



Agenda

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OCCUPANCY TAX ADVISORY BOARD

October 24, 2017 – 10:00 A.M.

CITYHALL

COUNCIL CHAMBERS

10:00 a.m.

Regular Meeting

I. Procedures:

- a. Call to Order
- b. Roll Call
- c. Approval of Agenda
- d. Approval of Minutes: September

10:05 a.m.

II. Lodgers Tax:

- a. Update—Randy Randall

10:15 a.m.

III. Northern New Mexico Air Alliance Update

10:45 a.m.

IV. CVB Activity Reports:

- a. Sales Report – David Carr
- b. Marketing Report – Cynthia Delgado
- c. Executive Director Report - Randy Randall

11:30 a.m.

V. Other Matters by the Board

11:45 p.m.

VI. Adjournment

The next regularly scheduled meeting will be held on November 28, 2017
City Council Chambers at 10:00 a.m.

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CITY OF SANTA FE

Occupancy Tax Advisory Board

October 24, 2017

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Next Meeting: November 28, 2017

**MINUTES OF THE
CITY OF SANTA FE
OCCUPANCY TAX ADVISORY BOARD**

October 24, 2017

10:00 a.m.

I. PROCEDURES

a. CALL TO ORDER

A regular meeting of the City of Occupancy Tax Advisory Board was called to order by Chair Paul Margetson on this date at approximately 10:00 a.m. in the Council Chambers at City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

b. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:

Paul Margetson, Chair
Victoria Bruneni
Jon Hendry, Vice Chair
Chris Hyer [arriving later]
Al Lucero [arriving later]
Elizabeth Pettus

Members Absent:

Staff Present:

Randy Randall, Executive Director
David Carr, Sales Director
Cynthia Delgado, Marketing Director
Phyllis Ortiz, Administrator

Others Present:

Carl Boaz, Stenographer

c. APPROVAL OF AGENDA

MOTION: Member Pettus moved to approve the agenda as presented. Member Bruneni seconded the motion and it passed by unanimous voice vote. Members Hyer and Lucero were not present for the vote.

d. APPROVAL OF MINUTES: September 26, 2017

MOTION: Member Bruneni moved to approve the minutes as presented. Member Pettus seconded the motion and it passed by unanimous voice vote. Members Hyer and Lucero were not present for the vote.

II. Lodgers Tax

a. Update – Randy Randall

Mr. Randall provided the update:

- Lodger's Tax was \$1,000,322 versus \$1,000,342 the previous year. Hotels dropped \$70k but STRs increased, mainly due to a drop in rev/par in the downtown area.
- The Rocky Mountain Lodgers Report indicated that downtown was down in July by \$2, in August by \$12.30 and \$4.33 in September. Cerrillos Road was up \$4.20 in July, down \$1.72 in August and down 71 cents in September.

Al Lucero entered the meeting at 10:05 a.m.

- Citywide (including Buffalo Thunder) the only drop in rev/par was in August and September was up 42 cents. Both the RM and Star Report indicate a decrease of occupancy in September, mostly downtown. Based on discussions with industry partners, aggressive rate decisions were made, and the demand was not as much as hoped.

Mr. Hyer joined the meeting at 10:07 a.m.

Mr. Randall was not sure why the occupancy declined and had suggested to the Santa Fe Lodgers there was nothing done differently. He was not sure the decline was based on anything they were doing or not doing. He thought because Texas is the single largest resource that their recent disasters had impacted travel and would be interesting to see if there is a downturn from those marketplaces in September.

A new ad campaign in match cut - putting two pictures together - is coming out and there will be examples next month. The Lodgers were asked to let him know if they thought the City should do something different, but the City is fully committed on expenditures and doing something different might mean eliminating something else. They are open to recommendations and looking hard at the issue.

Member Pettus pointed out the decline seemed to track with a decrease in oil and gas leases.

Member Lucero asked if the decline in July and August could be correlated with the attendance at SFO (Santa Fe Opera) and Indian Market. He noted the success of the Santa Fe Wine and Chili in September.

Mr. Randall had been told the SFO had a strong season and the Revolution of Jobs set records. He noted that Fourth of July hit mid-week this year and will again next year. He agreed looking at if there was a demographic shift at SFO was a good idea because they have enough volume it is meaningful.

Member Hendry indicated that Music Week reinforced that they should not take August for granted.

He wanted a study on Air BnB around cost paid by the hotel, etc. that is not paid by Air BnB, because 86% of the City's taxes are GRT- the worse in the country. They should make sure other costs are passed on through the STR Ordinance because others could be paying more for sewer, property taxes and parking etc. and Air BnB is stealing spaces from their neighbors.

Member Hendry said he has a problem with STRs when they have an advantage over others that pay a living wage and insurance for employees, etc.

MOTION: Member Hendry moved that the Board ask for a comparative study to be conducted to look at competitive costs for traditional lodgers' facilities versus Short Term Rentals.

Chair Margetson asked what they would then do with that information.

Member Hendry replied they should tax Air BnB and include things like not paying the GRT.

Member Bruneni held that technically a person would pay taxes for any business and Air BnB does not collect GRT, they collect the Occupancy Tax.

Mr. Randall explained Air BnB has no obligation to collect that; it is the owner's responsibility to collect. Air BnB entered into a voluntary collection agreement with the City to collect taxes, but would have no enforcement responsibility in other areas. A component of the Air BnB fee charged is a service charge and they refuse to pay tax on it since the services are not provided in New Mexico. The State has said if Air BnB does not collect tax on that portion, they do not want them to collect any of it.

The issue was discussed at the Government Affairs Committee meeting for the Hospitality Association and they are looking at if there is a legislative fix. It is illegal for the State to collect partial taxes and they will also look at whether the new management of TRD has a different take on the issue.

Mr. Randall agreed to reach out to the Water, Sewer, Utilities Departments, etc. regarding whether an STR owner is treated differently than commercial lodging facilities. There is a huge opportunity for the City to get all STRs in compliance because currently Air BnB represents 50-55%, but they are convinced several hundred more operate illegally. Land Use is adding staff to deal with enforcement.

Member Hendry pointed to another issue that STR is also putting pressure on long-term rentals. The need to fix the lack of affordable rentals has priced them out because long-term rentals were turned into short-term rentals.

Chair Margetson added another issue was different rates for commercial and domestic.

Member Hendry reiterated his motion to have staff provide information on the costs of operation of a traditional larger facility over short term rentals.

There motion failed for lack of a second.

Mr. Randall offered to work on a report to bring back to the Board in 60-90 days.

Member Lucero explained he did not support the motion because more structure was needed first.

Member Pettus asked if Land Use has a target date to begin enforcement.

Mr. Randall replied they do and letters were sent to some owners determined to be in the business that are not licensed. They met with a municipal judge about the fines that will go through the court. The City will send two letters with a final certified letter about illegal operation with the judge's support.

Member Pettus clarified the letters would be sent to people without a license, but those in violation of their license would be done on a complaint basis and Enforcement would then review and investigate.

III. Northern New Mexico Air Alliance Update

Chair Margetson reported a successful summer season through October with occupancy higher than 80%, but winter would be challenging. A marketing plan is in place thanks to Tourism Santa Fe.

They met with 9 of American Airlines personnel and American is pleased with the progress. They indicated there would not be a flight to LA anytime soon because it is full, but discussed other opportunities such as Chicago, Houston etc. In the meantime they will solidify the Phoenix flight and Dallas continues to be successful and the United to Denver flight is doing well.

Another issue discussed in Dallas was the terminal, which must be improved before American will bring in more flights. There is a five-year plan but there is no gap plan in place and the airport manager Cam Humphres is leaving at the end of the month and Nick Schiavo will take over in the interim.

V. CVB Activity Reports:

a. Sales Report – David Carr

Mr. Carr provided the sales information for the Board:

- September was up in leads and definites, as well as year to date bookings.

- He attended the IMEX in Las Vegas with hoteliers and the City received 24 appointments and there have been two RFPs submitted out of those that participated. Five individuals are interested and have been put on the FAM list. He has contacted 42 individuals in the five smaller incentive programs and set dates for individual meetings to start the planning process.

- Justin will attend the Luxury Meeting Summit in San Francisco and April Gallegos will go to Cincinnati to the Connect Medical event and they will travel in November and December to Boston, New York, Dallas and Denver for SMART meetings.

- The Sales Manager's annual and month-over-month production is on page 48 and 50. Rooms In 2017 are about 1800 less than 2016 due to programs and groups that fell off in July.

- SDR was cancelled (saving \$3500) and the City now receives the service free in their effort to justify

their ability to produce leads. They have sent eleven leads in the last month.

-I&M has been the strongest lead generation company so far and was asked to send recommendations on how they could continue to grow their scope and increase leads. Hotel partners see no value in print advertising and are looking at third-party agencies as more valuable than print.

Chair Margetson noted that Suzanne has attested to IMEX being the most successful show happening.

Mr. Carr agreed. In the three years they have been attending each year has seen more traffic by the booth. Pre-email blasts were sent to about 1300 people who expressed interest to encourage them to visit the booth.

Mr. Randall said the marketing and sales report was done on a fiscal year and the sales plan would now be on a calendar year basis. They also discussed in a more aggressive effort to close business, the need to create a video focused on why companies should bring their meetings to Santa Fe rather than wait for a response from a letter they sent to the company. As a final effort a salesperson could attend the closing session paid for by the beneficiary hotel if successful and if not, Tourism Santa Fe would pay.

The video could be personalized with introduction specific to the organization and the Mayor could close the video with an invitation.

Member Lucero asked the length of the video.

Mr. Randall explained the video would be 2-3 minutes and they plan to contact destinations doing this about their method. One benefit is that Tourism Santa Fe understands the local market, but a detriment is that none of them have worked for another DMC, so they will reach out to them.

b. Marketing Report – Cynthia Delgado

Ms. Delgado said page 53 had an overview of the third quarter report and page 65 a detailed report.

Advertising had a larger spend in print media with digital down. They worked on the booking window and are seeing a more cost-effective use of digital tools. The Santa Fe Celebrates Arts and Cultures concluded and a new digital tool (ADARA Impact) will track digital advertising buys of hotel or airline reservations. There was a positive first look and more details will be provided in the future.

Mr. Randall explained the report only deals with changes for the hotels, but the hope is to determine who the tool is reporting on and extrapolate the information for a city-wide value. There is an opportunity for independent hotels to embed code to monitor the booking and put all the information together, but agreements would be needed to embed the code. Hotels they have had the most difficulty getting to participate will already be participating because of their hotel chain affiliation.

Ms. Delgado added that the program initially showed September at \$27k but only a few partners were involved. That is continuing to grow, and they want another month of data or so before they introduce the program. Roll out for independent hotels could be in November.

Member Lucero asked under social media (page 55) clarification between followers and engagement.

Ms. Delgado explained that followers are people who *like* you and are served some content and engagement meant the person is more connected and indicates more what people are interested in. Engagement feeds into the Facebook algorithm and is important to watch and they are working on more consistency with posting and the posting of high-impact photos.

Member Bruneni had been told that with the Facebook algorithm you had to also do video as a paid boost every so many times. Ms. Delgado replied there is an element of pay-to-play, but they want to have a consistent platform before putting money into it.

Chair Margetson asked if the website visits at 16% is becoming passé.

Ms. Delgado said it is a combination. One was a higher spend on print last quarter with a lower digital and digital is a huge driver for conversion to the website. Also in the last month, Apple is building a screen in their mobile platform that does not allow Google Analytics to see what people search and people can put a wall on their computer to disallow a website, so they cannot take an IP address.

Social media and the website play an important role together. They failed to put a link to SantaFe.org in the last quarter and missed that traffic and are working to stabilize the social media platform with best practices, such as linking back to the Santa Fe website.

Chair Margetson asked if the social media FAM was successful.

Ms. Delgado said the evaluation had not been received yet, but it was a different experience than the press FAM. The influencer job was to get high profile images, but they did not have an interest or time to go to the next level of the story. The report in the next meeting should show if the followers have increased.

Santa Fe was voted #4 Top Best Small City in the US and #3 in Best City for Arts and Culture Lovers.

Margarita Trail is in the final introduction stages and 12 RFPs were received for the City of Santa Fe app.

Artist in Residence Program – The hotels are loading their programs onto the landing page and the media buy of about \$35k begins early November and an art experience package sweepstakes was added.

They are working on the 2018 Santa Fe Kids Free Spring Break and the editorial for the Visitors Guide and the next buy for Fly Santa Fe advertising has been finalized.

Chair Margetson said he approached a gallery for the Artists in Residence and they didn't like the idea.

Mr. Randall responded they had met with them and they did not like the idea, but they offered no suggestions. He thought highlighting Santa Fe's art and artists is beneficial to the art community.

Ms. Delgado said they met with the Board of the Gallery Association and highlighted that many of the hotels have a similar program and in their own right, amazing art collections as well.

Mr. Randall pointed out in the quarterly report on page 76; YTD was up 32% and earned media values up 13% compared to a very strong year last year.

Ms. Delgado noted that was for the quarter, but YTD numbers will be on the summary the next quarter.

c. Executive Director Report – Randy Randall

Mr. Randall reported the Visitors Guide for 2018 is behind. They are changing the format and adding more pictures and less narrative and including more editorial. Their target date on the shelves is mid-December or early January, but they believe it will be a better product and drive people to the website.

Member Bruneni added that she uses the Guide for the map and the day trip and was not sure anyone looked at the rest, but it was a great resource.

Mr. Randall assured her people do look at all the pages. This year the Guide will have an artist rendered map that is easier to use.

He encouraged the Board to look at the Quarterly Financial Report (June 30) on page 23 that lists the Lodgers Tax up 8%; an \$800k increase over the previous year.

New Year's Eve is being planned and Ray Sandoval will be responsible for production again. The City holds the event in agreement with Kiwanis that facilitates receipt of the sponsorship contributions and the disbursement of funds. Sponsorship of the \$40k production is 50-50 between City funds and the sponsors.

The Gran Fondo New York/Santa Fe three-day bike event June 30 is moving through the committee process. The event will be a major undertaking, but the potential forecast is for 750 riders the first year, 1,000 the second year and up to 1,500 by the third year. The City will not support funding by year three and a board of directors will take it over. The event does not go through OTAB funding because Tourism Santa Fe will produce it in conjunction with a board of directors.

STR collections continue to be up and Mr. Randall will work with Land Use to keep up enforcement.

The Artist in Residence idea came from the Lodgers Association and there will be \$35k in marketing -\$20k from the Arts Commission and \$15k from Tourism - and if successful additional funds are available.

Mr. Randall indicated he was the Staff person on a change to the Panhandling Ordinance. He continued to be concerned with the impact of panhandling on visitors, particularly in the historic district. The ordinance did not succeed, and ACLU had suggested the current ordinance borders on being unconstitutional. The ACLU threatened to sue if the City tried to strengthen the ordinance.

The Margarita Trail App is almost complete and there be may be an information sheet about it and the plan is to participate in the Margarita Fiesta at Buffalo Thunder. They will sell the passports (printed copies) for a dollar each (normally \$3). They can be converted into the app, but the printed copy cannot be updated.

Mr. Randall met with Jamie to look at doing Music Week and Gran Fondo at the same time. The concept is great, and they should do it, but they need to decide whether full blown or just a sample.

Member Hendry thought Music Week was branding and they could build it if there is an interest. He suggested moving the Music Awards when they also have a Roots Music Festival that is well attended. It is a matter of moving dates around and branding and using the publicity more than making an effort to put something on. That would give their partners in the music community an opportunity to put on their own events using the equipment and resources they have already.

Mr. Randall agreed it is branding, but for it to happen a steering committee and additional concerts would be needed or it would fail. Jamie has committed to that and the private sector will have to be brought in

Member Hendry agreed. He thought the race and the music could be at the same time. He wants to push something like Austin and offer health insurance coverage to musicians and has discussed that with Skip Rothschild. With the new changes in ACA Music Week it could be a way to get people to sign up for health benefits.

Chair Margetson said he had driven by La Bajada and they need a news box for the Visitors Guide. He added secondly, he was not aware of any hotel audit with Lodgers' Tax.

Mr. Randall explained there is an obligation to and funding for annual random audits run by Finance of hotels and short-term rentals and operators. The auditor has resigned that did the last two years because they were discouraged at the lack of participation. He thought audits had been done a year ago but would inquire about it.

VI. Other Matters by the Board

Mr. Randall advised the board he would be on vacation in November.

VII. Adjournment

The meeting adjourned at 11:30 a.m.

Approved by:


Paul Margetson, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.