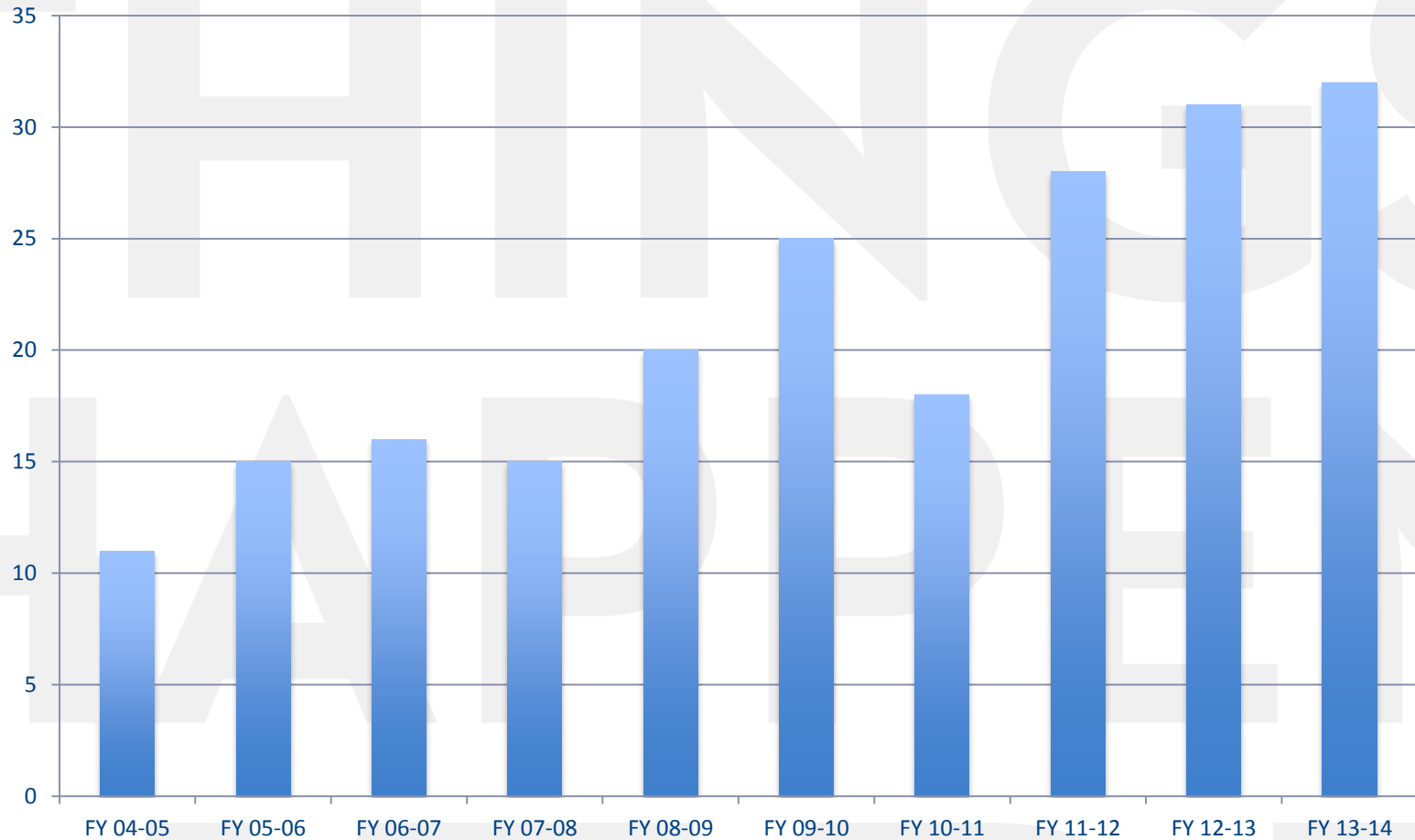
# Year-in-Review





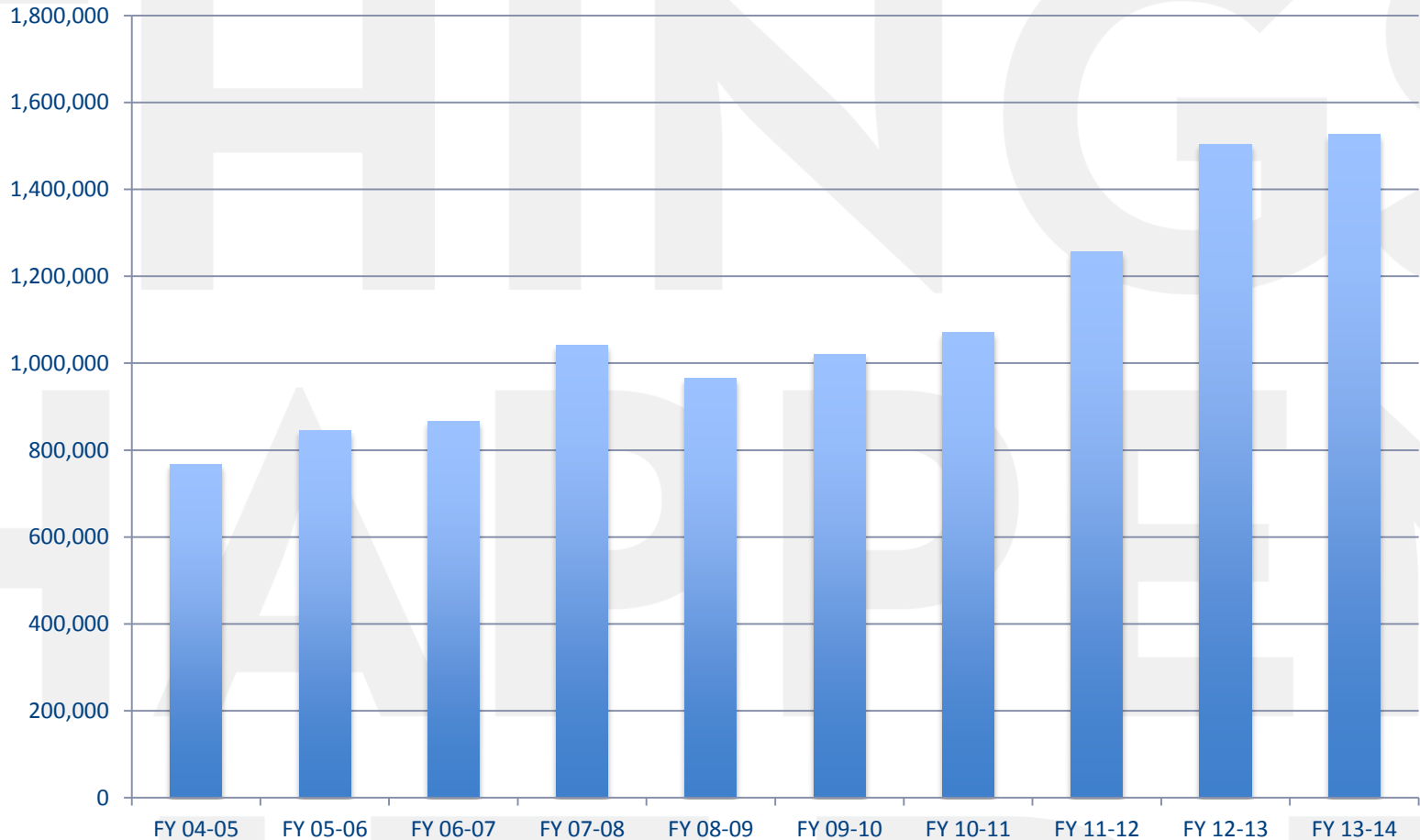
# CVB CITYWIDE MEETINGS BOOKED

COMPARATIVE 2005-2014



# CVB ROOM NIGHTS BOOKED

COMPARATIVE 2005-2014



# PERFORMANCE COMPARISONS

Year-to-Date (January – June)

Continued Historic Highs

<u>Year</u>	<u>Demand</u>	<u>Occ.</u>	<u>ADR</u>	<u>Revenue</u>
2015	3.94mm	71.6%	\$114.83	\$452mm
2014	3.79mm	69.0%	\$110.53	\$419mm
2013	3.56mm	65.1%	\$106.27	\$378mm
2012	3.38mm	61.9%	\$101.60	\$343mm

# What visitors do in Dallas



# MAJOR DALLAS ATTRACTIONS

SOME OF THE MOST VISITED LOCATIONS IN DALLAS

- AT&T Performing Arts Center
- American Airlines Center
- Dallas Arboretum and Botanical Gardens
- Dallas Museum of Art
- Dallas World Aquarium
- Dallas Zoo
- Fair Park
- Geo-Deck at Reunion Tower
- George W. Bush Presidential Center
- Klyde Warren Park
- Nasher Sculpture Center
- Perot Nature and Science Museum
- Sixth Floor Museum

# BIG OPPORTUNITIES ANNOUNCEMENT MOMENTS



 **DALLAS**<sup>™</sup>

BIG THINGS HAPPEN HERE

# SPORTS



Dallas hosted 50 events that drew over 849,000 participants and fans to the area

NCAA Men's Final Four brought an additional \$181 million in economic impact to the community



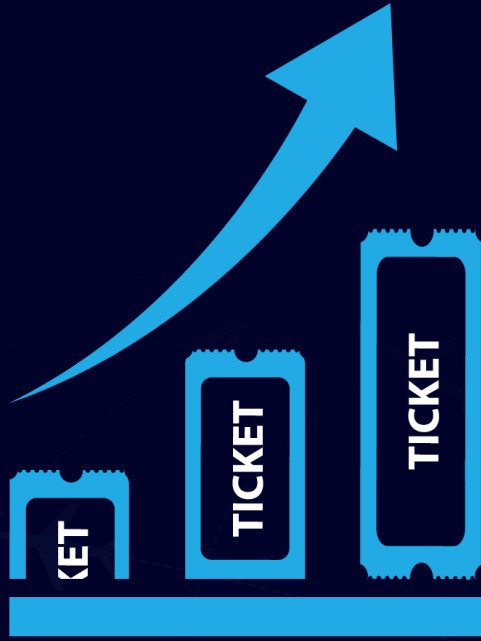
**303,855**  
rooms booked  
for sports



**35**  
groups booked

**\$452M**  
future economic  
impact expected

# TOURISM



**79% increase over last year's tourism bookings**



**DFW welcomed 1.3 million international visitors in 2013-2014, an annual increase of 10%**

Through a partnership with Qantas Airlines, we welcomed the new A380 Airbus service to DFW Airport. Qantas now flies the A380, the world's largest passenger aircraft, directly to DFW from Sydney six times a week.

**241,281**  
room nights booked



# DIVERSITY & INCLUSION



Co-hosted “Second Chances” with Pat Smith, CEO of Treasure You, and Hyatt Hotels featuring Robin Roberts of “Good Morning America”



Second Annual High Tea with High Heels event celebrated exceptional Dallas women known for their professional and philanthropic contributions

**BIG**  
INFLUENCERS

Launched the Latino & LGBT BIG Influencers campaign

# STRATEGIC ALLIANCES

700 MEMBERS/PARTNERS



24% INCREASE IN MEMBERSHIP



7,000+ new listings to  
VISITDALLAS.COM



# PR & COMMUNICATIONS



Welcomed 125+  
journalists/travel writers

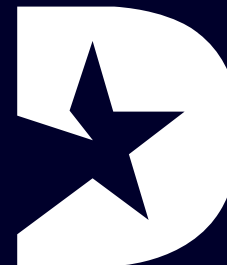
Dallas is the first US  
city to use free travel  
planning platform,  
UTRIP



Launched Dallas  
CVB online store



Launched BIG GIVE campaign, local  
non-profit organizations use the B & G  
“piggy bank” letters for donations,  
allowing donors to take their picture  
in the middle of the B & G letters  
making them the “I” in BIG



**DALLAS**  
**BIGGIVE**

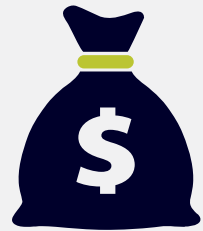


Exceeded room night goal by 22%. Annual occupancy rate was 66.4%, the highest city occupancy rate in almost 20 years

# SALES & SERVICES



32 city-wide events for future years



\$6.6 billion economic impact



1,527,557 room nights



179 groups serviced

# MARKETING



Facebook page nears 100,000 likes  
Twitter followers up 80%  
Instagram followers up 118%  
Pinterest followers up 55%

**114M**  
digital impressions



**2.3M**  
unique website  
visitors





# What that meant for the City of Dallas

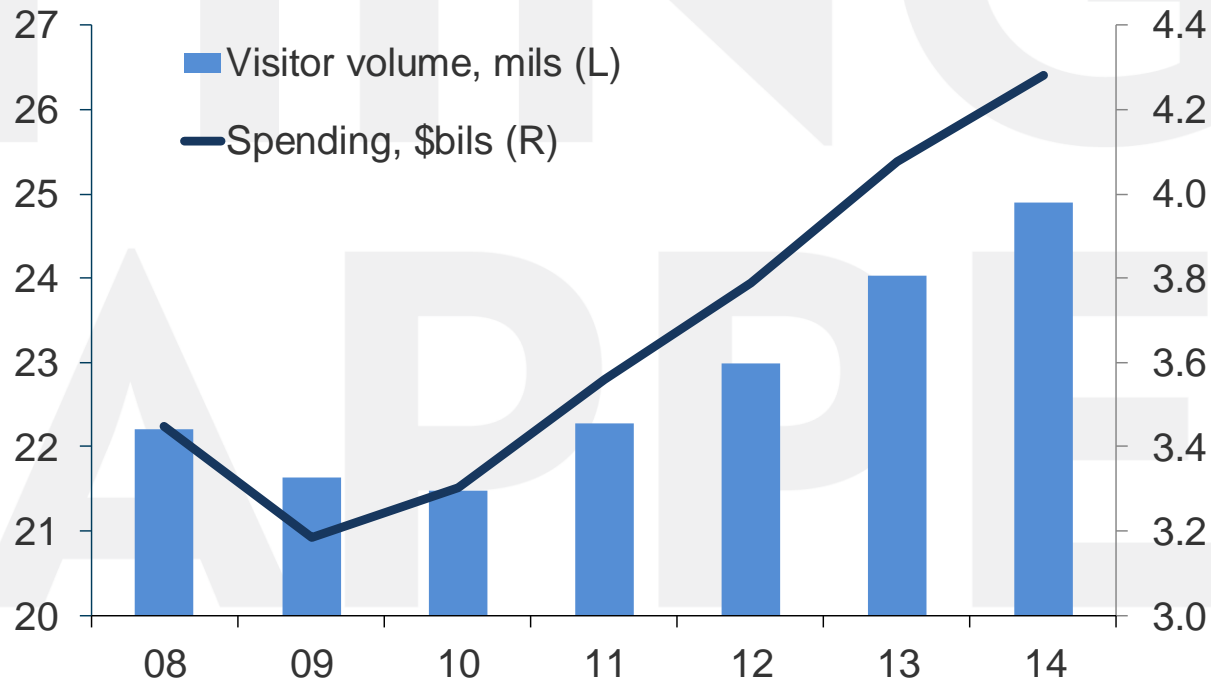


# VISITOR IMPACT IN DALLAS

24.9 Million Visitors Spent \$4.3 Billion

## Visitor Volume and Spending

City of Dallas



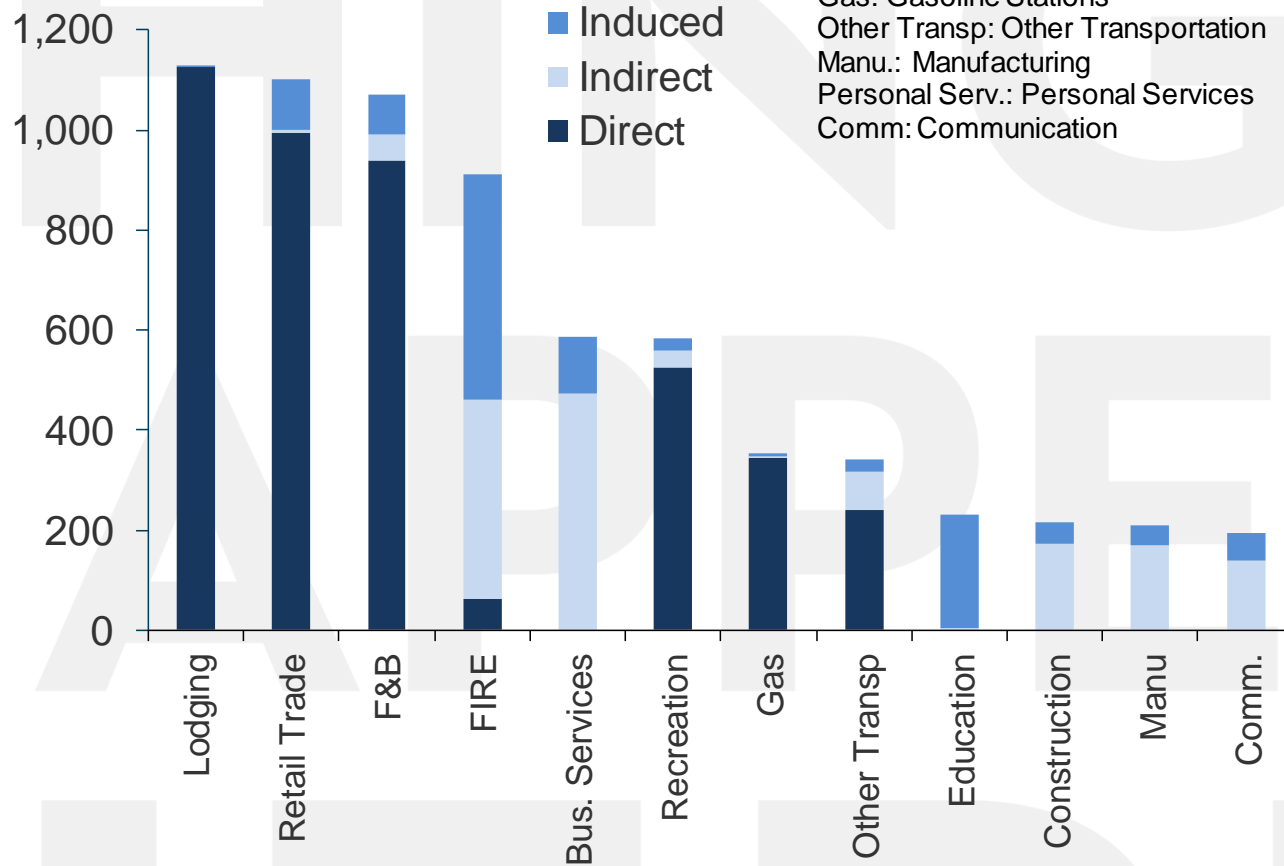
Sources: Longwoods International, STR, Tourism Economics

# VISITOR IMPACT IN DALLAS

\$7.3 Billion in Total Sales Revenue

## Tourism Sales by Industry

City of Dallas, \$ millions



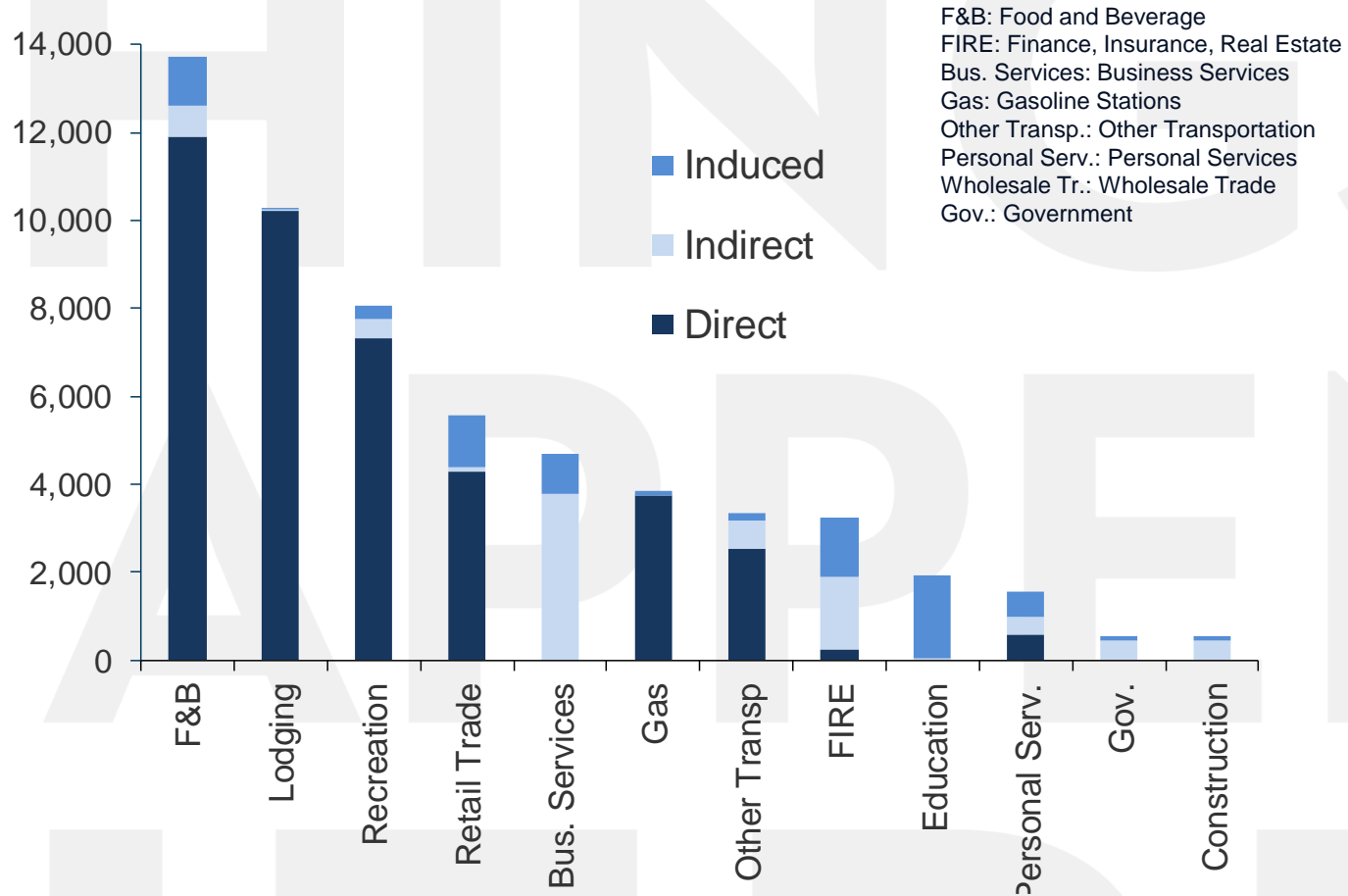
F&B: Food and Beverage  
 FIRE: Finance, Insurance, Real Estate  
 Bus. Services: Business Services  
 Gas: Gasoline Stations  
 Other Transp: Other Transportation  
 Manu.: Manufacturing  
 Personal Serv.: Personal Services  
 Comm: Communication



# VISITOR IMPACT IN DALLAS

## 59,000 Jobs Supported by Tourism

### Tourism Employment by Industry

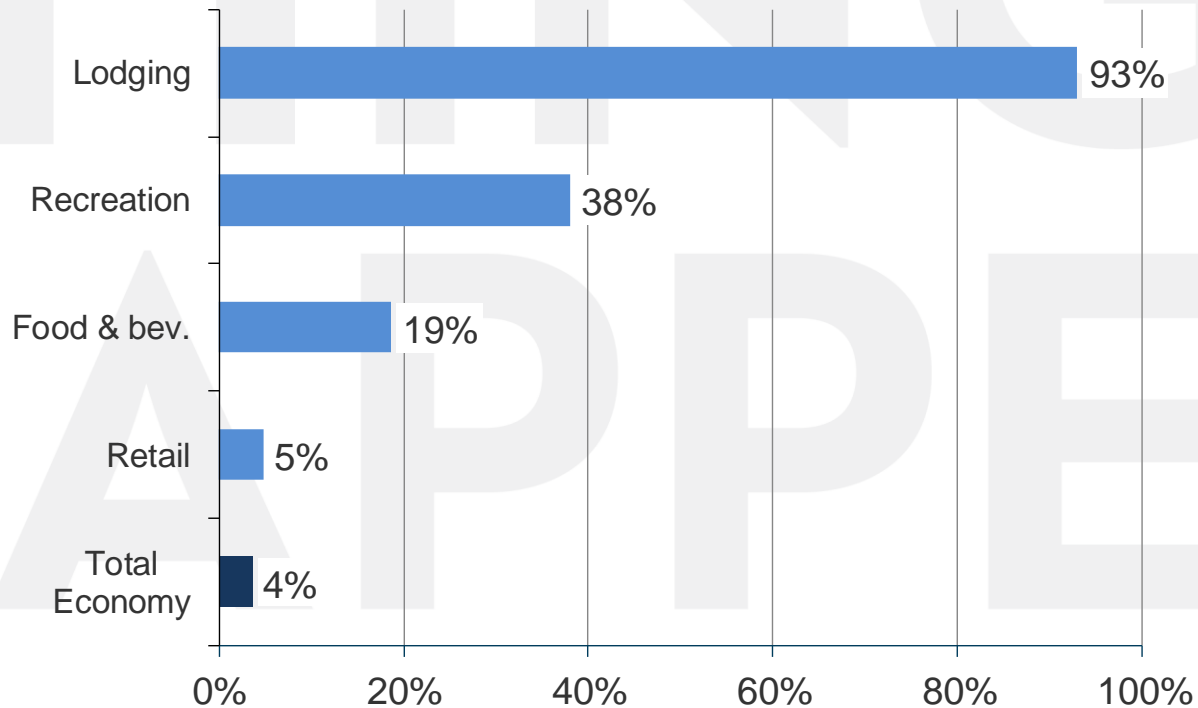


# VISITOR IMPACT IN DALLAS

59,000 Jobs with \$2.8 Billion Income  
1 in Every 19 Jobs Sustained by Tourism

## Tourism Employment Intensity by Industry

City of Dallas, Direct only

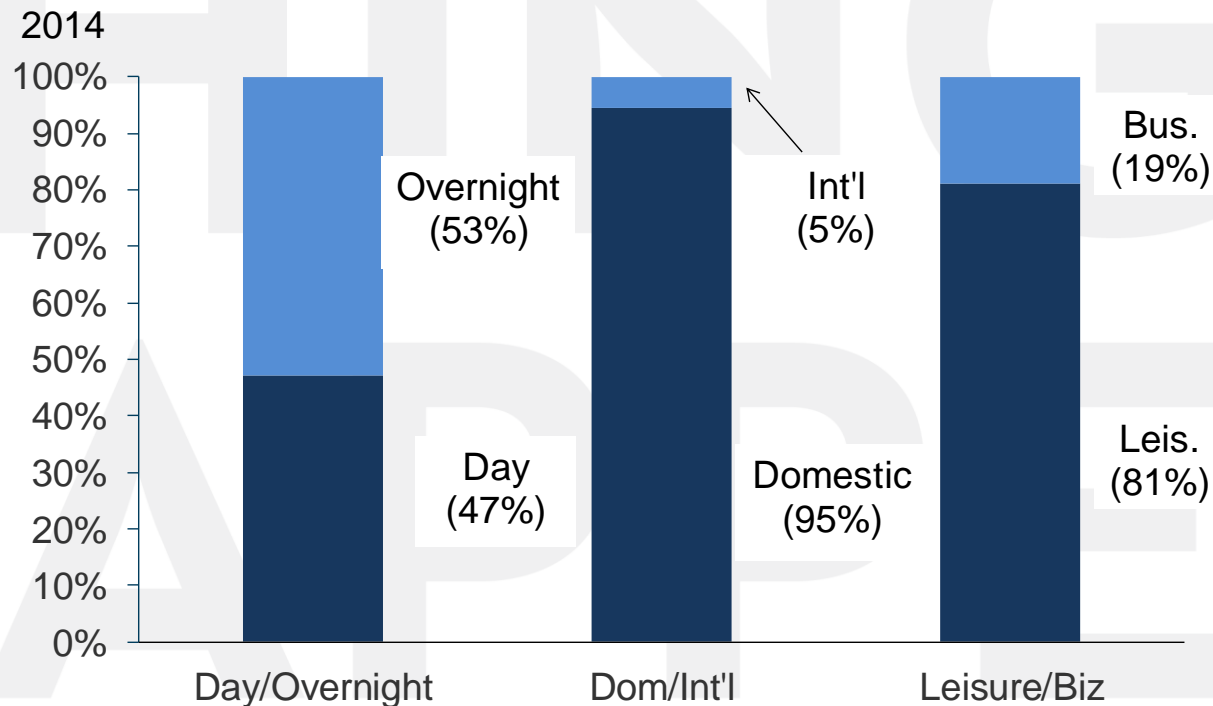


Source: Tourism Economics

# VISITOR IMPACT IN DALLAS

Overnight Visitors Spend \$251 Per Person

## Visitor Characteristics



Sources: Longwoods Int'l, Tourism Economics

# VISITOR IMPACT IN DALLAS

Tourism Generated \$942 Million in Taxes

**Offset Average Household Tax Burden By: \$1,084**

Tourism Tax Generation (millions)					
<b>Federal</b>	<b>\$441.3</b>	<b>State</b>	<b>\$267.4</b>	<b>Local</b>	<b>\$233.6</b>
Personal Income	\$139.3	Corporate	\$0.2	Sales	\$44.4
Corporate	\$51.8	Sales	\$160.9	Lodging	\$59.9
Indirect Business	\$44.1	Lodging	\$43.6	Property	\$124.1
Social Security	\$206.1	Other Taxes and Fees	\$62.8	Other Taxes and Fees	\$5.3

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The logo features a stylized white 'D' with a five-pointed star inside it, followed by the word 'DALLAS' in a bold, white, sans-serif font. A small 'TM' trademark symbol is positioned at the top right of the 'S'.

# DALLAS<sup>TM</sup>

Convention & Visitors Bureau

B I G T H I N G S H A P P E N H E R E



# Stakeholders Help Drive Our Success



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Dentons US LLP

***EDDIE REEVES – CHAIR-ELECT/TREASURER***

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Finance Committee Chair

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Mayor Pro Tem, City of Dallas  
Diversity & Inclusion Committee Chair

***DAVE BROWN – IMMEDIATE PAST CHAIRMAN***

American Airlines Center  
Nominating Committee Chair

***AMY HOFLAND***

Crow Collection of Asian Art  
Cultural Tourism Committee

***DANA WILLIAMS***

Southwest Airlines  
Marketing Committee

***TARA GREEN***

Klyde Warren Park  
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***HAROLD RAPOZA***

Hilton Anatole Dallas Hotel  
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Bain & Company  
Strategic Alliances Committee

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Dallas Zoo

**DEAN FEARING**

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City of Dallas

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