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February 23, 2017
Honorable Members of the City Council
City Hall, Room 395
200 North Spring Street
Los Angeles, California 90012

Council Districts 1-15

REGARDING:

THE LOS ANGELES TOURISM MARKETING DISTRICT (PROPERTY BASED)
BUSINESS IMPROVEMENT DISTRICT'S 2017 FISCAL YEAR ANNUAL PLANNING
REPORT

Honorable Members:

The Office of the City Clerk has received the Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's ("District") 2017 fiscal year (CF 14-0943-S1). The owners' association of the District has caused to be prepared the Annual Planning Report for City Council's consideration. In accordance with the Property and Business Improvement District Law of 1994, California Streets and Highways Code Section 36650, an Annual Planning Report for the District must be submitted for approval by the City Council. The Los Angeles Tourism Marketing District Business Improvement District's Annual Planning Report for the 2017 fiscal year is presented with this transmittal for City Council's consideration as "Attachment 1."

BACKGROUND

The Los Angeles Tourism Marketing District Business Improvement District was established on August 8, 2015 by and through the City Council's adoption of Ordinance No. 183816 which confirmed the assessments to be levied upon properties within the District, as described in the District's Management District Plan. The Council established the District pursuant to State Law.

ANNUAL PLANNING REPORT REQUIREMENTS

The State Law requires that the District's owners' association shall cause to be prepared, for City Council's consideration, an Annual Planning Report for each fiscal year for which assessments are to be levied and collected to pay for the costs of the planned District improvements and activities. The Annual Planning Report shall be filed with the City Clerk and shall refer to the district by name, specify the fiscal year to which the report applies, and,

with respect to that fiscal year, shall contain all of the following: any proposed changes in the boundaries of the district or in any benefit zones within the district; the improvements and activities to be provided for that fiscal year; an estimate of the cost of providing the improvements and activities for that fiscal year; the method and basis of levying the assessment in sufficient detail to allow each real property owner to estimate the amount of the assessment to be levied against his or her property for that fiscal year; the amount of any surplus or deficit revenues to be carried over from a previous fiscal year; and the amount of an contributions to be made from sources other than assessments levied.

The attached Annual Planning Report, which was approved by the District's Board at their meeting on October 6, 2016, complies with the requirements of the State Law and reports that programs will continue, as outlined in the Management District Plan adopted by the District property owners. The City Council may approve the Annual Planning Report as filed by the District's owners' association or may modify any particulars contained in the Annual Planning Report, in accordance with State Law, and approve it as modified.

FISCAL IMPACT

There is no impact to the General Fund associated with this action.

RECOMMENDATIONS

That the City Council:

1. FIND that the attached Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's 2017 fiscal year complies with the requirements of the State Law
2. FIND the the increase in the 2017 budget concurs with the intentions of the Los Angeles Tourism Marketing District Business Improvement District's Management District Plan and does not adversely impact the benefits received by assessed property owners.
3. ADOPT the attached Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's 2017 fiscal year, pursuant to the State Law.

Sincerely,



Shannon D. Hoppes
Executive Officer

Attachment:

Los Angeles Tourism Marketing District Business Improvement District's 2017 Fiscal Year Annual Planning Report

February 21, 2017

Holly L. Wolcott, City Clerk
Office of the City Clerk
200 North Spring Street, Room 224
Los Angeles, CA. 90012

Subject: Los Angeles Tourism Marketing District PBID 2017 Annual Planning Report

Dear Ms. Wolcott:

As required by the Property and Business Improvement District Law of 1994, California Streets and Highways Code Section 36650, the Board of Directors of the Los Angeles Tourism Marketing District Business Improvement District has caused this Los Angeles Tourism Marketing District Business Improvement District Annual Planning Report to be prepared at its meeting on October 6, 2016.

This report covers proposed activities of the Los Angeles Tourism Marketing District BID from January 1, 2017 through December 31, 2017.

Sincerely,

Patti MacJennett

Patti MacJennett
Vice President
Los Angeles Tourism Marketing District

Los Angeles Tourism Marketing
District
Business Improvement District

2017 Annual Planning Report

District Name

This report is for the Los Angeles Tourism Marketing District Business Improvement District (District). The District is operated by the Los Angeles Tourism Marketing District Corporation, a California non-profit corporation.

Fiscal Year of Report

The report applies to the 2017 Fiscal Year. The District Board of Directors approved the 2017 Annual Planning Report at the October 6, 2016 Board of Director's meeting.

Boundaries

There are no changes to the District boundaries for 2017.

Benefit Zones

There are no changes to the District's benefit zone(s) for 2017.

2017 IMPROVEMENTS, ACTIVITIES AND SERVICES

Marketing: \$18,811,037.00 (70.65%)

LATMD continues to contract with the Los Angeles Tourism & Convention Board to perform the marketing activities in fiscal 2017 as outlined in the Management District Plan.

Marketing efforts will continue to drive demand for TMD hotels by promoting and elevating the brand of Los Angeles. As a result of focus groups conducted in eight international and domestic markets, new creative will be added to the "Lost in LA" campaign featuring a more global creative approach focusing more on experiential travel. Marketing activities will continue to focus on hotel visitors, with specific emphasis on the millennial traveler.

Domestically, television broadcast advertising will be executed to leverage the lucrative long haul markets of NYC, Chicago, and Washington DC. Advertising flights will begin in late January and run through March to capture the shoulder season, spring break, and summer travel booking periods.

Strategically in 2017, greater focus will be placed on International visitors due to increased visitation from China, Europe, Scandinavia, and the Gulf/Middle East which has experienced strong growth in air service. Consumer marketing activities are scheduled for "Tier 1" markets of Australia, Canada, China, Mexico, and the UK. Opportunity marketing activities are being considered for France, Scandinavia, and South Korea.

The global communications (P.R.) plan intends to deliver in excess of \$70 Million in earned media support in key domestic and international markets. Already, major TV integrations in China and Australia have been secured for 2017. Earned media is extremely cost-effective in influencing travel opinion and global destination rankings which helps drive room demand.

Also essential in building hotel demand is use of digital marketing and integrated social media channels which will significantly expand domestically as well as in key international markets. Digital marketing activities are planned to deliver 13 million website visitors this year and over 3.5 million social media followers/fans.

In 2017, the Consumer Insights department will continue to conduct a Visitor Profile study throughout Los Angeles. Having been five years since a comprehensive Visitor Profile study was completed, this will provide critical information such as where people stay, length of hotel stay, party size, and spending and activity data that is critical to future planning.

The cost of marketing programs for the LATMD in fiscal 2017 is estimated at \$18,811,037, or approximately 71% of the 2017 budget.

Sales: \$5,418,964.00 (20.35%)

LATMD continues to contract with the Los Angeles Tourism & Convention Board to perform the sales activities in fiscal 2017 as outlined in the Management District Plan.

Direct hotel sales efforts will continue to focus on the needs of the separate regions to help increase TMD hotel demand, occupancy and rates in those respective regions. Sales activities for self-contained hotel business meetings have significantly increased with the expansion of dedicated sales staffing.

In 2017, Sales will continue to focus on the production of Requests for Proposals (leads) from associations and corporations, and third parties for groups considering Los Angeles for future meetings. The International, National and Destination direct sales structure of accountability will ensure maximum productivity and effectiveness of the sales team. Sales will also continue to expand the B2B MeetLA website as a valuable sales tool and continue to develop the virtual tour of LA hotel regions.

Sales strategies targeting convention will include continued collaboration with the Los Angeles Convention Center (LACC) to implement business strategies directed at maximizing revenue for TMD hotels. This involves re-evaluating vertical and territory market needs, while refining the target list of top priority accounts and identifying high potential sales windows. It includes completing a joint communications plan with LACC for citywide conventions. LATMD will continue partnering with LACC and the hotels to not only meet, but to exceed, client expectations thereby increasing the likelihood of repeat bookings and developing new business for the city.

To increase sales leads and bookings for all regions of the TMD, a coordinated program of trade shows, targeted “virtual” and printed collateral, trade organization partnerships and client familiarization tours is also scheduled for 2017.

Additional promotions, aimed at increasing both meetings and leisure travel to Los Angeles, will be developed. These efforts will also be directed at increasing the length of stay in TMD hotels by those travelers.

The cost of sales programs for the LATMD in fiscal 2017 is estimated at \$5,418,964, or approximately 20% of the 2017 budget.

Administration: \$2,130,110.00 (8.00%)

In fiscal 2017, the District will continue to work with LATCB, the contracted management company, for administration of District services. LATCB will continue to provide staffing to perform the work required by the District. LATCB holds contracts with various companies for marketing and sales services performed on behalf of the District. The management company works with the City of Los Angeles, handling all financial and administrative requirements expected of the Los Angeles Tourism Marketing District as stipulated in its agreement C127330 with the City.

As stated in the LATMD Management District Plan, the Administration budget includes a contingency line item to account for uncollected assessments, if any. If contingency funds are collected, they may be held in a reserve fund and be utilized at the Board’s discretion. Upon the vote of the Board at the October 6, 2016 meeting, 5% of the 2017 budget, or approximately \$1,331,319, will be set aside in the reserve fund.

The cost of administration for the LATMD in fiscal 2017 is estimated at \$2,130,110 or approximately 8% of the 2017 budget.

City Administration Fee: \$266,264.00 (1.00%)

The City of Los Angeles shall be paid a fee equal to one percent (1%) of the amount of assessment collected to cover its costs of collection and administration.

Reserve Fund: \$5,260,176.00 (Non-Regular Budget Item)

Future expenses year-to-year carry-over of up to but not to exceed \$8.9 million related to the necessity of 1) emergency advertising funds to mitigate the effects of a catastrophic event, 2) funds required to host future industry events showcasing Los Angeles' hotel inventory and 3) funds required to host future mega events such as the Super Bowl and the Olympics.

Total Estimate of Cost for 2017

A breakdown of the total estimated 2017 budget is attached to this report as **Appendix A**.

Method and Basis of Levying the Assessment

The Method and Basis for levying the 2017 assessment remains the same as listed in the Management District Plan.

(There is No CPI increase for 2017)

Surplus Revenues: \$5,260,176.00

At the end of FY 2016, the District will have an estimated \$5,260,176 in reserves that will be rolled over into the 2017 budget, consistent with discussions with the City Clerk's office about allowing the district to carry over up to, but not to exceed, \$8.9 million in reserves.

Anticipated Deficit Revenues

There are no deficit revenues that will be carried over to 2017.

Contribution from Sources other than assessments: \$0.00

LATMD activities are funded by LATMD assessments and additional revenues from non-assessment sources, per the Management District Plan.

APPENDIX A- TOTAL ESTIMATED REVENUES/EXPENDITURES FOR THE Los Angeles Tourism Marketing District BID- FY 2017

| | | |
|---------------------------------------|------------------------|---------------|
| 2017 Assessments | \$26,626,375.00 | |
| Estimated Carryover from 2016 | \$5,260,176.00 | |
| Other Income | \$0.00 | |
| Total Estimated Revenues | \$31,886,551.00 | |
| 2017 Estimated Expenditures | | Pct. |
| Marketing | \$18,811,037.00 | 70.65% |
| Sales | \$5,418,964.00 | 20.35% |
| Administration | \$2,130,110.00 | 8.00% |
| City Administration Fee | \$266,264.00 | 1.00% |
| ESTIMATED BUDGETED EXPENDITURE | \$26,626,375.00 | 100% |
| NON-REGULAR BUDGET ITEMS | | |
| Reserve Fund ** | \$5,260,176.00 | |
| Total Estimated Expenditures | \$31,886,551.00 | 100% |

** Non-regular budget item, not calculated as part of budget percentage.