DISCUSSION DOCUMENT

FUNDING FUTURES

Overview of 10 Options for New or Enhanced Funding of Tourism & DMOs in the Recovery from COVID-19

August 6, 2020

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VAIL, COLORADO

BROOKINGS, OREGON

SAN FRANCISCO, CALIFORNIA

Introduction

"The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger--but recognize the opportunity."

– John F K

Danger **Opportunity**

Funding has never been more important to destination organizations. This discussion document outlines 10 areas of opportunity for improved funding for tourism and Destination Marketing and/or Management Organizations (DMOs)* in the recovery from the COVID-19 crisis. This includes a range of ideas and opportunities for more responsive, resilient, and regenerative funding for DMOs of the future. COVID-19 has had a profound impact on the travel and tourism industry and there is a significant opportunity to make changes that would not be possible without this seminal crisis. As the quote from John Kennedy highlights, such a period of disruption and risk also brings a moment of opportunity for real change. DMOs, the wider tourism industry, and their community and government partners can seize the moment to rethink how tourism should contribute. This study explores new ways to fund the important work of DMOs, measure and support the full costs vs. benefits of tourism, and more broadly help protect, restore and enhance the local community and environment – for visitors *and* locals.

Note on the use of "DMO": *We have used DMO as the descriptor for all types of Destination Organizations regardless whether they are an official National, State/Provincial, Regional or a City Tourism Organization and regardless of whether their focus is marketing, sales, and/or management of tourism.*

FEEDBACK & COMMENT

This discussion document is the first part of a fuller report that will be published on August 20, 2020 – and seeks feedback and comment on 10 areas of new or improved funding that should be explored.

Please review and offer your rating of each funding opportunity and comments using this online survey: surveymonkey.com/r/LSD73KQ

CLICK HERE TO TAKE THE SURVEY

Three Types of Funding Models

The 10 funding models are divided into 3 broad types based on the primary characteristics and benefits of each funding model:

RESPONSE

Funding mechanisms that provide short-to-medium term revenue to directly address the reopening and recovery phases of the COVID-19 crisis over the next one to three years.

1. Stimulus Spending & Recovery Funding

RESILIENCE

Funding that provides a stronger and more resilient source of revenue, such as revenue models that are widely supported, broader based and support the long term, sustainable growth of tourism. Funding that will help tourism and DMOs weather the next crisis – whether natural or man-made, regional, or global in scale.

2. Building Reserves
3. Sharing Risk – Insurance
4. Role, Responsibility & Structure of DMOs
5. Evolution of Dedicated Funding
6. Tax Increment Funding
7. Enhanced Public – Private Co-op Funding
8. Short-term Rental Revenue

REGENERATION

Funding that is focused squarely on 'building back better.' Revenue streams that cover all the costs of tourism, incentivize positive tourism activity, target problematic tourism growth, and/or invest in the long-term assets and amenities for the community and environment.

9. Outcome Based Funding Models
10. Regenerative Funding Models

Note: *This discussion document is a high level introduction and overview of each of the 10 funding models outlined above. We provide examples and resources for additional review. Destinations and their industry, community and government partners will need to examine each in more detail based on their own specific characteristics and define a mix of funding that best suits their needs.*

FUNDING FUTURES:

Response

Funding mechanisms that provide short-to-medium term revenue to directly address the reopening and recovery phases of the COVID-19 crisis over the next one to three years.

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LOS ANGELES, CALIFORNIA

1. STIMULUS SPENDING & RECOVERY FUNDING

Highlights

- Funding and stimulus spending from governments is critical to the operation of many DMOs during the crisis and their active role in the recovery of travel
- Dozens of countries including Canada, but not the United States, have already targeted significant funding support to DMOs in this crisis
- This public recovery funding for DMOs and/or prioritized DMO funding mechanisms will be critical to ensure DMOs are ready to help lead the recovery
- In addition, spending by governments on health & safety protocols for travel plus stimulus investment in areas including domestic tourism campaigns or incentives to travelers also greatly aid the work of DMOs in reopening tourism

CHICAGO, ILLINOIS

A. INTRODUCTION TO STIMULUS SPENDING & RECOVERY FUNDING

Travel and tourism are seeing historic drops in visitor arrivals and spending in many parts of the world. In the US, this decline in spending is estimated at over $500 billion for 2020 – a more than 35% drop from 2019 levels. Almost 40% of all the newly unemployed in the US as of May 2020 are estimated to come directly or indirectly from travel and hospitality (Tourism Economics & U.S. Travel Association estimates to July 2020). The U.S. Travel Association (USTA) has dubbed this 'The Great Travel Depression.' (See graphic)

Tourism and travel faces a momentous challenge in the recovery from COVID-19. With deep declines in tourism spending during the pandemic, both public and private funding have been massively disrupted. This is especially true of transaction-based funding models including bed taxes, rental car fees, visitor arrival levies and more. At the very moment when tourism and DMO resources will be necessary to help to lead the recovery of tourism and hospitality, many DMOs and their industry partners will be facing unprecedented declines in their funding.

Here are a range of stimulus spending and recovery funding opportunities that will be important to the recovery of tourism and DMOs.

B. RECOVERY FUNDING OF DMOS

The COVID-19 pandemic has prompted unprecedented levels of public spending, largely funded by debt. Around the world, a wide range of governments are directly supporting DMOs or tourism specific campaigns related to DMOs through direct funding and grants. Some nations such as Canada, Australia, New Zealand, and a range of European countries have provided other recovery funding to DMOs. These funds are usually linked to specific programs as recovery strategies and destination management planning, but in some cases cover overhead during the crisis. Wage subsidy schemes in a range of nations have also helped.

Canada

In Canada, DMOs have been able to access both wage subsidies, rent support and a range of specific grants and other funding from both the Federal and Provincial Governments.

a. **Wage Subsidies & Rent Support:** In Canada, many DMOs have been able to access Federal Government support including the Canadian Emergency Wage Subsidy (CEWS) - available to any employer who is able to demonstrate a decline of at least 30% in revenue. Plus, rent support is available through the CECRA - the Canadian Emergency Commercial Rent Assistance Program. Both programs have covered important parts of the overhead costs of many DMOs and enabled them to retain staff and resources to respond to the crisis.

b. **DMO Grants & Funding Support:** Canada has provided substantive funding support for DMOs from both the Federal and Provincial levels of Government. This was kicked off in late May during tourism week by Destination Canada's announcement of a $30 million CAD partnership fund. This will be invested over the next 18 months to support the recovery of communities through the work of Provincial and Territorial Marketing Organizations. See a summary here. This compliments programs in each Province. For example in Alberta, Travel Alberta announced in late June a $4 million CAD 'Alberta DMO COVID-19 Operational Relief Program' to support 9 DMOs in the Province plus a further $4 million CAD program to support city DMOs in regional and provincial domestic tourism marketing initiatives. See overview here. In British Columbia, $10 million CAD was made available to DMOs though this was largely to make up for the freezing of the MRDT accommodation tax that funds DMOs - part of the freeze of Sales tax in the Province in response to the COVID-19 crisis.

In addition, Canada's 7 Economic Development Agencies, which received substantive additional funding to help the economy respond to the COVID-19 crisis, has been providing funding to some DMOs particularly in the Eastern and Maritime Provinces.

Such a nationally coordinated and well funded response to support DMOs is also common across Europe, the Asia Pacific and other nations and stands in contrast to the situation currently in the US.

USA

In the US, DMOs have had much more difficulty accessing public support after being excluded from the SBA's Paycheck Protection Program (PPP) scheme (part of the CARES Act passed by Congress, more information below). As of the end of July 2020, the U.S. Travel Association is still advocating for specific DMO support as part of an additional congressional relief, and that support is critical for DMOs to have the ability to lead the recovery of tourism. In the meantime, DMOs are taking advantage of additional grant opportunities such as Economic Injury Disaster Loans, Economic Development Administration Grants, and Coronavirus Relief Funds, outlined below:

a. **PPP:** The Paycheck Protection Program (PPP) in the US is a federal loan program that provides funds to assist small businesses retain employees. Those who qualify are eligible for full or partial loan forgiveness if the grant funds are used for payroll, rent, mortgage interest, utilities, and other qualifying costs. PPP fund applications are administered through private banks.

    - As of this writing, PPP loans are targeted at small businesses and some nonprofit organizations. PPP funds are not currently available to government entities, 501(c)(6) corporations, nor 501(c)(4) organizations.
    - There are promising indications that Congress will revise PPP qualifications to include 501(c)(6) corporations. This change could occur at any time and being prepared ahead of the application announcement may provide a distinct advantage over organizations who wait until that time to begin the application process. We encourage those who are interested in the funds to begin compiling the required resources immediately. In the past, PPP loan applications have required, at a minimum the following items: a bank application, payroll records for one year, health care payment information for one year, vision and dental insurance payment information for one year and lease agreements or mortgage information. We will not know the final rules for the next round until Congress concludes its work, but most organizations would be well-advised to begin collecting their records immediately.
    - Working together with your local bank is essential for success in applying for PPP funds. Some banks are keeping lists of organizations that have expressed interest in applying for PPP funds, once Congress passes amendments to the qualifying businesses. Reaching out to your local bank to begin this process, and compiling the aforementioned materials, ensures that you are ready to hit the ground running with a PPP application.

b. **EDA:** The Economic Development Administration (EDA) is a US federal agency that provides grant assistance to economically distressed areas as authorized by the Public Works and Economic Development Act of 1965 (PWEDA), as amended. EDA supports local, state and regional economic development efforts targeting areas of highest distress within the United States. Ordinarily, the EDA determines area eligibility for the grants based on the level of unemployment, per capita income, or special need, and cost sharing or matching is required.

    - However, since the President declared the COVID crisis a national emergency, and since the CARES Act allocated $1.5 billion to the EDA, EDA grants are available throughout the country to local and state governments, and nonprofits working with governments, based on an 80/20 match. EDA provides direct grants for projects that will create and retain private-sector jobs and leverage public and private investment.
    - The EDA has issued guidance in support of travel promotional campaigns but

has also stated that the grant funds cannot be used for advertising. While some of the guidance may appear to be contradictory, the prospects of being awarded these funds for a variety of other efforts has been a blessing for many travel and tourism organizations. Collaborating with other DMOs or other regional organizations generally makes EDA grant applications more competitive. The EDA has encouraged DMOs to connect with their local economic development organizations and professionals to encourage collaboration. The EDA has been supportive of DMOs investing in planning grants, including recovery plans, master plans, and communication plans. In addition, the EDA has expressed their support for applications that include economic research.

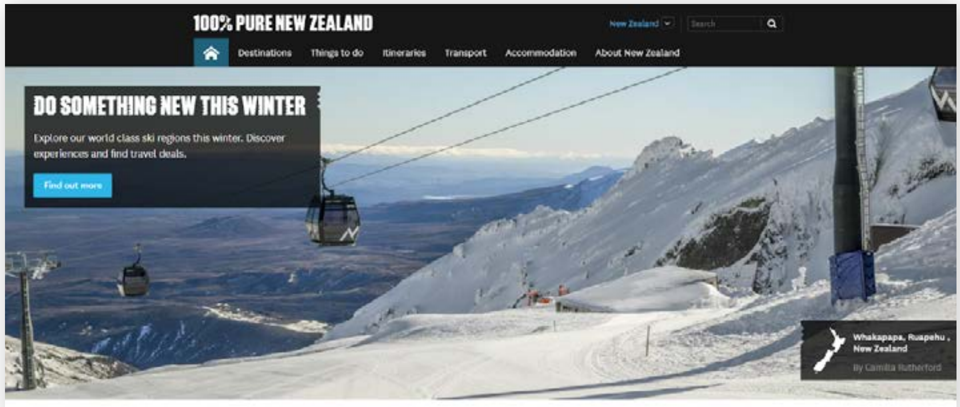
c. **EIDL:** Small business owners and non-profit organizations may apply for an Economic Injury Disaster Loan (EIDL) through the Small Business Administration (SBA). The EIDL program is a mechanism for increased liquidity for destination organizations, intended to provide economic relief to businesses and non-profit organizations that have experienced a loss of revenue due to COVID-19. EIDL funds may be used to fund operating expenses, including health care, utilities, and fixed debt payments. Typically, recipients of EIDL funds are receiving loans of up to $150,000 and have favorable repayment terms with low interest rates and long pay back periods. Many applicants have received a forgivable grant of up to $10,000 as part of the EIDL process. Even organizations that do not anticipate taking out the loan, have applied for the EIDL loan as a way of adding liquidity to their organization.

d. **CRF:** The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established the Coronavirus Relief Fund and appropriated $150 billion to the Fund. Under the law, Coronavirus Relief Funds (CRFs) can be used to make payments for specified uses to States and certain local governments. The intent of these funds is to reimburse local governments and help jurisdictions mitigate the immediate impacts of the COVID-19 emergency. These critical funds allow communities to cover critical expenses, including isolation and quarantine sites, staffing and the procurement of medical supplies and equipment for health care, and planning for safe reopening and recovery. CRFs may only be used to cover costs that are necessary expenditures during COVID-19 that were not accounted for in the budget most recently approved as of March 27, 2020. Several DMOs are currently working with their local governments in an effort to secure these funds.

e. **Discretionary Grants from Local Governments:** Some DMOs have been successful at working with their local city or county government to secure additional funding. While local government budgets have been severely impacted by the COVID crises, many local government leaders understand the importance of their DMO. Shortages of general fund dollars has made these other discretionary grants relatively rare. However, if DMOs see an opportunity to fight for additional local funding either to assist communities in the depth of the crises, or to be the primary catalyst for additional jobs in recovery, they are actively pursuing the additional investment.

C. FUNDING OF LOCAL & DOMESTIC CAMPAIGNS

In a range of nations including Thailand, Australia, New Zealand, and a number of European nations, funding for DMOs is also focused on supporting recovery campaigns to activate local and domestic tourism. In destinations heavily reliant on international tourism, government support is often critical to activate domestic tourism – previously not a major focus. Thailand's 'We Love Thailand' and New Zealand's 'Do Something New New Zealand' domestic campaigns (see right) are examples of exactly this.



Part of this funding is in many cases directed through the National Tourism Office who have pivoted to lead a national campaign to stimulate local & domestic travel. Additional campaign support is then invested in city and regional DMOs. These campaigns urge residents and visitors to support local businesses and to, when appropriate, travel locally (sometimes called "staycations") and/or domestically. Such campaigns aim to offset the almost complete loss of international tourism with the closure of borders during the COVID-19 crisis.

D. RESTARTING INTERNATIONAL TRAVEL

With many borders closed and the pandemic still raging, this particular goal may be a long way off. Stimulus funding to restart and recover international tourism will likely come into play once the pandemic is under control and international travel can be actively encouraged. Given that every international destination has been impacted, the response and reopening strategies of nations, and the funding involved, will be an important area to monitor and benchmark against.

TORONTO, ONTARIO

E. PRIORITIZED DMO FUNDING MECHANISM

A prioritized funding mechanism helps destinations respond during a crisis by managing the allocation of bed/hotel taxes to favor the DMO and other tourism recovery budgets. Prioritized funding mechanisms are already in place in cities such as Toronto (see below). This model can work in the wide range of destinations where bed taxes and other tourism funding are diverted into other non-tourism areas. Based on an agreement with the appropriate tax authority (e.g. City or State Government), the allocation of bed or other visitor taxes can be prioritized toward DMO budgets during periods of crisis, thus resourcing them to help empower the recovery.

Example: Visit Toronto funding agreements with their City Council prioritizes the full allocation of the Municipal Accommodation Tax or MAT (bed tax) revenue to the DMO to support the recovery of tourism. This new progressive funding agreement with the city of Toronto has been complimented by a stimulus package from the Federal Government of Canada. This government support was based on 50% of 6 months operating budget, and served as the foundation for additional funding from the Province. See the DMO Funding section for a fuller outline of Federal & Provincial Government support of Canadian DMOs.

More resources on the Toronto MAT tax revenue here.

F. PUBLIC BORROWING AGAINST FUTURE TOURISM FUNDING

Indirectly this is happening already in tourism stimulus spending by Governments (see above). In multiple countries, governments are borrowing to help support and reopen tourism with loans that will be repaid in part through tourism related tax and fee revenue when visitors return. It may be possible in some destinations to formalize this process through the issue of specific debt or bonds. In jurisdictions without the ability to run deficits (e.g. US State Governments), this would likely be a difficult option due to legal or political opposition.

Note: See the Appendix for Public investments in Health & Safety Protocols & Traveler Incentive & Rebates. Though not specifically funding for DMOs this type of public support and stimulus spending can greatly aid the DMO's work in the reopening & recovery of tourism.

**More: For a summary of tourism recovery funding around the world see* OECD 'Tourism Policy Responses to Coronavirus' here *and UNTWO's* 'COVID-19 Measures to Support Travel & Tourism'.

FUNDING FUTURES: Resilience

Funding that provides a stronger and more resilient source of revenue, such as revenue models that are widely supported, broader based and support the long term, sustainable growth of tourism.

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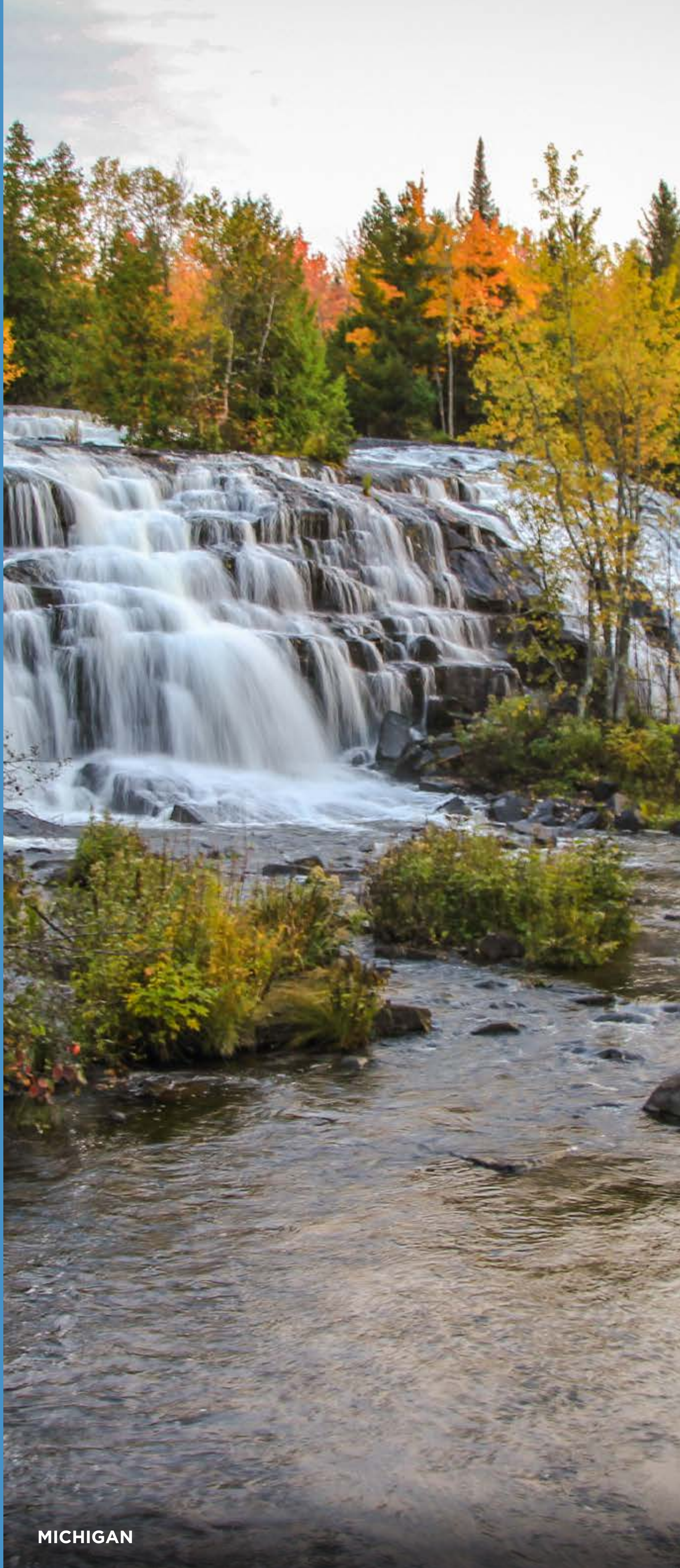


MICHIGAN

2. BUILDING RESERVES

A. Why Reserves Matter

B. Requiring DMO Reserves

C. Building DMO Reserves

D. Encouraging Private Sector Reserves

Highlights

- Many DMOs have little or no reserves to help manage any crisis – including COVID-19
- Rules and regulations often restrict and prohibit reserves – these need to be changed!
- Plan a reserve fund that is customized to your DMOs needs and crisis plans. A guideline is one year's operating budget
- Other funding mechanisms (e.g. Tax Increment Finance/ Funding) could be useful in building reserves

DMOs need funding models, including building reserves to better manage increased risks (both real and perceived) from both natural and man-made disasters and regional, national, and global crises.

A. WHY RESERVES MATTER

Most DMOs have no significant reserve funds to deal with events such as economic downturns, natural disasters (e.g. hurricanes or wildfires) or 'Black Swan' events such as COVID-19. The funds that are in place are often inadequate to deal with a major regional or economic crisis, let alone once-in-a-generation or lifetime event.

The events of 2020 and the increasing frequency of natural and man-made disasters have highlighted that risks are rising. Climate change will bring more extreme weather events, and COVID-19 has illuminated how uniquely vulnerable the interconnected, global travel market is. In the future, operating a DMO without a significant reserve is not only risky, it borders on financial malfeasance.

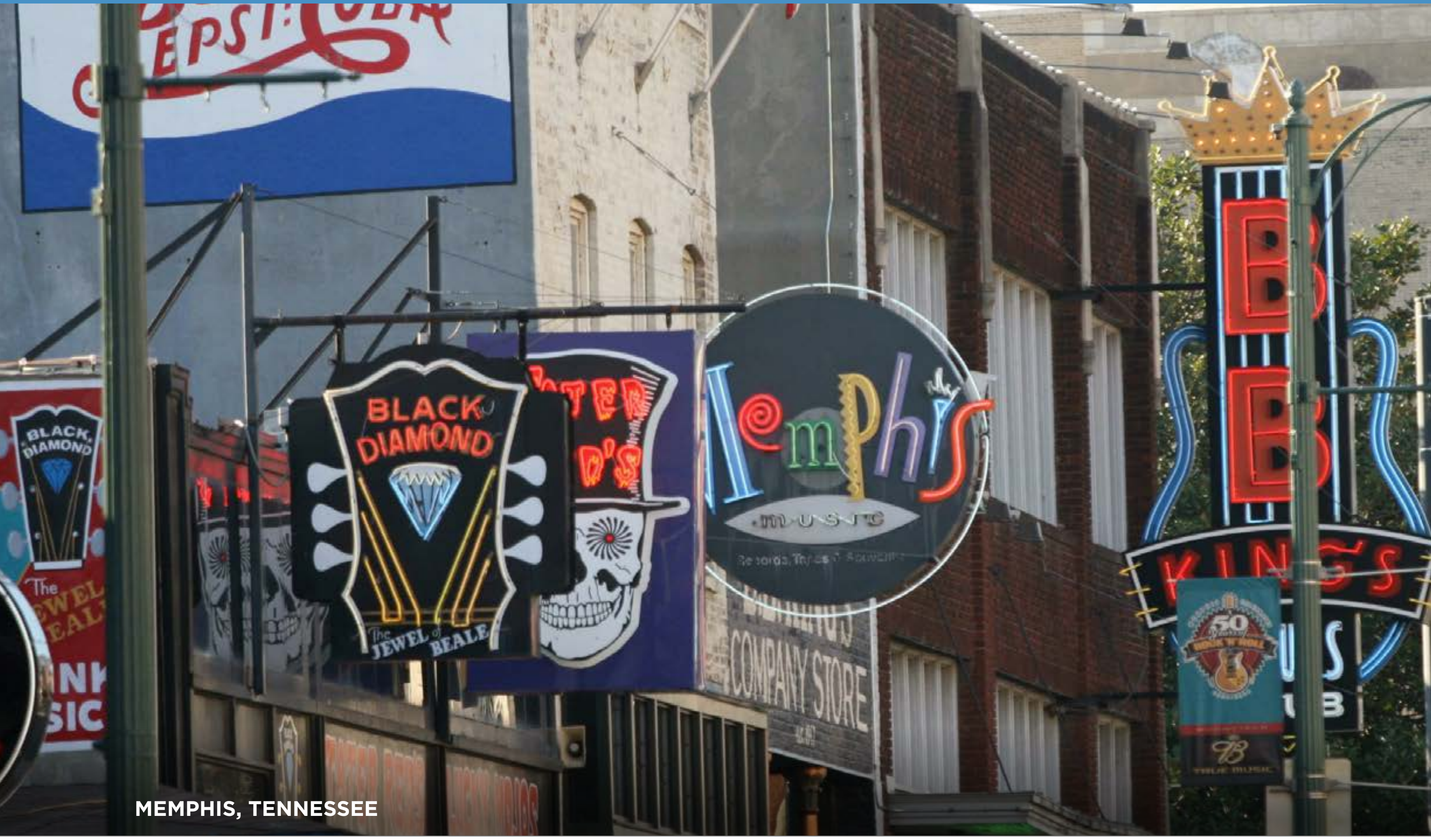
B. REQUIRING DMO RESERVES

For many DMOs, having reserves is precluded by their rules and regulations. Some are specifically mandated to spend all their revenue each financial year. The first necessity for every DMO is to review and if necessary, update the rules and regulations of the DMO to remove any such clause and specifically require building meaningful reserves. A second, critical part of such rules is placing strict criteria around when and how the reserve fund can be accessed and spent. DMOs need to ensure these reserves are protected from political interference or short-term marketing pressures, and the funds remain untouched in the interim and readily available when a crisis hits.

C. BUILDING DMO RESERVES

The size, timing and details of the reserve fund will vary by the type and nature of each DMO and its specific crisis response plan. DMOs in areas facing increasing frequency of extreme weather events should assign greater urgency to action. Building the reserve to the targeted level may take many years, and that length of time will be unique to each DMO. DMOs with dedicated funding will almost certainly have an advantage in budgeting for annual investments in building their reserve funds, compared to DMOs relying on politicians to allocate this in the annual funding. An indicative guideline is building a reserve which is at least one year's full operating budget. Funding options like Tax Increment Financing/ Funding (see Funding Option #6) are also effective in allowing reserves to be built up during the 'good times.' Reserves can be supplemented by insurance options to share the costs of covering certain risks, such as restarting major events and conferences in the destination (see Funding Option #3 'Shared Insurance').


HALIFAX, NOVA SCOTIA



MEMPHIS, TENNESSEE

D. ENCOURAGING PRIVATE SECTOR RESERVES

A destination's industry also needs to respond to these increased risks. Tourism businesses of all types need to plan for investing in their own reserves to help weather future crises. Public sector debt will dramatically rise coming out of the pandemic. In future crises it is likely that governments will be far more fiscally constrained in the support they can offer, based on their debt position. This means businesses will need to rely on their own resources to pivot, adapt, survive, and recover in future crises. Reserve funds can and should be part of every credible business plan.

Example: Memphis CVB implemented a Tourism Improvement District which supported the building of reserves equivalent to at least one year's full operating budget. It is one of the most securely protected DMOs in the US. Overview of the Memphis Tourism Improvement District here.

Building reserves is one part of a wider challenge of risk mitigation which will be a priority for every DMO coming out of COVID-19. Addressing risk can also include exploring new, broader-based funding options (see Funding Option #4 'Role, Responsibility & Structure of DMOs') and investigating insurance solutions to share the risk, especially for major events and conferences (see Funding Option #3 'Shared Risk – Insurance' below).

3. SHARING RISK – INSURANCE

Highlights

- COVID-19 has sharply elevated the perceived future risks of tourism and hospitality
- Outside of this pandemic, risks such as extreme weather events are also rising
- DMOs need to investigate, implement and fund ways to share and offset risk
- Offering insurance to major conferences and events could be critical for their return
- Private - Public pooled insurance offers an excellent model worth exploring

*Figure SEQ Figure * ARABIC 2. Insurance solutions such as that available to cover events and conferences held in Florida during hurricane season needs to expand in a post COVID-19 world.*

A. The Need for Insurance

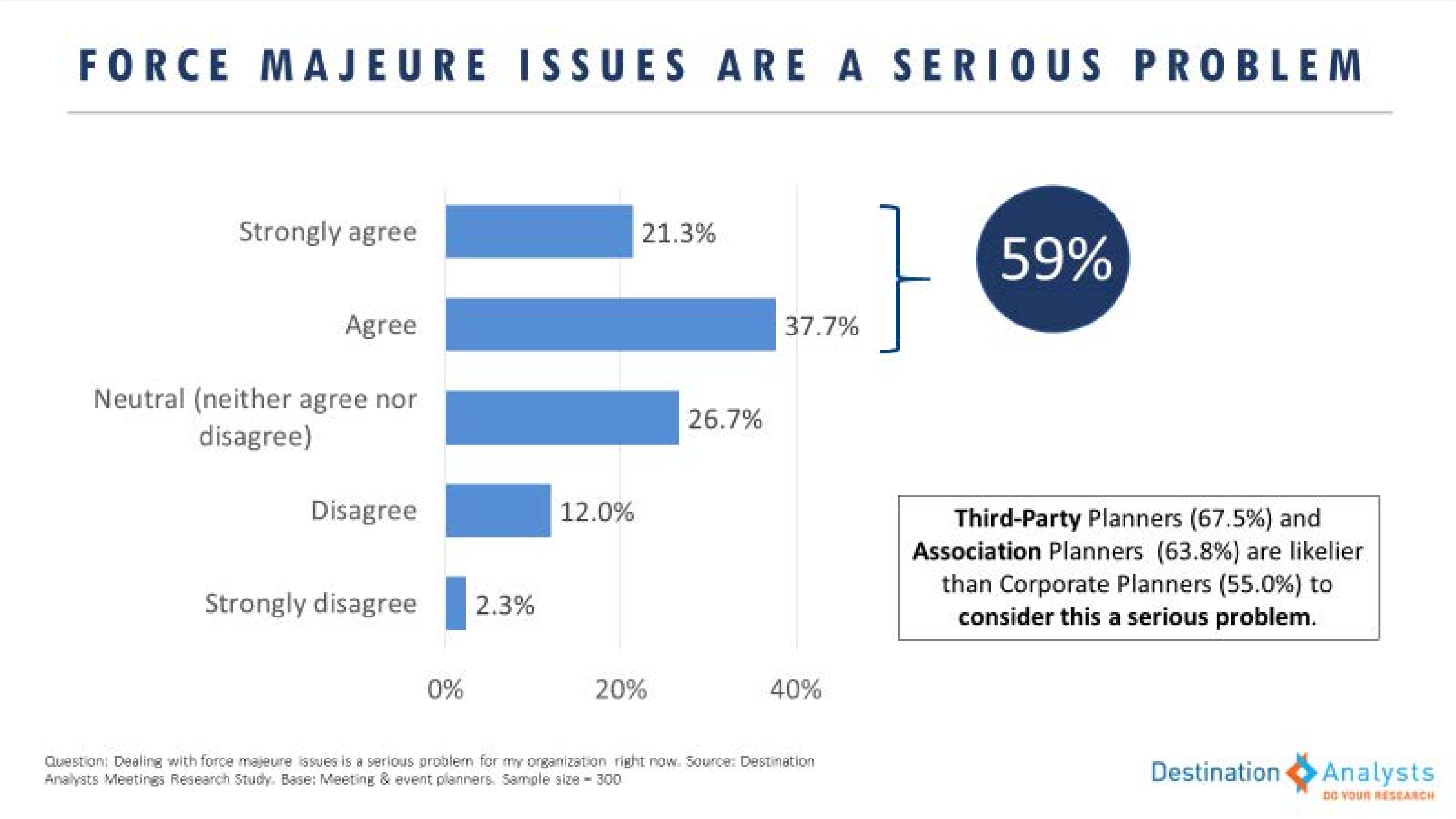
B. Implementing & Funding Insurance

The COVID-19 crisis has accelerated a long-term challenge of increased risks for tourism, especially in international travel and meetings and events. Whether from the real or perceived possibility of another pandemic or rising risks from extreme weather events, travel and hospitality will be considered an industry with real uncertainty and potential cost. Building reserves will help, but specific parts of tourism will need other solutions.

A. THE NEED FOR INSURANCE

Emerging from the devastation of COVID-19 is an urgent need for DMOs and the tourism industry as a whole to implement a wider range of insurance solutions to mitigate and manage future risks. Insurance may be essential to restarting some sectors of the tourism industry, such as larger events, conferences, or international travel. Insurance will allow meeting planners and inbound tourism companies to cover financial losses if restrictions or closures are imposed by governments. Indeed, 'Force Majeure' clauses in event and conference insurance have exclusions for risks such as a pandemic and pass all the costs of event cancellation and interruption to venues, meeting professionals and their clients.

A July 2020 survey of 300 meeting planners by Destination Analysts, in collaboration with Miles Partnership, highlighted the scale of this problem. It identified that 'Force Majeure' clauses and future risks were going to be a serious problem in any path of recovery for meetings and events. This is occurring in an industry where 73% of meeting planners agree with the statement that "some live events will never return" (Destination Analysts research study of Meeting Planners, June 2020, presented at Destinations International Annual Convention, July 14, 2020).



B. IMPLEMENTING & FUNDING INSURANCE

New insurance solutions are likely needed to help fully restart the travel and tourism industry. This includes a shared private - public insurance model where claims are capped in their cost to private sector insurance partners and the risk is shared with a long-term insurance pool, reinsurers, and/or the Government. Such private - public pooled insurance models already operate to share risk for natural disasters across a wide range of countries including flood, earthquake, or hurricane insurance. There is also precedent in the US conference and event industry where hurricane insurance for events and conferences has been offered for many years by VISIT FLORIDA (see below). It is likely that innovative shared private – public insurance models for major events, conferences and international travel will be urgently needed to help aid the recovery from COVID-19.

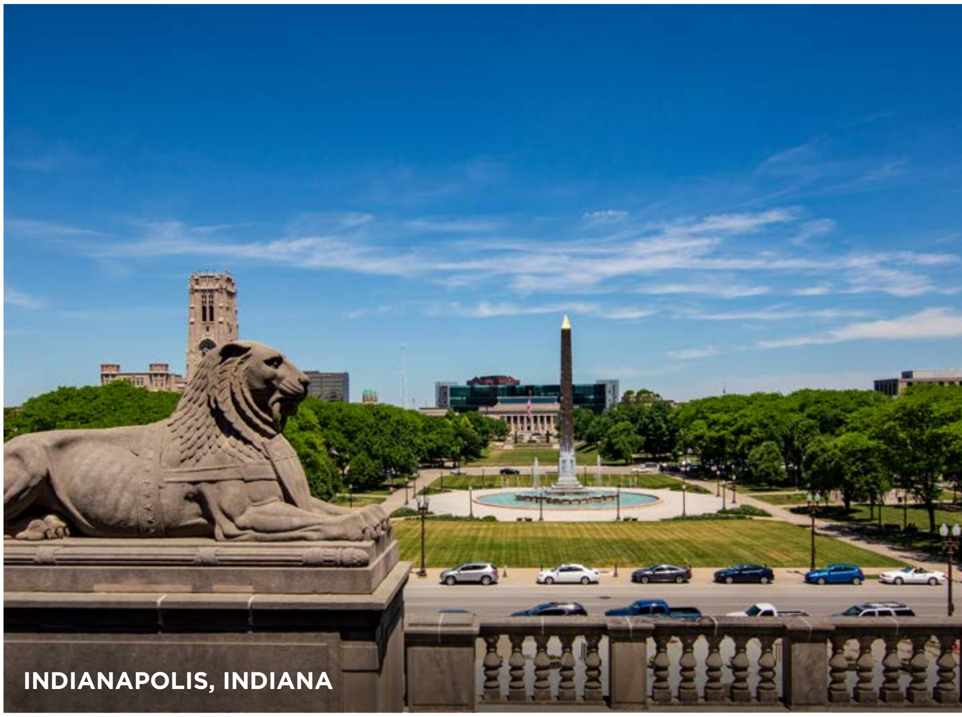
The funding for such insurance will need to be factored into each DMO’s review of future funding models. This could include an increase on existing taxes or levies targeting the appropriate events and conferences that would be covered by such insurance. Alternatively, it could be included by participating convention and event spaces in the venue hire and related costs.

Example: VISIT FLORIDA has for many years offered free event insurance covering the risk of hurricane season for events held in the state from August to November each year.

4. ROLE, RESPONSIBILITY & STRUCTURE OF DMOS

Highlights

- Reimagining your DMO's future role and responsibility is the foundation for reimagining your funding
- The role, responsibility, and structure of DMOs was undergoing profound changes even before COVID-19 – a process accelerated by the pandemic
- Many DMOs are taking a greater role in the broader coordination and marketing of shared community amenities, values, and brand and in-destination management
- There are also opportunities and challenges for DMOs to consolidate or integrate more closely with related organizations such as EDAs (Economic Development Authorities)
- DMOs should proactively explore these opportunities rather than respond to pressure from funding agencies



INDIANAPOLIS, INDIANA

A. INTRODUCTION

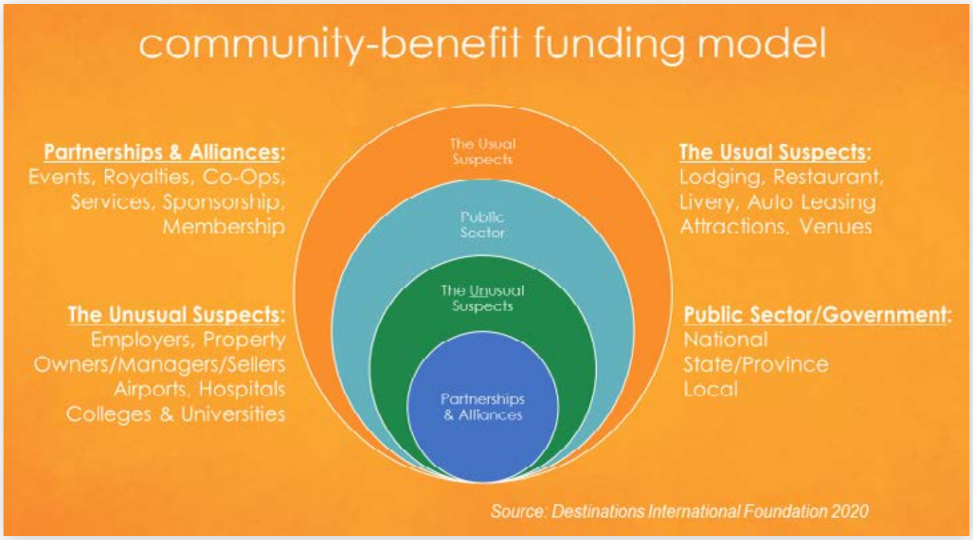
A review of future funding options needs to start with a review of the role, responsibility, and mission of your destination marketing and/or management organization. The COVID-19 crisis is an ideal time to reevaluate and reimagine what your DMO, including its funding, should look like. Here are four important areas in which your DMO's role and structure could evolve coming out of COVID-19.

B. COMMUNITY MARKETING LEADERSHIP

In a small but growing number of destinations, the DMO acts as a 'Community Marketing Agency.' This means the DMO formally takes on the marketing and communications functions for other government, public or community facilities or services, and/or targeted private sector partners.

Example: Visit Newport Beach is a 'Community Marketing Agency' that is also contracted to support other public and community institutions such as museums plus new development projects including a new boutique hotel. These contracted marketing and communications services are part of Visit Newport Beach's 'Integrated Destination Marketing' (see the CVB's Marketing Plan) that generates additional revenue to complement the city's Tourism Improvement District.

NEWPORT BEACH, CALIFORNIA



C. COMMUNITY SHARED VALUES

A natural extension of this Community Marketing role is that DMOs not only market different community entities but more broadly help develop, coordinate, and communicate 'Community Shared Values.'

This opportunity is based on an increasing recognition that DMO programs have value well beyond tourism. A broader 'halo effect' has long been measured and defined by research companies such as Longwoods International; how a great place to visit is often synonymous with being a great place to study, work, start a business and more. This connection between tourism, wider economic and community development goals has been championed by Destinations International's thought leadership on promoting shared community values. As part of this concept, Destinations International has discussed the opportunity for DMOs to engage with other stakeholders who also benefit from a strong community brand, and a DMO's work on both destination marketing and destination management. This 'Community-Benefit Funding Model' identifies different types of funding partners including 'Unusual Suspects' such as employers, property owners, universities and even hospitals that are potential paying partners.

This Community Shared Values approach is an extension of the community marketing role and services that DMOs such as Newport Beach are already undertaking (see above).

In addition, the community benefit funding model is a natural extension of the evolution of Tourism Improvement Districts, and these districts themselves are becoming more diversified in their funding partners. (See Funding Option #5 'Evolution of Dedicated Funding').

More: *Destinations International – article, presentation and resources on Community Shared Values*

D. BROADER DESTINATION MANAGEMENT ROLE

With the growth of tourism and increasing pressure from visitors, an increasing number of DMOs in recent years have been reevaluating their role and responsibility in broader Destination Management. This has significant implications for tourism funding.

A wide range of successful destinations – including many destinations under pressure from tourism growth – argue that most, if not all DMOs should have an active and formal role in destination management. Destination marketing is not enough, and a narrow focus on destination marketing is ultimately self-defeating to the support and funding of DMOs, as tourism and its impacts grow. This broader role of the DMO should be based on a clear, long-term destination development strategy (see example for Sedona, Arizona at right). This strategy is created and managed in close collaboration with local residents, industry and other stakeholders and with specific DMO destination management responsibilities for which public funding is provided. This should focus on ensuring tourism growth is well managed, sustainable, and offers widely shared benefits. A focused, destination management strategy makes the destination not just a great place to visit but also work and live.

A destination management role will define a range of specific roles and functions for the DMO against which funding can be based. Ongoing engagement with local residents and other stakeholders is critical, and DMOs should consistently seek feedback on how tourism should be developed. Collaboration with other public agencies is also encouraged to help plan, manage and measure the natural and/or built environment, such as visitor use of public transport, public infrastructure, parks and other natural spaces.

E. DMO CONSOLIDATION & COORDINATION

Though often politically challenging, there are opportunities for using the crisis to consider the number, boundaries, shared capabilities, roles, and responsibilities of DMOs with neighboring and/or related organizations. This consolidation may have significant financial benefits both in cost savings and/or in rethinking and revising the funding model(s) used by the 'new' organization. Examples of possible consolidation include:

Consolidation with EDAs & Other Marketing Entities

A first and increasingly common area of consolidation is the tighter coordination or integration of DMOs more tightly into broader EDAs and/or Place Branding entities that cover multiple economic sectors. This type of consolidation is part of the trend outlined above in Community Shared Values of a broader perspective on 'place branding' and related marketing that can position a destination as a great place to visit, do business, work, study or invest. Despite the increasing frequency of such integration, little or no research has been done on the pros and cons of combining these organizations. While integrated DMO – EDA groups can support a more tightly coordinated place brand, spur greater cross sector collaboration and shared overheads, they also can result in challenges such as greater bureaucracy, issues in supporting different sectors with very different needs and the loss of specialist tourism focus and skills.

Example: Visit Britain is part of the 'Great Britain national branding campaign' which covers a wide range of sectors including arts & culture, fashion, science & engineering and more, and includes a wide range of private sector partners.

Example: Tourism New Zealand is working with the national branding and certification program – the New Zealand Story on a national, multi-agency campaign during COVID-19 to communicate overarching messaging about New Zealand.

Regional Consolidation & Coordination

In many destinations, political boundaries rather than logical visitor or even community entities have defined DMO geographic responsibilities, roles and funding relationships.

At a minimum there are many opportunities for neighboring or complimentary DMOs to collaborate on marketing projects. Already common in international marketing this cooperation can be extended to additional areas in marketing e.g.: meetings an events, and/or in sharing overhead costs.

More ambitiously, there are opportunities to create integrated DMOs - covering a larger, better defined visitor region that is more efficient, and better resourced. For example, a number of metropolitan areas in the US have a large number of individual CVBs each covering separate political boundaries, which arguably have little visitor recognition. A wide range of destinations fund multiple organizations that manage different parts of the broader travel and leisure sector (e.g. meetings & conventions, sports and entertainment, business and leisure travel). The challenge remains balancing efficiency and economies of scale while retaining and strengthening strong local community and political connections.

Example: The DMOs for Dallas and Fort Worth have expanded their collaboration by jointly developing a shared Travel Agents training platform - the DFW Training and Sales Companion.

Example: The State of New South Wales & Destination NSW created 6 macro Regional Tourism Organizations to replace dozens of smaller county/shire RTOs. More: Destination New South Wales Destination Plan.

Macro Regional 'Umbrella' DMOs

In a number of nations and states such as Slovenia and Oregon (see below) macro regional DMOs have been established with central funding to provide core services (e.g. industry & community education & support, destination management strategies and international marketing). These 'macro regional' entities aim to enhance the impact of existing DMOs by enabling cooperation where this makes sense (e.g. in international markets) and providing strategy, training and support services that the DMOs themselves have difficulty in providing.

Example: Oregon in the US and Slovenia in the Eastern European nation are two examples of destinations which have created a number of macro regional tourism entities for helping support and manage critical parts of the tourism industry including destination management functions, education, and training. More: Oregon's 2019 – 2021 Strategic Plan & OECD summary of tourism in Slovenia

SAN FRANCISCO, CALIFORNIA

5. EVOLUTION OF DEDICATED FUNDING

Highlights

- Outside of DMOs funded directly from government budgets, those reliant on bed tax revenue are the most numerous
- Bed tax-only revenue streams have been highlighted by COVID-19 as particularly vulnerable to a major crisis
- They are also vulnerable to bed tax being diverted. Almost half of all bed tax revenue collected in the US is diverted by the government to other non-tourism areas
- Dedicated funding including Tourism Improvement Districts (TIDs) offer a range of advantages over bed taxes including broader-based business contribution and greater control over how the money is raised and spent
- Tourism Recovery Districts have proven political appeal and offer a funding mechanism more specifically focused around recovery

A. OVERVIEW OF TAX & ASSESSMENT BASED FUNDING

Sufficient and stable funding has been a long-term and often unattainable goal for DMOs. While a majority of DMOs globally are still reliant on discretionary grants of funding from local, state/provincial, or national governments, a growing proportion of DMOs source a lot or all of their funding from tourism related tax and assessment revenues. Bed tax revenue is the most important of these tax based funding streams. Bed taxes provide a majority of funding for hundreds of Convention & Visitor Bureaus (CVBs) in North American cities and an increasing range of international cities. Such taxes can also be referred to by other names such as Municipal Accommodation Taxes (MAT) in Canada. Bed taxes vary from a few percent to more than 20%, and now average almost 15% across our sample of 100 US Cities.

One major weakness of bed taxes and other similar tourism related taxes (e.g. rental car fees) is that they are not dedicated. In 2018, a major U.S. Travel Civitas study of 100 US cities highlighted that almost 50% of bed tax revenue is diverted off into non-tourism areas of government spending. This diversion has been growing and could accelerate with added pressures on government budgets coming out of COVID-19. With such pressures, mechanisms such as ‘Prioritized DMO funding’ (see Funding Option #1 ‘Recovery Funding & Stimulus Spending’) will be important to ensure DMOs can help lead the recovery of tourism.

Hence, a number of dedicated funding models in tourism have emerged, offering both targeted revenue raising from tourism focused businesses and/or city areas and with far great control over the funds raised. This includes Tourism Improvement Districts and more recently, Tourism Recovery Districts, funding entities focused on the recovery from natural or man-made disasters.

Tourism Improvement Districts – An Introduction

Thirty years ago, in 1990, tourism leaders found an innovative, alternative method to combat government dependency. Relying on an old but proven funding mechanism, these leaders were able to create a dedicated source of funding. Special benefit assessments date back to early English Common Law. The principle is simple: individuals receiving benefits from an improvement or service shall also pay for the improvement or service. These types of levies are defined by benefit to the payers and cannot be diverted for other purposes. There are legal protections that prohibit government leaders from taking the funds and using them on politically expedient projects.

The tourism industry has taken advantage of this benefit-levy mechanism to create an assessment on tourism businesses that allows for funds to be spent on services to directly benefit businesses paying the assessment. Tourism Improvement Districts (TIDs) can be levied on hotels, restaurants, attractions, and retail. They can also have other acronyms such as Tourism Marketing Districts (TMDs).

Most TIDs have chosen to levy on only hotels, but some have included levies on restaurants, attractions, and retail.

"Dedication" of TID funds comes in two forms: legal dedication and political dedication. Special benefit assessments exist in all 50 States in the US and can be found in other common law countries, including Canada and the United Kingdom. The use of this legal tool has provided legal protections to keep elected leaders from diverting funds. In addition, because TIDs are proposed, voted on, and managed by the industry, government officials often view them as "your funds," separate and distinct from tax revenue that is held in the government's general fund.

TIDs come in destinations of all types and sizes from smaller communities such as Napa Valley to major metropolitan areas such as Philadelphia. A type of TID operates to fund Visit California - collecting assessments from over 21,000 tourism related businesses across the state – with a heavy emphasis on rental cars (52% of revenue collected) and the accommodation sector (38%).

B. TOURISM IMPROVEMENT DISTRICTS

Cities as diverse as Wichita, Kansas, Philadelphia, Pennsylvania, Portland, Oregon and Manchester, England have set up Tourism Improvement Districts

The COVID-19 crisis has highlighted that Tourism Improvement Districts (TIDs) offer important benefits not provided by other public taxation funding sources such as bed taxes. TIDs can provide broader based, controllable, and more resilient funding, especially in times of crisis. TIDs are able to source revenue from a wider range of tourism related businesses well beyond accommodation that provide a more representative sample of where visitors spend their money. TIDS offer far greater control over the use of funds, including the essential ability to build reserves to weather difficult situations such as economic downturns, natural disasters, and the like.

TIDs are becoming more diversified in the businesses they include – a trend that is expected to accelerate. Many TIDs are funded with significant contributions related to the hotel industry and in some cases, the food and beverage industry. A few TIDs have included attractions, retail, and car rental to their funding diversification. We expect to see more diversified TID funding models in the future including partners such as universities, employers, property owners and more identified in Destination International's 'Community Shared Values' concept of funding partners (see Funding Option #4, Role, Responsibility & Structure of DMOs').


BALTIMORE, MARYLAND

C. TOURISM RECOVERY DISTRICTS

Most elected and appointed officials recognize the tremendous devastation that COVID-19 has wrought on the tourism and hospitality industry. In fact, numerous officials are looking for ways to assist our industry, particularly if the proposal doesn't involve an additional commitment of dollars from their general fund. Many destinations have found that local and state governments have an increased willingness to approve measures to help the industry. A "Tourism Recovery District" (TRD) or a "Self-help Tourism Recovery District" is a special benefit assessment tool specifically designed to assist the industry with critically needed funding as recovery begins. Just as TIDs are flexible and can be created to meet the unique needs of a destination, so too can a TRD be tailored to start based on a specified date, allow for increases, set the desired term, and define a customized governance structure.

More: Civitas Self Help Recovery District Overview *and* Recovery Toolkit Funding Module for U.S. Travel

D. DIVERSIFICATION OF DEDICATED FUNDING: CULINARY DISTRICTS & WINE MARKETING DISTRICTS

The latest evolution of dedicated funding has come in the form of contributions by other industries, often working with their DMO, utilizing the same stable source of assessment funding. There are several culinary districts that have been supported by groups of restaurants to fund restaurant specific programming. These culinary districts are typically managed by the DMO, sometimes by independent organizations. The levy is generally assigned as a percentage of revenue (e.g. 1% or 1.5%) and the funds are used for activities that benefit the restaurants that pay the assessment. A majority of the funds are spent on marketing and events. In addition, several wine regions are in the process of forming wine marketing districts. In this concept, assessments are based on products sold at tasting rooms. The funds are used to attract more customers to those regions and those wineries. Other industry groups have discussed using the same model for a beer trail or a specific hard beverage trail.

6. TAX INCREMENT FUNDING

Highlights

- Tax increment financing or funding (TIF) has been a long-term mechanism for funding urban redevelopment projects
- A small number of DMOs (US Cities & States) now use the mechanism for part of their funding
- TIF offers a number of advantages including clearly linking tourism growth to DMO funding
- TIF can offer responsive funding for improved management of tourism growth, as well as funding for building reserves in periods of strong growth
- In periods of crisis, DMOs reliant on TIFs need the back stop of robust base-level of funding

A. An Introduction to Tax Increment Financing/Funding

B. Evolution of Tax Increment Financing/Funding

C. Opportunity of Tax Increment Financing/Funding

Tax increment financing or funding is a 'value capture mechanism' that helps address some of the weaknesses of traditional sales, bed, rental car, and other tourism related tax revenue. As visitor spending increases and tourism related tax revenues grow, funding to DMOs and other tourism related programs (e.g. funding for National Park visitor services) is often capped, and decreasing proportions of the visitor related revenue is reinvested back into tourism and tourism related projects.

PACIFIC COAST HIGHWAY, CALIFORNIA

Tax increment financing (or funding) was first used in California in 1952 and there are currently thousands of TIF districts across the US from small and mid-sized cities to large urban areas

A. AN INTRODUCTION TO TAX INCREMENT FINANCING/ FUNDING

First introduced into California urban areas in 1952, property tax increment financing (TIF) was designed to create a virtuous cycle of investment. Typically, the supporters of the TIF would designate an area they wanted to target for redevelopment. The original concept was to set a baseline of property tax proceeds and use future increases in those proceeds (the increment) to reinvest in capital improvements, oftentimes infrastructure improvements, within the district. The additional capital improvements generate more property tax, driving up the increment and increasing the TIF funds that could be reinvested in future years. The property tax increment model has been used in 49 of the 50 US states, in thousands of individual towns and cities and has been an important factor in the revitalization of a wide range of urban areas.

B. EVOLUTION OF TAX INCREMENT FINANCING/FUNDING

Washington, D.C. and a handful of states have utilized a sales tax increment model in addition to the traditional property tax increment model. Both TIF mechanisms are based on increment, but one uses the increase in property taxes while the other uses increases in sales taxes.

In 1993, Missouri pioneered the use of the sales tax increment mechanism to fund their state travel office. The TIF focuses on sales tax paid by out of state visitors and is based on 17 SIC (Standard Industry Classification) codes and provides half of the tax growth over 3% to the tourism industry, limited to an increase of no more than $3 million per year. Known as House Bill 188, the funding model increased the Division of Tourism's budget from $6 million in 1993 to $22 million in 2015. Other states, including Utah and Ohio, have also used this mechanism to help fund their state travel offices.

KANSAS CITY, MISSOURI

VICTORIA, BRITISH COLUMBIA

C. THE OPPORTUNITY OF TAX INCREMENT FINANCING/ FUNDING

Although novel, the tax increment financing mechanism presents an opportunity for the tourism sector and DMOs.

TIFs have a major advantage in linking increases in tourism spending and tourism related tax revenue to increased revenue for tourism, DMOs and other agency partners to better manage this growth. Secondly, TIFs do not target current tax revenue, only the diversion of a proportion of future increases. They are therefore often more politically palatable. However, in some places, the TIF allocation still requires an appropriation by the government and is subject to political interference. In this case, the industry may see fluctuations in revenue (usually on the downside) based on political considerations.

While TIFs are currently limited to property or sales tax revenue, the approach of incremental funding mechanism could be applied to other visitor related tax or fees including bed tax, rental car taxes and fees and other visitor levies.

Tax increment funding helps solve this problem, linking increased tourism to increased tourism funding. TIFs could be especially valuable beyond core tourism and DMO funding, to provide funding in periods of strong growth for building reserves and/or for regenerative projects which enhance the built or natural environment enjoyed by visitors.

Conversely, in periods of crisis or travel ‘recessions,’ DMOs reliant on TIFs need the back stop of robust base level funding provided from other sources (e.g. government budget allocations).

TIF mechanisms could be especially impactful in nations with Value Added Taxes (VAT) or Good & Services Tax (GST) which can range up to 20% and bring in large and increasing revenue from all tourism related spending – including international visitors. Such increased tax revenue is seldom linked in any responsive way to managing tourism growth, and the payment of VAT by international visitors is an anomaly. In almost all cases exports are specifically excluded from paying VAT.

7. ENHANCED PUBLIC – PRIVATE CO-OP FUNDING

A. Introduction to Public – Private Marketing Co-ops

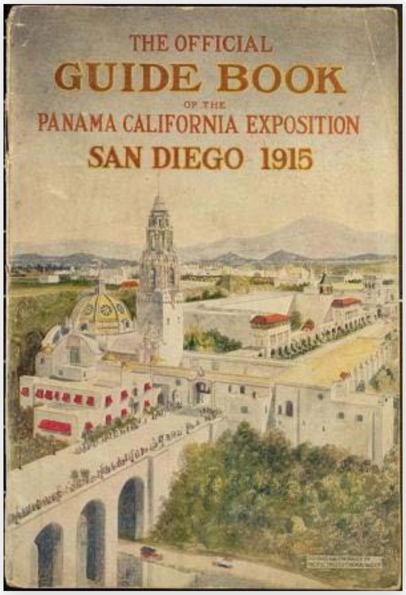
B. Co-ops in a Period of Crisis

C. Co-op Best Practices

Highlights

- Public – Private marketing cooperatives date back to the earliest years of DMOs
- However, private sector revenue is now a far more modest part of DMO revenue – with the standout being Brand USA. 50% of the US' National Tourism Office by law must be third party, matching contributions
- Co-op revenue can greatly strengthen the content, creative and/or campaign spend of your marketing programs and other initiatives
- Co-op revenue offers a range of other benefits, including closer connections with the industry and demonstrating to government that the private sector is committed to your success

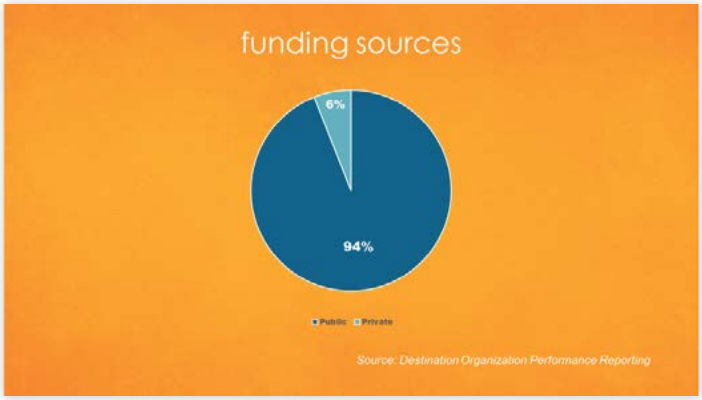
A. INTRODUCTION TO PUBLIC – PRIVATE MARKETING COOPERATIVE (CO-OPS)



DMOs have been funded from their first years in the late 1800s with private sector contributions as an important revenue stream. For example, Seattle's national marketing to Klondike Gold Rush prospectors in the 1890s and San Diego's huge Panama California Exposition in 1915 (see right) were both run as public – private marketing cooperatives. See Gold Rushes & Exhibitions – The History of DMO Partnership Models

However, over the years the role of private sector contributions for many DMOs has become a far smaller part of their revenue. Despite the direct benefits to the tourism industry of DMO marketing programs – less than 10% of US CVB funding comes from private sector partners or industry co-ops (2019 survey of Members by Destinations International)* A stand-out DMO is Brand USA – the National Tourism Office of the United States. Brand USA was founded based on equal public funding and private industry contributions. By law, Brand USA must be 50% funded by private sector spending on co-op programs and in-kind contributions – which totals more than $100 million a year.

While the COVID-19 crisis will severely impact short term co-op revenue, the medium to longer term opportunity for public – private partnership programs is now more relevant than ever. Such partnerships not only drive revenue but also build closer connections with the industry, making the DMO more responsive to their needs and to market signals from visitors. Significant private sector funding also demonstrates to local residents and their representatives that the industry is invested in the success of the DMO. In addition, some of the other future funding models (e.g. Tourism Improvement District levies) may be introduced initially as voluntary assessments for businesses. In these situations, the range and results of co-op marketing solutions adds a compelling benefit to participating business partners.



**Important. This figure for many DMOs likely understates or excludes the advertising and sponsorship revenue generated to fund their DMO visitor guide, website and/or email program.*

Example: Destination Greater Victoria *introduced a voluntary Destination Marketing Fee currently collected by 19 hotels on a voluntary basis to assist in the marketing of the destination including its convention center.*

B. CO-OPS IN A PERIOD OF CRISIS

With the profound impact of the COVID-19 crisis, a wide range of industry co-op programs have been paused due to the extremely challenging market conditions facing the industry. Given the nature of the crisis, public sector funding will need to take the lead in the restart and recovery efforts (see Funding Option #1 'Stimulus Spending & Recovery Funding). However, as visitors return, industry co-op models can be reactivated, slowly shifting the balance of costs versus benefits to reflect the recovery of the tourism industry.

In the short and longer term, the COVID-19 crisis has highlighted the critical importance of engaging with locals. To spur the recovery process, consider how your marketing co-op programs can build a long-term connection with locals by exploring programming to include local friends and family, and encourage locals to share their views on tourism as it recovers.

C. CO-OP BEST PRACTICES

For both locals and visitors, successful marketing co-ops are built on a clear understanding of the target audience and how to reach them. Invest in leading edge analytics and reporting, and review it regularly with industry partners to fine tune creative content and media mix. As you achieve successful outreach, engaging with locals and visitors, your industry partners will be mobilized to help fund these programs.

More: 'Cooperative marketing for destinations' *– a white paper including a summary of the benefits and types of industry participation models including examples. Miles Partnership 2018.*

8. SHORT-TERM RENTAL REVENUE

Highlights

- Short term rentals (STRs) notably vacation rentals have emerged an important part of the accommodation offerings available for visitors. They seem to have specific appeal during the COVID-19 crisis
- The piecemeal and fragmented nature of taxation on STRs across the US and around the world offers opportunities for many destinations to grow funding from the sector.
- There are 3 funding related areas to consider - Permitting, Tax Assessment & Treatment and Enforcement plus the wider Destination Management issues that STRs create
- Many destinations can generate new or incremental funding from STRs - that in turn will support a more thoughtful and balanced oversight and management of the sector

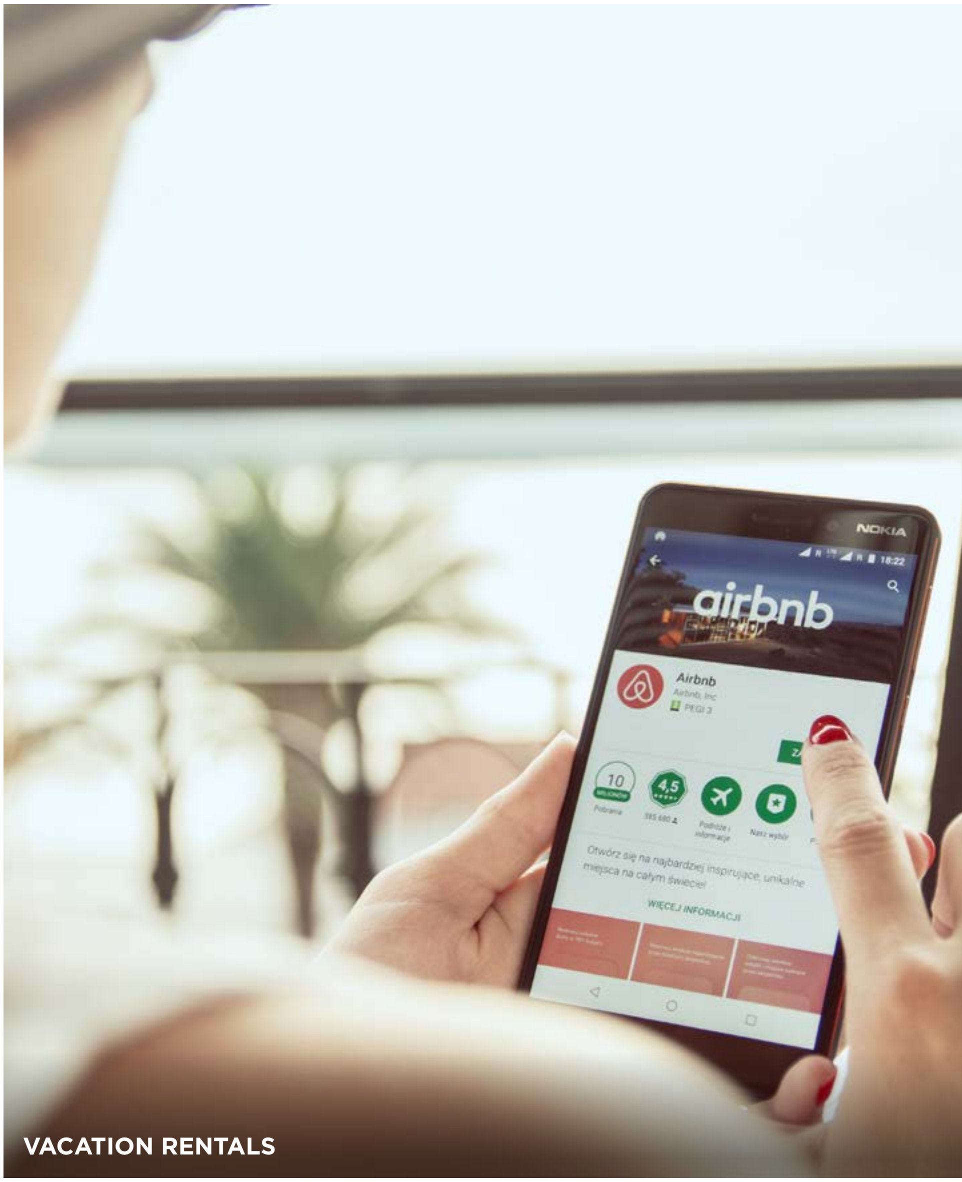
A. Overview

B. Permitting

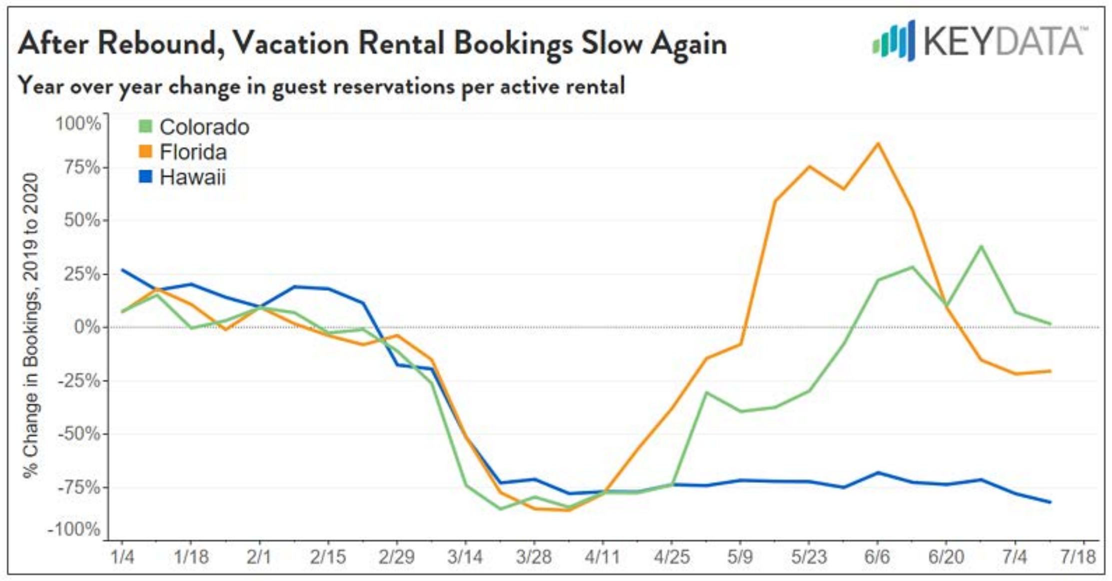
C. Tax and Assessment Treatment

D. Enforcement

E. Destination Management Issues



VACATION RENTALS



A. OVERVIEW

Short term rentals (STRs) notably vacation rentals have experienced an unprecedented surge in popularity over the past decade. After the 2008 recession, finding alternative ways to travel and accommodate consumers was at the forefront of the tourism industry's mind. New platforms such as AirBnB helped spur the rapid growth of the sector. STRs are an extremely successful product of this shift in consumer behavior. Pre-pandemic, STRs were expected to overtake traditional hotels in 2020 in terms of popularity, and growth expectations had never been higher for the STR industry. Like other parts of the tourism industry, STRs have not been immune to the challenges of the COVID-19 pandemic but seem to have particular appeal in time of pandemic. Analysis from companies like KeyData highlights that in many destinations STRs initially recovered more strongly than hotel accommodation.

Looking forward in a post-COVID world, STRs provide yet another opportunity for struggling jurisdictions and DMOs to generate additional revenue.

COVID-19 has presented an opportunity to take advantage of local travel like never before, and STRs are a popular choice for those traveling short distances. Vacation Rental data has also suggested that compared to larger city destinations that have struggled to retain guests at STRs, rural and suburban STRs have seen an influx of visitors. DMOs and jurisdictions can take this opportunity to evaluate how the emerging importance of STRs can be utilized to provide another source of revenue.

There has been a wide range of methods in which jurisdictions and DMOs have approached STR participation in funding and activities. Depending on the location, STRs can operate as untaxed, unassessed, and unregulated entities. In other cases, STRs are universally prohibited. Even in cases where STRs are regulated, depending on the location, they may only be subject to some regulations, but not all. With these variances, there is an opportunity to evaluate the operation of STRs in your respective destinations, and to assess the benefit of either amending or taking advantage of STR operations to create an alternative source of revenue. There are four parts to assessing your STR market: permitting, tax and assessment treatment, enforcement and the broader area of destination management issues. Understanding each is vital to understanding the funding potential offered to DMO's and the wider opportunities and challenges of the sector.

B. PERMITTING

The permitting of STRs runs the gamut. Some destinations allow them comprehensively, some prohibit STRs completely, and some have strict rules and regulations associated with operation or none at all. The regulations and rules also vary. Some destinations have imposed a cap on how many nights an STR can be operational. Others have implemented strict guidelines on the types of properties that may function as an STR. This wide discrepancy in permitting STRs can be challenging when considering the function of STRs in their respective jurisdictions. Understanding the permitting requirements in your destination is a helpful first step to knowing if STRs are already a viable revenue source, or if policy change is needed.

C. TAX AND ASSESSMENT TREATMENT

Similar to permitting, the tax and assessment treatment of STRs differs by destination. In some places, STRs are subject to bed tax. Similarly, in some places that have formed Tourism Improvement Districts (TIDs), STRs have been included in the properties that pay into the assessment. Others do not levy a bed tax nor a TID assessment. Some jurisdictions have signed voluntary collection agreements (VCAs) that provide for collection of assessment and taxes by short term rental platforms.

D. ENFORCEMENT

Finally, in some cases, STRs may be subject to regulations, but may be generally out of compliance because of a lack of enforcement. In these cases, for example, an STR may be subject to taxes or assessments that are not collected. Many destinations have ramped up their enforcement efforts to ensure that STRs are in compliance with permitting and tax rules, ensuring that they are not missing out on this important source of revenue.

E. DESTINATION MANAGEMENT ISSUES

Permitting and enforcement policies for STRs are also a critical part of managing the impact of the sector. Balancing the benefits vs. costs of STRs and the voices of property owners, commercial accommodation (e.g.: Hotels), visitors and the residents, especially long term renters. The issues and trade offs can be complex and challenging. With many DMOs taking a more active role in destination management these wider considerations will need to be part of the process and decision making (see Funding Option #4 - “Role, Responsibility and Structure of DMOs”).

The funding opportunity: By conducting a professional evaluation of permitting, tax and assessment treatment, and enforcement of STRs in your destination, jurisdictions and DMOs can seize the opportunity to either take advantage of an existing revenue source, or to explore ways to implement new policies that will lead to enhanced revenue generation. This should lead to a far more consistent and professional taxation regime for STRs. This will help support the recovery of tourism and a more thoughtful and balanced oversight and management of the sector.

SALT LAKE CITY, UTAH

FUNDING FUTURES:

Regeneration

Funding that is focused squarely on 'building back better.' Revenue streams that cover all the costs of tourism, incentivize positive tourism activity, target problematic tourism growth, and/or invest in the long-term assets and amenities for the community and environment.

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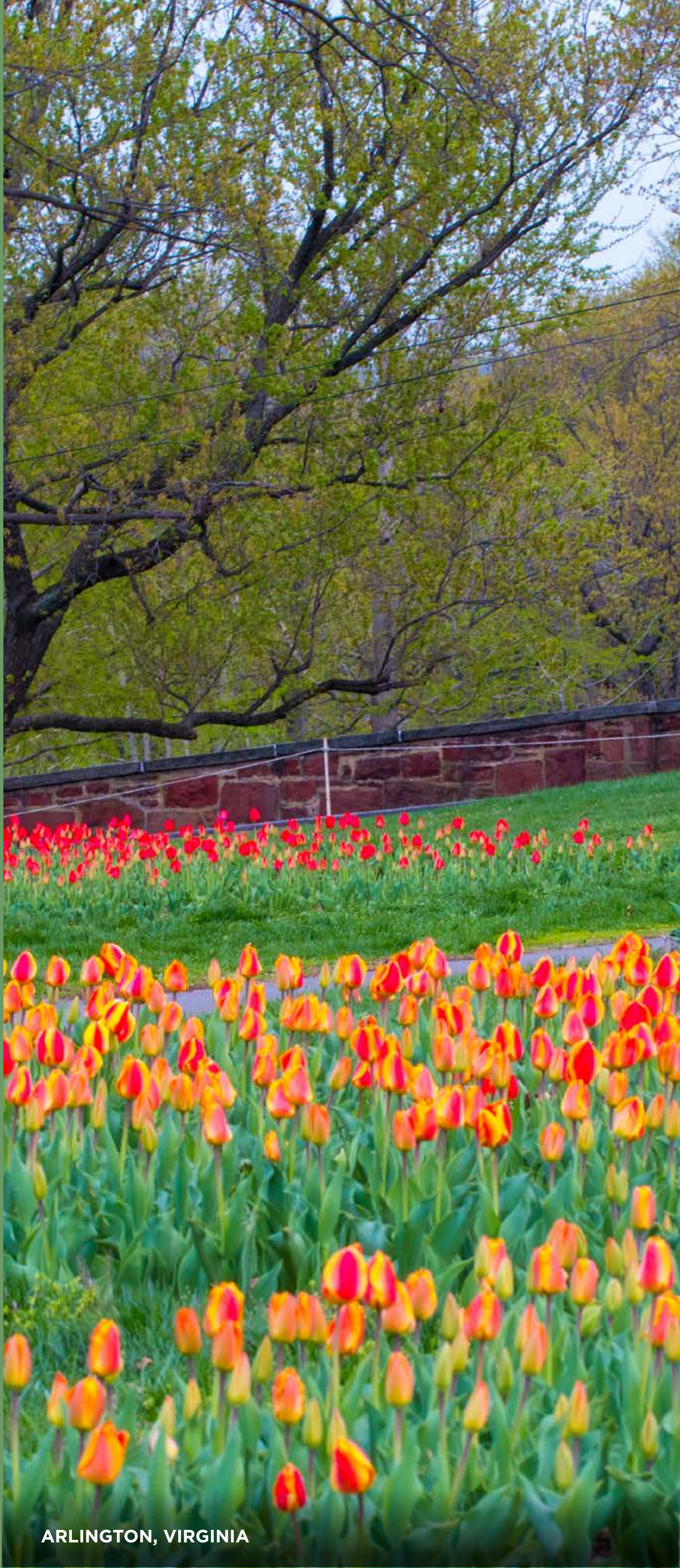


ARLINGTON, VIRGINIA

9. OUTCOME BASED FUNDING MODELS

Highlights

- Outcome based funding seeks to recoup the full costs of tourism plus incentivize certain types of travel
- A review of funding should start with an assessment of the full costs of tourism including the costs of congestion, costs of managing peak demands and the loss of amenity values
- Funding mechanism can use variable pricing to encourage certain types of travel and discourage others
- Locals pricing is a related mechanism that encourages locals and/or domestic travelers – especially important in the recovery from COVID-19

"Simply put, we have failed to properly account for the full risks and costs of tourism growth"

– The Invisible Burden of Tourism, 2019

A. INTRODUCTION TO OUTCOME BASED FUNDING MODELS

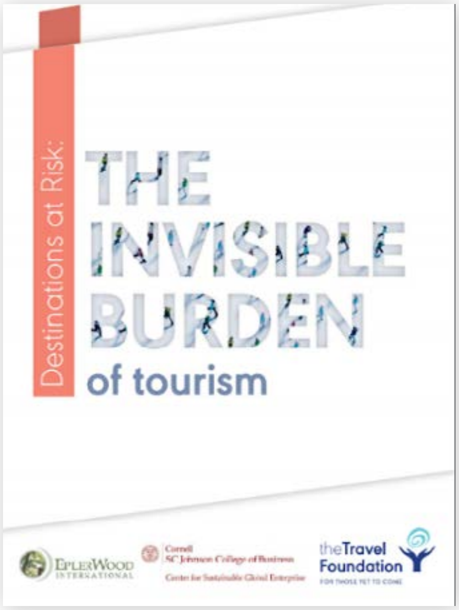
Prior to COVID-19 an increasing number of destinations were instituting funding models that sought to cover the wider costs of tourism's growth and/or incentivized certain types of tourism and visitor behavior, while discouraging others. We have dubbed these 'Outcome based' funding models - mechanisms that attempt to not only raise revenue – but more accurately measure and recoup the full costs of tourism in communities and natural environments, simulating preferred travel through pricing decisions or market based mechanisms.

BARRIE, ONTARIO

B. FULL COST BASED PRICING

Tourism is unique in that many of its most valued experiences – natural areas, spectacular views, and historic urban precincts, for example, are usually enjoyed for free, paid for neither by visitors nor by tourism companies. Under full cost based pricing, taxes, fees and other targeted funding mechanisms attempt to measure and recover the full costs of tourism in a community and/or natural environment. This includes accurately measuring and assessing the wider costs and impacts of tourism including congestion, loss of amenity values, costs of infrastructure upgrades (e.g. to manage peak visitor flows), the impact on the local community and short and longer term environmental costs including climate change.

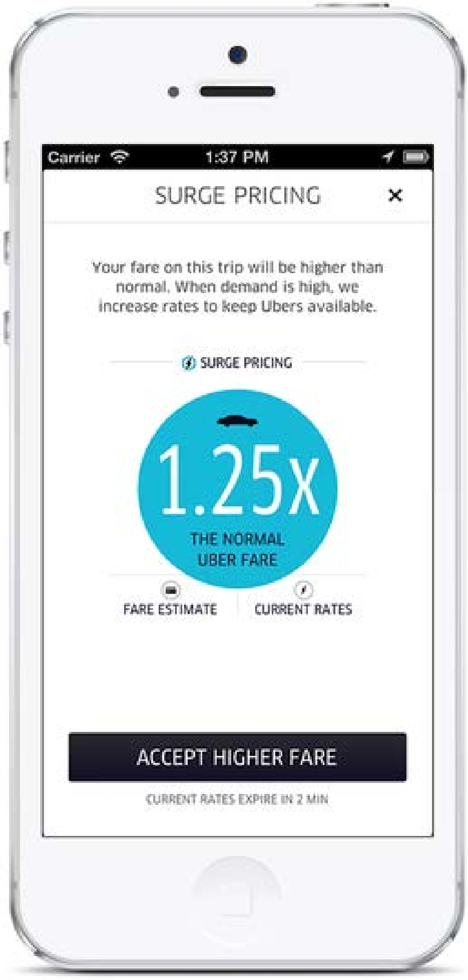
Example: Destinations at Risk – The Invisible Burden of Tourism" is a 2019 report (see above from Cornell University and NGO partners) provides guidance and best practices for destinations assessing the true costs of tourism on their destination.



C. MARKET BASED PRICING

Travel and tourism have a vigorous and sophisticated application of market based pricing. However, this mechanism is generally applied in a limited way to tourism-related fees and taxes. Matching supply and demand suggest that taxes and fees could be raised significantly in peak seasons and lowered in the off season, sending stronger market signals to discourage or encourage travel by season. Market based pricing mechanisms could also be applied to airport landing fees, road tolls, and cruise docking fees. This leads to vigorous maximizing of funding in times of strong demand versus limited supply and regularly applying market pricing mechanisms, such as surge pricing (as used by Uber – see right), auctions or bidding.

Example: Visit California is exploring market based pricing mechanisms as part of its review of possible refinements and improvements to its statewide tourism assessment funding model coming out of the COVID-19 crisis.



D. INCENTIVE & DISINCENTIVE PRICING

In this type of outcome based pricing, the government and its industry partners pick winners and losers. Certain types of travel can be encouraged through lower taxes, fees or levies and other types of travel is discouraged through elevated costs This can include higher tax or levies for visitors arriving in the peak season or visiting a destination for only one day or less. By comparison, visitors in the off season and/or staying longer can enjoy lower tax rates and/or levies.

Example: A range of European destinations have differential taxes or fees to penalize day trippers into a city (e.g. from a Cruise Ships - see Amsterdam), or tour coaches and groups transiting through a destination (e.g. Croatia's transit tax).

DUBROVNIK, CROATIA

E. LOCALS PRICING

Another common form of incentive versus disincentive pricing is through the market practice of offering lower prices for local, regional/in state or domestic travelers versus other visitors. This is often utilized in developing countries (e.g. Malaysia, India, and Vietnam), as well as in some developed nations such as Hawaii in the US with 'Kama'aina Discounts.' The Hawaiian tourism industry has used this to stimulate domestic visitation of otherwise expensive attractions, activities, and accommodation – especially in the shoulder and off season. This practice is also used by major attractions such as California's Disneyland to build loyalty and repeat visitation from California visitors (e.g. special California resident rates).

Locals pricing raises challenges of equity and can create tensions with other visitors. However, there are ways to focus such pricing and offers at times of the year and/or in distribution channels that do not exclude other visitors, but are far more accessible by locals.

During the recovery from COVID-19, targeting local and domestic tourism (in the absence of international visitors) is a priority focus in many countries. The pandemic has highlighted the risks of being heavily dependent on international visitors alone. Even when other travel markets return, the long-term importance of nurturing loyal, repeat local visitation will remain a foundation for many.

More: Hawaii Locals Rates: What Are Kama'aina Discounts & How Do I Get One?

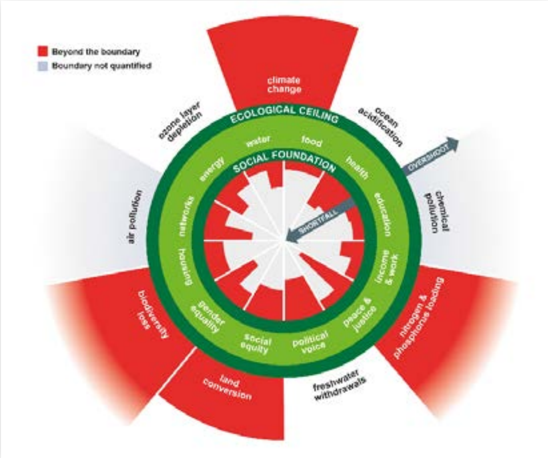
10. REGENERATIVE FUNDING MODELS

Highlights

- Regenerative funding seeks to not simply protect but to restore and enhance the social/cultural, business, and natural environment of a destination (the 'triple bottom line')
- It builds on an understanding that tourism must respect the constraints to growth inherent in every destination
- It is also informed by new models of economics and markets
- Regenerative funding can include community funding to enhance arts and culture enjoyed by both locals and visitors (e.g. Austin, Texas' local music bed tax allotment
- It can also directly fund investments in protecting and restoring the natural environment (e.g. New Zealand's international visitor arrival levy which funds conservation projects)

A. INTRODUCTION TO REGENERATIVE FUNDING

Regenerative funding builds on the principles outlined in Funding Option #9 'Outcome Based Funding Models'. Regenerative funding models go further, recognizing not only that the full costs of tourism need to be assessed and covered but also targeting parts of this revenue into critical community, social and environmental assets. Regenerative funding models therefore source tourism related revenue to not only fund the operation of the DMO and other tourism related management or marketing programs, but to directly contribute to the restoration or enhancement of the community or its natural or built environment. Through this method of regenerative funding, tourism can directly 'give back' to sustain and improve the destination.



This reinvestment is undertaken with an understanding of the 'triple bottom line' of tourism – enhancing the business, social and natural environments. The UN and UNWTO 17 Sustainable Development Goals speak to this holistic view of tourism. Reinvestment via regenerative funding is also done with an understanding of the finite resources that every destination relies on to nurture and sustain tourism. Every destination has natural and man-made assets with constraints and limits. Whether availability of fresh water and clean air, or the physical space in historic town centers or on beaches, there are constraints that limit the size, type and potential growth of tourism. One part of Modern Economic Theory, 'Doughnut Economics,' has emerged in recent years to champion the concept of economics and markets within a world of finite resources - a reality that tourism has acutely faced in many destinations.

AUSTIN, TEXAS

NEW ZEALAND

B. COMMUNITY FUNDING

In this model of regenerative funding, a proportion of tourism related revenue is directly allocated to a social, artistic, or cultural cause to improve the local community, and to build and maintain support for tourism. Ideally, the DMO is directly involved in this process – helping identify and coordinate with these programs – integrating them into their tourism marketing and management responsibilities.

Example: 15% of new bed tax revenue from the 2% increase to the Hotel Occupancy Tax of Austin, Texas, directly funds live music in the city. This estimated $3 million in 2019 seeks to benefit both the local arts & music scene and supports a unique part of the Austin experience for visitors.

More: Austin City Council approves hotel tax funding for live music.

C. ENVIRONMENTAL FUNDING

This type of regenerative funding complements community funding that directly allocates to an environment project(s) that improve the natural environment in tangible and significant ways.

Example: The New Zealand international visitor arrival fee of $35 NZ per person directly funds an increased budget for the Department of Conservation, as well as a range of other tourism support programs (the details of which are currently being finalized).

More: International Visitor Conservation and Tourism Levy.

More:

- What is the Opportunity of Regenerative Tourism? Jenny Anderson.
- Exploring Doughnut Economics with Kate Raworth.
- '8 Ways to Build a more Sustainable Future for Tourism' – 2 Part Blog, Chris Adams, Miles Partnership

Survey

Please review and offer your rating of each funding opportunity and comments using this online survey by Wednesday, August 12:

surveymonkey.com/r/LSD73KQ

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Appendix

FUNDING OF SUPPORTIVE PROGRAMS: HEALTH & SAFETY AND VISITOR STIMULUS SPENDING

A range of other publicly funded initiatives in the response to COVID-19 are critical to a robust tourism recovery. Though typically not funded through DMOs, the funding of these programs can be critical to support and amplify the DMO's work in reopening and growing visitor spending in their destinations. DMOs should work with their State/Provincial and national organizations to petition for these types of investment - and to coordinate their efforts with these programs. Such supportive programs include:

A. Health & Safety Investments

COVID-19 is first and foremost a health crisis, and a recovery in travel and tourism relies on locals and visitors feeling safe venturing out. Stimulated travel needs to be built off a successful health response managed by the government. One aspect of this can be tourism specific health and safety initiatives that are publicly funded and help rebuild confidence in traveling. Leading examples of this include Singapore's SGClean national health and hygiene program (see below) and Failte Ireland's 'COVID-19 Safety Charter' which is a central part of their "Ireland, make a break for it' domestic campaign.

In the US many health experts have pointed to a lack of leadership from the Federal Government on a nationally coordinated response - including how travel and tourism reopens and manages visitors.. Most of the response has been left to State and County officials - and to private sector companies and associations. The U.S. Travel Association has attempted to provide some national guidance to the tourism sector with initiatives such as national reopening guidelines for travel: 'Travel in the New Normal".

National, State/Provincial and local investment in coordinated, consistent and clear health and safety protocols is critical to tourism's recovery – see 'A Critical Opportunity for Tourism & DMOs to Lead in the Recovery'

B. Stimulus Spending: Travel Vouchers, Gift Certificates & Rebates

In a few countries, including a range of European nations including Iceland (see below) plus Canadian provinces (New Brunswick), this recovery extends to offering direct payments to travelers. These seek to activate local and/or wider domestic travel by residents by offering an incentive - in the form of gift certificates or vouchers as in Iceland or a rebate scheme as in New Brunswick (see here).

Figure 1. Iceland is one of a number of European countries where the government funded a campaign to target domestic tourism and also offered vouchers worth around $50 USD to all local residents over the age of 18 to redeem against local travel.

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FUNDING FUTURES

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