

Nevada County

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Sustainable Tourism Funding Plan

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## **I. Background**

As part of the contract with Nevada County, Switchback PR + Marketing, Inc. hosted a sustainable tourism funding workshop for key tourism industry stakeholders from within Nevada County on March 4, 2011 in Grass Valley. Stakeholders were invited at the request of Nevada County and a copy of those in attendance is available. It should be noted that Switchback Public Relations went beyond the scope of the contract and hosted a sustainable tourism funding workshop for key tourism industry stakeholders from within Nevada County.

The concept for developing a sustainable funding approach was initiated by the supervisors as a way to provide ongoing support for their recent tourism promotion efforts. These efforts include the development of a marketing plan, website and brand designed to unify Nevada County tourism efforts.

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## II. Sustainable Funding Workshop

### Workshop Overview

The presentation included three parts which will be reviewed below:

#### Part 1: Overview of Destination Marketing Organization Funding Sources

This section of the presentation looked at the different sources of sustainable funding such as public sector funding including, transient occupancy tax and other general fund revenues. Additional sustainable funding includes private sector funding methods of cooperative marketing contributions as well as membership.

Historically, in many jurisdictions transient occupancy funding was earmarked for tourism promotion efforts, but over time those funds were diverted for other general fund needs. A new private sector funding mechanism had been implemented recently in California

The Tourism Business Improvement District (TBID) is a self-imposed (through ordinance) assessment to fund pre-determined business related activities that benefit participating tourism businesses, in this case lodging industry.

#### Part 2: Examples of Tourism Funding

SMG provided a variety of tourism funding models including the following:

##### Model 1-County Funding (North Lake Tahoe)

[www.gonorth.com](http://www.gonorth.com)

- Primary source of funding is Placer County
- Membership
- Cooperative marketing programs

This model, currently in use by the North Lake Tahoe Resort Association combines funding from Placer County, as well as membership funding. Additionally, the NLTRA is involved in a number of cooperative marketing programs that leverages their investment in tourism promotions.

##### Model 2- City Funding (Gilroy)

[www.gilroyvisitor.or](http://www.gilroyvisitor.or)

- Funded by the City of Gilroy
- Membership
- Cooperative marketing programs

This model is similar to Model 1 identified above except that the jurisdiction is a city instead of a county. In this case, the bureau combines funding from the City of Gilroy, as well as membership funding. Additionally, the bureau is involved in a number of cooperative marketing programs that leverages their investment in tourism promotions.

##### Model 3- TBID Funding (Temecula Visitors & Convention Bureau)

[www.temeculacvb.com](http://www.temeculacvb.com)

- Funded through the local lodging industry
- Major contribution from a local casino
- Cooperative marketing programs

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This model relies on TBID funding as its main source of tourism promotion funds. Additionally, the jurisdiction has a tribal casino that seeks to participate in bureau marketing activities and makes a contribution so it can participate. The bureau also is involved in cooperative marketing programs to leverage its tourism promotion funds.

**Model 4-TBID + Municipal Funding (Santa Barbara)**

**[www.santabarbaraca.com](http://www.santabarbaraca.com)**

- Tourism Improvement District
- City of Santa Barbara funding
- Membership
- Cooperative marketing programs

This model includes a mix of TBID funding plus municipal funding in what is described as a public/private partnership. Additionally, the bureau gets some funding from membership and also, is involved in a variety of cooperative marketing programs.

**Model 5-TBID + Municipal Funding + County + City (Santa Cruz)**

**[www.Santacruzca.org](http://www.Santacruzca.org)**

- City of Santa Cruz, Scotts Valley, Capitola, Watsonville, unincorporated county.
- One tourism promotion organization
- Funding is a mix of public funds from each jurisdiction and TBID funding

This model is the most complex because it includes TBID funding and municipal funding from both the county as well as individual cities within the county all combined and used by the one bureau that promotes the entire area.

At the conclusion of the workshop presentation, we identified the following

- First, those in attendance voiced support for the idea that Nevada County is a tourist destination and should be promoted.
- Second, those in attendance supported a model that would include county funding, local city funding and private sector funding.
- Third, those in attendance were eager to get started in the organization of this approach and urged the county supervisors to form a subcommittee of volunteers to start the organizing process. This committee would include an appropriate cross section of stakeholders with professional facilitation charged with developing a comprehensive plan to organize tourism promotion in Nevada County.

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### III. Sustainable Plan

#### Goal:

To develop a sustainable funding solution for tourism promotion for Nevada County.

#### Objectives:

1. Develop an approach that facilitates ongoing tourism promotion efforts.
2. Develop an approach that leverages the county and the municipalities within the county in an effort to create an increased level of awareness for Nevada County as a tourism destination.

#### Options:

In considering the issue of sustainability, Switchback has identified four options that are sustainable; they include the following:

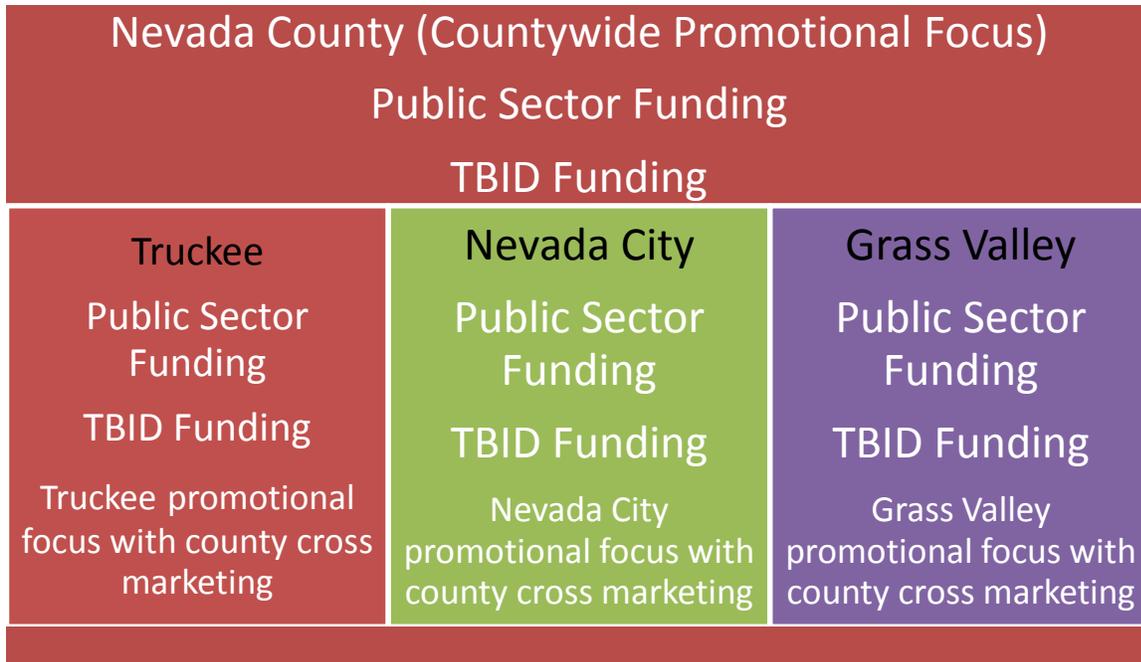
1. Ongoing funding from Nevada County. This includes ongoing general fund support from Nevada County. This option places the burden of funding entirely on the county with limited or no support from the private sector.
2. Development of a lodging industry TBID for the unincorporated area of the county. This option includes funding from the lodging industry with no funding support from the public sector. This option also places all the burdens of tourism promotion on the lodging industry while other industry sectors (dining, retail shopping, and attractions) receive the benefit of those efforts.
3. Increase in transient occupancy tax for tourism promotion efforts. This option includes an increase in the tax rate with that increase to be used for tourism promotion. To achieve the tax increase, it must be passed by two thirds of those voting and it's anticipated that would be challenging.
4. Public/Private Partnership. This option includes ongoing funding from Nevada County as well as TBID funding from the private sector. This option provides funding from those that benefit most from tourism. In the case of the lodging industry, they would pay from the proceeds of a TBID and the county would provide funding based on collections from lodging as well as retail sales tax collections.

Based on the input from the sustainable workshop it is recommended that perhaps the best option would be a public/private partnership. In this way Nevada County and the lodging industry are partners and therefore, their invested dollars are leveraged. Ultimately, each entity would mutually benefit from the positive outcome of increased tourism.

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## Sustainable Funding Vision

A comprehensive funding strategy for the county will also involve other areas of the county so that total tourism promotion funding is increased. The best case scenario would include both a mix of public and private sector funding with each of the municipal areas promoting their region and cross marketing other activities throughout the county. At the same time the county efforts will promote the entire region.



Key to the development of a sustainable funding plan is three important elements:

1. Nevada County develops its own sustainable funding plan.
2. Areas within the county (Grass Valley, Truckee, and Nevada City) develop their own sustainable funding programs.
3. County and the areas work together to maximize their own efforts.

## Sustainable Funding Implementation Steps

In order to develop sustainable funding for Nevada County, two core elements are involved.

- Funding from the county
- Funding from the private sector.

Sustainable funding from the county will require support and a vote of the county supervisors.

Obtaining support for private sector funding can be achieved via the implementation of a tourism business improvement district. In the TBID process, local lodging operators agree to self-assess themselves, collect the money and pass the funds onto a designated tourism promotion organization.

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In developing and implementing a TBID there are two tracks that need to be addressed, the first is community support and the second is the legal steps required to actually implement a TBID.



### **The Community Track**

The following steps are needed to gain support for TBID. It should be noted that in this track it is important to gain support of the lodging industry as they are the industry that will be assessed in the TBID.

- ✓ Organizing-Perhaps the first step is for the county Chief Administrative Officer to meet with his/her counterparts in Truckee, Nevada City and Grass Valley to understand the need and the process to achieve the sustainable tourism promotion goal.
- ✓ Stakeholders- If agreement is reached in the above step it will be necessary to meet with key lodging industry stakeholders in the unincorporated areas of the county. The objectives of that meeting would be threefold: to educate leaders on TBID's; secondly, to communicate the need for a TBID and sustainable funding strategy; and thirdly, to gain support for the lodging industry leadership to take the lead on the development and acceptance of the idea within the lodging industry.
- ✓ Broader lodging industry meetings-At this point it is important to educate the broader lodging industry on the opportunity of a TBID and sustainable tourism funding. To this end, appropriate educational materials will be needed, including:
  - Support material- Switchback has provided (Courtesy of SMG) a series of documents that are beyond the required contract with Nevada County and include a white paper of TBID's, Frequently asked Questions (FAQ's) about TBID's and a copy of the recently completed TBID study by SMG/Civitas. Additionally, they will need to be presented a potential budget on how the funds would be used as well as the county marketing plan to outline the marketing efforts that would be funded.
- ✓ Lodging Industry Agreement- Once the lodging industry has reached agreement on the development of TBID there is a series of legal steps that need to be taken.

### **The Legal Track**

There are a number of steps that must be taken to form a TBID. These steps are summarized below.

- ✓ Business owners must petition the county to establish a TBID on their behalf.
- ✓ The county must approve a resolution of intent.
- ✓ A copy of the TBID proposal and resolution is sent to all affected businesses.
- ✓ Two public meetings are held.



Legal Formation \$20,000

- Includes all legal work required to implement the TBID

**Additional Costs:**

In addition to the above costs, Nevada County should include appropriate staff time to assist in the formation. This could include but is not limited to the following:

- Meeting scheduling and notifications
- Legal counsel involvement in working with the TBID attorney, including document review and input.

**TBID Marketing**

Included in this section are six different funding scenarios using two different TBID funding approaches. The first approach is based on a fixed dollar amount per night, per room occupied. In this model the TBID revenues are based on different scenarios of collecting either \$1, \$2 or \$3 per night, per occupied room.

	TBID Budget			
		Scenario 1	Scenario 2	Scenario 3
<b>Projected Revenue:</b>				
Number of Units		202	202	202
Number of nights		365	365	365
Total Available Room Nights		73730	73730	73730
Occupancy Rate ( Annual)		45%	45%	45%
Rooms Sold		33179	33179	33179
TBID Rate		\$1	\$2	\$3
Total Projected Revenue		\$33,179	\$66,357	\$99,536
<b>Projected Expenses:</b>				
Management Fees	30%	\$9,953.55	\$19,907.10	\$29,860.65
Website Maintenance	15%	\$4,976.78	\$9,953.55	\$14,930.33
Social Media	20%	\$6,635.70	\$13,271.40	\$19,907.10
Public Relations	25%	\$8,294.63	\$16,589.25	\$24,883.88
Misc	5%	\$1,658.93	\$3,317.85	\$4,976.78
Sales Trade Shows	5%	\$1,658.93	\$3,317.85	\$4,976.78
<b>Total</b>	<b>100%</b>	<b>\$33,178.50</b>	<b>\$66,357.00</b>	<b>\$99,535.50</b>

*Notes: # of Units includes 120 motel units, 20 cabins, 23 hotels, 5 Bed & Breakfast and 34 property management units.*

*Occupancy rate is estimated.*

In the second model TBID Revenue is based on a percentage of collected gross room revenues, in this case 1%, 1.5% or 2%.

	Pct.	Scenario 1	Scenario 2	Scenario 3
<b>Projected Revenue:</b>				
T.O.T. Collections		\$294,851	\$294,851	\$294,851
T.O.T. Rate		10%	10%	10%
Gross Room Revenue		\$2,940,851	\$2,940,851	\$2,940,851
TBID Rate		1%	1.50%	2%
<b>Total Projected TBID Revenue</b>		<b>\$29,408.51</b>	<b>\$44,112.77</b>	<b>\$58,817.02</b>
<b>Projected Expenses:</b>				
Management Fees	30%	\$8,822.55	\$13,233.83	\$17,645.11
Website Maintenance	15%	\$4,411.28	\$6,616.91	\$8,822.55
Social Media	20%	\$5,881.70	\$8,822.55	\$11,763.40
Public Relations	25%	\$7,352.13	\$11,028.19	\$14,704.26
Misc	5%	\$1,470.43	\$2,205.64	\$2,940.85
Sales Trade Shows	5%	\$1,470.43	\$2,205.64	\$2,940.85
<b>Total</b>	<b>100%</b>	<b>\$29,408.51</b>	<b>\$44,112.77</b>	<b>\$58,817.02</b>

### Proposed Timeline



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### III. Consultant Recommendation

#### Overall Recommendation

There can be no doubt that there are challenges in developing a sustained funding approach for Nevada County, as the economic environment is challenging at all levels, impacting both the public and private sector alike. Currently Nevada County has a limited level of tourism promotion. Local municipalities, such as Nevada City, have allocated limited funding for tourism. Also, the private sector has played a very limited role in tourism funding primarily through membership in local chambers and merchant's associations.

The county has made an important commitment to tourism promotion including the development of a marketing plan, a Nevada County brand and new Nevada County website ([www.GoNevadaCounty.com](http://www.GoNevadaCounty.com)). The importance of tourism as an economic development strategy is vital for both county and municipal level government. Therefore, it is imperative that a variety of funding mechanisms be considered.

For Nevada County to be more competitive within the tourism industry it must not only have a coordinated approach, but also funding. It is important for the county, Truckee, Grass Valley and Nevada City as well as the private sector work to increase the overall levels of tourism funding available for marketing promotion.

We recommend the county consider, and be a catalyst, for a model that has the following elements:

1. Continued funding by the county to support the website and limited marketing activities designed to promote the overall Nevada County brand.
2. Support the formation of an unincorporated county area TBID.
3. Encourage public funding in Truckee, Grass Valley and Nevada City to promote tourism efforts under the banner of the county.
4. Support the development of Tourism Business Improvement District (TBIDs) in Truckee, Grass Valley and Nevada City and the unincorporated areas to support public funding from each of those jurisdictions.

This model will achieve two significant objectives. First, it will provide a significant increase in overall tourism funding for Nevada County, improving the areas overall competitiveness. Second, it will coordinate the funding that promotes the overall Nevada County brand, as well as the areas within the county (Truckee, Nevada City, Grass Valley and the unincorporated County) successfully leveraging each areas funding.

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**Specific Recommendations:**

1. The county should consider making long term commitment to tourism funding. Clearly tourism is an important provider of jobs and taxes. Leadership from the county will help shape tourism promotion and investment throughout the county.
2. The county should retain a facilitator to organize the efforts to develop a TBID. Coordination of this strategy can be complicated and challenging. Therefore it is recommended that the county retain a consultant to provide significant community outreach. Consultant activities should include the following:
  - Meeting scheduling and preparation
  - Agenda development
  - TBID material development
  - Coordination of TBID efforts with Truckee, Grass Valley and Nevada City
  - Liaison with the county
3. Legal counsel for the formation of the TBID. If the county does not have the resources to develop the formation of a TBID it is recommended they consider outside legal counsel.

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