



City of Palo Alto City Council Staff Report

(ID # 10814)

Report Type: Action Items

Meeting Date: 12/2/2019

Summary Title: Participation of Palo Alto Hotels in the San Mateo County Tourism Business Improvement District

Title: Discussion Regarding Participation of Palo Alto Hotels in the San Mateo County Tourism Business Improvement District and Potential Adoption of a Resolution Requesting Withdrawal

From: City Manager

Lead Department: City Manager

Executive Summary

Representatives from some of the hotels in the City of Palo Alto have requested that the City withdraw from the San Mateo County Tourism Business Improvement District (TBID) effective January 2020. According to the request for withdrawal, 19 of the 27 properties currently operating in Palo Alto – or 70% – concurred with the proposal to withdraw. The San Mateo County/Silicon Valley CVB has expressed its desire to continue serving the City of Palo Alto and reports they have sought to be responsive to the concerns of the Palo Alto hotels and to demonstrate their value to the City of Palo Alto. The Palo Alto Chamber of Commerce, which receives a portion of the TBID funding for performing visitor services, has also communicated a need to maintain this funding in order to continue their information and referral function. Please see Attachments B and C for communications from those requesting and opposing withdrawal, respectively.

Recommended Motions

Staff recommends that Council consider the following motions:

- A) Direct staff to transmit to the City of Burlingame a letter confirming that the City of Palo Alto intends to maintain its participation in the San Mateo County Tourism Business Improvement District;

And/Or:

- B) Direct staff to: 1) monitor the progress of the San Mateo County/Silicon Valley Convention and Visitors Bureau to: a) demonstrate its value to the City of Palo Alto, and b) work with all hotels in the City of Palo Alto to resolve key concerns regarding the San Mateo County Tourism Business Improvement District; and 2) return to the City Council in autumn of 2020 with a status report and staff recommendation regarding continued participation in the San Mateo County Tourism Business Improvement District;

And/Or:

- C) Adopt the Resolution and direct staff to transmit the Resolution to the City of Burlingame with a request to take all steps necessary to implement withdrawal from the San Mateo County Tourism Business Improvement District effective January 2020 or as soon thereafter as possible. Authorize the City Manager to negotiate and pay necessary and reasonable administrative costs of the City of Burlingame to effectuate this request.

Recommendations

Should the City Council wish to continue participation with the San Mateo County Tourism Business Improvement District (TBID), for a year or indefinitely, staff recommends that Council direct staff to communicate this intention to the City of Burlingame to clarify any potential confusion resulting from the City of Palo Alto's consideration of this request to withdraw from the TBID.

Should the City Council wish to postpone a final decision on the question of withdrawal pending further research and/or community engagement, staff recommends that the San Mateo County/Silicon Valley Convention and Visitors Bureau (CVB) be encouraged to report its value to the City of Palo Alto over the next three to four quarters and collaborate with all hotels in the City of Palo Alto in an effort to address their key concerns regarding the work of the CVB on their behalf. Staff would then be in a position to report on this performance data, and on the results of collaboration, with an associated staff recommendation in time for the City Council to make a determination in the autumn of 2020 regarding participation in the San Mateo County TBID so that any change could be effective January 2021.

Should the City Council wish to withdraw from the San Mateo County TBID effective January 2020 (or as soon thereafter as feasible), staff recommends the attached Resolution (Attachment D) be adopted and transmitted to the City of Burlingame.

Background

On March 8, 2010, the Palo Alto City Council voted 9-0 in favor of a consent calendar including the adoption of a resolution to consent to the City of Palo Alto being included within the boundaries of the San Mateo County TBID. According to the associated staff report (Attachment A), this action was the culmination of efforts directed by the City Council in October 2005 and involving a committee of Palo Alto stakeholders convened by the City Manager in 2006, which led to a City Council action on October 6, 2008 to begin contracting with the San Mateo County/Silicon Valley CVB for "visitorship" services in fiscal years 2009 and 2010 in support of a "Destination Palo Alto" two-year pilot program. The City then transitioned from the pilot program to formal participation in the San Mateo County TBID following a multi-step process that included outreach to all Palo Alto hotels by the San Mateo County/Silicon Valley CVB. (Please see Attachment A for more details.)

Discussion

The economic ecosystem of a community is largely dependent on three key contributing

factors: residents, businesses and visitors. In addition to [Palo Alto](#), other communities in Santa Clara County that focus on visitor services and revenues through the formation of a convention and visitors bureau, a visitors bureau and/or a tourism business improvement district include the cities of [San José](#), [Santa Clara](#), [Gilroy](#) and [Morgan Hill](#). Economic development strategies related to visitors may vary depending on whether business or recreational visitors are target markets and the nature of a community's brand as well as its attractions and amenities.

Resource Impact

The TBID assessment generates approximately \$309,040 annually from Palo Alto hotels and is paid to the San Mateo County/Silicon Valley CVB for visitor services and marketing for the community of Palo Alto as a member of the broader region served by the TBID. Approximately \$31,890 of this funding is transferred from the CVB to the Palo Alto Chamber of Commerce to support its function as a local visitor's bureau specific to Palo Alto. There are no City of Palo Alto funds budgeted to support visitor services or marketing functions such as those provided by the San Mateo County/Silicon Valley CVB and the Palo Alto Chamber of Commerce in its capacity as a visitor's bureau. The request for withdrawal from the TBID does not propose any alternative source of funding for these purposes.

Visitor services and marketing functions are typically associated with promoting economic vitality and revenue from visitors (as opposed to residents or businesses) within a city or county jurisdiction. In the City of Palo Alto, Transient Occupancy Tax (TOT) from visitors to Palo Alto hotels currently generates approximately \$29.3 million in annual City revenues. In the General Fund, TOT represents approximately 13% of General Fund revenues. (For context, property taxes, the largest revenue source in the General Fund, represent approximately 21% of General Fund revenues.) Staff does not have an estimate of the degree to which TOT or other secondary revenues generated by visitors, such as sales tax, might be impacted by the loss of visitor services and marketing functions provided by the San Mateo County/Silicon Valley CVB and the Palo Alto Chamber of Commerce through a withdrawal of Palo Alto from the San Mateo County TBID.

If the Council adopts the Resolution to withdraw from the San Mateo County TBID, City staff will work with the City of Burlingame to implement the withdrawal, including negotiating and paying reasonable administrative fees to the City of Burlingame.

Stakeholder Engagement

The City of Palo Alto received the request for TBID withdrawal on October 28, 2019 and was contacted by the San Mateo County/Silicon Valley CVB regarding this matter on November 5, 2019. In an attempt to accommodate the request for this withdrawal to become effective in January 2020, staff placed this matter on the earliest possible City Council agenda of December 2, 2019. As a result, time has not allowed for any substantive stakeholder engagement by City staff.

Environmental Review

This item is not a project for purposes of the California Environmental Quality Act (CEQA). Environmental review is not required.

Attachments:

- Attachment A - City Managers TBID Report 03.08.2010
- Attachment B - Withdrawal Request
- Attachment C - Objections to Withdrawal
- Attachment D - Tourism BID Resolution

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

**DEPARTMENT: PLANNING AND
COMMUNITY ENVIRONMENT**

DATE: MARCH 8, 2010

CMR: 154:10

REPORT TYPE: CONSENT

**SUBJECT: Adoption of a Resolution to Consent to the City of Palo Alto Being Included
Within the Boundaries of the San Mateo County Tourism Business
Improvement District and Direction to Terminate Destination Palo Alto
Contract**

RECOMMENDATION

Staff recommends that the City Council:

- 1) Approve the attached Resolution to Consent to the City of Palo Alto being included within the boundaries of the San Mateo County Tourism Business Improvement District; and
- 2) Direct City Manager to formally provide written notice to the Convention Visitors Bureau that the contract between the City of Palo Alto and the San Mateo County/Silicon Valley Convention Visitors Bureau be terminated effective June 6, 2010, providing the required 60 day notice for this action.

EXECUTIVE SUMMARY

The purpose of this report is to provide City Council with the Resolution of Consent which will initiate the process to include Palo Alto hotels as participants in the San Mateo County Tourism Business Improvement (TBID). Following adoption of the Resolution of Consent, the City of Burlingame, as lead agency for the San Mateo County TBID will propose the addition of Palo Alto Hotels into the TBID. The participation of Palo Alto hotels in the TBID would result in the hotel guest paying a small increment of approximately (\$.15 to \$1.00) per room, per night rather than the City providing funds in the Destination Palo Alto contract. (The exact amount of assessments would depend on a property's projected occupancy.) Essentially, the same service level would be provided to hotels through this approach, as was provided under Destination Palo Alto. The SMC/SVCVB has also indicated continuation of the Palo Alto Visitors' Center at the Palo Alto Chamber of Commerce. The potential cost savings to the City would be \$80,000 in FY 2010.

BACKGROUND

In October 2005, the City Council directed staff to agendize a Council discussion that would explore enhancing Palo Alto's economy by improving visitor outreach. In February 2006, staff convened a committee of stakeholders for a Palo Alto visitorship effort. The Destination Palo Alto committee was chaired by the City Manager and held its first meeting on March 15, 2006. Stakeholders included: the Palo Alto Chamber of Commerce, Stanford Athletics, Palo Alto Business Improvement District, Palo Alto Weekly, Stanford Visitor's Center, Palo Alto Online, California Avenue Area Development Association (CAADA), Stanford Shopping Center, Stanford University, Town and Country Shopping Center, Palo Alto Arts Center and business representatives from the hotel, retail and hospitality industries.

On October 6, 2008, City Council authorized the City Manager or his designee to execute the agreement with the San Mateo County/Silicon Valley Convention and Visitors Bureau (SMC/SVVCVB) in an amount not to exceed \$455,000 for visitorship services for the fiscal year 2009 and fiscal year 2010.

The first year of the contract included \$215,000 to the SMC/SVVCVB, and \$25,000 to the Palo Alto weekly for an update of the Destination Palo Alto website and additional marketing materials. In the second year of the contract, the full amount of \$240,000 was allocated for the provision of visitorship services by the SMC/SVVCVB. On November 2, 2009, City Council confirmed the extension of the contract but requested that staff return with a description of the methodology and specific metrics to be used to quantify the City's return on its investment. The Council also directed that the contract be amended to provide for a 60-day termination clause by either party (which has been completed). In December, the Council received a request from the SMC/SVVCVB that the City vote to approve inclusion in the Bureau's TBID, switching from a contractual arrangement with the City.

In February 2010, staff presented baseline information and metrics quantifying the City's return on investment for Destination Palo Alto to assess the effectiveness of the program thus far, and considered a letter from the CVB to move to include the Palo Alto hotels in its TBID and terminate the Destination Palo Alto contract. Following this review, City Council unanimously approved the staff recommendation to consider adoption of a Resolution of Consent to participate in the San Mateo County TBID.

DISCUSSION

Attached to this staff report is a letter dated December 18, 2009 which staff received from the SMC/SVVCVB. In the letter, the CVB indicates that inclusion of Palo Alto hotels into the Tourism Business Improvement District which encompasses most of San Mateo County (with whom Palo Alto would otherwise compete for hotel room bookings without inclusion into the CVB) would be a more effective way to deliver tourism services in the Palo Alto marketplace. Eventual transition of the Destination Palo Alto to a TBID was the longer term outcome when it was initiated.

Should Palo Alto opt into the TBID, the CVB will retain its visitor center presence in the Palo Alto Chamber office, at no additional cost to the City, so service would be uninterrupted. In addition, a Palo Alto hotel owner will be included on the TBID's advisory board.

The CVB proposed that the contract between the CVB and the City of Palo Alto end in April or May of 2010 (to allow for public notifications regarding transition, etc.) and that the City Council pursue participation in the existing TBID. Inclusion into the TBID would result in a nominal additional cost to travelers. The range of cost is approximately 15 cents to \$1 per room night based on the projected occupancy of each hotel. Smaller hotels with limited services and meeting space with lower occupancy pay less than larger, full-service hotels.

The CVB's TBID has been in place successfully since April of 2001. The City of Burlingame is the lead city for the TBID and conducts the notifications and public hearings for the TBID. Other areas competing for meetings with TBIDs of their own include San Jose, San Francisco, Santa Clara, Sacramento County, San Diego and Santa Cruz County. The CVB has already conducted outreach to the largest hotels in Palo Alto that represent a majority of rooms in the City. Several Palo Alto hotels, including the Westin, Sheraton, Cabana, Garden Court and Dinah's Court, have indicated their support for inclusion into the TBID. The CVB is continuing its outreach and will update the City Council on the outreach to both large and small hotels.

Expanding the TBID to include Palo Alto hotels is a multi step process. To initiate the process, the Palo Alto Council must adopt a Resolution of Consent to be included within the San Mateo County TBID (Attachment 3). Once the initiating resolution is adopted, the Burlingame City Council as lead agency of the TBID conducts two additional public hearings to formalize the inclusion of the Palo Alto hotels as District C of the TBID. At these hearings, affected hotels will be given the right to file written protests. If protests are not received from owners of hotels or other lodging establishments responsible for 50% or more of the total value of the projected Palo Alto hotel assessment, the district will be amended to include Palo Alto hotels and the assessments will be levied against the hotels. The entire TBID inclusion process may take up to 90 days due to the notification and public hearing process. Once the Palo Alto hotels are included in the TBID, the Burlingame City Council will conduct annual re-authorization hearings. This process is similar to that used to establish the Palo Alto Downtown Business Improvement District.

To provide for an effective transition of this program, the contract with the San Mateo County/Silicon Valley Convention and Visitor's Bureau (SMC/SVCVB) would continue through May with an effective termination date of June 6, 2010. As discussed at the February 8, 2010 City Council meeting, City Council, staff, and the Convention Visitors Bureau believe that termination of the Destination Palo Alto contract and participation in the Tourism Business Improvement District is the best option for the delivery of services to the hotels in Palo Alto.

Since hotels would not begin paying TBID assessments until the beginning of the first full quarter of inclusion, anticipated to be July 2010, there would be ample time to transition from the Destination Palo Alto contract to the Tourism BID.

The SMC/SVCVB has met with the City's largest hotels and thus far the Sheraton/Westin, Cabana, Dinah's, Garden Court hotels and Creekside have indicated support for the transition to a TBID. Immediately following the City Council meeting on February 8, 2010, all Palo Alto hotels received a letter explaining the plan to make a transition TBID (Attachment 4). The letter provided contacts for questions and comments. To date, only one clarification request was

received from the Stanford Terrace hotel. No other comments, questions or concerns have been communicated to the CVB or the City.

RESOURCE IMPACT

The first year of Destination Palo Alto Visitor Program was funded through an allocation of the City's General Fund for FY 2009. The Destination Palo Alto program is a two-year pilot with \$240,000 for the second year allocated as a part of the 2009-10 budgets. If the contract is ended on June 6, 2010, \$80,000 of the original contract amount will not be expended. City Council will consider how to redirect the remaining Destination Palo Alto funds as a part of the FY10 mid-year or FY 2011 budget process.

Should the City collect the TBID remittances directly, there will be additional administrative workload for the Administrative Services Department. In light of past and future budget reductions and general policy to become more effective and efficient, staff recommends that remittances be sent directly from hotels to the City of Burlingame. There appear to be no benefits to the City from it acting as an intermediary or second step in the remittance process. It is important to note that most cities in the TBID collect TBID assessments while collecting the transient occupancy tax. By remitting fees directly to Burlingame, hotels will experience a modest increase in work and mailing expenses.

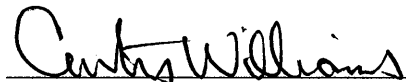
ENVIRONMENTAL REVIEW

This action by the City Council is not considered a project pursuant to Section 21065 of the California Environmental Quality Act.

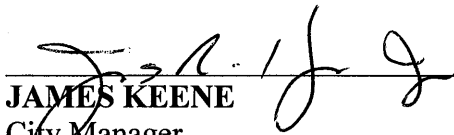
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Planning and Community Environment

CITY MANAGER APPROVAL:


JAMES KEENE
City Manager

ATTACHMENTS

- Attachment 1: Letter from SMC/SVCVB of December 21, 2009
- Attachment 2: CMR 138:10 (February 8, 2010)
- Attachment 3: Resolution of Consent for inclusion of Palo Alto hotels into the San Mateo County Tourism Business Improvement District
- Attachment 4: Letter from SMC/SVCVB re: Joining San Mateo County TBID



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December 21, 2009

Palo Alto City Council
250 Hamilton St.
Palo Alto, CA 94301

Dear Mayor Drekmeier and Members of the Council:

As you know, we began representing Palo Alto hotels and motels in October, 2008, promoting your properties in the same manner as the properties in the cities we represent as part of our Tourism Business Improvement District (TBID). We have appreciated your Council's support and we believe that the relationship has resulted, and will continue to result, in a positive economic benefit for your city. When we entered into a contract with your city, our hope was that after two years under contract, Palo Alto properties would become part of our tourism business improvement district, with no Palo Alto City money involved.

In these challenging times, our desire as a board is to maximize the time our staff spends on selling and promoting the area as a whole. It is the regional efforts that maximize the return on investment and bring people into our properties. What we are finding lately, however, is that a disproportionate amount of staff time is being spent on local Palo Alto meetings, questions, etc.

In an effort to allow our team to focus on regional promotion, we voted at our December Board meeting to spend the next few weeks talking to Palo Alto properties about becoming part of our existing TBID midway through the second year of our contract with the City of Palo Alto, rather than operating under a system under which the City of Palo Alto pays for the equivalent of their assessments. Should such a change occur, it would save your city approximately \$120,000.

We will report back to your city staff well in advance of your February 8 council meeting. If the hotels have an interest and your council wishes to be part of the TBID (with hotel guests paying for the assessments, rather than using any city money), it would mean the City of Palo could simply pass a resolution requesting that Palo Alto be included in the existing TBID. The request would then go to the City of Burlingame as lead agency for our TBID, to handle all noticing requirements.

We look forward to a continued positive relationship with the City of Palo Alto. We want to commend Susan Barnes in particular for doing everything possible to promote your businesses and city. It is a pleasure working with her.

Sincerely,

Ken Landis
Chairman of the Board (2009)

Rudy Ortiz
Chairman of the Board (2010)



City of Palo Alto City Manager's Report

14

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

**DEPARTMENT: PLANNING AND
COMMUNITY ENVIRONMENT**

DATE: FEBRUARY 8, 2010

CMR: 138:10

REPORT TYPE: ACTION

**SUBJECT: Review of Destination Palo Alto Metrics and Direction to Staff to Pursue
Transition to Participation in the San Mateo County Tourism Business
Improvement District**

RECOMMENDATION

Staff recommends that the City Council:

- 1) Review the baseline data, methodology and Destination Palo Alto return on investment information; and
- 2) Direct staff to explore participation in the San Mateo County Tourism Business Improvement District operated by the San Mateo County/Silicon Valley Convention Visitors Bureau.

EXECUTIVE SUMMARY

The purpose of this report is to respond to City Council questions and concerns regarding the City's return on investment for the City's visitorship effort, Destination Palo Alto. At the November 2, 2009 City Council Meeting, staff was directed to return to City Council within three months with details of metrics to be used to measure performance of the program. This staff report contains detailed baseline data on transient occupancy tax revenue, occupancy rates, and total number of hotel rooms for Palo Alto and 7 other area cities. In addition, a specific estimate is provided for transient occupancy tax revenue generated as a result of the San Mateo/Silicon Valley Convention and Visitors Bureau (SM/SVCVB) through Destination Palo Alto. The period covered in this review is November 2008 through December 2009. The data indicates the City received \$187,061 in revenues, as compared to the \$240,000 cost of the program which includes the \$25,000 paid directly to the Palo Alto Weekly (for local marketing—website, visitors' guides, rack brochure) and operation of the Visitors' Center at the Chamber of Commerce.

Since the City Council meeting in November, staff has received communication from the SM/SVCVB regarding its desire to transition from the existing contract to the inclusion of Palo Alto hotels into the existing Tourism Business Improvement District operated by the CVB. This change would result in the hotel guest paying a small increment (\$.15 to \$1.00) per room, per night rather than the City providing funds in the Destination Palo Alto contract. Essentially, the same service level would be provided to hotels through this approach, following up on the success of Destination Palo Alto. The SM/SVCVB has also indicated continuation of the Palo Alto Visitors' Center at the Palo Alto Chamber of Commerce. The potential cost savings to the City would be approximately \$60,000 - \$120,000 in FY 2010.

BACKGROUND

In October 2005, the City Council directed staff to agendize a Council discussion that would explore enhancing Palo Alto's economy by improving visitor outreach. In February 2006, staff convened a committee of stakeholders for a Palo Alto visitorship effort. The committee, Destination Palo Alto, was chaired by the City Manager and held its first meeting on March 15, 2006. Stakeholders included: the Palo Alto Chamber of Commerce, Stanford Athletics, Palo Alto Business Improvement District, Palo Alto Weekly, Stanford Visitor's Center, Palo Alto Online, California Avenue Area Development Association (CAADA), Stanford Shopping Center, Stanford University, Town and Country Shopping Center, Palo Alto Arts Center and business representatives from the hotel, retail and hospitality industries.

The goals of Destination Palo Alto included the development of a specific, actionable and achievable plan that would strengthen visitorship in Palo Alto. Three key objectives included:

1. Attracting more visitors to Palo Alto
2. Promoting return visitorship to Palo Alto
3. Enticing visitors to stay longer, use additional amenities and spend more money locally

Staff issued an RFP for visitorship services on April 14, 2008. Staff was directed to include \$240,000 for the Destination Palo Alto program in the FY 2009 proposed budget and \$240,000 in the FY 2010 proposed budget.

Based on input from the Administrative Services Department, a formula was identified for estimating the City's return on its investment for Destination Palo Alto. Based on a 5% increase in the occupied room days for the five largest hotels in Palo Alto, the growth in revenue was estimated to be approximately \$240,000 yearly. This amount was proposed for two years as a part of the FY 2009 and FY 2010 budgets.

On October 6, 2008, City Council authorized the City Manager or his designee to execute the agreement with the San Mateo County/Silicon Valley Convention and Visitors Bureau (SMC/SVCVB) in an amount not to exceed \$455,000 for visitorship services for the fiscal year 2009 and fiscal year 2010.

\$25,000 of the total \$240,000 contract amount was awarded to the Palo Alto Weekly for an upgrade of the Destination Palo Alto website (\$15,000) and for the provision of two visitor

guides (\$10,000). The cost of the visitor guides and website upgrade are one time costs. No rate of return was calculated for this portion of the contract. Thus, in the first year of the contract, the SMC/SVCVB portion of the contract was only \$215,000.

In the second year of the contract, the full amount of \$240,000 was allocated for the provision of visitorship services by the SMC/SVCVB. On November 2, 2009, City Council confirmed the extension of the contract but requested that staff return with a description of the methodology and specific metrics to be used to quantify the City's return on its investment. The Council also directed that the contract be amended to provide for a 60-day termination clause by either party (which has been completed).

DISCUSSION

Staff has collected baseline data from a number of other cities in an effort to address the questions from City Council. Attached is a spreadsheet that identifies the transient occupancy tax (TOT) revenue, occupancy rates (when available) and the total number of hotel rooms in Palo Alto, Berkeley, Redwood City, Cupertino, Campbell, Mountain View, Menlo Park and Sunnyvale (Attachment 2).

Baseline Metrics

Staff analyzed FY2007, 2008, and 2009 data related to TOT revenue, percentage occupancy rates and number of hotel beds from 8 cities: Palo Alto, Menlo Park, Cupertino, Berkeley, Redwood City, Campbell and Sunnyvale. The statistical analysis did not identify any significant differences accounted for by either the presence or absence of a convention bureau, or the rate of TOT. Overall, the statistical results of the TOT analysis indicated that macroeconomic factors, especially the downturn in the economy in the Bay Area Region, swamped any other effects. While no specific inferences can be made from this data, the collection of baseline figures will allow staff to determine the impact of Destination Palo Alto as the program continues to develop.

Rate of Return

The Destination Palo Alto contract was initiated in October of 2008. Events and hotel room bookings are planned months and even years in advance. For this reason, the CVB cannot attribute any hotel bookings to the program for that 2008, therefore the table below begins with calendar year 2009.

The following table illustrates rooms booked in Palo Alto for 2009, and 2010 (based on bookings through 12/15/2009). In addition, revenues generated through transient occupancy tax, secondary impacts (such as sales tax) and costs to operate Destination Palo Alto are detailed.

Table I

Destination Palo Alto	2009	2010 (Full year estimate) ¹⁰
Rooms booked ¹	9,900	12,000
Palo Alto hotel room revenue generated by DPA ²	\$1,439,559	\$1,744, 920
Secondary Revenue Impact ³	\$1,439,059	\$1,735,080
A. TOT Revenue to Palo Alto from DPA bookings ⁴	\$172,747	\$209,390
B. Sales tax revenue ⁵	\$14,314	\$17,351
Total TOT and Sales Tax Revenue ⁶	\$187,061	\$226,741
Annual Cost of DPA ⁷	\$240,000	\$240,000
C. Return on investment ⁸	78%	94.4%
D. Rate of Return (without Visitor Center)	117%	142%

The following summarizes some of the key assumptions used to prepare the table (corresponding to the footnotes):

1. Rooms booked by SMC/SVCVB
2. Average room rate (9,900 x \$145.41/night = hotel room revenues)
3. Secondary Revenue Impact (retail sales, restaurant sales, services purchased by travelers) – 144.59 per room per day per Smith Travel Research
4. TOT rate of 12%
5. Sales tax at 1% of retail impacts
6. A + B
7. Amount includes \$25,000 to PA Weekly (2009) and \$80,000 for Visitor Center at Chamber of Commerce
8. Ratio of total City revenue to cost of DPA (\$240,000)
9. Data through 12/15/2009
10. Contract period is 10 months in 2010

Staff notes that there is an anticipated 21% increase in total transient occupancy tax, and sales tax revenue comparing 2009 figures to 2010. This trend is expected to continue as the program matures and as additional room nights are booked.

The ROR is estimated at 78% for 2009, including the dollars allocated to the Palo Alto Weekly (\$25,000) and for the Visitor Center (\$80,000). For 2010, the return on investment is projected at 94% (again including the Visitor Center costs). The figures above assume all room nights booked become actual room stays, which may tend to overstate bookings. However, this overstatement is somewhat offset by other revenues not captured in this metric, such as room night revenue, sales tax and total economic impact generated from leisure travelers generated by numerous articles and advertisements featuring Palo Alto, and rooms generated by features or ads in publications aimed at meeting planners.

Tourism Business Improvement District

Attached to this staff report is a letter dated December 18, 2009 which staff received from the SM/SVCVB. In the letter, the CVB indicates that inclusion of Palo Alto hotels into the Tourism Business Improvement District (TBID) which encompasses most of San Mateo County (with whom Palo Alto would otherwise compete for hotel room bookings without inclusion into the CVB) would be a more effective way to deliver tourism services in the Palo Alto marketplace. This was the longer term outlook for Destination Palo Alto when it was initiated.

Should Palo Alto opt into the TBID, the CVB will retain its visitor center presence in the Palo Alto Chamber office at no additional cost to the City, so service would be uninterrupted.

The CVB proposes that the contract between the CVB and the City of Palo Alto end in April or May of 2010 (depending on the timeframe for public notifications, etc.) and that the City Council direct staff to pursue participation in the existing TBID. Inclusion into the TBID would result in a nominal additional cost to travelers. The range of cost is approximately 15 cents to \$1 per room night based on the projected occupancy of each hotel. Smaller hotels with limited services and meeting space with lower occupancy pay less than larger, full-service hotels.

The CVB's TBID has been in place successfully since April of 2001. Other areas competing for meetings with TBIDs of their own include San Jose, San Francisco, Santa Clara, Sacramento County, San Diego and Santa Cruz County. The CVB has already conducted outreach to the largest four hotels and others in Palo Alto that represent a majority of rooms in the City. Currently a number of Palo Alto hotels including the Westin, Sheraton and Dinah's Court have indicated their support for inclusion into the TBID. The CVB is continuing its outreach and will report these outcomes at City Council.

Should City Council determine that participation in the TBID be explored, staff will return to City Council tentatively on March 8, 2010, with a resolution of intention for inclusion into the TBID by Palo Alto hotels. The entire TBID inclusion process may take up to 90 days with notifications. This process is similar to that used to establish the Palo Alto Downtown Business Improvement District.


RESOURCE IMPACT

The first year of Destination Palo Alto Visitor Program was funded through an allocation of the City's General Fund for FY 2009. The amount of the funding allocated for the program was based on the expected growth in hotel occupancy that results from implementation of the program. The expected growth in occupancy was estimated to be 5 percent, which translates into \$240,000. It is estimated that approximately \$187,061 was generated in revenue to the City in transient occupancy tax and sales tax alone for 2009. The Destination Palo Alto program is a two-year pilot with \$240,000 for the second year allocated as a part of the 2009-11 budgets. If the contract is ended in April-June, 2010, approximately \$60,000-\$120,000 of the original contract amount will not be expended. Staff has recommended the flexibility to terminate the contract in April or May, depending on the time required for TBID inclusion to ensure uninterrupted services to the hotels and visitor's center at the Chamber of Commerce.

ENVIRONMENTAL REVIEW


This action by the City Council is not considered a project pursuant to Section 21065 of the California Environmental Quality Act.

PREPARED BY:



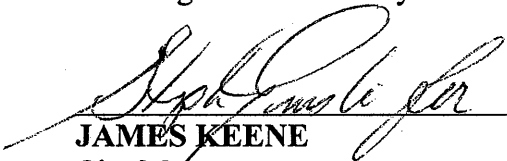
SUSAN BARNES, Manager
Economic Development/Redevelopment

DEPARTMENT HEAD:



CURTIS WILLIAMS, Director
Planning and Community Environment

CITY MANAGER APPROVAL:



JAMES KEENE
City Manager

ATTACHMENTS

- Attachment 1: Letter from SMC/SVCVB of December 21, 2009
- Attachment 2: Baseline data on transient occupancy tax revenue, number of hotel rooms and occupancy for selected cities
- Attachment 3: CMR: 386:09 dated November 2, 2009: Approval of the Extension of the Agreement between San Mateo County Convention and Visitors Bureau and the City of Palo Alto for the Provision of Destination Palo Alto Visitorship Services in the amount of \$240,000 for Fiscal Year 2009/10

Resolution No. _____

Resolution of the Council of the City of Palo Alto to Consent
to the City of Palo Alto Being Included Within the Boundaries
of the San Mateo County Tourism Business Improvement
District

WHEREAS, Section 36521.5 of the California Streets and Highways Code authorizes this City to consent to its inclusion within the boundaries of a Business Improvement District; and

WHEREAS, it is proposed that the City of Palo Alto be included in the boundaries of the San Mateo County Tourism Business Improvement District for the purpose of collecting assessments from commercial lodging facilities (hotels, motels, etc); and

WHEREAS, pursuant to the Streets and Highways Code sections 36500 and following, the City of Burlingame will hold necessary hearings, provide required notices, and receive testimony and protests; and

WHEREAS, this City has reviewed the ordinances establishing the San Mateo County Tourism Business Improvement District, including but not limited to the proposed district boundaries, assessments, and purposes for the District.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The City of Palo Alto hereby consents to being included in the boundaries of the San Mateo County Tourism Business Improvement District for hotels and authorizes the City of Burlingame to take necessary steps and actions to formalize its inclusion in the boundaries of the District.

SECTION 2. The City further requests that the Burlingame City Council amend Section 14 of Ordinance 1648 to require an owner or manager of a hotel or property occupied by a hotel in the City of Palo Alto be appointed to the advisory board.

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Not Yet Approved

SECTION 3. The Council finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of

Director of Administrative
Services



111 Anza Boulevard, Suite 410, Burlingame, CA 94010
 650-348-7600 ♦ 1-800-288-4748
 Fax 650-348-7687
 info@sanmateocountycvb.com ♦ www.visitsanmateocounty.com

February 9, 2010

To: Palo Alto Properties

From: The San Mateo County/Silicon Valley Convention and Visitors Bureau

Re: Joining Existing San Mateo County (Silicon Valley) Tourism Business Improvement District

Dear Property Owners and Managers:

A few years ago, we approached some of the largest properties in Palo Alto with an offer to have Palo Alto hotels and motels join our tourism business improvement district (TBID). In our TBID, hotels are assigned an assessment*, which is *passed on to guests* on the guest folio as a small "tourism fee". These TBIDs are now in place all over California, including Sacramento County, San Francisco/San Francisco County, Monterey County, the City of San Jose, the City of Santa Clara, San Diego and, of course, San Mateo County. They have become commonplace and visitors have become used to paying a tourism or TBID fee.

At that time, it was proposed that instead of joining the TBID, the hotels get representation and sales outreach from our Bureau, but funded by the City of Palo Alto in a contract. In October of 2008, a contract was signed with the City of Palo Alto and all promises in that contract honored. We have found, however, that the "strictly local" meetings, reports and requests are detracting from our sales outreach for our area. We are all about sales and marketing, and our Board is convinced your properties would benefit far more from joining the TBID.

At a Council meeting on March 8, the Palo Alto City Council will vote on a resolution requesting Palo Alto's inclusion in our TBID. If approved, the process would take up to 90 days, with Palo Alto properties officially in the TBID as of May or June, but with no assessments passed on until the quarter beginning July 2010, to allow collection of the fees prior to any billing, so no money would be out-of-pocket.

We have already met with multiple properties in Palo Alto that would have the highest assessments and all five to whom we have spoken so far support giving the TBID a try, particularly in today's challenging economic times. (Hotels are notified annually when the renewal process is pending.) We are now reaching out to notify Palo Alto properties whose assessments would be at much lower levels to let them know this is under discussion.

Enclosed is a list of services we offer. Worth noting for smaller properties are the opportunities we provide in terms of generating editorial about the area, leisure room nights, film crew leads and tour and travel. In addition, a general rule of thumb is that, even when we book a large conference into an area hotel, 20% of the attendees will book elsewhere in the area, "outside the block", in order to get a lower rate. Large meetings usually also generate overflow rooms for smaller properties. Please let us know if you have any questions or concerns prior to March 8. Thank you!

Sincerely,

Anne LeClair
 President & CEO

*According to our calculations, since your property has over 20 sleeping rooms, if your occupancy is at 60%, your assessment would be covered with a tourism fee of 15 cents per night. The fee is adjustable. So, if your occupancy were at 30%, you could pass on a fee of 30 cents per night. (All of this is explained in documentation that goes out to participating properties.)



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info@sanmateocountycvb.com ♦ www.visitsanmateocounty.com

Your best contacts for questions about:

Sales efforts in general/how small properties benefit most: **Teipo Brown** teipo@smccvb.com

Billing/payment process: **Gina Allhands** gina@smccvb.com

General Questions: **Anne LeClair** AnneL@smccvb.com

Office Number: 650-348-7600

From: Barbara Gross <barbara.ellen.gross@gmail.com>
Sent: Wednesday, October 30, 2019 2:03 PM
To: Council, City <city.council@cityofpaloalto.org>; City Mgr <CityMgr@cityofpaloalto.org>; Shikada, Ed <Ed.Shikada@CityofPaloAlto.org>; Flaherty, Michelle <Michelle.Flaherty@CityofPaloAlto.org>; Stump, Molly <Molly.Stump@CityofPaloAlto.org>
Cc: Jim Rebosio <JRebosio@sheratonpaloalto.com>; Barbara Feldman Gross <barbara.ellen.gross@gmail.com>; Stephanie Wansek <stephanie@cardinalhotel.com>; Yatin Patel <ykpatel@gmail.com>
Subject: Withdrawal from San Mateo Convention County Convention Visitors Bureau

Dear Council Members, Ed Shikada, Michelle Flaherty , Molly Stump,

The above attachments are the necessary documents for Palo Alto Hotels, Motels and Inns to withdraw from the San Mateo County Convention Visitors Bureau. The attachments include:

- A letter to the City Council to take such action
- Origins and history of the relationship
- List of Hotels, Motels and Inns requesting withdrawal
- Membership fees vs. relative value

PLEASE NOTE: At the inception of this agreement, outreach was limited to six hotels - believing that a rising tide would positively effect all hospitality in the city. This is notated in the City Managers Report. The decision to withdraw is represented by a clear majority of current operators and owners.

We are most grateful to Michelle Flaherty and Molly Stump for their assistance in researching the proper process for this action.

As stated previously, please feel free to contact Jim Rebosio or Barbara Gross with questions or clarification.

Thank you for your attention.

Palo Alto City Council
250 Hamilton Avenue
Palo Alto, CA 94301

October 28, 2019

RE: Withdrawal from the San Mateo County Tourism Business Improvement District (TBID)

Hon. Mayor Filseth and Council Members:

On behalf of the undersigned hotels, please find here our request to withdraw from participation in the San Mateo County TBID effective January 1, 2020. Twenty-one (21) out of twenty-seven (27) hotels/motels in Palo Alto responded to inquiries of whether they wished to continue participation in the TBID. Of the respondents, 19 out of 21 signatures from owners and/or General Managers were obtained in support of withdrawal. Please see Attachment A. This reflects an overwhelming support for withdrawal.

HISTORY

The San Mateo County / Silicon Valley Convention & Visitors Bureau (SMCCVB) is the lead agency for the San Mateo County TBID, which is administered by the City of Burlingame. The San Mateo County TBID was formed in 2001 to promote and generate leads for all hotels/motels in San Mateo County. In 2008, the City Manager contracted with SMCCVB for visitorship services for Palo Alto for fiscal year 2009 and 2010. Per CMR: 154:10, beginning in July 2010, Palo Alto hotels participated directly in, and paid assessments directly to, the San Mateo County TBID (See Attachment B). Prior to adopting this resolution, the City conducted limited outreach to hotels/motels in Palo Alto to determine industry support for joining the TBID. The outreach was limited to the following large hotels: Sheraton, Westin, Crowne Plaza Cabana, Dinah's Garden Hotel, Garden Court Hotel, and Creekside Inn (See Attachment B). Out of these original six (6) hotels, four (4) have signed the request to withdraw – the Sheraton, Westin, Crowne Plaza Cabana, and the Garden Court Hotel.

The purpose of joining the TBID was to generate business and demonstrate a return on investment for Palo Alto hotels/motels.

OUTREACH TO SMCCVB

In January 2019, John Hutar, Dinah's Garden Hotel's then General Manager, invited SMCCVB President Anne LeClair and her team to present to Palo Alto hotels/motels its relevant activities in promoting Palo Alto as a destination. Many properties, including the larger hotels, questioned whether the SMCCVB was effectively marketing Palo Alto and requested to have a meeting. Unlike when the original decision to participate in the

TBID was made, this meeting was well attended by a broader representation of properties affected by participation in the TBID. At this meeting, SMCCVB made it clear that they are an organization focused on lead generation rather than conversion. Many properties questioned whether there were an adequate amount of leads being generated for the Palo Alto market.

Many Palo Alto hotels and motels followed up with SMCCVB in an effort to fully engage in potential future business opportunities. In June 2019, Stephanie Wansek, Cardinal Hotel GM and Barbara Gross, former GM of the Garden Court Hotel and current Hospitality Consultant, met with the recently appointed President of the SMCCVB and former Dinah's Garden Hotel GM, John Hutar, and with the Chair of the Board for SMCCVB to discuss the Palo Alto relationship. There was a collegial exchange of information and enumerated potential business opportunities.

During that meeting, another SMCCVB meeting with Palo Alto hotel/motel owners/GMs was planned for August 2019 at the Sheraton Hotel. On August 29th, John Hutar and team presented sales plans, direct sales and convention sales results and recent changes to the organization.

PALO ALTO HOTEL COUNCIL (PAHC) MEETING

Following the August meeting, the PAHC conducted outreach to hotels/motels for their feedback regarding their experience with the SMCCVB over the past decade or so, their return on investment in participating, and how they valued the relationship.

On September 18, 2019 the PAHC held a meeting at which the status of the relationship with SMCCVB was an agenda item. The agenda item was discussed with many individual viewpoints and stances. Also discussed was the monthly contribution of \$2,200 from SMCCVB to the Palo Alto Chamber of Commerce, to support their effort as a Visitor's Bureau, which would cease as a result of a withdrawal. Any general manager and/or owner who expressed a desire to withdraw from the San Mateo County TBID was asked to sign a document expressing his/her/their intent (See Attachment A). Properties that were not present at this meeting or were unable to sign pending management approval were visited separately in order to survey as many properties as possible.

Many of the smaller properties reported that historically, they responded to many leads over the past decade and have yielded nothing in return. They expressed concern that given the vast territory covered – San Mateo County plus Palo Alto, and given the lack of Palo Alto specific leads, their responses almost never yielded anything of value. It is also interesting to note that four (4) of the largest hotels in Palo Alto, the ones you would expect to benefit the most by participating in the SMCCVB, endorse withdrawal. Reasons for withdrawal from the larger properties included “not a good fit” and the rates of Palo Alto properties, especially the larger ones, are too high for the budgets of the majority of leads generated through SMCCVB efforts.

The purpose of joining the TBID was to generate business and demonstrate a return on investment for Palo Alto hotels/motels. A decade later, with this request to withdraw from the San Mateo County TBID, a majority of Palo Alto hoteliers are voicing their opinion that this partnership has not yielded a return on investment to warrant continued participation. The undersigned properties thank you in advance for supporting their request to withdraw from the San Mateo County TBID effective January 1, 2020.

For questions or further information, please contact:

Barbara Gross, The Garden Court Hotel, Former GM
barbara.ellen.gross@gmail.com

Jim Rebosio, Sheraton / Westin, GM
JRebosio@sheratonpaloalto.com

Sincerely,

Sheraton Palo Alto Hotel
Crowne Plaza Cabana Palo Alto
The Westin Palo Alto
Comfort Inn Palo Alto
The Cardinal Hotel
Garden Court Hotel
The Nest Palo Alto
Hotel Keen
Oak Motel
Hotel Parmani
Stanford Motor Inn
Travelodge Palo Alto
America's Best Value Sky Ranch Inn
Glass Slipper Inn
Palo Alto Inn
The Clement Hotel
Coronet Motel
Berbeda Place
Cowper Inn

Attachment A

2019 Palo Alto SMCCVB Assessments

Property	Annual Assessment	Date	Signature	Title
Americas Best Value Sky Ranch Inn	\$939.60			
Berbeda Place	\$291.60			
Cardinal Hotel	\$1,944.00	9/18	Stephanie Wanser	GM
Clement Hotel	\$745.20	9/18	Chris Wanser	GM
Comfort Inn Stanford	\$2,268.00	9/18	Dennis Wallace	GM
Coronet Motel	\$680.00			
Country Inn Motel	\$874.80			
Cowper Inn	\$226.80	9/18	Key (unintelligible)	HS
Creekside Inn	\$14,688.00			
Crowne Plaza Palo Alto	\$47,736.00			
Dinah's Garden Hotel	\$31,579.20			
Garden Court Hotel	\$15,177.50	2/18/19	Ellie Herman	GM
Glass Slipper Inn	\$810.00			
Hilton Garden Inn Palo Alto	\$18,792.00			
Homewood Suites by Hilton	\$7,452.00			
Hotel Keen	\$1,360.80			
Hotel Parmani	\$1,166.40	9/18/19	Yatin Patel	GM
Oak Motel	\$1,360.80			
The Nest Palo Alto	\$1,749.60			
Nobu Hotel Palo Alto	\$18,849.60			
The Palo Alto Inn	\$745.20	9/18/19	KARAN	OPERATIONS
Sheraton Palo Alto	\$86,904.00	9/18	Chris Wanser	GM
Stanford Motor Inn	\$1,198.40			
Stanford Terrace Inn	\$4,320.00			
Travelodge Palo Alto	\$939.60			
Westin Palo Alto	\$45,043.20	9/18	Chris Wanser	GM
Zen Hotel	\$1,198.80			

2019 Palo Alto SMCCVB Assessments

Property	Annual Asses	Date	Signature	Title
Americas Best Value Sky Ranch Inn	\$939.60	9/19/19	<i>[Signature]</i>	GM
Berbeda Place	\$291.60	9/19/19	<i>[Signature]</i>	OWNER
Cardinal Hotel	\$1,944.00			
Clement Hotel	\$745.20			
Comfort Inn Stanford	\$2,268.00			
Coronet Motel	\$680.00	9/19/19	<i>[Signature]</i>	Owner
Country Inn Motel	\$874.80			
Cowper Inn	\$226.80			
Creekside Inn	\$14,688.00			
Crowne Plaza Palo Alto	\$47,736.00	9/19/19	<i>[Signature]</i>	OWNER
Dinah's Garden Hotel	\$31,579.20			
Garden Court Hotel	\$15,177.50			
Glass Slipper Inn	\$810.00	09-18-19	<i>[Signature]</i>	OWNER
Hilton Garden Inn Palo Alto	\$18,792.00			
Homewood Suites by Hilton	\$7,452.00			
Hotel Keen	\$1,360.80	9/19/19	<i>[Signature]</i>	OWNER
Hotel Parmani	\$1,166.40			
Oak Motel	\$1,360.80	9/19/19	<i>[Signature]</i>	GM
The Nest Palo Alto	\$1,749.60	9-18-19	<i>[Signature]</i>	G.M.
Nobu Hotel Palo Alto	\$18,849.60			
The Palo Alto Inn	\$745.20			
Sheraton Palo Alto	\$86,904.00			
Stanford Motor Inn	\$1,198.40	9/23/19	<i>[Signature]</i>	GM
Stanford Terrace Inn	\$4,320.00			
Travelodge Palo Alto	\$939.60	9-19-19	<i>[Signature]</i>	G.M.
Westin Palo Alto	\$45,043.20			
Zen Hotel	\$1,198.80			
Total	\$309,041.10			

HOTEL	responses	Assessment \$	# of Rooms	
Sheraton Palo Alto Hotel	want to withdraw	\$86,904.00	346	
Crowne Plaza Cabana Palo Alto	want to withdraw	\$47,736.00	195	
The Westin Palo Alto	want to withdraw	\$45,043.20	184	
Hilton Garden Inn Palo Alto	no response	\$18,792.00	174	
Homewood Suites by Hilton Palo Alto	want to continue	\$7,452.00	138	
Creekside Inn	no response	\$14,688.00	136	
Dinah's Garden Hotel	no response	\$31,579.00	129	
The Nobu Epiphany Palo Alto	no response	\$18,849.00	86	
Stanford Terrace Inn	no response	\$4,320.00	80	
Comfort Inn Palo Alto	want to withdraw	\$2,268.00	70	
The Cardinal Hotel	want to withdraw	\$1,944.00	63	
Garden Court Hotel	want to withdraw	\$15,177.00	62	
The Nest Palo Alto	want to withdraw	\$1,749.60	50	
Hotel Keen	want to withdraw	\$1,360.80	42	
Oak Motel	want to withdraw	\$1,360.80	39	
The Zen Hotel	want to continue	\$1,198.80	37	
Hotel Parmani	want to withdraw	\$1,166.40	36	
Stanford Motor Inn	want to withdraw	\$1,198.40	35	
Travelodge Palo Alto	want to withdraw	\$939.60	29	
America's Best Value Sky Ranch Inn	want to withdraw	\$939.60	29	
Country Inn Motel	no response	\$874.80	27	
Glass Slipper Inn	want to withdraw	\$810.00	25	
Palo Alto Inn	want to withdraw	\$745.20	23	
The Clement Hotel	want to withdraw	\$745.20	23	
Coronet Motel	want to withdraw	\$680.00	21	
Berbeda Place	want to withdraw	\$291.60	18	
Cowper Inn	want to withdraw	\$226.80	16	
Number of hotels that want to withdraw	19	\$211,286.20	1306	want to withdraw
TOTAL	27	\$309,039.80	2113	total

Attachment B City Manager Resolution -CMR 154:10 - pages 15

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

**DEPARTMENT: PLANNING AND
COMMUNITY ENVIRONMENT**

DATE: MARCH 8, 2010

CMR: 154:10

REPORT TYPE: CONSENT

**SUBJECT: Adoption of a Resolution to Consent to the City of Palo Alto Being Included
Within the Boundaries of the San Mateo County Tourism Business
Improvement District and Direction to Terminate Destination Palo Alto
Contract**

RECOMMENDATION

Staff recommends that the City Council:

- 1) Approve the attached Resolution to Consent to the City of Palo Alto being included within the boundaries of the San Mateo County Tourism Business Improvement District; and
- 2) Direct City Manager to formally provide written notice to the Convention Visitors Bureau that the contract between the City of Palo Alto and the San Mateo County/Silicon Valley Convention Visitors Bureau be terminated effective June 6, 2010, providing the required 60 day notice for this action.

EXECUTIVE SUMMARY

The purpose of this report is to provide City Council with the Resolution of Consent which will initiate the process to include Palo Alto hotels as participants in the San Mateo County Tourism Business Improvement (TBID). Following adoption of the Resolution of Consent, the City of Burlingame, as lead agency for the San Mateo County TBID will propose the addition of Palo Alto Hotels into the TBID. The participation of Palo Alto hotels in the TBID would result in the hotel guest paying a small increment of approximately (\$.15 to \$1.00) per room, per night rather than the City providing funds in the Destination Palo Alto contract. (The exact amount of assessments would depend on a property's projected occupancy.) Essentially, the same service level would be provided to hotels through this approach, as was provided under Destination Palo Alto. The SMC/SVCVB has also indicated continuation of the Palo Alto Visitors' Center at the Palo Alto Chamber of Commerce. The potential cost savings to the City would be \$80,000 in FY 2010.

The CVB proposed that the contract between the CVB and the City of Palo Alto end in April or May of 2010 (to allow for public notifications regarding transition, etc.) and that the City Council pursue participation in the existing TBID. Inclusion into the TBID would result in a nominal additional cost to travelers. The range of cost is approximately 15 cents to \$1 per room night based on the projected occupancy of each hotel. Smaller hotels with limited services and meeting space with lower occupancy pay less than larger, full-service hotels.

The CVB's TBID has been in place successfully since April of 2001. The City of Burlingame is the lead city for the TBID and conducts the notifications and public hearings for the TBID. Other areas competing for meetings with TBIDs of their own include San Jose, San Francisco, Santa Clara, Sacramento County, San Diego and Santa Cruz County. The CVB has already conducted outreach to the largest hotels in Palo Alto that represent a majority of rooms in the City. Several Palo Alto hotels, including the Westin, Sheraton, Cabana, Garden Court and Dinah's Court, have indicated their support for inclusion into the TBID. The CVB is continuing its outreach and will update the City Council on the outreach to both large and small hotels.

Expanding the TBID to include Palo Alto hotels is a multi step process. To initiate the process, the Palo Alto Council must adopt a Resolution of Consent to be included within the San Mateo County TBID (Attachment 3). Once the initiating resolution is adopted, the Burlingame City Council as lead agency of the TBID conducts two additional public hearings to formalize the inclusion of the Palo Alto hotels as District C of the TBID. At these hearings, affected hotels will be given the right to file written protests. If protests are not received from owners of hotels or other lodging establishments responsible for 50% or more of the total value of the projected Palo Alto hotel assessment, the district will be amended to include Palo Alto hotels and the assessments will be levied against the hotels. The entire TBID inclusion process may take up to 90 days due to the notification and public hearing process. Once the Palo Alto hotels are included in the TBID, the Burlingame City Council will conduct annual re-authorization hearings. This process is similar to that used to establish the Palo Alto Downtown Business Improvement District.

To provide for an effective transition of this program, the contract with the San Mateo County/Silicon Valley Convention and Visitor's Bureau (SMC/SVCVB) would continue through May with an effective termination date of June 6, 2010. As discussed at the February 8, 2010 City Council meeting, City Council, staff, and the Convention Visitors Bureau believe that termination of the Destination Palo Alto contract and participation in the Tourism Business Improvement District is the best option for the delivery of services to the hotels in Palo Alto.

Since hotels would not begin paying TBID assessments until the beginning of the first full quarter of inclusion, anticipated to be July 2010, there would be ample time to transition from the Destination Palo Alto contract to the Tourism BID.

The SMC/SVCVB has met with the City's largest hotels and thus far the Sheraton/Westin, Cabana, Dinah's, Garden Court hotels and Creekside have indicated support for the transition to a TBID. Immediately following the City Council meeting on February 8, 2010, all Palo Alto hotels received a letter explaining the plan to make a transition TBID (Attachment 4). The letter provided contacts for questions and comments. To date, only one clarification request was

received from the Stanford Terrace hotel. No other comments, questions or concerns have been communicated to the CVB or the City.

RESOURCE IMPACT

The first year of Destination Palo Alto Visitor Program was funded through an allocation of the City's General Fund for FY 2009. The Destination Palo Alto program is a two-year pilot with \$240,000 for the second year allocated as a part of the 2009-10 budgets. If the contract is ended on June 6, 2010, \$80,000 of the original contract amount will not be expended. City Council will consider how to redirect the remaining Destination Palo Alto funds as a part of the FY10 mid-year or FY 2011 budget process.

Should the City collect the TBID remittances directly, there will be additional administrative workload for the Administrative Services Department. In light of past and future budget reductions and general policy to become more effective and efficient, staff recommends that remittances be sent directly from hotels to the City of Burlingame. There appear to be no benefits to the City from it acting as an intermediary or second step in the remittance process. It is important to note that most cities in the TBID collect TBID assessments while collecting the transient occupancy tax. By remitting fees directly to Burlingame, hotels will experience a modest increase in work and mailing expenses.

ENVIRONMENTAL REVIEW

This action by the City Council is not considered a project pursuant to Section 21065 of the California Environmental Quality Act.

PREPARED BY:


SUSAN BARNES, Manager
Economic Development/Redevelopment

DEPARTMENT HEAD:


CURTIS WILLIAMS, Director
Planning and Community Environment

CITY MANAGER APPROVAL:


JAMES KEENE
City Manager

ATTACHMENTS

- Attachment 1: Letter from SMC/SVCVB of December 21, 2009
Attachment 2: CMR 138:10 (February 8, 2010)
Attachment 3: Resolution of Consent for inclusion of Palo Alto hotels into the San Mateo
County Tourism Business Improvement District
Attachment 4: Letter from SMC/SVCVB re: Joining San Mateo County TBID

ATTACHMENT 1



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Fax 650-348-7687

info@sanmateocountycvb.com ♦ www.visitsanmateocounty.com

December 21, 2009

Palo Alto City Council
250 Hamilton St.
Palo Alto, CA 94301

Dear Mayor Drekmeier and Members of the Council:

As you know, we began representing Palo Alto hotels and motels in October, 2008, promoting your properties in the same manner as the properties in the cities we represent as part of our Tourism Business Improvement District (TBID). We have appreciated your Council's support and we believe that the relationship has resulted, and will continue to result, in a positive economic benefit for your city. When we entered into a contract with your city, our hope was that after two years under contract, Palo Alto properties would become part of our tourism business improvement district, with no Palo Alto City money involved.

In these challenging times, our desire as a board is to maximize the time our staff spends on selling and promoting the area as a whole. It is the regional efforts that maximize the return on investment and bring people into our properties. What we are finding lately, however, is that a disproportionate amount of staff time is being spent on local Palo Alto meetings, questions, etc.

In an effort to allow our team to focus on regional promotion, we voted at our December Board meeting to spend the next few weeks talking to Palo Alto properties about becoming part of our existing TBID midway through the second year of our contract with the City of Palo Alto, rather than operating under a system under which the City of Palo Alto pays for the equivalent of their assessments. Should such a change occur, it would save your city approximately \$120,000.

We will report back to your city staff well in advance of your February 8 council meeting. If the hotels have an interest and your council wishes to be part of the TBID (with hotel guests paying for the assessments, rather than using any city money), it would mean the City of Palo could simply pass a resolution requesting that Palo Alto be included in the existing TBID. The request would then go to the City of Burlingame as lead agency for our TBID, to handle all noticing requirements.

We look forward to a continued positive relationship with the City of Palo Alto. We want to commend Susan Barnes in particular for doing everything possible to promote your businesses and city. It is a pleasure working with her.

Sincerely,

Ken Landis
Chairman of the Board (2009)

Rudy Ortiz
Chairman of the Board (2010)



City of Palo Alto City Manager's Report

14

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PLANNING AND
COMMUNITY ENVIRONMENT

DATE: FEBRUARY 8, 2010

CMR: 138:10

REPORT TYPE: ACTION

SUBJECT: Review of Destination Palo Alto Metrics and Direction to Staff to Pursue
Transition to Participation in the San Mateo County Tourism Business
Improvement District

RECOMMENDATION

Staff recommends that the City Council:

- 1) Review the baseline data, methodology and Destination Palo Alto return on investment information; and
- 2) Direct staff to explore participation in the San Mateo County Tourism Business Improvement District operated by the San Mateo County/Silicon Valley Convention Visitors Bureau.

EXECUTIVE SUMMARY

The purpose of this report is to respond to City Council questions and concerns regarding the City's return on investment for the City's visitorship effort, Destination Palo Alto. At the November 2, 2009 City Council Meeting, staff was directed to return to City Council within three months with details of metrics to be used to measure performance of the program. This staff report contains detailed baseline data on transient occupancy tax revenue, occupancy rates, and total number of hotel rooms for Palo Alto and 7 other area cities. In addition, a specific estimate is provided for transient occupancy tax revenue generated as a result of the San Mateo/Silicon Valley Convention and Visitors Bureau (SM/SVCVB) through Destination Palo Alto. The period covered in this review is November 2008 through December 2009. The data indicates the City received \$187,061 in revenues, as compared to the \$240,000 cost of the program which includes the \$25,000 paid directly to the Palo Alto Weekly (for local marketing—website, visitors' guides, rack brochure) and operation of the Visitors' Center at the Chamber of Commerce.

BACKGROUND

In October 2005, the City Council directed staff to agendize a Council discussion that would explore enhancing Palo Alto's economy by improving visitor outreach. In February 2006, staff convened a committee of stakeholders for a Palo Alto visitorship effort. The Destination Palo Alto committee was chaired by the City Manager and held its first meeting on March 15, 2006. Stakeholders included: the Palo Alto Chamber of Commerce, Stanford Athletics, Palo Alto Business Improvement District, Palo Alto Weekly, Stanford Visitor's Center, Palo Alto Online, California Avenue Area Development Association (CAADA), Stanford Shopping Center, Stanford University, Town and Country Shopping Center, Palo Alto Arts Center and business representatives from the hotel, retail and hospitality industries.

On October 6, 2008, City Council authorized the City Manager or his designee to execute the agreement with the San Mateo County/Silicon Valley Convention and Visitors Bureau (SMC/SVCVB) in an amount not to exceed \$455,000 for visitorship services for the fiscal year 2009 and fiscal year 2010.

The first year of the contract included \$215,000 to the SMC/SVCVB, and \$25,000 to the Palo Alto weekly for an update of the Destination Palo Alto website and additional marketing materials. In the second year of the contract, the full amount of \$240,000 was allocated for the provision of visitorship services by the SMC/SVCVB. On November 2, 2009, City Council confirmed the extension of the contract but requested that staff return with a description of the methodology and specific metrics to be used to quantify the City's return on its investment. The Council also directed that the contract be amended to provide for a 60-day termination clause by either party (which has been completed). In December, the Council received a request from the SMC/SVCVB that the City vote to approve inclusion in the Bureau's TBID, switching from a contractual arrangement with the City.

In February 2010, staff presented baseline information and metrics quantifying the City's return on investment for Destination Palo Alto to assess the effectiveness of the program thus far, and considered a letter from the CVB to move to include the Palo Alto hotels in its TBID and terminate the Destination Palo Alto contract. Following this review, City Council unanimously approved the staff recommendation to consider adoption of a Resolution of Consent to participate in the San Mateo County TBID.

DISCUSSION

Attached to this staff report is a letter dated December 18, 2009 which staff received from the SMC/SVCVB. In the letter, the CVB indicates that inclusion of Palo Alto hotels into the Tourism Business Improvement District which encompasses most of San Mateo County (with whom Palo Alto would otherwise compete for hotel room bookings without inclusion into the CVB) would be a more effective way to deliver tourism services in the Palo Alto marketplace. Eventual transition of the Destination Palo Alto to a TBID was the longer term outcome when it was initiated.

Should Palo Alto opt into the TBID, the CVB will retain its visitor center presence in the Palo Alto Chamber office, at no additional cost to the City, so service would be uninterrupted. In addition, a Palo Alto hotel owner will be included on the TBID's advisory board.

Since the City Council meeting in November, staff has received communication from the SM/SVCVB regarding its desire to transition from the existing contract to the inclusion of Palo Alto hotels into the existing Tourism Business Improvement District operated by the CVB. This change would result in the hotel guest paying a small increment (\$.15 to \$1.00) per room, per night rather than the City providing funds in the Destination Palo Alto contract. Essentially, the same service level would be provided to hotels through this approach, following up on the success of Destination Palo Alto. The SM/SVCVB has also indicated continuation of the Palo Alto Visitors' Center at the Palo Alto Chamber of Commerce. The potential cost savings to the City would be approximately \$60,000 - \$120,000 in FY 2010.

BACKGROUND

In October 2005, the City Council directed staff to agendize a Council discussion that would explore enhancing Palo Alto's economy by improving visitor outreach. In February 2006, staff convened a committee of stakeholders for a Palo Alto visitorship effort. The committee, Destination Palo Alto, was chaired by the City Manager and held its first meeting on March 15, 2006. Stakeholders included: the Palo Alto Chamber of Commerce, Stanford Athletics, Palo Alto Business Improvement District, Palo Alto Weekly, Stanford Visitor's Center, Palo Alto Online, California Avenue Area Development Association (CAADA), Stanford Shopping Center, Stanford University, Town and Country Shopping Center, Palo Alto Arts Center and business representatives from the hotel, retail and hospitality industries.

The goals of Destination Palo Alto included the development of a specific, actionable and achievable plan that would strengthen visitorship in Palo Alto. Three key objectives included:

1. Attracting more visitors to Palo Alto
2. Promoting return visitorship to Palo Alto
3. Enticing visitors to stay longer, use additional amenities and spend more money locally

Staff issued an RFP for visitorship services on April 14, 2008. Staff was directed to include \$240,000 for the Destination Palo Alto program in the FY 2009 proposed budget and \$240,000 in the FY 2010 proposed budget.

Based on input from the Administrative Services Department, a formula was identified for estimating the City's return on its investment for Destination Palo Alto. Based on a 5% increase in the occupied room days for the five largest hotels in Palo Alto, the growth in revenue was estimated to be approximately \$240,000 yearly. This amount was proposed for two years as a part of the FY 2009 and FY 2010 budgets.

On October 6, 2008, City Council authorized the City Manager or his designee to execute the agreement with the San Mateo County/Silicon Valley Convention and Visitors Bureau (SMC/SVCVB) in an amount not to exceed \$455,000 for visitorship services for the fiscal year 2009 and fiscal year 2010.

\$25,000 of the total \$240,000 contract amount was awarded to the Palo Alto Weekly for an upgrade of the Destination Palo Alto website (\$15,000) and for the provision of two visitor

guides (\$10,000). The cost of the visitor guides and website upgrade are one time costs. No rate of return was calculated for this portion of the contract. Thus, in the first year of the contract, the SMC/SVCVB portion of the contract was only \$215,000.

In the second year of the contract, the full amount of \$240,000 was allocated for the provision of visitorship services by the SMC/SVCVB. On November 2, 2009, City Council confirmed the extension of the contract but requested that staff return with a description of the methodology and specific metrics to be used to quantify the City's return on its investment. The Council also directed that the contract be amended to provide for a 60-day termination clause by either party (which has been completed).

DISCUSSION

Staff has collected baseline data from a number of other cities in an effort to address the questions from City Council. Attached is a spreadsheet that identifies the transient occupancy tax (TOT) revenue, occupancy rates (when available) and the total number of hotel rooms in Palo Alto, Berkeley, Redwood City, Cupertino, Campbell, Mountain View, Menlo Park and Sunnyvale (Attachment 2).

Baseline Metrics

Staff analyzed FY2007, 2008, and 2009 data related to TOT revenue, percentage occupancy rates and number of hotel beds from 8 cities: Palo Alto, Menlo Park, Cupertino, Berkeley, Redwood City, Campbell and Sunnyvale. The statistical analysis did not identify any significant differences accounted for by either the presence or absence of a convention bureau, or the rate of TOT. Overall, the statistical results of the TOT analysis indicated that macroeconomic factors, especially the downturn in the economy in the Bay Area Region, swamped any other effects. While no specific inferences can be made from this data, the collection of baseline figures will allow staff to determine the impact of Destination Palo Alto as the program continues to develop.

Rate of Return

The Destination Palo Alto contract was initiated in October of 2008. Events and hotel room bookings are planned months and even years in advance. For this reason, the CVB cannot attribute any hotel bookings to the program for that 2008, therefore the table below begins with calendar year 2009.

The following table illustrates rooms booked in Palo Alto for 2009, and 2010 (based on bookings through 12/15/2009). In addition, revenues generated through transient occupancy tax, secondary impacts (such as sales tax) and costs to operate Destination Palo Alto are detailed.

Table I

Destination Palo Alto	2009	2010 (Full year estimate) "
Rooms booked ¹	9,900	12,000
Palo Alto hotel room revenue generated by DPA ²	\$1,439,559	\$1,744,920
Secondary Revenue Impact ³	\$1,439,059	\$1,735,080
A. TOT Revenue to Palo Alto from DPA bookings ⁴	\$172,747	\$209,390
B. Sales tax revenue ⁵	\$14,314	\$17,351
Total TOT and Sales Tax Revenue ⁶	\$187,061	\$226,741
Annual Cost of DPA ⁷	\$240,000	\$240,000
C. Return on investment ⁸	78%	94.4%
D. Rate of Return (without Visitor Center)	117%	142%

The following summarizes some of the key assumptions used to prepare the table (corresponding to the footnotes):

1. Rooms booked by SMC/SVCVB
2. Average room rate (9,900 x \$145.41/night = hotel room revenues)
3. Secondary Revenue Impact (retail sales, restaurant sales, services purchased by travelers) – 144.59 per room per day per Smith Travel Research
4. TOT rate of 12%
5. Sales tax at 1% of retail impacts
6. A + B
7. Amount includes \$25,000 to PA Weekly (2009) and \$80,000 for Visitor Center at Chamber of Commerce
8. Ratio of total City revenue to cost of DPA (\$240,000)
9. Data through 12/15/2009
10. Contract period is 10 months in 2010

Staff notes that there is an anticipated 21% increase in total transient occupancy tax, and sales tax revenue comparing 2009 figures to 2010. This trend is expected to continue as the program matures and as additional room nights are booked.

The ROR is estimated at 78% for 2009, including the dollars allocated to the Palo Alto Weekly (\$25,000) and for the Visitor Center (\$80,000). For 2010, the return on investment is projected at 94% (again including the Visitor Center costs). The figures above assume all room nights booked become actual room stays, which may tend to overstate bookings. However, this overstatement is somewhat offset by other revenues not captured in this metric, such as room night revenue, sales tax and total economic impact generated from leisure travelers generated by numerous articles and advertisements featuring Palo Alto, and rooms generated by features or ads in publications aimed at meeting planners.

Tourism Business Improvement District

Attached to this staff report is a letter dated December 18, 2009 which staff received from the SM/SVCVB. In the letter, the CVB indicates that inclusion of Palo Alto hotels into the Tourism Business Improvement District (TBID) which encompasses most of San Mateo County (with whom Palo Alto would otherwise compete for hotel room bookings without inclusion into the CVB) would be a more effective way to deliver tourism services in the Palo Alto marketplace. This was the longer term outlook for Destination Palo Alto when it was initiated.

Should Palo Alto opt into the TBID, the CVB will retain its visitor center presence in the Palo Alto Chamber office at no additional cost to the City, so service would be uninterrupted.

The CVB proposes that the contract between the CVB and the City of Palo Alto end in April or May of 2010 (depending on the timeframe for public notifications, etc.) and that the City Council direct staff to pursue participation in the existing TBID. Inclusion into the TBID would result in a nominal additional cost to travelers. The range of cost is approximately 15 cents to \$1 per room night based on the projected occupancy of each hotel. Smaller hotels with limited services and meeting space with lower occupancy pay less than larger, full-service hotels.

The CVB's TBID has been in place successfully since April of 2001. Other areas competing for meetings with TBIDs of their own include San Jose, San Francisco, Santa Clara, Sacramento County, San Diego and Santa Cruz County. The CVB has already conducted outreach to the largest four hotels and others in Palo Alto that represent a majority of rooms in the City. Currently a number of Palo Alto hotels including the Westin, Sheraton and Dinah's Court have indicated their support for inclusion into the TBID. The CVB is continuing its outreach and will report these outcomes at City Council.

Should City Council determine that participation in the TBID be explored, staff will return to City Council tentatively on March 8, 2010, with a resolution of intention for inclusion into the TBID by Palo Alto hotels. The entire TBID inclusion process may take up to 90 days with notifications. This process is similar to that used to establish the Palo Alto Downtown Business Improvement District.

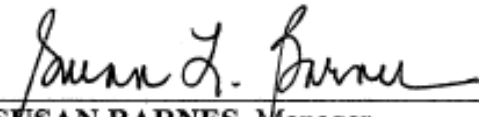
RESOURCE IMPACT

The first year of Destination Palo Alto Visitor Program was funded through an allocation of the City's General Fund for FY 2009. The amount of the funding allocated for the program was based on the expected growth in hotel occupancy that results from implementation of the program. The expected growth in occupancy was estimated to be 5 percent, which translates into \$240,000. It is estimated that approximately \$187,061 was generated in revenue to the City in transient occupancy tax and sales tax alone for 2009. The Destination Palo Alto program is a two-year pilot with \$240,000 for the second year allocated as a part of the 2009-11 budgets. If the contract is ended in April-June, 2010, approximately \$60,000-\$120,000 of the original contract amount will not be expended. Staff has recommended the flexibility to terminate the contract in April or May, depending on the time required for TBID inclusion to ensure uninterrupted services to the hotels and visitor's center at the Chamber of Commerce.

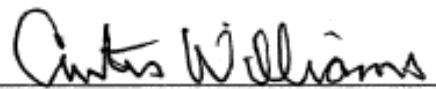
ENVIRONMENTAL REVIEW

This action by the City Council is not considered a project pursuant to Section 21065 of the California Environmental Quality Act.

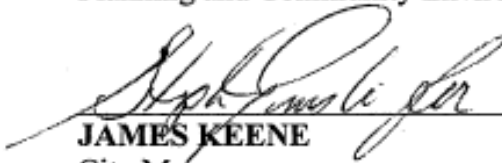
PREPARED BY:


SUSAN BARNES, Manager
Economic Development/Redevelopment

DEPARTMENT HEAD:


CURTIS WILLIAMS, Director
Planning and Community Environment

CITY MANAGER APPROVAL:


JAMES KEENE
City Manager

ATTACHMENTS

- Attachment 1: Letter from SMC/SVCVB of December 21, 2009
- Attachment 2: Baseline data on transient occupancy tax revenue, number of hotel rooms and occupancy for selected cities
- Attachment 3: CMR: 386:09 dated November 2, 2009: Approval of the Extension of the Agreement between San Mateo County Convention and Visitors Bureau and the City of Palo Alto for the Provision of Destination Palo Alto Visitorship Services in the amount of \$240,000 for Fiscal Year 2009/10

Resolution No. _____
Resolution of the Council of the City of Palo Alto to Consent
to the City of Palo Alto Being Included Within the Boundaries
of the San Mateo County Tourism Business Improvement
District

WHEREAS, Section 36521.5 of the California Streets and Highways Code authorizes this City to consent to its inclusion within the boundaries of a Business Improvement District; and

WHEREAS, it is proposed that the City of Palo Alto be included in the boundaries of the San Mateo County Tourism Business Improvement District for the purpose of collecting assessments from commercial lodging facilities (hotels, motels, etc); and

WHEREAS, pursuant to the Streets and Highways Code sections 36500 and following, the City of Burlingame will hold necessary hearings, provide required notices, and receive testimony and protests; and

WHEREAS, this City has reviewed the ordinances establishing the San Mateo County Tourism Business Improvement District, including but not limited to the proposed district boundaries, assessments, and purposes for the District.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The City of Palo Alto hereby consents to being included in the boundaries of the San Mateo County Tourism Business Improvement District for hotels and authorizes the City of Burlingame to take necessary steps and actions to formalize its inclusion in the boundaries of the District.

SECTION 2. The City further requests that the Burlingame City Council amend Section 14 of Ordinance 1648 to require an owner or manager of a hotel or property occupied by a hotel in the City of Palo Alto be appointed to the advisory board.

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Not Yet Approved

SECTION 3. The Council finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

Mayor

APPROVED:

City Manager

Director of

Director of Administrative
Services



111 Anza Boulevard, Suite 410, Burlingame, CA 94010
650-348-7600 ♦ 1-800-288-4748
Fax 650-348-7687

info@sanmateocountycvb.com ♦ www.visitsanmateocounty.com

February 9, 2010

To: Palo Alto Properties

From: The San Mateo County/Silicon Valley Convention and Visitors Bureau

Re: Joining Existing San Mateo County (Silicon Valley) Tourism Business Improvement District

Dear Property Owners and Managers:

A few years ago, we approached some of the largest properties in Palo Alto with an offer to have Palo Alto hotels and motels join our tourism business improvement district (TBID). In our TBID, hotels are assigned an assessment*, which is *passed on to guests* on the guest folio as a small "tourism fee". These TBIDs are now in place all over California, including Sacramento County, San Francisco/San Francisco County, Monterey County, the City of San Jose, the City of Santa Clara, San Diego and, of course, San Mateo County. They have become commonplace and visitors have become used to paying a tourism or TBID fee.

At that time, it was proposed that instead of joining the TBID, the hotels get representation and sales outreach from our Bureau, but funded by the City of Palo Alto in a contract. In October of 2008, a contract was signed with the City of Palo Alto and all promises in that contract honored. We have found, however, that the "strictly local" meetings, reports and requests are detracting from our sales outreach for our area. We are all about sales and marketing, and our Board is convinced your properties would benefit far more from joining the TBID.

At a Council meeting on March 8, the Palo Alto City Council will vote on a resolution requesting Palo Alto's inclusion in our TBID. If approved, the process would take up to 90 days, with Palo Alto properties officially in the TBID as of May or June, but with no assessments passed on until the quarter beginning July 2010, to allow collection of the fees prior to any billing, so no money would be out-of-pocket.

We have already met with multiple properties in Palo Alto that would have the highest assessments and all five to whom we have spoken so far support giving the TBID a try, particularly in today's challenging economic times. (Hotels are notified annually when the renewal process is pending.) We are now reaching out to notify Palo Alto properties whose assessments would be at much lower levels to let them know this is under discussion.

Enclosed is a list of services we offer. Worth noting for smaller properties are the opportunities we provide in terms of generating editorial about the area, leisure room nights, film crew leads and tour and travel. In addition, a general rule of thumb is that, even when we book a large conference into an area hotel, 20% of the attendees will book elsewhere in the area, "outside the block", in order to get a lower rate. Large meetings usually also generate overflow rooms for smaller properties. Please let us know if you have any questions or concerns prior to March 8. Thank you!

Sincerely,

Anne LeClair
President & CEO

*According to our calculations, since your property has over 20 sleeping rooms, if your occupancy is at 60%, your assessment would be covered with a tourism fee of 15 cents per night. The fee is adjustable. So, if your occupancy were at 30%, you could pass on a fee of 30 cents per night. (All of this is explained in documentation that goes out to participating properties.)

From: John Hutar <john@smccvb.com>
Sent: Tuesday, November 5, 2019 2:06 PM
To: Council, City
Subject: Palo Alto Hotels
Attachments: Letter to Palo Alto City Council 10-31-19.pdf; Cover Page of upcoming Visitor Guide.pdf; Simply Ming in Palo Alto.pdf; SMCSVCVB Palo Alto Presentation 8-29-19.pdf

Dear Mayor Filseth and Members of the Palo Alto City Council,

On August 29, the Convention and Visitors Bureau met with Palo Alto hotels to address concerns articulated to me by Barbara Gross and Stephanie Wansek when I met with them on June 12 (I formally started my role on June 3). Those in attendance represented 70% of Palo Alto's total room inventory. The attached letter summarizes that meeting and highlights initiatives we have completed since that presentation was made. I have also attached the 40 slide presentation in its entirety.

One key takeaway from my discussions with Palo Alto members is that our domain name, www.visitsanmateocounty.com excludes Palo Alto and is not representative of the area we serve. Based on that feedback, we have changed our domain name to www.visitsmcsv.com (live 11/08/19) which will be reflected in the most current Visitor's Guide and all other materials going forward. This example demonstrates our ability to accept feedback and react quickly in making improvements.

I welcome the opportunity to discuss the Palo Alto Hotels situation with you personally and/or answer any questions you may have.

Sincerely,

John

John M. Hutar | President and CEO
San Mateo County/Silicon Valley Convention and Visitors Bureau
111 Anza Blvd., Suite 410 | Burlingame, CA 94010
Phone: 650.348.7600 / 800.288.4748 Email: john@smccvb.com





Convention and Visitors Bureau
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650-348-7600 ▪ 1-800-288-4748
Fax 650-348-7687
www.visitsmcsv.com

October 31, 2019

Mayor Eric Filseth and Members of the Palo Alto Council
250 Hamilton Avenue
Palo Alto, CA 94301

Dear Mayor Filseth and Council Members,

Thank you for the opportunity in allowing me to update you regarding our organization's involvement with Palo Alto Hotels.

The first order of business for me as I took over the CVB CEO position was to meet with Barbara Gross and Stephanie Wansek and understand the concerns previously articulated to my predecessor prior to her departure. My take-away from our June 12 discussion (I formally started my role on June 3) was that they asked for quantified results regarding the Bureau's achievements and a better understanding of what we do and how we go about doing it. Barbara and Stephanie determined that August 29 would be the best date for a meeting for the Bureau to present to Palo Alto hotels. Our then Palo Alto board member, Jim Rebosio (Sheraton/Westin), recommended we add more familiarization (FAM) tours to our body of work. (We had reduced the number of FAMs brought to the hotels as they were not in a position to provide accommodations during periods of a strong market.)

On August 29, 2019, the Bureau staff welcomed the opportunity to make a detailed presentation to our Palo Alto hotel partners. Attendance was strong, 1,485 of 2,117 rooms in the market (70%) were represented at the meeting (for those who did not attend, presentations were either hand delivered or mailed). At the conclusion of the presentation, the group encouraged us to focus more on marketing the destination as a whole (which has always been part of our mission) and focus less on direct sales of hotel rooms. The presentation was well received – there were no questions regarding the data presented. The salient points made in that presentation are:

- Our efforts in the group, international and individual traveler markets produced the following results:

<u>Year</u>	<u>Palo Alto Hotel Revenue</u>	<u>Total Economic Impact for Palo Alto</u>
Group/Convention 2018	\$406,308	\$ 905,500
International Travel 2018	<u>\$217,200</u>	<u>\$ 722,010</u>
	\$623,508	\$1,627,510
Group/Convention thru June 2019	\$198,842	\$648,717

Between October 2018 and September 2019, the Bureau organized eight FAM trips to showcase the area. Of the eight, five focused heavily on Palo Alto/Silicon Valley (these five included booking agents from China, Belgium, France, Italy, and meeting planners from the East and West coasts of the USA). The hotels, restaurants and attractions showcased in these eight FAMs were:

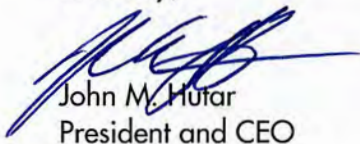
The Clement, Cowper Inn, Crowne Plaza Palo Alto, Dinah's Garden Hotel, Garden Court Hotel, Nobu Hotel, Sheraton Palo Alto, The Westin Palo Alto, Stanford University, The Sea by Alexander's Steakhouse, St. Michael's Alley, shopping free time at Stanford Shopping Center and shops on University Avenue, Cantor Arts Museum, visits to Google and Facebook campuses, Computer History Museum and Silicon Valley Innovation Center. Airlines who offered assistance included United and TAP Air Portugal. Feedback was very positive from the attendees, partner members showcased, and airlines who offered complimentary/reduced fares.

- During 2018-2019, our Bureau handled 27 media requests, which resulted in expansive print and electronic coverage of our area. Seven of the 27 media appearances have specific mentions of Palo Alto. *(We will also e-mail you a copy of this letter so you can click on the links.)*
 1. **"Festive Fall in Silicon Valley,"** by Susan Lanier-Graham, *Wander with Wonder*, October 18, 2018 <https://www.wanderwithwonder.com/2018/10/18/festive-fall-in-silicon-valley> | Travel website/blog receives 87k unique visitors/month.
 2. **"An Unexpected Wine Pairing: San Mateo County and the Silicon Valley's Wine Country,"** *Hill City Bride Magazine*, March 17, 2019. *(Attached)* https://issuu.com/theclutchguide/docs/hill_city_bride_-_volume_i_2019/38 | Prints 6k copies twice a year with a social reach of 34k.
 3. **"What to Do in Silicon Valley: 7 Must-See Attractions"**, by Amanda Noventa, Amanda Viaja (Brazil), June 2019 <http://www.amandaviaja.com.br/o-que-fazer-no-vale-do-silicio-7-atracoes-imperdiveis> | Brazilian blog has a reach of 100k/month with 53.5k Instagram followers and 64.6k likes on Facebook.
 4. **"Things to Do in San Francisco in 3 Days: Basic Itinerary and Alternatives,"** by Amanda Noventa, Amanda Viaja (Brazil), June 2019. Brazilian blog with reach of 100k/month. <http://www.amandaviaja.com.br/o-que-fazer-em-san-francisco> | Blog has a reach of 100k/month with 53.5k Instagram followers and 64.6k likes on Facebook.
 5. **"Sustentabilidad al Plato"** by Mariana Vega, *Food & Travel (Mexico) Magazine*, April 2019 | Reach/Visibility: *Food & Travel Magazine (Mexico)* has a print run of 35k copies and 150k monthly readers. Their website has a monthly average of 575k page views and 278k unique visitors. *(Attached)*
 6. **"From Facebook to Google and Apple to Intel, a Selfie Tour of Silicon Valley's Tech Giants,"** by Peter Neville-Hadley, *South Morning China Post*, September 4, 2019, <https://www.scmp.com/magazines/post-magazine/travel/article/3025517/facebook-google-and-apple-intel-selfie-tour-silicon> | Reach/Visibility: The SMCP has a print circulation of 105,347k (Monday-Saturday) and 82,117k (Sunday) and a readership of 330,000k. Their website has an average of 21M active users/month and 87M page views/month.
 7. **"6 Best fall weekend getaways for eco-conscious couples in North America,"** by Jennifer Prince, *Drink Tea & Travel*, August 10, 2019 <https://www.drinkteatravel.com/fall-weekend-getaways-north-america> | Reach/Visibility: Website receives an average of 50k monthly visitors and 80k monthly page views.
- Our web and social media presence continues to grow. We recently re-deployed our staff, giving web/social media efforts an even higher priority and continuously seek opportunities to further our reach.
- Over the past year, we distributed 70,000 copies of our Visitor Guide. We see the highest demand for these guides at Stanford, SFO, SJO and California Welcome Centers.
- One question that surfaced after the meeting was the TBID funding amount. We are following up with the hotels on how to apply the \$.15/\$.25/\$.50/or \$1.00 per room night fee to the guest folio. We are finding that many hotels are not passing on the Visit California fee to guests either (this fee is 3-4 times the amount of the TBID).

- The Palo Alto hotels pointed out that our web domain is not reflective of the area we serve and outright excludes Palo Alto. Effective November 8, 2019 our domain name will change from www.visitsanmateocounty.com to www.visitsmcsv.com. While I can't speak to why this change wasn't made sooner, please know that once I was made aware of the concern, we worked as quickly as possible to make this change to make sure our hotel partners felt they were heard. I am also happy to inform you that our new domain name will be included in the printing of our latest Visitors Guide which is scheduled for issue in mid-November.
- Taking the comment of the organization's name seriously, we are receiving bids from identify branding firms to help with a possible rebranding of our name and logo. Completing this project has become a top priority for us.
- On October 27, 2019 we facilitated the taping of an episode of the PBS culinary show "Simply Ming," which featured Executive Chef Yu Min Lin from THE SEA by Alexander's Steakhouse. The show was filmed on location at their Palo Alto restaurant and is scheduled to air in Q1 2020. The show has 1.1 million total weekly viewers and their website averages 884,000 weekly impressions. I highlight this project as it speaks to our quick reaction to the comment that our organization should do more to highlight Palo Alto's world-class food scene.
- We are excited that Matt Dolan, General Manager of the Homewood Suites Palo Alto, has agreed to serve on our Board. Matt not only manages a prominent Palo Alto property, but brings prior CVB Board experience to our organization and brings with him a depth Palo Alto knowledge as he currently serves as Chair of the Palo Alto Chamber of Commerce.
- Even though I have direct knowledge of Palo Alto by virtue of having managed Dinah's Garden Hotel from 2016-2019, there is much more I can learn about Palo Alto's history and community. As a result, I am a proud participant in Leadership Palo Alto Class of 2020.

While our organization is not perfect, we work hard at our craft; we take feedback seriously and react as quickly as possible in an effort to improve. Many positive changes have been made in the past five months since I first took over as CEO. I welcome the opportunity to continue to work with Palo Alto hotels in the future to further demonstrate this commitment.

Sincerely,



John M. Hufar
President and CEO

San Mateo County/Silicon Valley

OFFICIAL VISITORS GUIDE



The Best of the San Francisco Bay Area

visitsmcsv.com

Simply Ming in Palo Alto

Emmy Award-winning chef and restaurateur, Ming Tsai, was back in the kitchen - and this time he was in Palo Alto!

The host of the popular PBS show, [Simply Ming](#), visited **The Sea by Alexander's Steakhouse** in Palo Alto on Sunday, October 27, 2019, Chef Ming, accompanied by local chef, Kenji Lopez, met with Executive Chef Yu Min Lin, who served delicious, fresh seafood dishes featuring raw fish, live sea urchins and wagyu – all paired with wine and sake.

The episode will be part of season 17 (currently airing) and it is scheduled to air in early 2020. This episode was stop number one out of four of “On the Road” episodes that will feature other California destinations. The opportunity came to us through our partnership with *Visit California*, in which we recommended the featured chef and helped coordinate the filming.



About Simply Ming

Simply Ming is a culinary show with national PBS distribution that shows viewers how to prepare simple and delicious meals “on the fly,” finding inspiration from Ming’s own East-Meets-West pantry, as well as “on the road,” using local ingredients as he travels to exotic destinations. The show has 1.1 million total weekly viewers and averages 884,000 weekly impressions.

The last full year (October 1, 2017 through October 1, 2018) – *Simply Ming* had 56,014 telecasts on all channels with 96.66 percent coverage in all markets (source: TRAC Media Service). The show is seen in all the top 50 markets across the US, which account for 65% of the viewers in the country.

For media inquiries, please contact Media & PR Manager, Juan Camero, at juan@smccvb.com or call 650.348.7600.



San Mateo County/Silicon Valley CVB

About the Bureau

The San Mateo County/Silicon Valley Convention and Visitors Bureau is a 501 C-(6) not for profit corporation chartered by the State of California and governed by a 28-member Board of Directors.

San Mateo County/Silicon Valley CVB

Board of Directors

CHAIR OF THE BOARD - Mr. Mitch Postel, San Mateo County History Museum
IMMEDIATE PAST CHAIR - Ms. Dana Dahl, Beach House Hotel
SECRETARY - Mr. Michael McKee, DoubleTree by Hilton SFO
TREASURER - Mr. Jeffery Bass, Hiller Aviation Museum
VICE CHAIR - Mr. Trevor Bridge, Costanoa Resort
VICE CHAIR - Mr. Bill Dixon, Hotel Focus SFO

Hotel Representatives

Mr. Fethah Aydin, Embassy Suites SF Airport - Waterfront
Mr. Nick Dell'Ergo, Residence Inn Redwood City-San Carlos
Mr. Christopher Holbrook, San Mateo Marriott
Mr. Derek Hudson, Hilton Garden Inn San Mateo
Ms. Lisa Kershner, SFO Airport Marriott Waterfront
Mr. Kevin Kretsch, Hyatt Regency San Francisco Airport
Mr. Reggie Kumar, AC Hotel SFO/Oyster Point Waterfront
Mr. Ben Ly, Embassy Suites SF Airport South San Francisco

Mr. Henning Nopper, Grand Hyatt at SFO
Mr. Barry Ongerth, The Dylan at SFO
Mr. Jonathan Powers, Courtyard San Francisco Airport
Mr. Ricardo Ramirez, The Westin Hotel SFO & Aloft SFO
Mr. Jim Rebosio, Sheraton Palo Alto Hotel
Mr. Florian Riedel, Four Seasons Hotel Silicon Valley
Mr. J.D. Smith, DoubleTree SFO North
Mr. Richard Uribe, Pullman San Francisco Bay
Mr. Yakub Yakubi, Courtyard San Mateo Foster City

Non Hotel Representatives

Mr. Jon Ballesteros, San Francisco International Airport
Mr. Daniel Herbst, Enterprise Rent-a-Car
Ms. Christine Kupczak, Hillsdale Shopping Center
Ms. Linda Larson, The Shops at Tanforan
Ms. Daisy Li, Moonstar Buffet

San Mateo County/Silicon Valley CVB

Objective of the Bureau

The organization is the region’s official convention and visitors’ bureau. Our objective is to attract meetings, conventions, business and individual travelers, thereby enhancing the economic growth of the area we serve. Our focus is to identify new business, giving partners the opportunity to rebook existing business. In industry jargon, we are known as a Destination Management Organization (DMO).

San Mateo County/Silicon Valley CVB

Strategies to Fulfill our Mission

Convention & Group Sales Marketing

Identify, solicit and book conventions and groups which occupy member hotels, restaurants and event venues, and utilize convention services, to create maximum economic impact for the region.

International Marketing

Create awareness of our destination to the international travel market, positioning our region as a top choice for international travelers when choosing the San Francisco Bay Area.

Public Relations Efforts

Secure positive press for our partners and our region via traditional and social media channels. Create and manage graphics in electronic and print form to support these efforts.



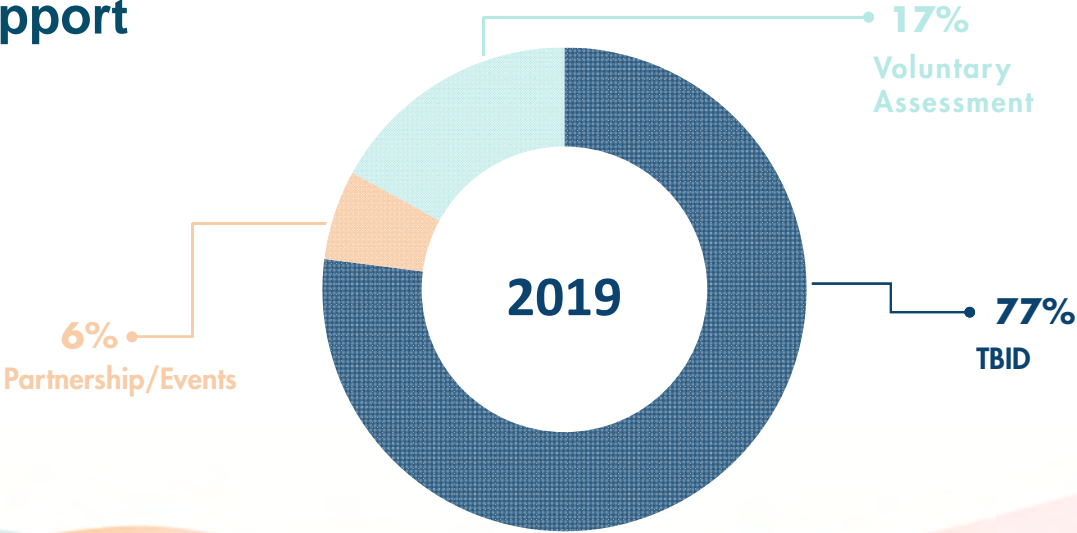
San Mateo County/Silicon Valley CVB

At-a-Glance

- 471 square miles, including Palo Alto (25.77 sq. mi.) and nearly 90 miles of unique San Francisco Bay and Pacific Ocean coastline.
- Over 20 charming and picturesque cities and towns.
- Over **170 hotels (27 in Palo Alto)**, offering a combined total of more than **18,000 guest rooms (2,117 guest rooms in Palo Alto)**.
- Over **60 hotels (10 in Palo Alto)** offering a combined total of over **400,000 sq. ft. of meeting space (50,433 sq. ft. in Palo Alto)**.
- 65 non-hotel venues with meeting space, including multiple unique venues and four conference/event centers: Cow Palace, SSF Conference Center, SMC Event Center, Seaport Conference Center.
- Home to SFO International Airport and Stanford University.
- Funded via TBID in 15 separate Peninsula municipalities. Brisbane to Palo Alto, Pacifica to Pescadero.

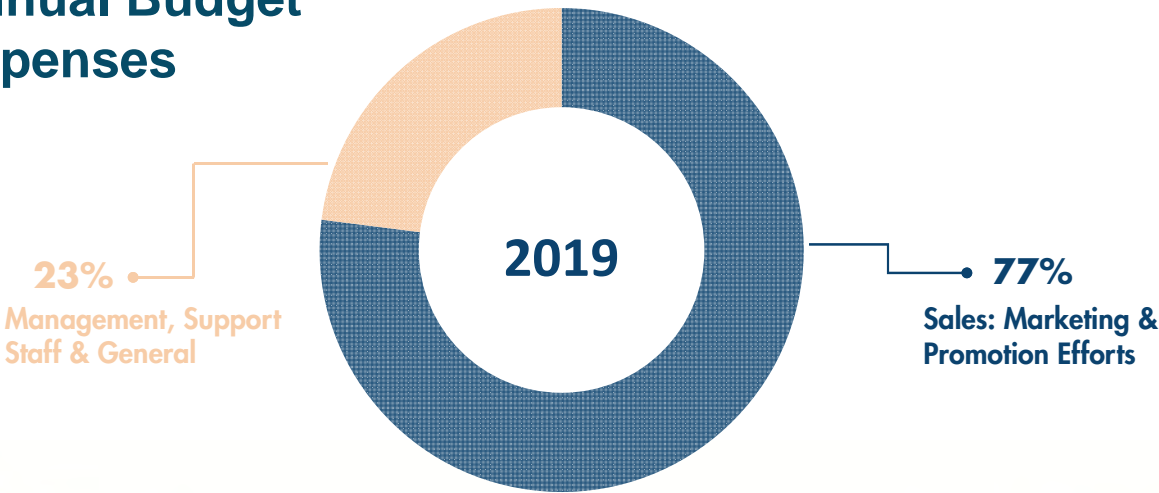
San Mateo County/Silicon Valley CVB

Annual Budget Revenue + Support

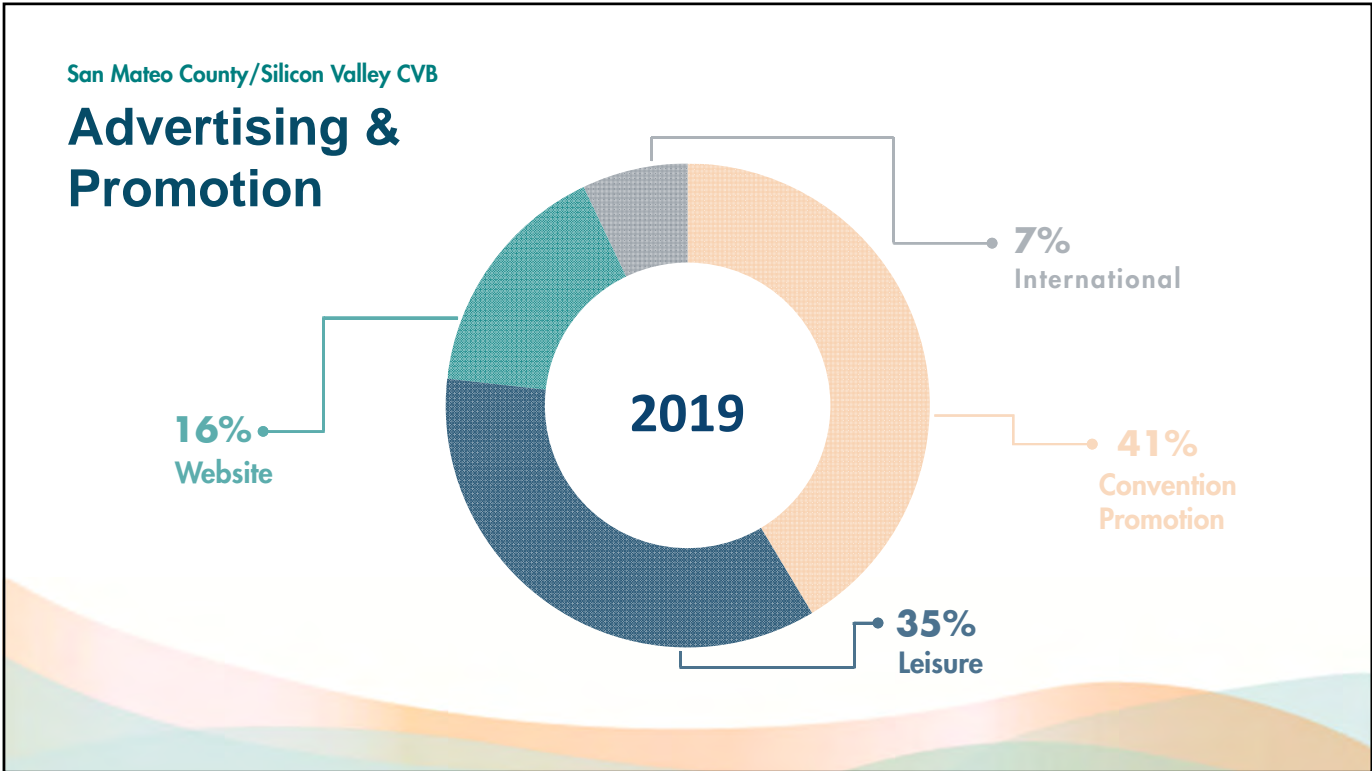
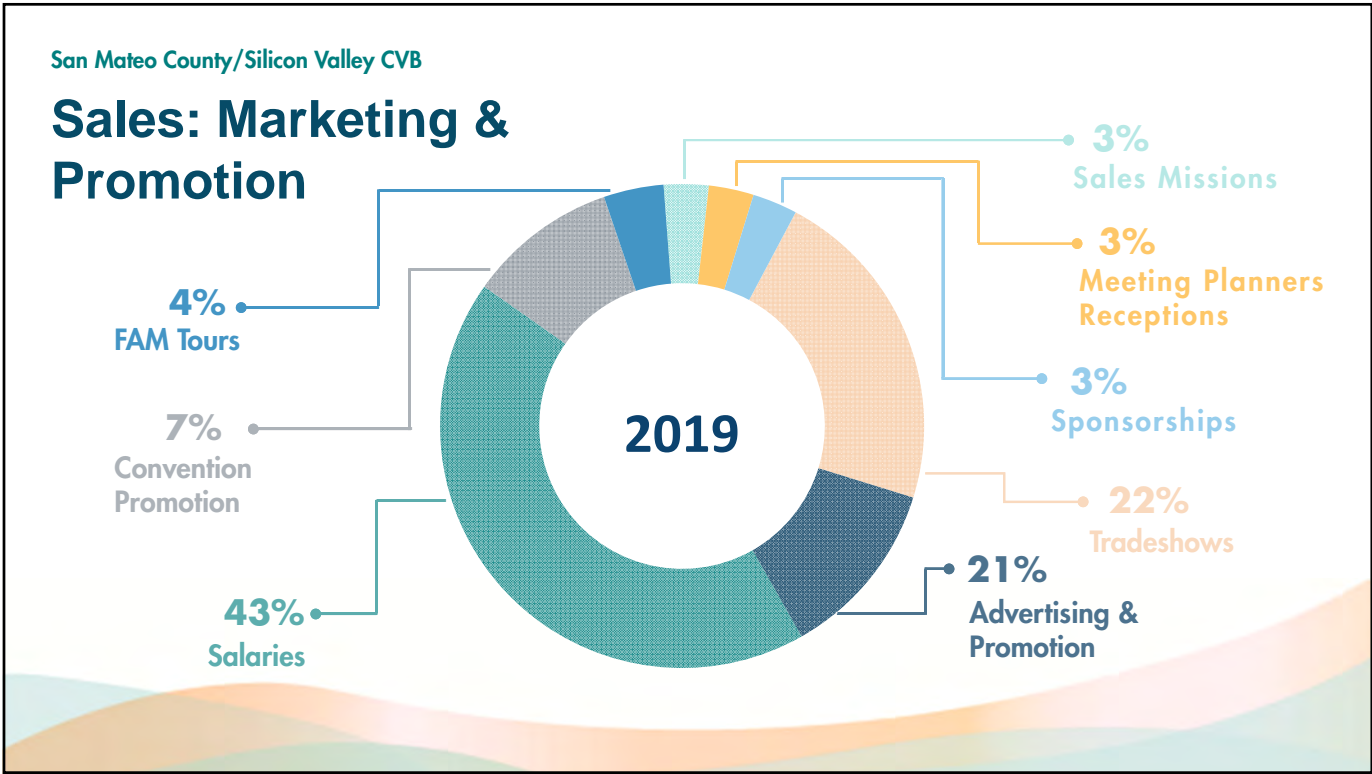


San Mateo County/Silicon Valley CVB

Annual Budget Expenses



Bureau contribution to Palo Alto Chamber = \$32k per year
For Visitor Center Operations

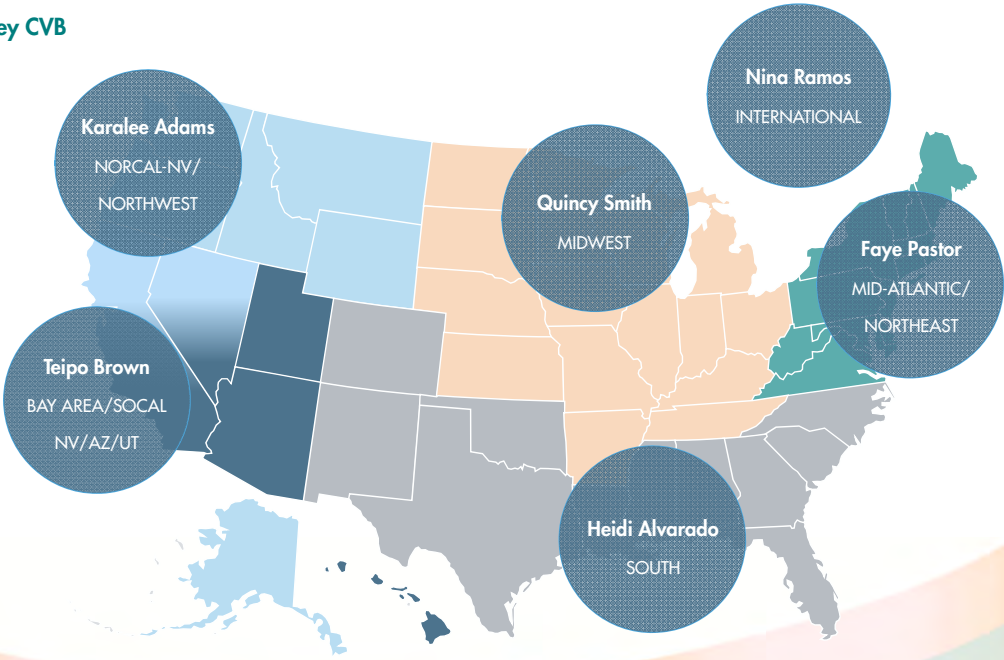




San Mateo County/Silicon Valley CVB

Our Team

Burlingame Office:
John Hutar – President/CEO
Gina Allhands – VP/COO
Nova Maldonado – Partnership
Juan Camero – Media & PR
Carole Self – Executive Assistant
Joey Jiang – Sales Assistant
Three Part-Time – Admin Support



San Mateo County/Silicon Valley CVB



Teipo Brown
Director of Sales

Based in the Burlingame Headquarters, Teipo has over years 25 years of sales experience and has been with the CVB for 11 years. His groups ranges from 10-1,000 people. Throughout the year, Teipo attends tradeshows such as MPI Northern CA Chapter Annual Conference & Expo, IMEX America and CVENT Connect.



Nina Ramos
Director of Int'l Market & Leisure Development

Based out of Sacramento, Nina has over 40 years of sales experience and has been with the CVB for 19 years. Her groups range between 20-25 rooms/night for two nights. Throughout the year, Nina attends tradeshows such as IPW and Go West, as well as International Sales Missions. Nina is also part of MPI, NTA, US Travel Assoc., Visit USA-France, Visit California and Go West.

San Mateo County/Silicon Valley CVB



Faye Pastor, CMP
National Account Executive

Based out of Washington, DC, Faye has over 35 years of sales experience and has been with the CVB for two years. Her groups range from 25 people & up. Throughout the year, Faye attends tradeshows such as DMAI Destination Showcase and Meet New York, as well as other networking events. Faye is proud to be a Certified Meeting Professional and is an active member in her local MPI, PCMA & Assoc. of Meeting Professionals chapters.



Quincy Smith
National Account Executive

Based out of Chicago, Quincy has over 15 years of sales experience and has been with the CVB for six years. His focus, at this moment, is finding programs that will book over a weekend. Throughout the year, Quincy attends tradeshows such as MPI and Connect Association, as well many networking events. Quincy is proud to currently serve as 2019 Chair of the Communications Committee for PCMA Greater Midwest.

San Mateo County/Silicon Valley CVB



Karalee Adams

National Account Executive

Based out of Sacramento, CA, Karalee has over 25 years of sales experience and has been with the CVB for 17 years. Throughout the year, Karalee attends tradeshows such as Connect Pacific Northwest and CalSAE Seasonal Spectacular. She is a member of the California Society of Association Executives, MPI Sacramento/Sierra Nevada Chapter. In 2018, Karalee was honored with the MPISSN Supplier of the Year Award.



Heidi Alvarado

National Account Executive

Based out of Hollister, CA, Heidi has over eight years of sales experience and has been with the CVB for over four years. Her groups range between 250-400 people. She also attends tradeshows periodically throughout the year such as IPEC and MIC. She served as a liaison during Super Bowl 50 and was also part of the College Football Championship committee.

San Mateo County/Silicon Valley CVB

Convention Sales Results for Palo Alto

Hotel/Unique Venues	RFPs Received	Awarded RFPs	Awarded Room Nights	Hotel Revenue	Total Economic*** Impact
Grand Total (2018)	584	18	818	\$406,308	\$905,500
YTD June 2019	555	13	472	\$198,842	\$648,717

- CVB only credited with original booking – repeat bookings not included in CVB production goals.

- City of Palo Alto Turn Down Rate: 45.3%
- San Francisco Market Turn Down Rate 2018: 42.2%
- San Jose/Silicon Valley Market Turn Down Rate 2018: 44.4%

***Destinations International Impact Calculator created by Oxford Economics

San Mateo County/Silicon Valley CVB

Corporate Tradeshows & Events

	TRADE SHOW / EVENT	LOCATION	SALES REP
1	American Express Interaction	Denver	Teipo
2	MPISSN Crab Feed	Sacramento	Karalee
3	MPI Mid-America Conference (OH & KY Chapters)	Lexington, KY	Quincy
4	MPI Northern CA Chapter Annual Conference & Expo	San Francisco	Teipo
5	MPISSN Chapter Annual Tradeshow & Ed Workshop	Sacramento	Karalee
6	MPI Kansas City Professional Education Conference	Kansas City	Quincy
7	MPI Cascadia	Tacoma, WA	Karalee
8	MPI Great Lakes Conference	TBD	Quincy
9	Connect CORPORATE	Louisville, KY	Teipo
10	All Things Meetings	East Bay	Teipo

Participate in 45 sales events per year for all markets

San Mateo County/Silicon Valley CVB

Association Tradeshows & Events

	TRADE SHOW / EVENT	LOCATION	SALES REP
1	CalSAE Seasonal Spectacular	Sacramento	Karalee/Teipo
2	CalSAE Elevate Annual Conference	Palm Springs	Karalee
3	Assn Forum Chicagoland Holiday Showcase	Chicago	Quincy
4	Meet New York	New York	Faye
5	DMAI Destination Showcase DC	Washington DC	Faye
6	Connect ASSOCIATION	Louisville, KY	Quincy
7	Meetings Industry Council (MIC)	Denver	Heidi

San Mateo County/Silicon Valley CVB

Third Party/Independent Planners (All Markets)

	TRADE SHOW / EVENT	LOCATION	SALES REP
1	IMEX America	Las Vegas	Teipo
2	HelmsBriscoe Annual Partner Faire	Houston, TX	Teipo
3	Cvent Connect	Las Vegas	Teipo
4	HelmsBriscoe Western Region Partner Exchange	Seattle	Teipo
5	Independent Planners Education Conference IPEC	San Antonio	Heidi
6	Smart Meetings Southern CA	Los Angeles	Teipo
7	Smart Meetings West National	Las Vegas	Teipo
8	Destination CA Marketplace	Los Angeles	Karalee
9	All Things Meetings	Silicon Valley	Teipo
10	Connect Pacific Northwest	Seattle	Karalee

San Mateo County/Silicon Valley CVB

Sales Missions & Client Events (All Markets)

	TRADE SHOW / EVENT	LOCATION	SALES REP
1	Arizona Sales Trip	Tucson/Scottsdale	Teipo
2	Texas Sales Mission & Client Event	Dallas, Houston, Austin	Heidi
3	NY Sales Mission	New York	Faye
4	Midwest Sales Mission	Columbus, OH	Quincy
5	NorCal/Sacramento CVB Satellite Offices Events	Bay Area, Sacramento	Karalee
6	Chicago Area CB Satellite Offices Events	Chicago	Quincy
7	Destination Reps (DC) Satellite Offices Events	Washington DC	Faye
8	Southwest Meeting Planners Reception	San Diego, LA, OC	Teipo
9	Sacramento Meeting Planners Reception	Sacramento	Karalee
10	Northwest Meeting Planners Reception	Seattle	Karalee
11	DC/East Coast Meeting Planners Reception	Washington, DC	Faye
12	Midwest Meeting Planners Reception	Ohio, Minneapolis	Quincy



San Mateo County/Silicon Valley CVB

International Tradeshow & Events

	TRADE SHOW / EVENT	LOCATION	SALES REP
1	Go West Summit	Boise, ID	Nina
2	International Pow Wow (IPW)	Anaheim	Nina
3	Euro Sales Mission	Amsterdam, Paris, Milan and Rome	Nina
4	Visit CA China/Korea Sales Mission	Korea and Taiwan	Nina
5	Los Angeles Sales Mission	Los Angeles	Nina

San Mateo County/Silicon Valley CVB

International FAM Tours

French FAM Tour

- Eight selling agents from top producing tour operators in Paris, including XL Airways.
- Visiting our destination on **September 8, 2019**.
- Objective is to focus on “Silicon Valley” experiences. Tour will be in Palo Alto for the most part.
- Itinerary will include lunch at Saint Michael’s Alley, and stops at Stanford University, Computer History Museum and Googleplex.

Italian FAM Tour

- Twelve selling agents from a large tour operator in Milan.
- Visiting our destination on **September 14-16, 2019**.
- Objective is to find new and unique products for new packages being developed for 2020. Silicon Valley is of high interest. Lucia Alessi, Product Development Manager, is very interested in finding fresh ideas on how to develop Silicon Valley as a leisure destination for her clients.
- Itinerary will include stops at Dinah’s Garden Hotel for lunch, Stanford University, Stanford Shopping Center, University Avenue, among others. Group will be staying at the Pullman San Francisco Bay in Redwood City.

San Mateo County/Silicon Valley CVB

International FAM Tours

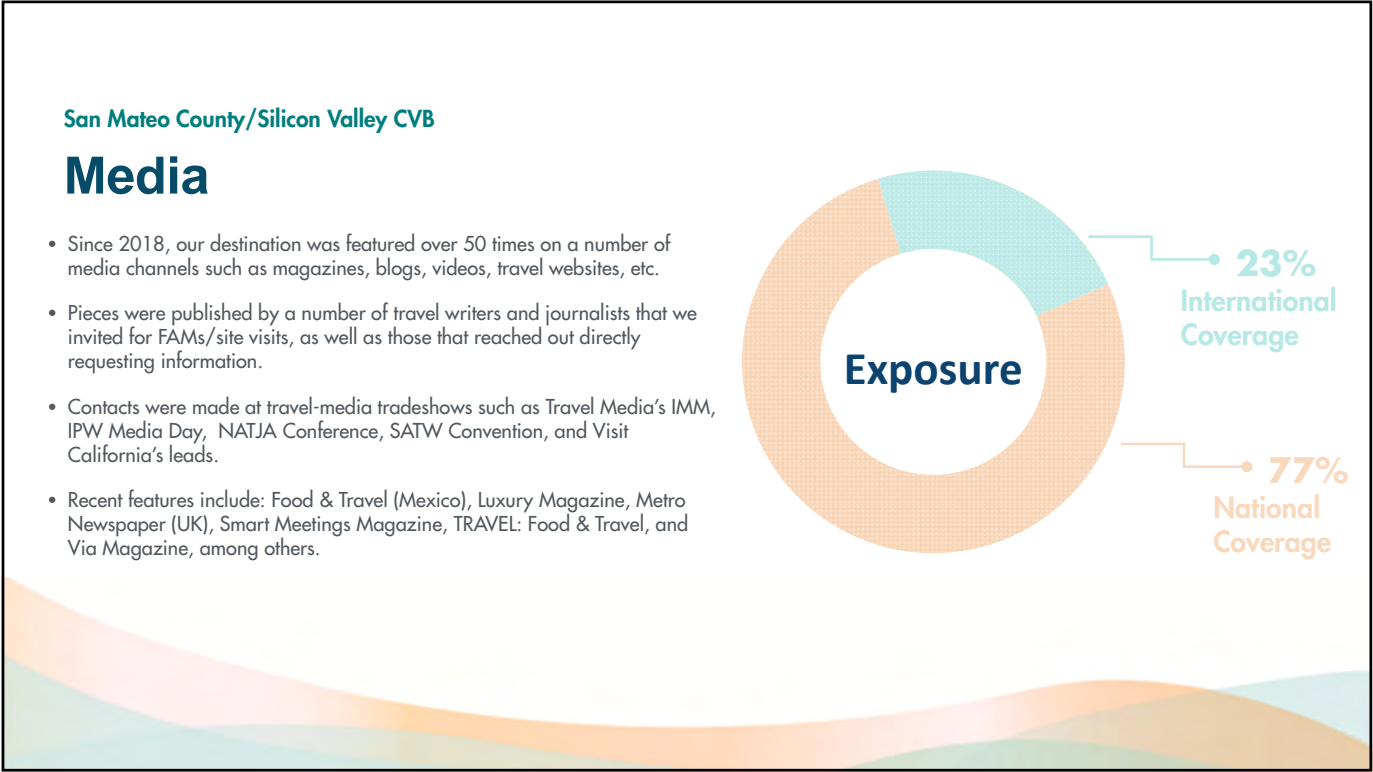
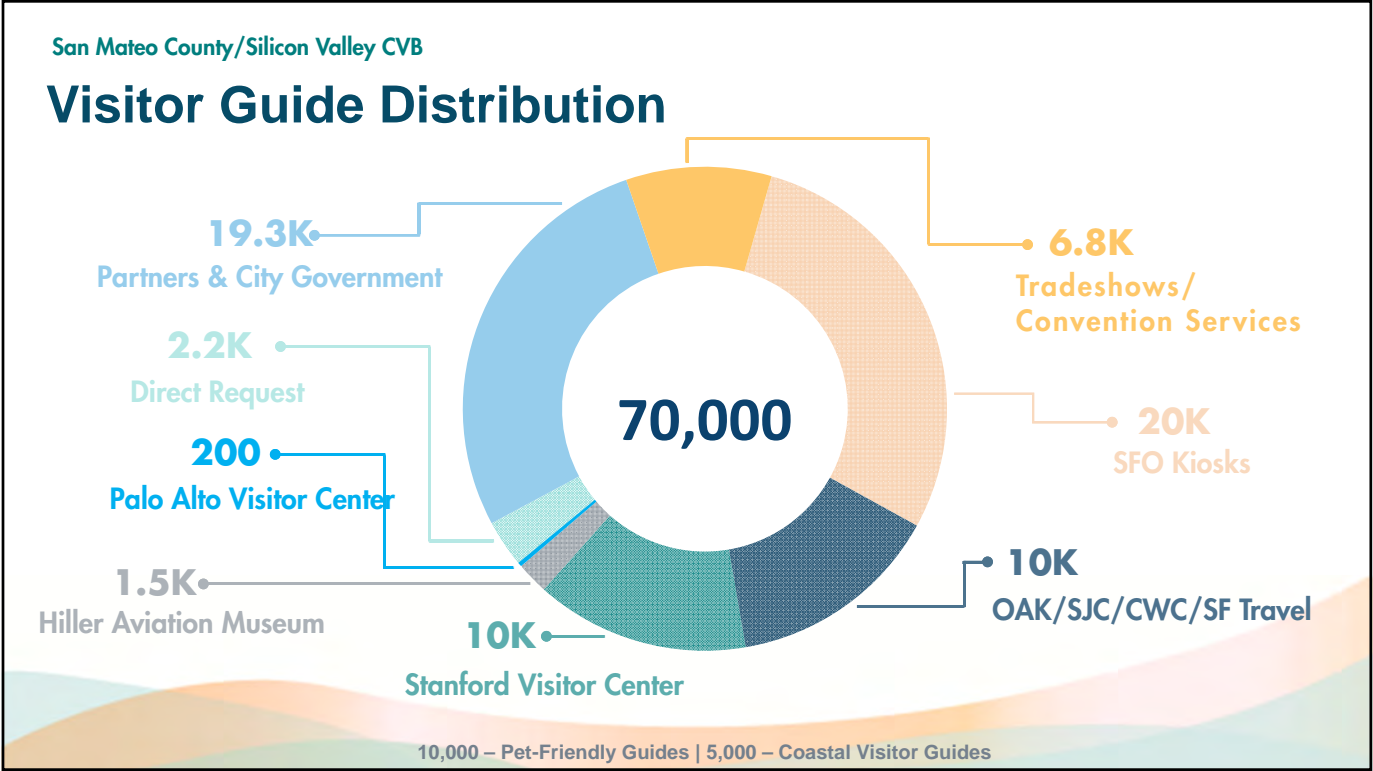
Belgium FAM Tour

- Group Bookings Director and a Journalist from a Belgian company that books MICE, Luxury and Incentive groups.
- Visiting our destination on **September 4-9, 2019**.
- Objective is to acquaint the group director with Silicon Valley and San Francisco for a particular group of 30-40 French-speaking business professionals in the high-tech field, who are planning a trip to this area in September 2020, with potential for an ongoing meeting to take place every year.
- Itinerary will include stops at Stanford University, Computer History Museum, Silicon Valley Innovation Center and the new Grand Hyatt at SFO. The group will be staying at The Westin/Sheraton Palo Alto, as well as the Embassy Suites SFO - Waterfront.

UK Super FAM Tour

- Ten top producing agents from various UK companies selling California destinations. *This opportunity came via Visit California.*
- Visiting our destination **October 3-4, 2019**.
- Objective of this tour is to familiarize attendees with our local cuisine due to Visit California's new partnership with MICHELIN Guide.
- Itinerary will include stops at Filoli Mansion & Gardens, a restaurant in San Mateo for lunch, and a restaurant in Burlingame for dinner. Group will be staying at the new Grand Hyatt at SFO.





San Mateo County/Silicon Valley CVB
Featured Media

Southern San Mateo County: Museums, Gardens & Wine, Oh My!

March 22, 2018 · Fran Miller



California's San Mateo County - home of Silicon Valley and Stanford University - brims with so many unique attractions, it's difficult to know where to begin your exploration. Once considered merely a gateway to the ultimate destination of San Francisco just to its north, the County now finds itself a star Bay Area attraction in its own right. Surrounded by San Francisco Bay and the Pacific Ocean, the County is graced with the best of both scenic beauty and cosmopolitan energy, and it's this dichotomy: A Mediterranean climate and proximity to the Santa Cruz Mountains and Pacific Ocean. The County's topography is a mix of rolling hills, vineyards, and coastal pleasures, while the buzz of entrepreneurial and cultural energy. Following is our guide to capturing some of the best of the Silicon Valley spirit.

LUXURY MAGAZINE



When you visit San Mateo County, you can expect to find a mix of scenic beauty and cosmopolitan energy. The County is graced with the best of both scenic beauty and cosmopolitan energy, and it's this dichotomy: A Mediterranean climate and proximity to the Santa Cruz Mountains and Pacific Ocean. The County's topography is a mix of rolling hills, vineyards, and coastal pleasures, while the buzz of entrepreneurial and cultural energy. Following is our guide to capturing some of the best of the Silicon Valley spirit.



San Mateo County/Silicon Valley CVB
Website Stats

VisitSanMateoCounty.com

104,902
of Users

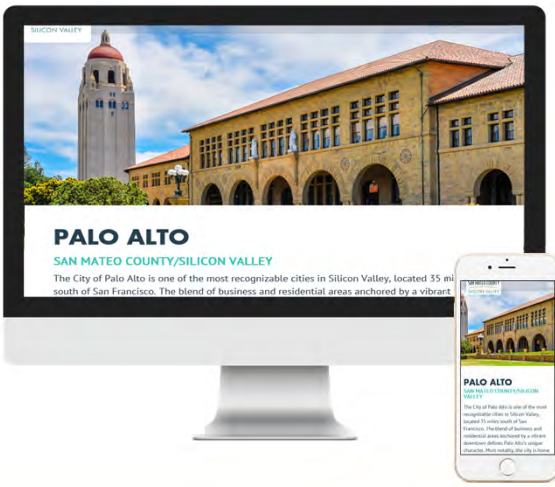
131,575
of Sessions

1.25
of Sessions
per User

254,437
Page Views

1.93
Pages per Session

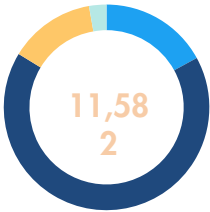
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Avg. Session Duration



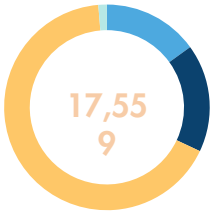
Data range: Jul 1, 2018 - Jul 30, 2019

San Mateo County/Silicon Valley CVB

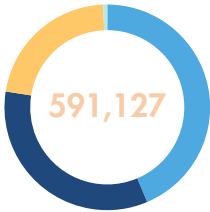
Social Media Stats



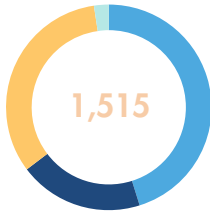
of Followers



Engagement



Impressions



Posts

#playbythebay



#meetbythebay

Data range: Jul 1, 2018 – Jul 31, 2019

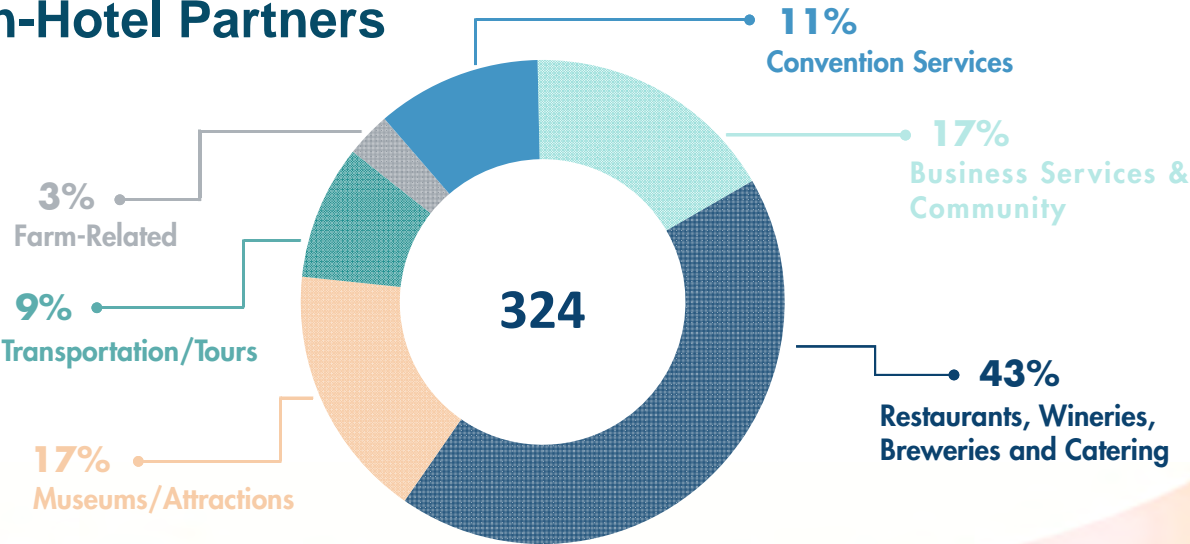
San Mateo County/Silicon Valley CVB

Partnerships
& Special
Events



San Mateo County/Silicon Valley CVB

Non-Hotel Partners



San Mateo County/Silicon Valley CVB

Palo Alto Non-Hotel Partners

- Elizabeth F. Gamble Gardens
 - The Fish Market
 - The Foster
 - MacArthur Park Restaurant
- Palo Alto Chamber of Commerce
 - Stanford Shopping Center
 - The Sea by Alexander’s Steakhouse
 - Vina Enoteca at the Stanford Barn

San Mateo County/Silicon Valley CVB

Annual Events

Networking Mixers
(Six per year)

Venues determined by request and waiting list. Region is taken into consideration when finalizing schedule, each region needs to be represented.

Planned 2020 Mixers in Palo Alto:
February 2020 hosted by
Garden Court Hotel
December 2020 hosted by
The Foster

Annual Partner Luncheon &
PROPS Award Presentation

Held Annually in January at the Board Chair's property. 200 attendees celebrate hospitality and the Peninsula Recognition of Passionate Service Awards (PROPS), honoring the unsung heroes in our industry.

2020 Venue TBD

"As Fresh as it Gets" Awards &
Annual Farm Tour

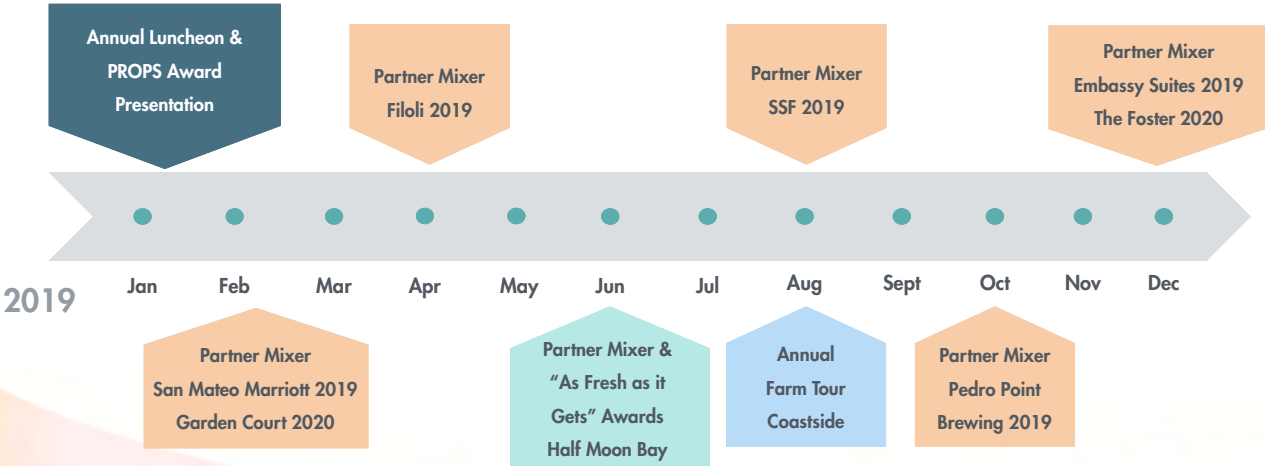
Honoring restaurants who purchase and use local items in their kitchens. Each year our June Mixer honors recipients and features a few of our local producers.

The **Annual August Farm Tour** is hosted by us for restaurant owners, chefs and staff to encourage use of local produce and items.

San Mateo County/Silicon Valley CVB

Event Timeline

Goal is to hold events throughout all areas of the region



San Mateo County/Silicon Valley CVB

How We Communicate

- Sales leads are sent via Simpleview (CRM) and shared via CVENT and email.
- Using our [Partner Portal](#), you may manage property records, listing information, photos, and more.
- **Monthly E-Bulletin** recaps partner updates: staff changes, renovations, happenings, changes in the market, etc.
For inclusion, please contact: carole@smccvb.com.
- **Monthly Visitor Newsletter** sent to our external mailing list, highlighting upcoming events, recent blogs, media mentions, etc.
For inclusion, please contact: juan@smccvb.com.
- Partner Mixers and Annual Luncheon – keep an eye out for email invitations and RSVP through Eventbrite.
- Emails from CVB staff or info@smccvb.com.
- Feel free to call us anytime, we are here to serve you!

San Mateo County/Silicon Valley CVB

Upcoming Partner Events

- **Partner Portal Training Webinar**
 - When: September 18 & October 2
 - Where: Online/Dial-In
- **Familiarization (FAM) Tours:**
 - Meeting Planners FAM – August 22-24, 2019
 - French FAM Tour – September 8, 2019 (*Palo Alto Spotlight*)
 - Italian FAM Tour – September 14-16, 2019 (*Palo Alto Spotlight*)
 - Belgium FAM Tour – September 4-9, 2019 (*Palo Alto Spotlight*)
 - UK Super FAM Tour – October 3-4, 2019

San Mateo County/Silicon Valley CVB

Upcoming Partner Events

- **Special Mixer with Meeting Planners**
 - When: Thursday, September 19, 2019
 - Where: Par 3 & The LODGE at Poplar Creek.
 - **As Fresh as it Gets Dinner**
 - When: Saturday, September 28, 2019
 - Where: Long Branch Saloon (Half Moon Bay)
 - **October Partner Mixer**
 - When: Tuesday, October 15, 2019
 - Where: Pedro Point Brewing (Pacifica)
- **December Partner Mixer**
 - When: Thursday, December 19, 2019
 - Where: Embassy Suites SFO – Waterfront (Burlingame)
 - **Annual Partner Luncheon**
 - When: January 2020
 - Where: TBD
 - **February 2020 Partner Mixer**
 - When: February 2020
 - Where: Garden Court Hotel (Palo Alto)

THANK YOU

SAN MATEO COUNTY
SILICON VALLEY
CONVENTION AND VISITORS BUREAU

From: Matt Dolan <Matt.Dolan@hilton.com>
Sent: Saturday, November 9, 2019 2:00 AM
To: Council, City
Subject: FW: ACTION to WITHDRAW from SMCCVB
Attachments: 2019_2_San Jose-Santa Cruz.pdf; SMCSVCVB Palo Alto Presentation 8-29-19.pdf

Hello Council Members,

As this conversation regarding Barbara Gross, a hospitality consultant, requesting an action to withdraw from the agreement between City of Palo Alto and SMCSVCVB no doubt updates will be forthcoming from all concerned. I have noted the tentative December 2nd and will continue watch for updates and confirmations. In advance of those updates I thought it may be helpful to share my request to Barbara Gross about what she and PAHC propose for replacing the benefits of the existing relationship if the agreement is terminated. Also, it may be worth confirming my POV to ensure the narrative remains focused and does not become distracted by any one personality.

- The PAHC initially formed to resist the TOT increase that went into effect April 1st 2019. My perception was effort spent fighting the increase were not best use of my time and resources. That does not reflect on the merits of the issue but my response to issue. Additionally, I had concerns about PAHC that remain unresolved. I removed myself from participation with the group.
- PAHC directed by Barbara Gross aggressively moves toward the goal of terminating the agreement with SMCSVCVB. Participating in this endeavor in my view is ill-advised, incorrectly aligned with resentment of TOT increases and counter intuitive considering the downward economic indicators. This is the period of time when robust marketing and sales efforts are necessary. I am not in favor of terminating the agreement and for whatever flaws may exist it is far more valuable than not
- Most importantly I want to confirm the narrative remains focused on the issue at hand and not be perceived as the opposite view points of individuals regarding the renewal or termination. My perspective is based on continuing with a reputable, known entity operating within industry standards for a CVB or terminating the agreement with no discernable replacement for the benefits provided. SMCSVCVB provides resources and expertise in attracting conventions and actively promoting Silicon Valley as a destination. Certainly there are improvements needed but nothing remotely approaching termination.
- I am advocating for continuing with the agreement not in opposition to any one individual but in support of the resources and benefits I need and utilize to reach my properties financial performance. Equally so, I am advocating for continuing as it benefits the entire Palo Alto hotel industry, ancillary goods and services providers along with restaurants, retailers and social venues that thrive providing services for residents and visitors alike. My priority is to maintain the connection to a strategic hospitality/tourism partner and if PAHC presents a marketing plan, destination marketing strategy, budget guidelines and effective cost control I am more than agreeable to evaluating and would fully support the transition if their plans are equal to SMCSVCVB.

I am available to review this topic as needed and appreciate your time in considering this matter and what is the best option for Palo Alto hospitality!

Best,

-Matt

From: Matt Dolan

Sent: Friday, November 08, 2019 9:41 PM

To: 'Barbara Gross' <barbara.ellen.gross@gmail.com>; Sean Brender <sean@seanbrender.com>; Ella Herman <ella@gardencourt.com>; Anand Karsan <akarsan@gmail.com>; Manix Patel <manix@carrasco.com>; Christopher Custer <christophercuster@cardinalhotel.com>; Luis Carreno <lcarrero@creekside-inn.com>; Brian Fox <bfox@dinahshotel.com>; Eric Rivera <gmcountryinn4345@gmail.com>; Sundip Karsan <sskarsan@gmail.com>; Sophia Huang <sti9119@gmail.com>; Ben Robledo <brobledo@thenestpaloalto.com>; Vik Patel <travelodgepaloalto@gmail.com>; Neal Nair <nealnair@aol.com>; Hemant Mistry <hrmistry@hotmail.com>; Marlon Smith <marlon.smith@bprproperties.com>; Grace Juan <gracejuan1@yahoo.com>; Heidi May <reservations@coronetmotel.net>; Denise Wallace <gm.ca610@yahoo.com>; Sebastien Stacey <[sstacey@theclementpaloalto.com](mailto:ssstacey@theclementpaloalto.com)>; Julie Handley <jhandley@dinahshotel.com>; 'John Hutar' <john@smccvb.com>; Alyssa Robin <alyssa.robin@cabanapaloalto.com>; B.B. Patel <bbp1944@gmail.com>; Tom McEvoy <Tom.McEvoy@Hilton.com>; Cc: Hugo Santos <reservations@cowperinn.com>; Stephanie Wansek <stephanie@cardinalhotel.com>; Jim Rebosio <jrebosio@sheratonpaloalto.com>; Yatin Patel <info@hotelparmani.com>
Cc: Judy Kleinberg <judy@paloaltochamber.com>; Flaherty, Michelle <Michelle.Flaherty@CityofPaloAlto.org>
Subject: RE: ACTION to WITHDRAW from SMCCVB

Hi Barbara,

Thank you for sharing this update. As the Palo Alto hoteliers consider this action evaluate the decision to support or oppose the requested action some additional information may be helpful.

- Is this an official Palo Alto Hotel Council email and distribution list? If this is a personal email, are you agreeable receiving communication regarding PAHC matters?
- On the request for action to withdraw the Garden Court, with approximately 60 hotel rooms, is listed as a large hotel supporting termination of the agreement. Is that a correct identification of the hotels status as "large?"
- If the agreement is terminated what strategies and action plans can we expect from Palo Alto Hotel Council to replace this lost resource? Would it be possible to see a PAHC presentation deck outlining the council's priorities and action plans?
- If the agreement were terminated, neighboring communities and markets would change from cooperative Silicon Valley attractions to direct competitors. What strategies are in place to respond to the disadvantage of not being included in destination marketing for Silicon Valley? Is that included in your marketing and strategy deck?
- With Palo Alto Hotel Council acting as an industry, voice what action plans are in place to advocate for hotels and hospitality businesses regarding Palo Alto's proposed business tax? Does PAHC have a deck available outlining these action steps?
- Understanding the legal jeopardy of anti-trust violations and previous lack of compliance with PAHC documents/communications has this been effectively addressed and is PAHC membership fully informed of the necessary steps to maintain compliance?
- If the agreement is terminated and access to SMCSVCVB resources are no longer available, for Palo Alto hotels, what is the expected PAHC funding source, vehicle for collection, compliance requirements to support PAHC marketing endeavors and is this planned as an expense or pass through fee? Can PAHC share an operational budget outlining projected expenditures for print, trade show, direct selling and associated travel and accommodation expenses for PAHC sales, marketing and promotional efforts?

As we review this action to withdraw, it is wise to keep in mind outlying indicators that will have downward pressure nationally, in the Bay Area and specifically Palo Alto. I know we have all felt the impact of International inbound travel contracting 0.4 percent in September, marking the fifth negative month in 2019 while outbound international travel and global international travel for non-American destinations continues to grow. Additional hotel supply in our market is affecting occupancy numbers as these events occur (think Nia, Hyatt and an endless list along 101.) The United States Travel Association is pushing Congress to renew the Brand USA program, a destination marketing organization tasked with promoting travel to the U.S. The USTA has argued before Congress that Brand USA helps keep the U.S. competitive in the global travel market and could prevent the U.S. slide in the global travel market from being worse. For political reasons Congress is failing to act. Just as the lack of destination marketing has negatively affected the hotel industry on the national level the same would apply to Palo Alto without destination marketing from SMCSVCVB.

Considering the agreement is an annual renewal it seems prudent to approve the agreement for 2020. Having the agreement in force for 12 months is not an excessive commitment and provides Palo Alto hotels the opportunity to focus more on the benefits of participation, could lessen the impact of downward economic indicators in Palo Alto and provides a specific time period to evaluate if continuing is worthwhile. Of course, the PAHC may have strategy, action plans and financial resources that are equal to SMCSVCVB. If we could review PAHC material prior to the decision date that could change the conversation entirely. As I believe, we all understand this is more than just a conversation between two individuals and must be evaluated in terms of the benefits and risks to the whole. The outcome of this decision has the potential to impact hotels, restaurants, venues and ancillary service providers such as rental cars, dry cleaners, the mall and retailers who rely on tourism to achieve their business goals. The wrong decision would negatively affect overall business revenues and reduce tax revenues in Palo Alto thereby diminishing their efforts to operate effectively operate city services.

Barbara, would it be possible to distribute PAHC marketing plan, sales/marketing materials and budget plans so we have adequate time to compare with SMCSVCVB organizational structure. Even if it is not final drafts that information would be extremely helpful to the hotels and would be a benefit to the city of Palo Alto as they budget for expected TOT revenues in 2020.

Thanks so much for following up on this important topic. While hotel operators are required to make the best decision for their stakeholders I think we can all agree the best decision for Palo Alto benefits the whole. I look forward to reviewing the PAHC materials.

Best,

-Matt

P.S I have attached two documents. The economic report reads San Jose-Santa Cruz but the information applies to Palo Alto. The second document is from SMCSVCVB and attached for convenience when reviewing PAHC marketing and budget plans.

From: Barbara Gross [<mailto:barbara.ellen.gross@gmail.com>]

Sent: Friday, November 08, 2019 3:10 PM

To: Sean Brender <sean@seanbrender.com>; Ella Herman <ella@gardencourt.com>; Anand Karsan <akarsan@gmail.com>; Manix Patel <manix@carrasco.com>; Christopher Custer <christophercuster@cardinalhotel.com>; Luis Carreno <lcarrreno@creekside-inn.com>; Brian Fox <bfox@dinahshotel.com>; Eric Rivera <gmcountryinn4345@gmail.com>; Sundip Karsan <sskarsan@gmail.com>; Sophia Huang <sti9119@gmail.com>; Ben Robledo <brobledo@thenestpaloalto.com>; Vik Patel <travelodgepaloalto@gmail.com>; Neal Nair <nealnair@aol.com>; Hemant Mistry <hrmistry@hotmail.com>; Marlon Smith <marlon.smith@bprproperties.com>; Grace Juan <gracejuan1@yahoo.com>; Heidi May <reservations@coronetmotel.net>; Denise Wallace <gm.ca610@yahoo.com>; Sebastien Stacey <[sstacey@theclementpaloalto.com](mailto:ssstacey@theclementpaloalto.com)>; Julie Handley <jhandley@dinahshotel.com>; Alyssa Robin <alyssa.robin@cabanapaloalto.com>; B.B. Patel <bbp1944@gmail.com>; Tom McEvoy <Tom.McEvoy@Hilton.com>; Cc:

Hugo Santos <reservations@cowperinn.com>; Stephanie Wansek <stephanie@cardinalhotel.com>; Jim Rebosio <jrebosio@sheratonpaloalto.com>; Yatin Patel <info@hotelparmani.com>; Matt Dolan <Matt.Dolan@hilton.com>
Cc: Judy Kleinberg <judy@paloaltochamber.com>; Flaherty, Michelle <Michelle.Flaherty@CityofPaloAlto.org>
Subject: ACTION to WITHDRAW from SMCCVB
Importance: High

Dear Hoteliers,

Following the discussion regarding the value of the San Mateo County Convention and Visitors Bureau (SMCCVB) and Palo Alto Hotels, Motels and Inns at the PAHC meeting on September 18th, the following progress has been made:

Attached please find the email sent to City Staff and City Council outlining the request for Palo Alto Hotels, Motels and Inns to withdraw from the SMCCVB by year-end 2019. You will notice the request is accompanied by City Manager's Reports documenting the origins of the relationship, the signatures of those operators and/or owners in support of the withdrawal and the fee structure currently in place.

We have just been notified that the tentative date for council to address the withdrawal request is December 2, 2019. Please mark your calendars to attend this council meeting to express your opinions and urge action. Future reminders will be forwarded to keep you informed.

Additionally, Matt Dolan has sent emails to the group expressing his opinion regarding this action. Everyone is encouraged to share his or her thoughts and experiences.

Please contact us for further information and questions:

Barbara Gross – Barbara.ellen.gross@gmail.com

Jim Rebosio – jrebosio@pahotel.com

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SAN JOSE-SANTA CRUZ

REGIONAL ECONOMIC SUMMARY

"Economic activity in the Twelfth District continued to expand at a moderate pace during the reporting period of mid-November through December. Conditions in the labor market remained tight, and wage growth was moderate. Price inflation was flat. Sales of retail goods expanded moderately, while activity in consumer and business services was solid. Conditions in the manufacturing sector strengthened modestly, and conditions in agriculture deteriorated slightly. On balance, contacts reported that residential and commercial real estate market activity expanded at a solid pace. Lending activity ticked down.

Overall, price inflation was flat over the reporting period. Contacts in manufacturing and utilities observed upward pricing pressures due mainly to a further moderate pickup in the cost of metal inputs and higher financing costs for capital-intensive production. Food and beverage prices increased somewhat, reflecting higher labor costs at producers. The growth of building material prices slowed a bit, due in part to noticeably lower lumber costs, which fell because of the moderation in the housing market. Lower oil prices resulted in reduced fuel surcharges at shipping and logistics businesses and a modest decline in the price of some petroleum-based inputs to manufacturing. In the agriculture sector, prices declined modestly as demand from abroad weakened in response to trade policy changes and the stronger dollar."

Federal Reserve Bank Beige Book, July 2019

San Jose-Santa Cruz: Next 4 Quarters

The arrows show the forecast direction of change over the next 4 quarters vs. the previous 4 quarters. Green indicates the change will be above the long run average, yellow indicates it will be the same, and orange indicates it will be below.

Occupancy

Occupancy will decrease to 71.9%, a decline over the past 4 quarters' rate of 75.2%, but above the long run average of 68.7%



Average Daily Rate

ADR growth expectations are weakening, 1.5% vs. the past 4 quarters' rate of 4.2%, and are below the long run average of 4.3%



Revenue Per Available Room

RevPAR change projections are falling to negative 3.0% as compared to the past 4 quarters' rate of positive 1.7%, and are lower than the long run average of positive 5.3%



Supply (orange indicates above long-term average)

Supply growth is climbing, 8.9% vs. the past 4 quarters' rate of 1.0%, and greater than the long run average of 1.9%



Demand

Forecast demand growth is climbing, positive 4.1% vs. the past 4 quarters' rate of negative 1.4%, and is greater than the long run average of positive 2.6%



Source: CBRE Hotels Research, Q2 2019

HOTEL MARKET SUMMARY

By year-end 2019, San Jose-Santa Cruz hotels are forecast to see a RevPAR decrease of 2.6%. This is the result of an estimated decline in occupancy of 4.6% and a 2.2% gain in average daily room rates (ADR). The 2.6% decline in San Jose-Santa Cruz RevPAR is less than the national projection of a 0.9% increase.

Both the upper and lower-priced segments of San Jose-Santa Cruz are expected to show negative RevPAR change by year end. Lower-priced hotels are forecast to attain a 1.7% gain in ADR, but suffer a 4.3% decrease in occupancy, resulting in a 2.6% RevPAR decline. Upper-priced hotels are projected to experience an ADR growth rate of 1.9%, along with a 5.0% loss in occupancy, resulting in a 3.2% RevPAR decline.

Looking towards 2020, San Jose-Santa Cruz RevPAR is expected to decline 0.2%. This is better than the decline in 2019. Prospects for RevPAR growth in the upper-priced segment (positive 0.2%) are better than in the lower-priced segment (negative 2.0%). San Jose-Santa Cruz market occupancy levels are expected to range from 71.8% to 73.6% during the 5-year forecast period.

San Jose-Santa Cruz Forecast Summary

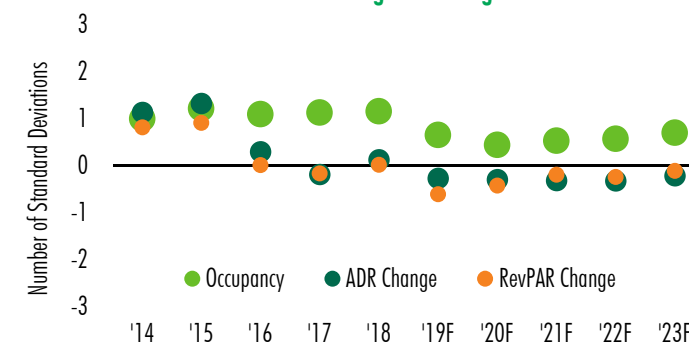
YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	75.8%	2.3%	\$148.74	13.0%	\$112.68	15.7%
2015	77.3%	2.1%	\$170.30	14.5%	\$131.70	16.9%
2016	76.5%	-1.1%	\$181.47	6.6%	\$138.78	5.4%
2017	76.7%	0.3%	\$186.54	2.8%	\$143.09	3.1%
2018	76.9%	0.2%	\$196.25	5.2%	\$150.85	5.4%
2019F	73.3%	-4.6%	\$200.49	2.2%	\$146.97	-2.6%
2020F	71.8%	-2.1%	\$204.40	2.0%	\$146.71	-0.2%
2021F	72.4%	0.9%	\$208.11	1.8%	\$150.76	2.8%
2022F	72.7%	0.4%	\$211.80	1.8%	\$154.05	2.2%
2023F	73.6%	1.2%	\$217.28	2.6%	\$159.97	3.8%

Source: CBRE Hotels Research, STR, Q2 2019

Long Run Averages 1988 to 2018

Occupancy: 68.7%, ADR Change: 4.3%, RevPAR Change: 5.3%

EXHIBIT 1**: Performance Grade vs. Long Run Average



Source: CBRE Hotels Research, STR, Q2 2019

**See Appendix for exhibit descriptions

San Jose-Santa Cruz Economic Summary

Below are a select number of variables that drive the CBRE Hotels | Research econometric forecasts contained in this report. Income and employment are important barometers of economic health and are used in every Hotel Horizons® forecast model. The lodging market is part of the larger economy, and the forces that affect us nationally also affect lodging, but in different magnitudes and time periods (see Exhibits 4 and 5 below). Exhibits 2 - 6 provide an overview of current economic history and forecast, and provide explanation of what to expect in the future, and how that affects the lodging industry.

Exhibit 2*: Income Change

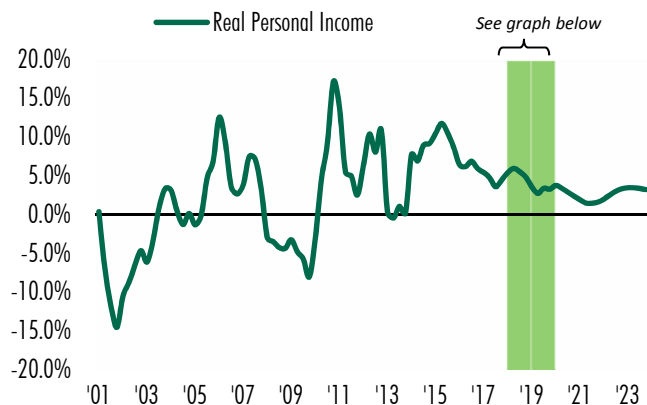


Exhibit 3*: Employment Change

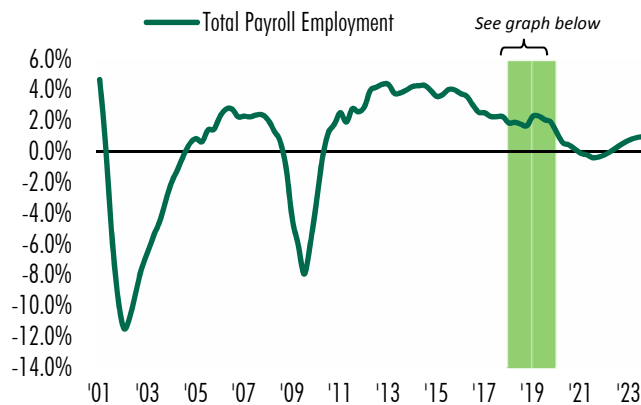


Exhibit 4*: Quarterly Income vs. RevPAR Change

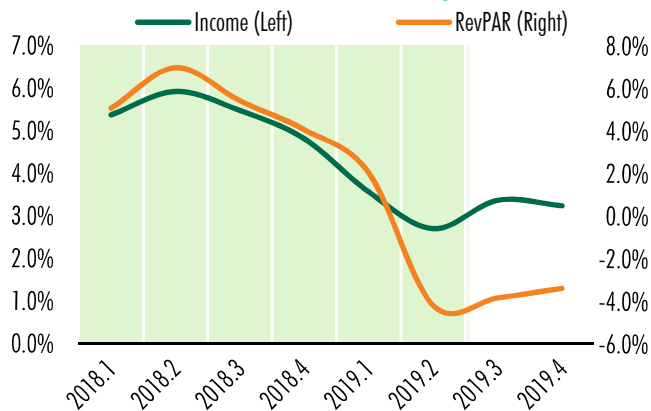


Exhibit 5*: Quarterly Employment vs. Demand Change

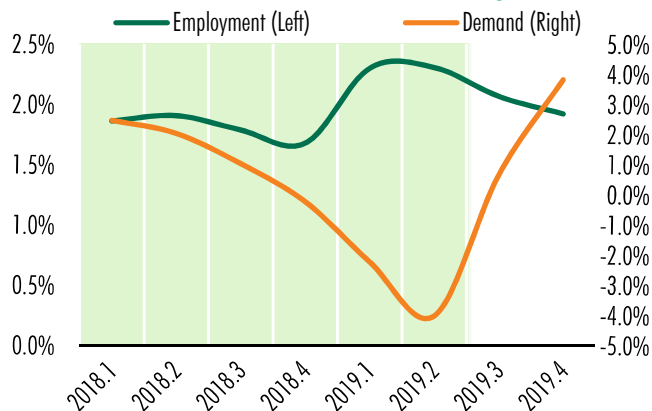
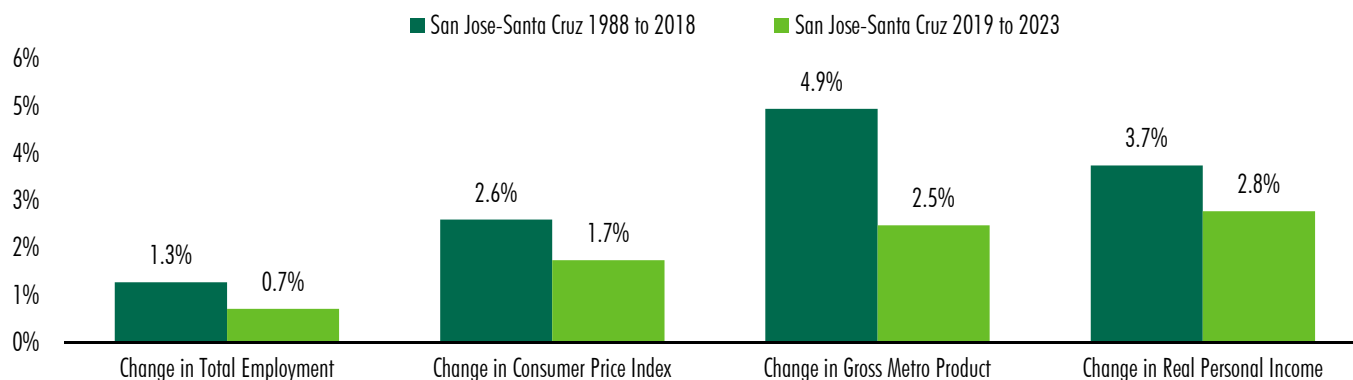


Exhibit 6*: Average Annual Growth Rates



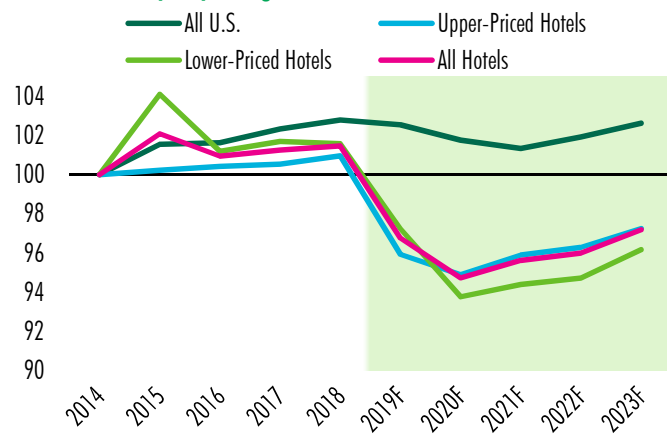
Source: CBRE EA, Moody's Analytics, Q2 2019

*See Appendix for exhibit descriptions

San Jose-Santa Cruz Hotel Summary

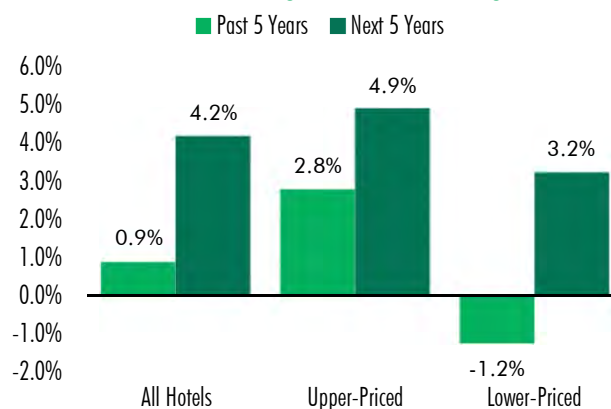
The graphs on the left illustrate the magnitude of change in performance during the historical and forecasted period 2014 to 2023. Used as a relative benchmark, each market segment is plotted against a common index value of 2014 = 100. This method provides clear insight of how each market segment performed and is expected to perform in relation to others in the specified period. The charts on the right compare near-term historical compound annual growth rates (CAGR) to the CAGRs for the forecast period.

Exhibit 7*: Occupancy Change



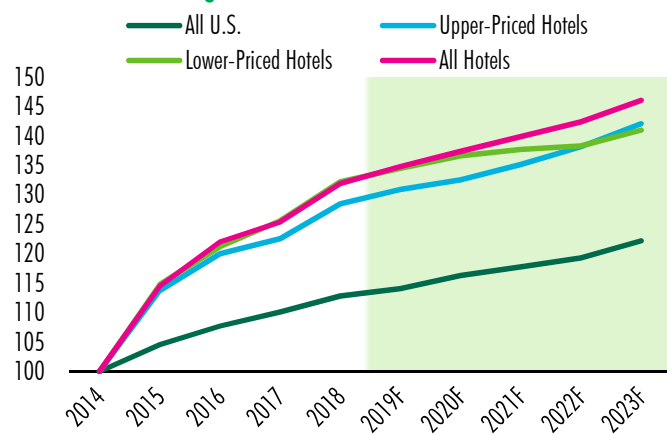
Source: CBRE Hotels, STR, Q2 2019

Exhibit 10*: Compound Average Annual Supply Change



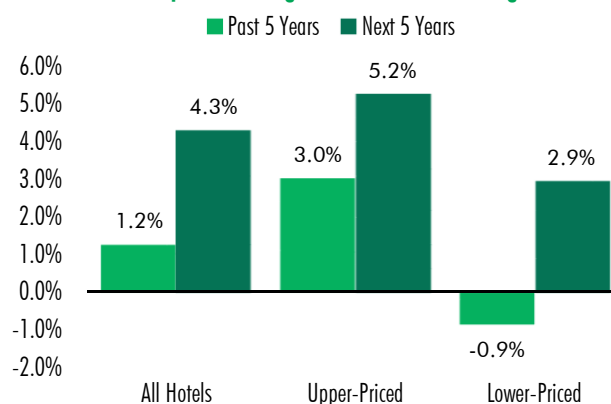
Source: CBRE Hotels, STR, Q2 2019

Exhibit 8*: ADR Change



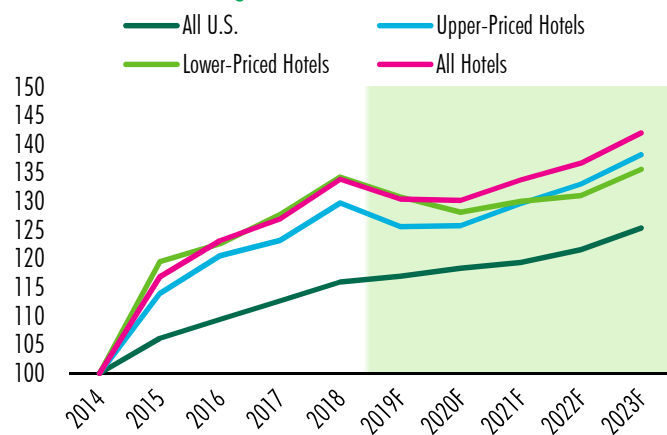
Source: CBRE Hotels, STR, Q2 2019

Exhibit 11*: Compound Average Annual Demand Change



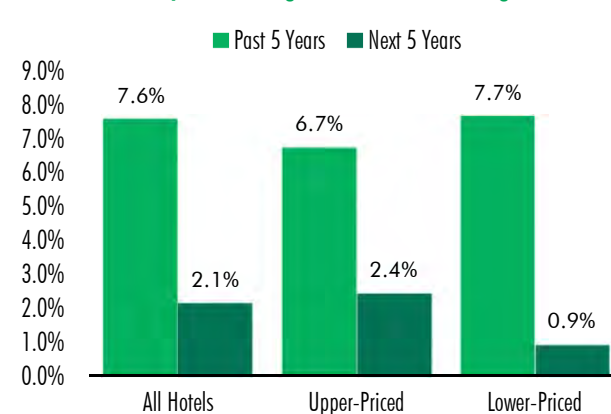
Source: CBRE Hotels, STR, Q2 2019

Exhibit 9*: RevPAR Change



Source: CBRE Hotels, STR, Q2 2019

Exhibit 12*: Compound Average Annual RevPAR Change



Source: CBRE Hotels, STR, Q2 2019

*See Appendix for exhibit descriptions

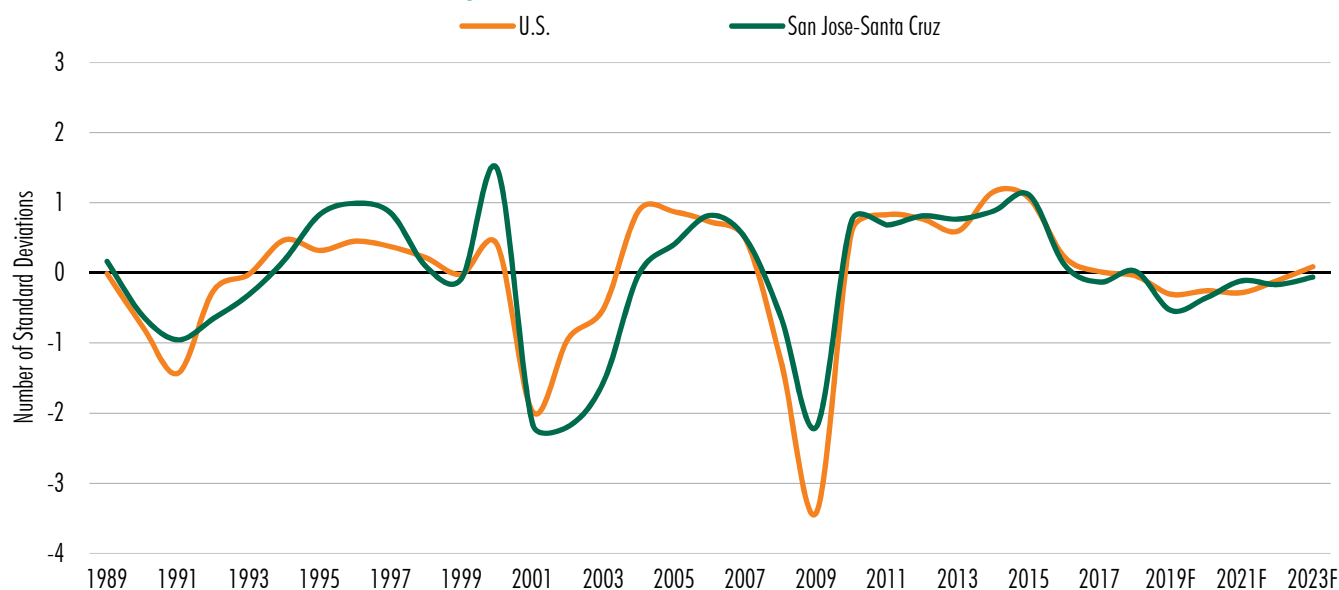
*See Appendix for exhibit descriptions

San Jose-Santa Cruz Forecast - All Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2014	Annual	75.8%	2.3%	\$148.74	13.0%	\$112.68	15.7%	1.0%	3.4%
2015	Annual	77.3%	2.1%	\$170.30	14.5%	\$131.70	16.9%	0.9%	3.0%
2016	1	72.5%	-3.6%	\$184.84	12.3%	\$133.97	8.2%	1.2%	-2.5%
2016	2	80.3%	-0.4%	\$182.08	6.2%	\$146.29	5.8%	0.4%	0.0%
2016	3	81.7%	-1.2%	\$183.23	5.0%	\$149.63	3.8%	-0.2%	-1.4%
2016	4	71.4%	0.8%	\$175.37	3.1%	\$125.25	3.9%	-0.2%	0.6%
2016	Annual	76.5%	-1.1%	\$181.47	6.6%	\$138.78	5.4%	0.3%	-0.8%
2017	1	72.6%	0.2%	\$184.50	-0.2%	\$133.97	0.0%	0.9%	1.1%
2017	2	80.0%	-0.4%	\$188.20	3.4%	\$150.65	3.0%	0.8%	0.4%
2017	3	82.5%	1.1%	\$189.07	3.2%	\$156.06	4.3%	1.0%	2.1%
2017	4	71.7%	0.4%	\$183.86	4.8%	\$131.78	5.2%	2.1%	2.4%
2017	Annual	76.7%	0.3%	\$186.54	2.8%	\$143.09	3.1%	1.2%	1.5%
2018	1	73.3%	1.0%	\$191.87	4.0%	\$140.73	5.0%	1.4%	2.5%
2018	2	80.5%	0.6%	\$200.15	6.3%	\$161.12	6.9%	1.5%	2.0%
2018	3	82.4%	-0.2%	\$199.62	5.6%	\$164.48	5.4%	1.2%	1.0%
2018	4	71.2%	-0.6%	\$192.45	4.7%	\$137.10	4.0%	0.4%	-0.2%
2018	Annual	76.9%	0.2%	\$196.25	5.2%	\$150.85	5.4%	1.1%	1.3%
2019	1	71.0%	-3.3%	\$202.32	5.4%	\$143.57	2.0%	1.1%	-2.2%
2019	2	76.1%	-5.5%	\$202.77	1.3%	\$154.31	-4.2%	1.5%	-4.0%
2019F	3	78.2%	-5.1%	\$202.26	1.3%	\$158.11	-3.9%	6.1%	0.6%
2019F	4	68.1%	-4.4%	\$194.36	1.0%	\$132.42	-3.4%	8.5%	3.8%
2019F	Annual	73.3%	-4.6%	\$200.49	2.2%	\$146.97	-2.6%	4.3%	-0.5%
2020F	Annual	71.8%	-2.1%	\$204.40	2.0%	\$146.71	-0.2%	9.2%	7.0%
2021F	Annual	72.4%	0.9%	\$208.11	1.8%	\$150.76	2.8%	4.3%	5.3%
2022F	Annual	72.7%	0.4%	\$211.80	1.8%	\$154.05	2.2%	2.0%	2.4%
2023F	Annual	73.6%	1.2%	\$217.28	2.6%	\$159.97	3.8%	1.3%	2.5%
2018 2Q	Year to Date	76.9%	0.8%	\$196.20	5.2%	\$150.92	6.1%	1.5%	2.2%
2019 2Q	Year to Date	73.5%	-4.4%	\$202.56	3.2%	\$148.95	-1.3%	1.3%	-3.2%
2019 2Q	Trailing 4 Qtrs	75.2%	-2.4%	\$199.37	4.2%	\$149.86	1.7%	1.0%	-1.4%

Source: CBRE Hotels Research, STR, Q2 2019

Exhibit 13*: San Jose-Santa Cruz Standardized Changes in Real RevPAR Movements Over Time



Source: CBRE Hotels Research, STR, Q2 2019

*See Appendix for exhibit description

San Jose-Santa Cruz Forecast - Upper-Priced Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2014	Annual	77.9%	1.7%	\$180.48	12.0%	\$140.58	13.9%	2.1%	3.8%
2015	Annual	78.1%	0.2%	\$205.25	13.7%	\$160.23	14.0%	4.3%	4.5%
2016	1	74.6%	-2.3%	\$224.53	10.9%	\$167.42	8.3%	5.5%	3.0%
2016	2	82.2%	1.2%	\$216.87	5.1%	\$178.35	6.4%	3.5%	4.8%
2016	3	83.0%	0.5%	\$215.04	3.8%	\$178.45	4.3%	1.9%	2.4%
2016	4	73.1%	1.3%	\$210.03	2.7%	\$153.57	4.0%	1.1%	2.4%
2016	Annual	78.2%	0.2%	\$216.61	5.5%	\$169.44	5.7%	3.0%	3.2%
2017	1	75.4%	1.1%	\$222.38	-1.0%	\$167.63	0.1%	1.4%	2.5%
2017	2	81.7%	-0.7%	\$223.80	3.2%	\$182.77	2.5%	1.3%	0.6%
2017	3	83.4%	0.6%	\$220.57	2.6%	\$184.05	3.1%	1.9%	2.4%
2017	4	72.9%	-0.4%	\$217.89	3.7%	\$158.75	3.4%	3.6%	3.2%
2017	Annual	78.3%	0.1%	\$221.20	2.1%	\$173.23	2.2%	2.0%	2.2%
2018	1	75.8%	0.6%	\$229.37	3.1%	\$173.92	3.8%	2.4%	3.0%
2018	2	82.5%	1.0%	\$236.58	5.7%	\$195.13	6.8%	2.4%	3.4%
2018	3	83.6%	0.2%	\$232.84	5.6%	\$194.76	5.8%	1.8%	2.1%
2018	4	72.7%	-0.3%	\$228.31	4.8%	\$165.88	4.5%	0.5%	0.2%
2018	Annual	78.6%	0.4%	\$231.93	4.9%	\$182.40	5.3%	1.8%	2.2%
2019	1	73.3%	-3.4%	\$242.70	5.8%	\$177.79	2.2%	1.6%	-1.8%
2019	2	77.7%	-5.8%	\$239.15	1.1%	\$185.81	-4.8%	2.5%	-3.4%
2019F	3	78.7%	-5.9%	\$234.57	0.7%	\$184.68	-5.2%	8.7%	2.3%
2019F	4	69.5%	-4.4%	\$229.10	0.3%	\$159.19	-4.0%	11.5%	6.7%
2019F	Annual	74.7%	-5.0%	\$236.28	1.9%	\$176.58	-3.2%	6.1%	0.8%
2020F	Annual	73.9%	-1.1%	\$239.26	1.3%	\$176.86	0.2%	10.8%	9.6%
2021F	Annual	74.7%	1.1%	\$243.96	2.0%	\$182.24	3.0%	5.1%	6.2%
2022F	Annual	75.0%	0.4%	\$249.35	2.2%	\$187.04	2.6%	2.4%	2.9%
2023F	Annual	75.8%	1.0%	\$256.47	2.9%	\$194.29	3.9%	1.5%	2.5%
2018 2Q	Year to Date	79.2%	0.8%	\$233.13	4.5%	\$184.53	5.3%	2.4%	3.2%
2019 2Q	Year to Date	75.5%	-4.6%	\$240.87	3.3%	\$181.82	-1.5%	2.1%	-2.7%
2019 2Q	Trailing 4 Qtrs	76.8%	-2.3%	\$235.75	4.2%	\$181.05	1.8%	1.6%	-0.7%

Source: CBRE Hotels Research, STR, Q2 2019

San Jose-Santa Cruz Financial Benchmarks* - Full-Service Hotels

FULL-SERVICE HOTELS - PERCENT OF TOTAL REVENUE - 2018			
Financial Line Item	Mountain / Pacific Region	ADR Between \$125 & \$250†	150 to 300 Rooms‡
Rooms Revenue	72.1%	73.8%	75.3%
Food and Beverage Revenue	22.2%	21.8%	20.1%
Total Departmental Expenses	37.6%	34.3%	35.6%
Total Departmental Profit	62.4%	65.7%	64.4%
Total Undistributed Expenses	24.0%	25.8%	26.3%
Gross Operating Profit**	38.4%	39.8%	38.2%

*Data from 2019 *Trends® in the Hotel Industry* report

**Before deductions for management fees and non-operating income and expenses.

Source: CBRE Hotels Research, 2018

† San Jose-Santa Cruz Upper-Price Average ADR: \$231.93

‡ San Jose-Santa Cruz Upper-Price Average Size: 164 Rooms

For a more comparable and detailed financial comparison, we recommend a **BenchmarkerSM** report.
Please contact Viet Vo at +1 404 812 5112 for more information.

San Jose-Santa Cruz Forecast - Lower-Priced Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2014	Annual	73.5%	3.0%	\$113.18	14.5%	\$83.18	17.9%	-0.1%	2.8%
2015	Annual	76.5%	4.1%	\$129.90	14.8%	\$99.39	19.5%	-2.7%	1.3%
2016	1	70.0%	-5.3%	\$133.99	10.1%	\$93.75	4.3%	-3.6%	-8.7%
2016	2	78.1%	-2.5%	\$138.07	5.0%	\$107.79	2.4%	-3.1%	-5.5%
2016	3	80.1%	-3.1%	\$143.81	4.8%	\$115.16	1.6%	-2.7%	-5.7%
2016	4	69.4%	0.0%	\$131.56	2.6%	\$91.28	2.6%	-1.7%	-1.7%
2016	Annual	74.4%	-2.8%	\$137.14	5.6%	\$102.00	2.6%	-2.8%	-5.5%
2017	1	69.3%	-1.0%	\$134.42	0.3%	\$93.09	-0.7%	0.4%	-0.6%
2017	2	78.1%	0.0%	\$142.96	3.5%	\$111.62	3.5%	0.2%	0.2%
2017	3	81.4%	1.7%	\$149.71	4.1%	\$121.93	5.9%	-0.1%	1.6%
2017	4	70.2%	1.2%	\$140.11	6.5%	\$98.38	7.8%	0.3%	1.5%
2017	Annual	74.7%	0.5%	\$142.15	3.7%	\$106.25	4.2%	0.2%	0.7%
2018	1	70.3%	1.5%	\$141.67	5.4%	\$99.54	6.9%	0.3%	1.7%
2018	2	78.0%	0.0%	\$152.43	6.6%	\$118.96	6.6%	0.4%	0.3%
2018	3	80.9%	-0.7%	\$157.12	4.9%	\$127.04	4.2%	0.4%	-0.3%
2018	4	69.5%	-1.0%	\$145.84	4.1%	\$101.34	3.0%	0.2%	-0.9%
2018	Annual	74.7%	-0.1%	\$149.64	5.3%	\$111.73	5.2%	0.3%	0.2%
2019	1	68.1%	-3.1%	\$147.76	4.3%	\$100.59	1.1%	0.4%	-2.8%
2019	2	74.1%	-5.1%	\$154.42	1.3%	\$114.40	-3.8%	0.2%	-4.8%
2019F	3	77.4%	-4.2%	\$159.30	1.4%	\$123.37	-2.9%	2.8%	-1.5%
2019F	4	66.3%	-4.5%	\$146.23	0.3%	\$97.01	-4.3%	4.8%	0.1%
2019F	Annual	71.5%	-4.3%	\$152.24	1.7%	\$108.80	-2.6%	2.1%	-2.3%
2020F	Annual	68.9%	-3.6%	\$154.66	1.6%	\$106.60	-2.0%	7.3%	3.5%
2021F	Annual	69.4%	0.7%	\$155.90	0.8%	\$108.17	1.5%	3.3%	4.0%
2022F	Annual	69.6%	0.3%	\$156.55	0.4%	\$109.00	0.8%	1.4%	1.8%
2023F	Annual	70.7%	1.5%	\$159.58	1.9%	\$112.82	3.5%	0.9%	2.5%
2018 2Q	Year to Date	74.2%	0.7%	\$147.34	6.0%	\$109.26	6.7%	0.3%	1.0%
2019 2Q	Year to Date	71.1%	-4.1%	\$151.23	2.6%	\$107.49	-1.6%	0.3%	-3.9%
2019 2Q	Trailing 4 Qtrs	73.1%	-2.5%	\$151.58	3.6%	\$110.84	1.0%	0.3%	-2.2%

Source: CBRE Hotels Research, STR, Q2 2019

San Jose-Santa Cruz Financial Benchmarks* - Limited-Service Hotels

LIMITED-SERVICE HOTELS - PERCENT OF TOTAL REVENUE - 2018			
Financial Line Item	Mountain / Pacific Region	ADR Over \$115†	Under 100 Rooms‡
Rooms Revenue	96.8%	96.5%	98.2%
Food and Beverage Revenue	0.0%	0.0%	0.0%
Total Departmental Expenses	27.6%	24.7%	27.3%
Total Departmental Profit	72.4%	75.3%	72.7%
Total Undistributed Expenses	28.0%	28.0%	31.7%
Gross Operating Profit**	44.4%	47.3%	41.0%

*Data from 2019 *Trends*® in the Hotel Industry report

† San Jose-Santa Cruz Lower-Price Average ADR: \$149.64

**Before deductions for management fees and non-operating income and expenses.

‡ San Jose-Santa Cruz Lower-Price Average Size: 69 Rooms

Source: CBRE Hotels Research, 2018

For a more comparable and detailed financial comparison, we recommend a **BenchmarkerSM** report.
Please contact Viet Vo at +1 404 812 5112 for more information.

San Jose-Santa Cruz Airbnb Summary

Below is an overview of Airbnb's presence in this market. The estimates of Airbnb performance come from Airdna, a firm that provides data and analytics on Airbnb rental performance for 4 million+ Airbnb listings worldwide. Figure 1 shows the total number of units available, sold and revenue generated during July 2018 – June 2019 along with the calculated Occupancy, Average Daily Rate (ADR), RevPAR, and year-over-year growth rates. Figure 2 shows the percent of units and revenue by unit type. Figure 3 shows the average daily number of active Airbnb units by month. Figure 4 lists the ADRs broken down by unit types over the past 12 months. More detailed data on Airbnb in your market can be purchased directly from Airdna at airdna.co.

Fig. 1: July 2018 – June 2019 Airbnb Performance

METRIC	2019	Y-o-Y CHANGE
Occupancy	65.1%	3.9%
ADR	\$160.15	0.4%
RevPAR	\$104.22	4.3%
Available Supply	1,673,042	25.0%
Units Sold	1,089,236	29.9%
Total Revenue	\$174,547,665	30.4%

Source: Airdna, CBRE Hotels Research, Q2 2019

Fig. 2: Percent of Active Units and Revenue by Listing Type

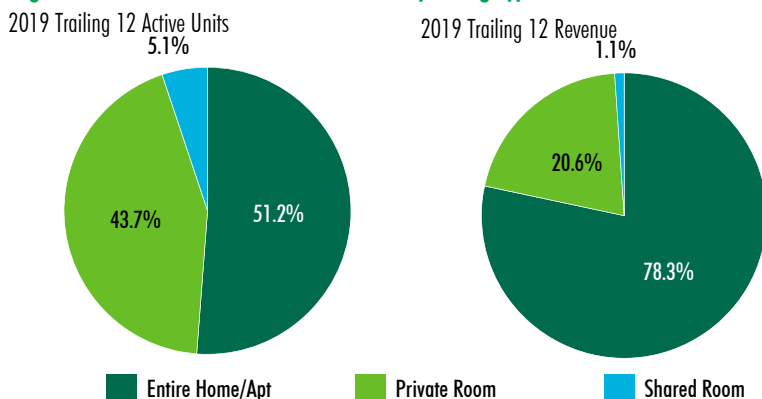


Fig. 3: July 2018 – June 2019 Active/Available Units by Month

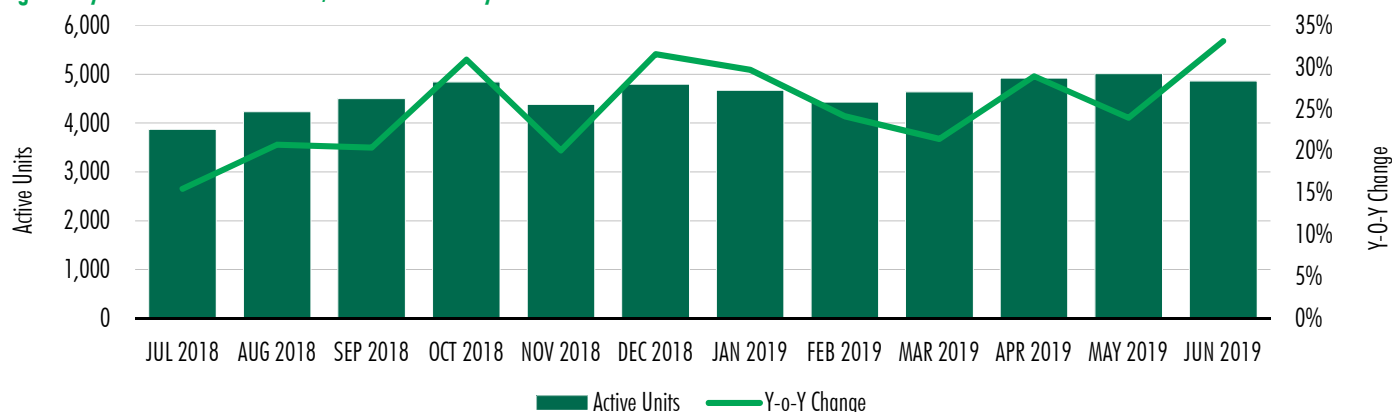
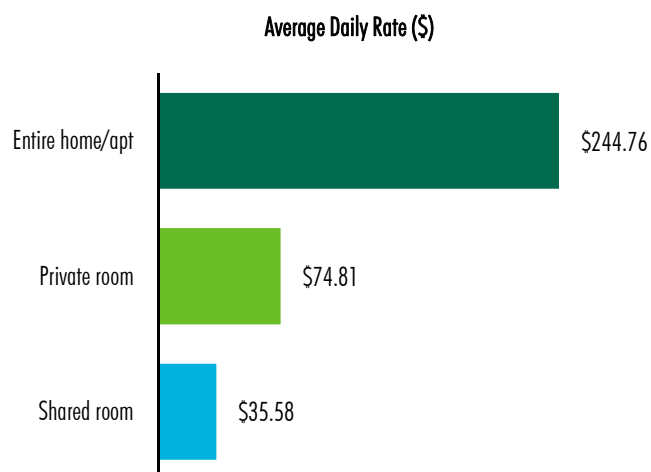


Fig. 4: July 2018 – June 2019 ADRs by Unit Type



Detailed data on Airbnb in your market can be purchased directly from Airdna at airdna.co.

Glossary

Active Units - A unit is considered active if it had at least one night sold during the month.

Available Units - Total number of listings available for booking on Airbnb in that month.

Average Daily Rate (ADR) - The revenue collected divided by the units sold.

Unit Types:

Entire Home - The guest has complete and sole access to the entire Unit during the stay.

Private Room - The guest has their own sleeping area, but shares access to the Unit common areas with others.

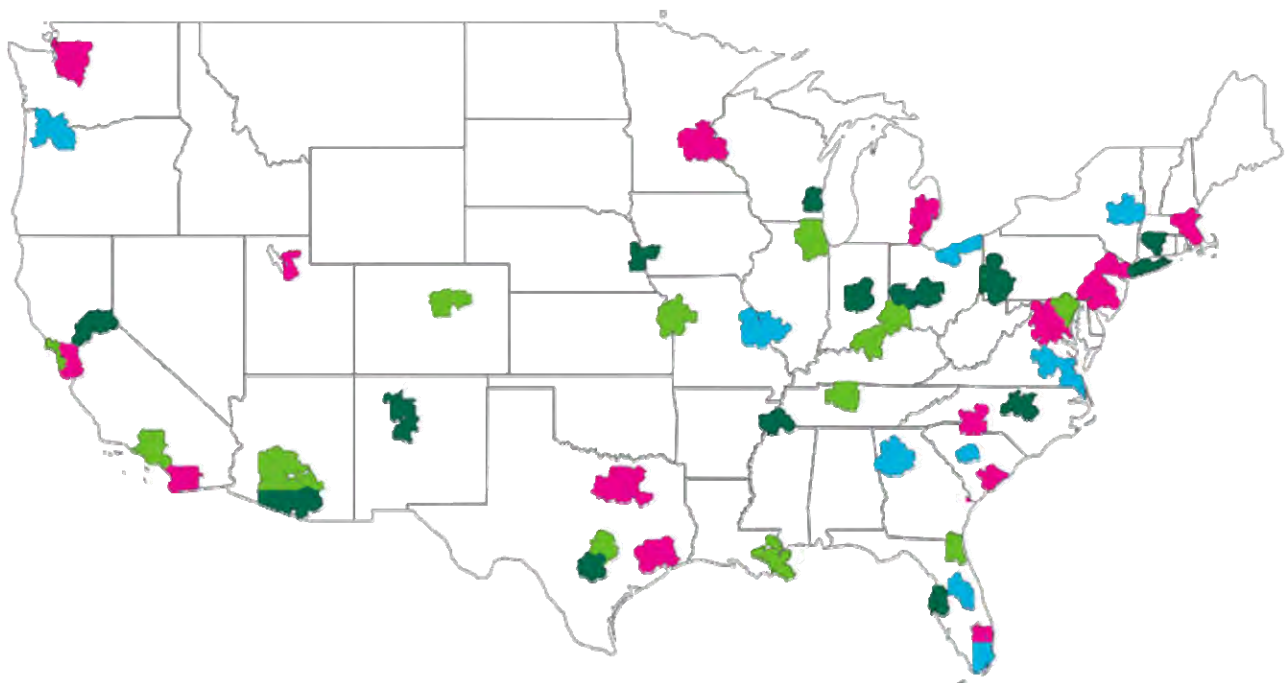
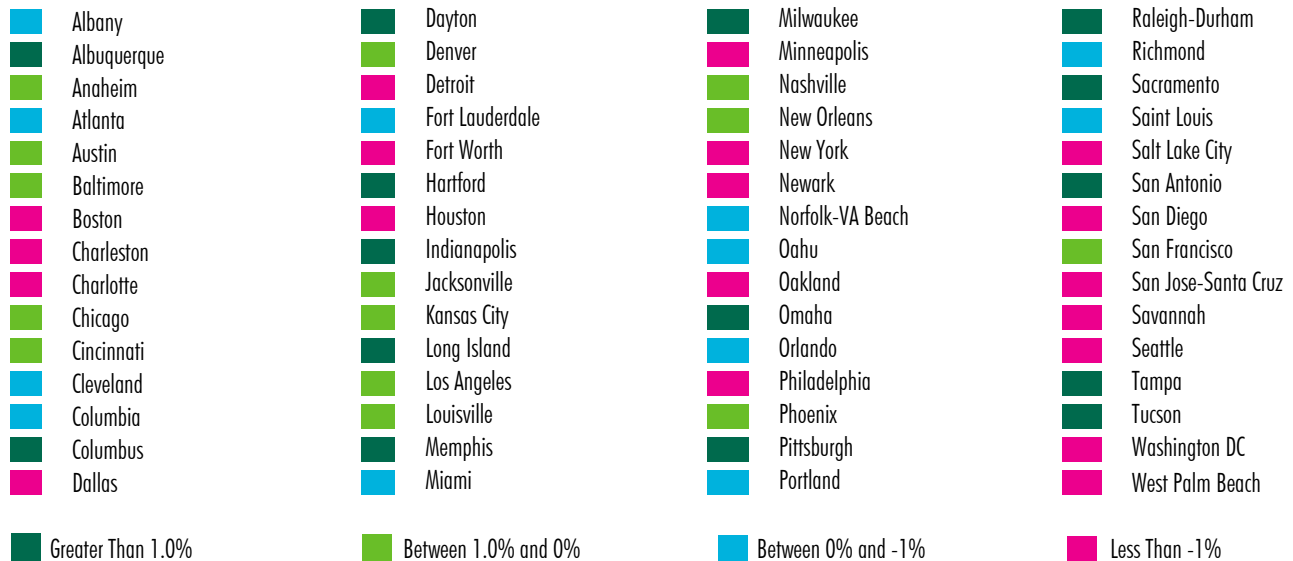
Shared Room - The guest rents a common area, like an airbed in a living

National Horizon Profile

2019 Average Annual Year-over-Year Change in Occupancy

This page showcases the CBRE Hotels Research Hotel Horizons® 60- city forecasting universe. The map below displays average annual year-over-year change in occupancy level for 2019. Quarterly Hotel Horizons® reports are available for the nation and all the markets shown below.

<https://pip.cbrehotels.com>



Source: CBRE Hotels Research, STR, Q2 2019

San Jose-Santa Cruz Market Profile

Total Room Supply: 36,051

San Jose-Santa Cruz Top Brands

UPPER-PRICED BRANDS			PROPERTIES	ROOMS	% MARKET	LOWER-PRICED BRANDS			PROPERTIES	ROOMS	% MARKET
Residence Inn			12	1,823	5.1%	Extended Stay America			14	1,837	5.1%
Marriott			3	1,626	4.5%	Motel 6			11	1,326	3.7%
Courtyard			10	1,527	4.2%	TownePlace Suites			6	663	1.8%
Hilton			3	811	2.2%	Best Western			9	610	1.7%
Fairmont			1	805	2.2%	Comfort Inn			8	561	1.6%

Source: STR, Q2 2019

San Jose-Santa Cruz Supply Pipeline

PHASE	Upper-Priced			Lower-Priced			Unclassified / Independent		
	PROPERTIES	ROOMS	% MARKET	PROPERTIES	ROOMS	% MARKET	PROPERTIES	ROOMS	% MARKET
Unconfirmed	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	13	1,906	5.3%	15	1,635	4.5%	0	0	0.0%
Final Planning	9	1,273	3.5%	12	1,468	4.1%	0	0	0.0%
In Construction	20	3,307	9.2%	10	1,406	3.9%	0	0	0.0%
Total	42	6,486	18.0%	37	4,509	12.5%	0	0	0.0%

Source: STR, CBRE Hotels Research, Q2 2019

Pipeline Status Definitions

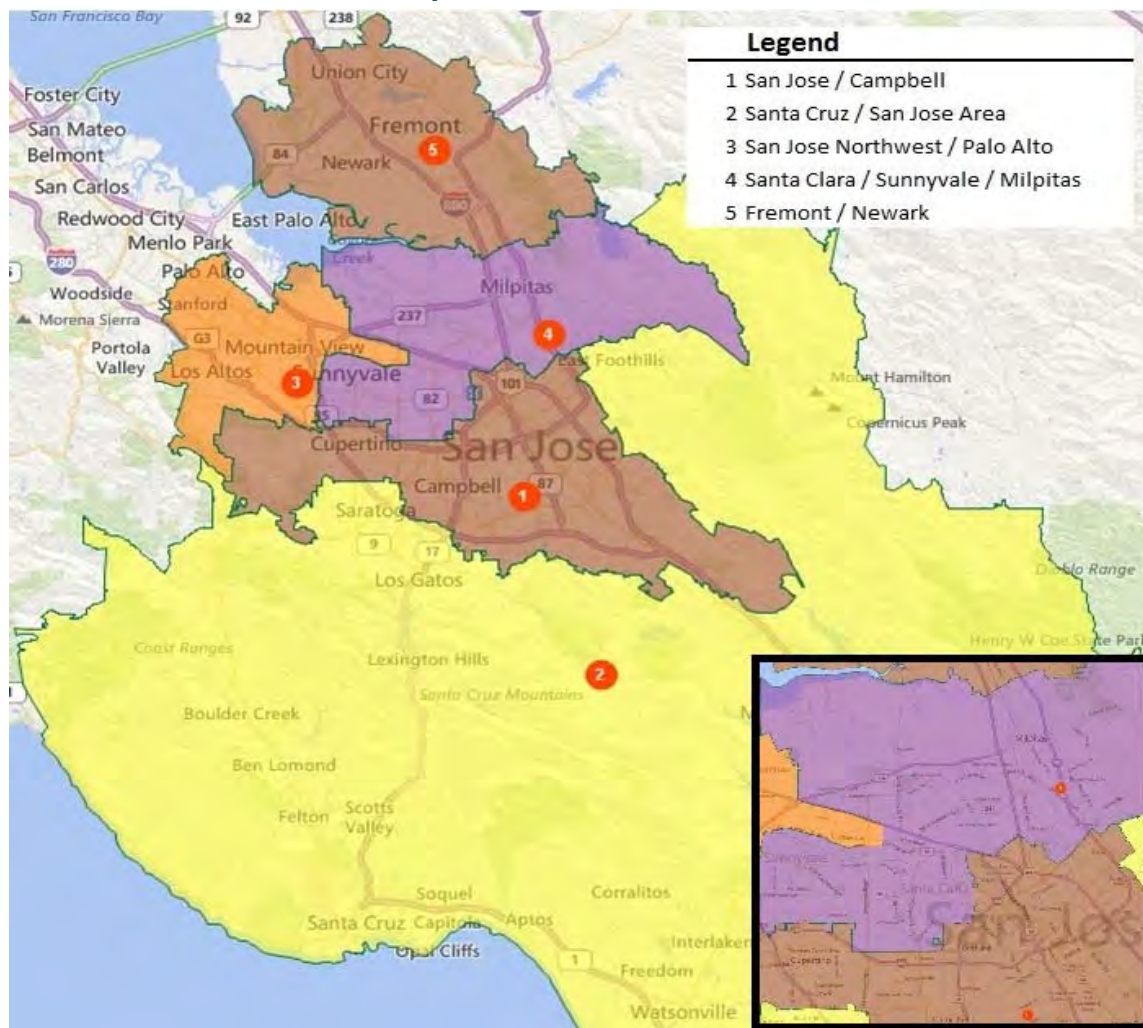
PHASE	DEFINITION
Unconfirmed*	Potential projects that remain unconfirmed at this time. STR is unable to verify the existence of these projects through a corporate chain feed or other verifiable source.
Planning	Confirmed, under contract projects where construction will begin in more than 12 months.
Final Planning	Confirmed, under contract projects where construction will begin within the next 12 months.
In Construction	Vertical construction on the physical building has begun. This does not include construction on any sub-grade structures including, but not limited to, parking garages, underground supports/footers or any other type of sub-grade construction.

Source: STR, Q2 2019

*Formerly Pre-Planning

San Jose-Santa Cruz Submarket Map

Total Room Supply: 36,051



Source: CBRE EA, Q2 2019

San Jose-Santa Cruz Submarket Summary

SUBMARKET	UPPER-PRICED			LOWER-PRICED			TOTALS		
	Properties	Rooms	% Market	Properties	Rooms	% Market	Properties	Rooms	% Market
San Jose/Campbell	31	6,165	17.1%	52	3,850	10.7%	83	10,015	27.8%
Santa Cruz/San Jose Surrounding Areas	20	1,869	5.2%	83	4,119	11.4%	103	5,988	16.6%
Northwest/Palo Alto	27	3,128	8.7%	26	1,424	3.9%	53	4,552	12.6%
Santa Clara/Sunnyvale/Milpitas	34	6,887	19.1%	48	3,987	11.1%	82	10,874	30.2%
Fremont/Newark	11	2,134	5.9%	21	2,488	6.9%	32	4,622	12.8%
Total	123	20,183	56.0%	230	15,868	44.0%	353	36,051	100.0%

Source: STR, Q2 2019

Submarket Profile - San Jose/Campbell

The San Jose / Campbell submarket includes properties located in downtown San Jose, as well as in the suburbs south and west of town located along Interstate 280 to Cupertino.

Total Room Supply: 10,015

Submarket Rank*

1

Out of 5

*Based on RevPAR change over the last 4 quarters.

Submarket Penetration*

108%



*Submarket RevPAR penetration expressed as a percentage of the market RevPAR for the previous 4 quarters. Direction of arrow indicates if penetration is increasing or decreasing relative to one year ago's performance.

San Jose/Campbell Submarket Inventory

UPPER-PRICED	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED	PROPERTIES	ROOMS	%SUBMKT
Inventory	31	6,165	61.6%	Inventory	52	3,850	38.4%
UPPER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT
Fairmont	1	805	8.0%	Extended Stay America	4	510	5.1%
Residence Inn	4	586	5.9%	Wyndham Garden Hotel	2	405	4.0%
Marriott	1	510	5.1%	Holiday Inn	1	354	3.5%

San Jose/Campbell Construction Pipeline

Source: STR, Q2 2019

PHASE	UPPER-PRICED			LOWER-PRICED			UNCLASSIFIED/INDEPENDENT		
	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT
Unconfirmed	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	3	535	5.3%	7	616	6.2%	0	0	0.0%
Final Planning	5	708	7.1%	4	413	4.1%	0	0	0.0%
In Construction	1	150	1.5%	1	115	1.1%	0	0	0.0%
TOTAL	9	1,393	13.9%	12	1,144	11.4%	0	0	0.0%

Source: STR, CBRE Hotels Research, Q2 2019

San Jose/Campbell Performance - All Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	76.7%	-	\$149.07	-	\$114.40	-
2015	77.6%	1.2%	\$171.07	14.8%	\$132.81	16.1%
2016	78.2%	0.7%	\$184.09	7.6%	\$143.92	8.4%
2017	78.1%	-0.1%	\$190.49	3.5%	\$148.76	3.4%
2018	79.6%	1.9%	\$202.21	6.2%	\$160.92	8.2%
2Q18 YTD	80.0%	2.1%	\$204.26	5.8%	\$163.34	8.0%
2Q19 YTD	77.0%	-3.7%	\$212.95	4.3%	\$163.92	0.4%

San Jose/Campbell Performance - Upper-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	79.3%	-	\$176.27	-	\$139.70	-
2015	79.0%	-0.4%	\$200.08	13.5%	\$157.98	13.1%
2016	80.0%	1.3%	\$212.55	6.2%	\$170.06	7.6%
2017	79.7%	-0.4%	\$218.81	2.9%	\$174.34	2.5%
2018	80.8%	1.5%	\$232.46	6.2%	\$187.93	7.8%
2Q18 YTD	82.0%	1.4%	\$234.78	5.6%	\$192.46	7.1%
2Q19 YTD	78.8%	-3.9%	\$244.84	4.3%	\$192.84	0.2%

San Jose/Campbell Performance - Lower-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	73.7%	-	\$113.86	-	\$83.93	-
2015	76.0%	3.0%	\$133.06	16.9%	\$101.07	20.4%
2016	75.5%	-0.6%	\$140.33	5.5%	\$105.97	4.8%
2017	75.7%	0.2%	\$145.07	3.4%	\$109.78	3.6%
2018	77.6%	2.6%	\$152.97	5.4%	\$118.73	8.1%
2Q18 YTD	76.8%	3.2%	\$153.40	5.6%	\$117.86	8.9%
2Q19 YTD	74.2%	-3.5%	\$159.37	3.9%	\$118.19	0.3%

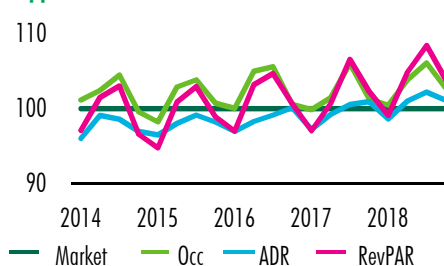
Source: STR, Q2 2019

All Hotels Penetration vs. Market Total

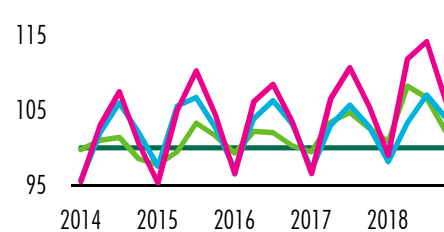
YEAR	OCC	ADR	REVPAR
2014	101.3%	100.2%	101.5%
2015	100.4%	100.5%	100.8%
2016	102.2%	101.4%	103.7%
2017	101.8%	102.1%	104.0%
2018	103.5%	103.0%	106.7%
2Q18 YTD	104.0%	104.1%	108.2%
2Q19 YTD	104.7%	105.1%	110.0%

Source: STR, Q2 2019

Upper-Priced Penetration vs. Market Total



Lower-Priced Penetration vs. Market Total



Source: STR, Q2 2019

Submarket Profile - Santa Cruz/San Jose Surrounding Areas

Total Room Supply: 5,988

The Santa Cruz / San Jose Area submarket extends south San Jose along Route 101, and west towards the Pacific Ocean. Major cities include Gilroy, Morgan Hill, Santa Cruz, and Watsonville.

Submarket Rank*
2

Out of 5

*Based on RevPAR change over the last 4 quarters.

Submarket Penetration*
78%


*Submarket RevPAR penetration expressed as a percentage of the market RevPAR for the previous 4 quarters. Direction of arrow indicates if penetration is increasing or decreasing relative to one year ago's performance.

Santa Cruz/San Jose Surrounding Areas Submarket Inventory

UPPER-PRICED	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED	PROPERTIES	ROOMS	%SUBMKT
Inventory	20	1,869	31.2%	Inventory	83	4,119	68.8%
UPPER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT
Hilton	1	178	3.0%	Best Western Plus	4	314	5.2%
Autograph Collection	1	170	2.8%	Best Western	4	270	4.5%
Hilton Garden Inn	1	137	2.3%	Motel 6	2	253	4.2%

Santa Cruz/San Jose Surrounding Areas Construction Pipeline

Source: STR, Q2 2019

PHASE	UPPER-PRICED			LOWER-PRICED			UNCLASSIFIED/INDEPENDENT		
	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT
Unconfirmed	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	3	309	5.2%	1	165	2.8%	0	0	0.0%
Final Planning	0	0	0.0%	3	270	4.5%	0	0	0.0%
In Construction	2	280	4.7%	3	269	4.5%	0	0	0.0%
TOTAL	5	589	9.8%	7	704	11.8%	0	0	0.0%

Source: STR, CBRE Hotels Research, Q2 2019

Santa Cruz/San Jose Surrounding Areas Performance - All Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	64.6%	-	\$136.32	-	\$88.13	-
2015	69.6%	7.7%	\$147.65	8.3%	\$102.80	16.6%
2016	69.0%	-0.9%	\$153.64	4.1%	\$106.04	3.2%
2017	70.2%	1.6%	\$158.25	3.0%	\$111.02	4.7%
2018	71.6%	2.0%	\$165.19	4.4%	\$118.22	6.5%
2Q18 YTD	69.3%	2.9%	\$155.19	5.0%	\$107.58	8.0%
2Q19 YTD	66.9%	-3.4%	\$159.32	2.7%	\$106.63	-0.9%

Santa Cruz/San Jose Surrounding Areas Performance - Upper-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	65.8%	-	\$196.74	-	\$129.54	-
2015	68.0%	3.2%	\$214.45	9.0%	\$145.76	12.5%
2016	66.3%	-2.4%	\$222.48	3.7%	\$147.56	1.2%
2017	67.8%	2.3%	\$225.98	1.6%	\$153.30	3.9%
2018	69.7%	2.7%	\$230.94	2.2%	\$160.94	5.0%
2Q18 YTD	67.7%	4.1%	\$218.20	2.3%	\$147.80	6.4%
2Q19 YTD	64.0%	-5.5%	\$220.19	0.9%	\$140.99	-4.6%

Santa Cruz/San Jose Surrounding Areas Performance - Lower-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	64.2%	-	\$110.71	-	\$71.02	-
2015	70.3%	9.6%	\$121.26	9.5%	\$85.24	20.0%
2016	70.1%	-0.3%	\$127.49	5.1%	\$89.37	4.8%
2017	71.1%	1.4%	\$131.80	3.4%	\$93.72	4.9%
2018	72.4%	1.8%	\$138.14	4.8%	\$99.97	6.7%
2Q18 YTD	70.0%	2.5%	\$129.19	5.1%	\$90.42	7.7%
2Q19 YTD	68.2%	-2.5%	\$133.41	3.3%	\$91.05	0.7%

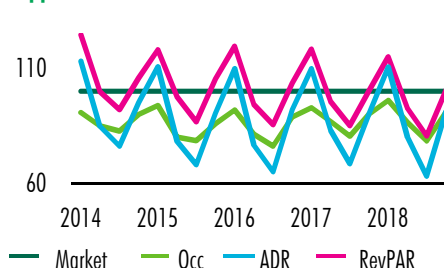
Source: STR, Q2 2019

All Hotels Penetration vs. Market Total

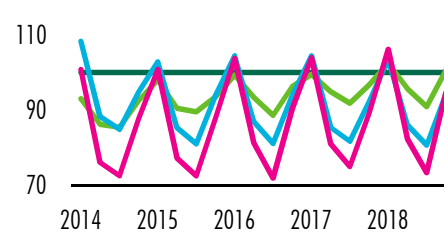
YEAR	OCC	ADR	REVPAR
2014	85.3%	91.6%	78.2%
2015	90.0%	86.7%	78.1%
2016	90.3%	84.7%	76.4%
2017	91.5%	84.8%	77.6%
2018	93.1%	84.2%	78.4%
2Q18 YTD	90.1%	79.1%	71.3%
2Q19 YTD	91.0%	78.7%	71.6%

Source: STR, Q2 2019

Upper-Priced Penetration vs. Market Total



Lower-Priced Penetration vs. Market Total



Source: STR, Q2 2019

Submarket Profile - Northwest/Palo Alto

The Palo Alto / Northwest submarket extends north and west of Sunnyvale along Interstate 280 and Route 101. The cities of Los Altos, Mountain View and Palo Alto are included in this submarket.

Total Room Supply: **4,552**

Submarket Rank*

4

Out of 5

*Based on RevPAR change over the last 4 quarters.

Submarket Penetration*

130%



*Submarket RevPAR penetration expressed as a percentage of the market RevPAR for the previous 4 quarters. Direction of arrow indicates if penetration is increasing or decreasing relative to one year ago's performance.

Northwest/Palo Alto Submarket Inventory

UPPER-PRICED	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED	PROPERTIES	ROOMS	%SUBMKT
Inventory	27	3,128	68.7%	Inventory	26	1,424	31.3%
UPPER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT
Residence Inn	3	531	11.7%	Best Western	2	166	3.6%
Sheraton Hotel	1	346	7.6%	Extended Stay America	1	132	2.9%
Hilton Garden Inn	2	334	7.3%	Quality Inn	1	71	1.6%

Northwest/Palo Alto Construction Pipeline

Source: STR, Q2 2019

PHASE	UPPER-PRICED			LOWER-PRICED			UNCLASSIFIED/INDEPENDENT		
	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT
Unconfirmed	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	2	279	6.1%	2	200	4.4%	0	0	0.0%
Final Planning	0	0	0.0%	1	78	1.7%	0	0	0.0%
In Construction	3	661	14.5%	2	455	10.0%	0	0	0.0%
TOTAL	5	940	20.7%	5	733	16.1%	0	0	0.0%

Source: STR, CBRE Hotels Research, Q2 2019

Northwest/Palo Alto Performance - All Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	81.0%	-	\$195.88	-	\$158.76	-
2015	79.4%	-2.0%	\$222.96	13.8%	\$177.10	11.6%
2016	79.1%	-0.4%	\$234.47	5.2%	\$185.50	4.7%
2017	78.6%	-0.7%	\$243.53	3.9%	\$191.32	3.1%
2018	78.2%	-0.5%	\$253.36	4.0%	\$198.07	3.5%
2Q18 YTD	78.6%	-0.1%	\$256.84	4.8%	\$201.80	4.7%
2Q19 YTD	75.2%	-4.3%	\$260.07	1.3%	\$195.53	-3.1%

Northwest/Palo Alto Performance - Upper-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	82.4%	-	\$220.04	-	\$181.39	-
2015	80.3%	-2.6%	\$245.76	11.7%	\$197.32	8.8%
2016	81.0%	0.8%	\$256.68	4.4%	\$207.83	5.3%
2017	80.2%	-1.0%	\$265.62	3.5%	\$212.96	2.5%
2018	80.1%	-0.1%	\$274.66	3.4%	\$220.04	3.3%
2Q18 YTD	80.3%	-0.5%	\$279.39	4.0%	\$224.26	3.4%
2Q19 YTD	77.2%	-3.8%	\$283.50	1.5%	\$218.87	-2.4%

Northwest/Palo Alto Performance - Lower-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	78.8%	-	\$154.70	-	\$121.88	-
2015	77.8%	-1.3%	\$176.89	14.3%	\$137.55	12.9%
2016	75.1%	-3.5%	\$182.34	3.1%	\$136.88	-0.5%
2017	75.0%	-0.1%	\$191.53	5.0%	\$143.66	5.0%
2018	73.9%	-1.5%	\$202.66	5.8%	\$149.80	4.3%
2Q18 YTD	74.8%	0.9%	\$203.73	8.0%	\$152.49	9.0%
2Q19 YTD	70.7%	-5.5%	\$203.90	0.1%	\$144.25	-5.4%

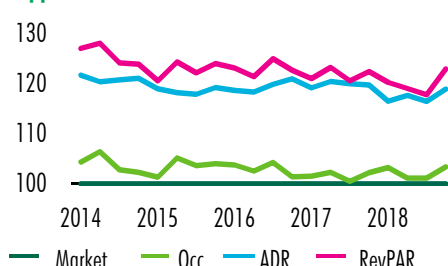
Source: STR, Q2 2019

All Hotels Penetration vs. Market Total

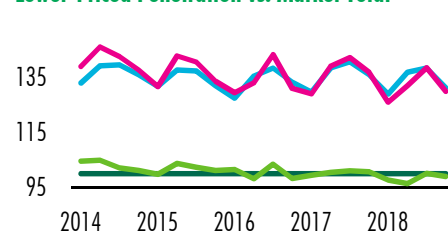
YEAR	OCC	ADR	REVPAR
2014	107.0%	131.7%	140.9%
2015	102.7%	130.9%	134.5%
2016	103.4%	129.2%	133.7%
2017	102.4%	130.6%	133.7%
2018	101.7%	129.1%	131.3%
2Q18 YTD	102.1%	130.9%	133.7%
2Q19 YTD	102.2%	128.4%	131.3%

Source: STR, Q2 2019

Upper-Priced Penetration vs. Market Total



Lower-Priced Penetration vs. Market Total



Source: STR, Q2 2019

Submarket Profile - Santa Clara/Sunnyvale/Milpitas

Total Room Supply: 10,874

The Santa Clara / Sunnyvale / Milpitas submarket surrounds the northern boundaries of Palo Alto. It extends from Sunnyvale in the west, through Santa Clara, and to Milpitas in the east.

Submarket Rank*
3

Out of 5

*Based on RevPAR change over the last 4 quarters.

Submarket Penetration*
103%


*Submarket RevPAR penetration expressed as a percentage of the market RevPAR for the previous 4 quarters. Direction of arrow indicates if penetration is increasing or decreasing relative to one year ago's performance.

Santa Clara/Sunnyvale/Milpitas Submarket Inventory

UPPER-PRICED	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED	PROPERTIES	ROOMS	%SUBMKT
Inventory	34	6,887	63.3%	Inventory	48	3,987	36.7%
UPPER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT
Marriott	1	759	7.0%	Extended Stay America	4	553	5.1%
Hyatt Regency	1	505	4.6%	TownePlace Suites	3	343	3.2%
Courtyard	3	457	4.2%	Motel 6	3	323	3.0%

Santa Clara/Sunnyvale/Milpitas Construction Pipeline

Source: STR, Q2 2019

PHASE	UPPER-PRICED			LOWER-PRICED			UNCLASSIFIED/INDEPENDENT		
	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT
Unconfirmed	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	2	294	2.7%	5	654	6.0%	0	0	0.0%
Final Planning	1	90	0.8%	3	597	5.5%	0	0	0.0%
In Construction	11	1,814	16.7%	4	567	5.2%	0	0	0.0%
TOTAL	14	2,198	20.2%	12	1,818	16.7%	0	0	0.0%

Source: STR, CBRE Hotels Research, Q2 2019

Santa Clara/Sunnyvale/Milpitas Performance - All Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	77.9%	-	\$153.15	-	\$119.23	-
2015	78.3%	0.5%	\$177.16	15.7%	\$138.64	16.3%
2016	77.2%	-1.3%	\$187.66	5.9%	\$144.87	4.5%
2017	77.2%	0.0%	\$190.40	1.5%	\$147.03	1.5%
2018	77.5%	0.3%	\$199.86	5.0%	\$154.87	5.3%
2Q18 YTD	78.3%	1.2%	\$200.43	4.5%	\$156.94	5.8%
2Q19 YTD	73.9%	-5.6%	\$209.34	4.4%	\$154.69	-1.4%

Santa Clara/Sunnyvale/Milpitas Performance - Upper-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	78.4%	-	\$179.08	-	\$140.32	-
2015	78.0%	-0.5%	\$205.76	14.9%	\$160.41	14.3%
2016	78.3%	0.5%	\$214.78	4.4%	\$168.27	4.9%
2017	78.2%	-0.1%	\$216.92	1.0%	\$169.73	0.9%
2018	78.6%	0.4%	\$226.86	4.6%	\$178.28	5.0%
2Q18 YTD	79.4%	1.2%	\$228.72	4.0%	\$181.60	5.2%
2Q19 YTD	74.7%	-6.0%	\$238.96	4.5%	\$178.44	-1.7%

Santa Clara/Sunnyvale/Milpitas Performance - Lower-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	77.1%	-	\$113.84	-	\$87.76	-
2015	78.7%	2.1%	\$131.39	15.4%	\$103.44	17.9%
2016	75.3%	-4.4%	\$140.62	7.0%	\$105.87	2.4%
2017	75.5%	0.3%	\$144.31	2.6%	\$108.96	2.9%
2018	75.6%	0.2%	\$152.52	5.7%	\$115.38	5.9%
2Q18 YTD	76.5%	1.3%	\$150.93	5.7%	\$115.39	7.1%
2Q19 YTD	72.6%	-5.1%	\$156.70	3.8%	\$113.69	-1.5%

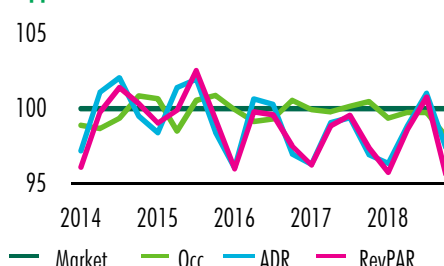
Source: STR, Q2 2019

All Hotels Penetration vs. Market Total

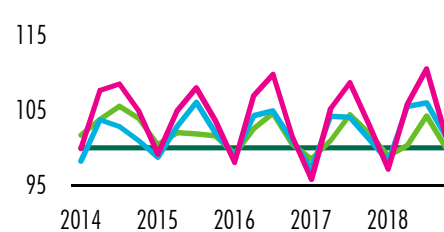
YEAR	OCC	ADR	REVPAR
2014	102.8%	103.0%	105.8%
2015	101.2%	104.0%	105.3%
2016	100.9%	103.4%	104.4%
2017	100.7%	102.1%	102.8%
2018	100.8%	101.8%	102.7%
2Q18 YTD	101.8%	102.2%	104.0%
2Q19 YTD	100.5%	103.3%	103.9%

Source: STR, Q2 2019

Upper-Priced Penetration vs. Market Total



Lower-Priced Penetration vs. Market Total



Source: STR, Q2 2019

Submarket Profile - Fremont/Newark

The Fremont / Newark submarket includes hotels in Fremont, Newark, and Union City.

Total Room Supply: **4,622**

Submarket Rank*

5

Out of 5

*Based on RevPAR change over the last 4 quarters.

Submarket Penetration*

75%



*Submarket RevPAR penetration expressed as a percentage of the market RevPAR for the previous 4 quarters. Direction of arrow indicates if penetration is increasing or decreasing relative to one year ago's performance.

Fremont/Newark Submarket Inventory

UPPER-PRICED	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED	PROPERTIES	ROOMS	%SUBMKT
Inventory	11	2,134	46.2%	Inventory	21	2,488	53.8%
UPPER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT	LOWER-PRICED BRANDS BY SHARE	PROPERTIES	ROOMS	%SUBMKT
Marriott	1	357	7.7%	Extended Stay America	4	550	11.9%
Courtyard	2	327	7.1%	Motel 6	2	367	7.9%
Crowne Plaza	1	268	5.8%	Comfort Inn	2	214	4.6%

Source: STR, Q2 2019

Fremont/Newark Construction Pipeline

PHASE	UPPER-PRICED			LOWER-PRICED			UNCLASSIFIED/INDEPENDENT		
	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT	PROPERTIES	ROOMS	%SUBMKT
Unconfirmed	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	0	0	0.0%	0	0	0.0%	0	0	0.0%
Final Planning	3	475	10.3%	1	110	2.4%	0	0	0.0%
In Construction	3	402	8.7%	0	0	0.0%	0	0	0.0%
TOTAL	6	877	19.0%	1	110	2.4%	0	0	0.0%

Source: STR, CBRE Hotels Research, Q2 2019

Fremont/Newark Performance - All Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	78.0%	-	\$107.19	-	\$83.61	-
2015	82.2%	5.4%	\$129.22	20.6%	\$106.20	27.0%
2016	78.1%	-5.0%	\$138.82	7.4%	\$108.42	2.1%
2017	79.2%	1.3%	\$144.47	4.1%	\$114.35	5.5%
2018	75.1%	-5.2%	\$152.13	5.3%	\$114.21	-0.1%
2Q18 YTD	75.2%	-4.6%	\$151.94	6.2%	\$114.19	1.4%
2Q19 YTD	72.2%	-3.9%	\$154.44	1.6%	\$111.53	-2.3%

Fremont/Newark Performance - Upper-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	77.1%	-	\$130.89	-	\$100.91	-
2015	81.0%	5.0%	\$154.81	18.3%	\$125.34	24.2%
2016	78.4%	-3.2%	\$166.18	7.3%	\$130.25	3.9%
2017	80.4%	2.6%	\$169.84	2.2%	\$136.62	4.9%
2018	77.8%	-3.3%	\$180.27	6.1%	\$140.29	2.7%
2Q18 YTD	78.1%	-1.8%	\$180.62	5.7%	\$141.00	3.8%
2Q19 YTD	76.3%	-2.3%	\$184.86	2.3%	\$141.05	0.0%

Fremont/Newark Performance - Lower-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	78.7%	-	\$89.30	-	\$70.28	-
2015	83.2%	5.7%	\$108.90	21.9%	\$90.58	28.9%
2016	77.9%	-6.4%	\$116.32	6.8%	\$90.59	0.0%
2017	78.1%	0.3%	\$123.13	5.9%	\$96.16	6.2%
2018	72.8%	-6.7%	\$127.59	3.6%	\$92.93	-3.4%
2Q18 YTD	72.8%	-6.9%	\$126.83	5.8%	\$92.30	-1.5%
2Q19 YTD	68.9%	-5.4%	\$126.69	-0.1%	\$87.23	-5.5%

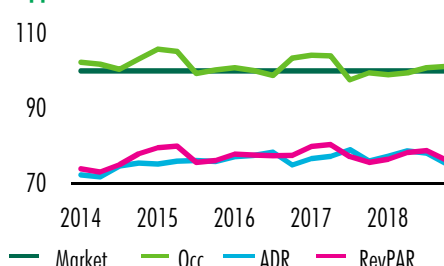
Source: STR, Q2 2019

All Hotels Penetration vs. Market Total

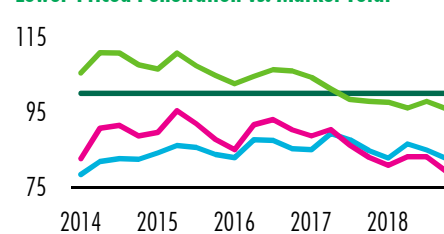
YEAR	OCC	ADR	REVPAR
2014	103.0%	72.1%	74.2%
2015	106.3%	75.9%	80.6%
2016	102.1%	76.5%	78.1%
2017	103.2%	77.4%	79.9%
2018	97.7%	77.5%	75.7%
2Q18 YTD	97.7%	77.4%	75.7%
2Q19 YTD	98.2%	76.2%	74.9%

Source: STR, Q2 2019

Upper-Priced Penetration vs. Market Total



Lower-Priced Penetration vs. Market Total



Source: STR, Q2 2019

MARKET SEGMENTS - REPRESENTATIVE BRANDS

Upper-Priced			Lower-Priced		
Fairmont	Embassy Suites	Courtyard by Marriott	Best Western Plus	Best Western	Days Inn
Four Seasons	Hilton	Crowne Plaza	Comfort Inn	Red Lion	Econo Lodge
Loews	Hyatt	Hyatt Place	Hampton Inn	La Quinta	Extended Stay America
Ritz Carlton	Marriott	Radisson	Holiday Inn	Mainstay Suites	Red Roof
W Hotels	Westin	Residence Inn	TownePlace Suites	Quality Inn	Woodspring Suites

EXHIBIT DEFINITIONS

Exhibit 1	Occupancy levels, ADR change and RevPAR change are plotted on a fixed "grade" scale. Measured as current value minus the mean, divided by the series' standard deviation. Grades: A: Very strong, greater than one standard deviation above long run average. B: Strong, within one standard deviation above long run average C: Somewhat weak, within one standard deviation below long run average. D: Weak, below one standard deviation of the long run average.
Exhibits 2 - 5	Year over year change in Income, Employment, RevPAR and Demand, displayed as annual (Exhibits 2 and 3) and quarterly (Exhibits 4 and 5).
Exhibit 6	Average annual Employment, Consumer Price Index, Gross Domestic Product, and Real Personal Income change for the MSA.
Exhibits 7 - 9	Index based change charts with base year 2014 = 100, illustrating the magnitude of change.
Exhibits 10 - 12	Compound average annual RevPAR, Demand and Supply change for Upper Priced, Lower Priced, and combined (All) hotels within the MSA.
Exhibit 13	Real RevPAR change (inflation adjusted, CPI) of the current period minus the historical mean of Real RevPAR change, divided by the historical standard deviation of Real RevPAR change.

FINANCIAL BENCHMARKS

The financial benchmarks come from the 2018 edition (2017 data) of *Trends® in the Hotel Industry*, CBRE Hotels Research's annual analysis of hotel financial statements from thousands of properties located across the nation. To benchmark the performance of hotels in the local market, we relied on national operating data from hotels of a similar profile to the average hotel in the subject market. The average room count, occupancy, and ADR of upper-priced hotels were used to analyze the performance of full-service hotels. The average room count, occupancy, and ADR of lower-priced hotels were used to analyze the performance of limited-service hotels. For a more in-depth report with a custom comparable set designed for your individual property or the subject market, see our CBRE Hotels *BenchmarkerSM* service. (pip.cbrehotels.com)

HOW WE FORECAST

CBRE Hotels Research prepares hotel market forecasts based on accepted econometric procedures and sound judgment. The two-stage process for producing the forecasts firstly involves econometric estimation of future hotel market activity and financial performance based on historical relationships between economic and hotel market variables, and secondly, a judgmental review of modeled outputs by experienced hotel market analysts. CBRE Hotels and others believe that errors in forecasting are minimized by relying on both data analytics and judgment.

ECONOMETRIC MODELS

Econometric forecasting represents one of the most sophisticated approaches to gaining insight into future economic activity. Unlike some forecasting methods used in business practice, the models that underlie econometric forecasts contain variables based in economic theory. The forecasts come from historical relationships, similar to statistical correlations, among hotel market measures and economic variables. The measures for the variables come from actual market transactions involving individuals and firms interacting in the economy.

Positive Features of Econometric Models:

- The variables included in the models follow from economic theory.
- The relationships between variables are estimated with advanced statistical methods.
- The forecasts developed with econometric models are objectively determined, unlike forecasts based only on judgmental approaches.

Gaining insight into the futures of complicated economic environments requires the introduction of multi-level forecasting models. Several equations often need to be identified and estimated to model complex economic conditions such as the national economy. Multi-equation models have considerable appeal for economic forecasting because they explicitly recognize the interdependence of relationships commonly encountered in markets. Perhaps the best example of this type of model is one that involves both the demand side and the supply side of markets, in which prices of goods are set by the interaction of buyers and sellers. Thus, price appears as a variable in both the demand and supply equations.

THE EQUATIONS

The *Hotel Horizons*® econometric forecasting models fall into the category of multi-equation, demand and supply models. These models have the structure defined below, but vary in their construction for particular market applications (e.g., different cities and hotel market segments). The three estimated equations are:

1. Demand for hotel rooms is primarily driven by the general level of economic activity in the nation or city, as measured by income and employment. The equation recognizes the fundamental relationship between room purchasing behavior and either growth or decline in the relevant economy. Both economic theory and historical data relationships strongly support the inclusion of ADR in the demand equation because lower ADRs motivate increases in travel and leisure spending, while higher ADRs motivate decreases.
2. Supply change - In historical lodging data, a strong relationship exists between growth in the supply of new hotel rooms and prior-period lodging market conditions. In the equation, new hotel room growth is modeled as a function of past levels of new room growth, past ADR, and past occupancy levels.
3. ADR movements are correlated with room scarcity in the market.

The equation which estimates ADR defines ADR as a function of past room rates and contemporaneous occupancy levels. The parameters (*i.e.*, coefficients on each variable) then are used to forecast demand, supply change, and RADR by multiplying the parameters by CBRE Econometric Advisors and Moody's Analytics forecasts of the economic variables and relevant previously estimated values (lagged variables). Three additional calculations are made with these results, as follows:

1. Supply change is added to the previous-period number of available rooms to produce an available rooms level in future periods.
2. Number of rooms sold is divided by number of available rooms to obtain occupancy percent in each future period.
3. Expected inflation is added to real ADR to convert to nominal ADR.

JUDGMENTAL INTERVENTION

A committee of hotel experts from CBRE Hotels Research performs a thorough review of each model prediction. These assessments are made by locally-based hotel experts working in the various offices around the U.S. The quarterly forecasts for the current and forecast period years are subject to review. The committee modifies the model's market prediction when there is compelling evidence that factors have come into play that the model could not possibly foresee. A Super Bowl-type event, as an extreme example, would cause the committee's forecast to differ noticeably from the model's prediction—not only in the city in which the event will occur, but also competing cities within the region. In most instances, however, the committee either defers to the model prediction or makes modest adjustments.

What Has Changed Since The Last Report?

Forecasts are valuable tools for developing expectations of key variables. Changes to forecasts occur for two primary reasons. The first is adjustments to historical series made by the data provider, causing future periods to vary due to changes in their base. The second is that economic expectations tend to shift as more information becomes available, thus moving the hotel variables according to their underlying relationships. We are constantly re-evaluating the performance of our forecasts, and presented below is a view on how the world has changed since the June - August 2019 issue, presented in same period, prior year change format. All data under "This Report" are actual through 2nd Quarter 2019. Data marked as "Last Report" are actual through 1st Quarter 2019, with 2nd Quarter 2019 being the first forecast period for that report. As noted on earlier pages, all of the hotel variables below are modeled using data from Moody's Analytics. It is important to note that all historical data are subject to revision.

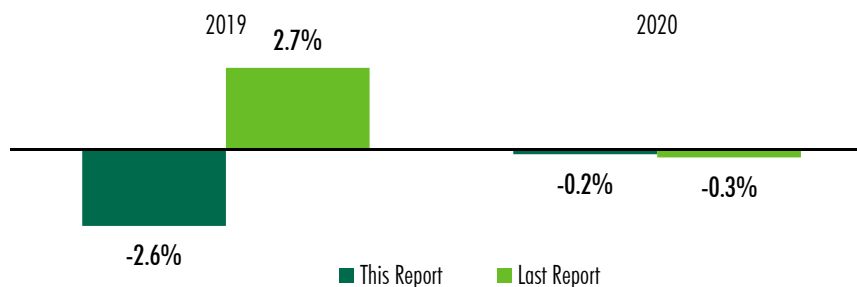
At the beginning of each year, STR, our source for historical lodging data, repositions the chain-scale classifications for branded properties, and chain-class categories for independent hotels. The reclassifications are based on the ADR achieved the prior year. Because of these reclassifications, the historical data presented in this report may differ from the historical data presented in prior *Hotel Horizons*® reports. Further, the reclassifications may have influenced our forecasts of future performance.

	2019				2019	2020	2021
	1st Qtr	2nd Qtr	3rd Qtr F	4th Qtr F	Year End	Year End	Year End
CHANGE IN REAL PERSONAL INCOME*							
This Report	3.6%	2.7%	3.4%	3.2%	3.2%	3.1%	1.6%
Last Report	3.8%	2.9%	3.4%	3.5%	3.4%	3.4%	0.6%
CHANGE IN TOTAL PAYROLL EMPLOYMENT*							
This Report	2.3%	2.3%	2.1%	1.9%	2.1%	0.6%	-0.3%
Last Report	2.1%	1.8%	1.6%	1.6%	1.8%	0.8%	-0.7%
CHANGE IN SUPPLY**							
This Report	1.1%	1.5%	6.1%	8.5%	4.3%	9.2%	4.3%
Last Report	1.1%	1.3%	5.4%	7.8%	3.9%	9.0%	4.2%
CHANGE IN DEMAND**							
This Report	-2.2%	-4.0%	0.6%	3.8%	-0.5%	7.0%	5.3%
Last Report	-2.2%	2.5%	3.5%	5.5%	2.3%	7.1%	3.2%
CHANGE IN OCCUPANCY**							
This Report	-3.3%	-5.5%	-5.1%	-4.4%	-4.6%	-2.1%	0.9%
Last Report	-3.3%	1.1%	-1.8%	-2.1%	-1.5%	-1.7%	-1.0%
CHANGE IN ADR**							
This Report	5.4%	1.3%	1.3%	1.0%	2.2%	2.0%	1.8%
Last Report	5.4%	5.2%	3.7%	2.7%	4.3%	1.5%	1.1%
CHANGE IN REVPAR**							
This Report	2.0%	-4.2%	-3.9%	-3.4%	-2.6%	-0.2%	2.8%
Last Report	2.0%	6.4%	1.9%	0.5%	2.7%	-0.3%	0.1%

* Economic data (history and forecast) are from CBRE EA, Q2 2019

** Hotel performance data: History supplied by STR; Forecast developed by CBRE Hotels Research, Q2 2019

2019 and 2020 Year End Forecast Change in RevPAR



Source: CBRE Hotels Research, Q2 2019

GLOSSARY OF TERMS

ADR	Average Daily Rate - rooms revenue divided by paid rooms occupied.
Occupancy	Paid rooms occupied divided by available rooms.
RevPAR	Revenue per Available Room - rooms revenue divided by available rooms.
Supply	Average daily room nights available per quarter, represented as a change over previous year, same quarter except where noted annually.
Demand	(Accommodated Demand) Average daily room nights occupied per quarter, represented as a change over previous year, same quarter except where noted annually.
LRA	Long Run Average - Annual average from 1988 to last complete year end.
Penetration	Market area (or sub-market area) measurement as a percent of national (or market area) measurement.
Standard Deviation	The plotting of a normal data series and how far each individual data point lies from the mean: 68.2% of the series will fall within 1 standard deviation, 95.4% of all data points will fall within 2 standard deviations, and 99.7% falling within 3 standard deviations of the mean.

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Email Attachment: SMCSVCVB Palo Alto Presentation 8-29-19.pdf

The attachment titled "SMCSVCVB Palo Alto Presentation 8-29-19.pdf" in Matt Dolan's email to City Council dated 11/9/19 can be found at the below link:

<https://www.cityofpaloalto.org/civicax/filebank/documents/74128>

From: Charlie Weidanz <charlie@paloaltochamber.com>
Sent: Wednesday, November 20, 2019 3:38 PM
To: Council, City
Cc: Shikada, Ed; Flaherty, Michelle; Minor, Beth
Subject: Hotel TBID
Attachments: Hotel TBID letter.pdf

Please see attached letter related to the Hotel TBID matter that will be presented to the council on December 2nd 2019

Charlie

Charlie Weidanz

CEO

355 Alma Street | Palo Alto, CA. 94301

Tel: 650-324-3125 | Cell: 650-773-6414



www.paloaltochamber.com

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Palo Alto Chamber of Commerce
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November 20, 2019

Palo Alto City Council
250 Hamilton Avenue
Palo Alto, CA 94301

Dear Mayor Filseth and members of the Palo Alto City Council,

We write to express our support of all Palo Alto hotels and their ability to succeed. However, the Chamber of Commerce opposes the non-renewal of the current contract with the San Mateo County/Silicon Valley Visitor and Convention Bureau unless and until the resulting impact on the Chamber of Commerce is mitigated.

The Chamber of Commerce was included in the decision to become part of the TBID to provide funds to create a visitor center supporting the hotels in Palo Alto, and other venues and resources for visitors and businesses, meeting planners, conventions, and those seeking business referrals and area information.

The nearly \$32,000 a year that we receive from the TBID provides us the ability to be the face of the community and welcoming support for new residents, visitors, and businesses already here or weighing whether to locate in Palo Alto. We provide information and referrals, both by phone from all around the country and to walk-ins, to local points of interest, hotels, restaurants, medical care providers, entertainment and outdoor activities, education institutions, realtors, and more. The City doesn't do this work in the day-to-day and comprehensive way that our Chamber does. It is a constant flow of inquiries and direct support for the wide variety of interests relating to our city, as well as Stanford University and the hospital systems. It began years ago with Destination Palo Alto and has become a much used and relied upon resource and asset in the community. However, without the TBID funding, we would not be able to dedicate any staff time to this. The chambers of commerce that do provide this sort of visitor and economic development support are most commonly supported by city funds *[information provided by Western Association of Chamber Executives]*, which our Chamber does not receive but with the TBID funding, we can and do provide this service.

While we were informed that there are a number of hotels that want to cancel their participation in the TBID which would end our financial support, we were not included in any discussions directly dealing with the impact on our work and funding, or how to mitigate or resolve this situation. As a stakeholder in the TBID, we would expect that no decision would be taken by the City until this is remedied.

We believe our Chamber provides a unique and valuable service to our community as a visitor center and economic development partner for a small amount of financial support which would not be replaced by any current plan or source of funding. We respectfully request the City Council not recommend cancellation until these matters have been evaluated in full and a realistic plan for mitigation developed.

Sincerely,

Charlie Weidanz, CEO

CC: City Manager Ed Shikada
Deputy City Manager Flaherty

Not Yet Approved

Resolution No. _____

Resolution of the Council of the City of Palo Alto to Withdraw the City of Palo Alto from the Boundaries of the San Mateo County Tourism Business Improvement District

A. The San Mateo County Tourism Business Improvement District (SMCTBID) is a district organized under the California Streets and Highways Code Sections 36500, and following, for the purpose of collecting assessments from commercial lodging facilities such as hotels and motels and providing tourism and visitor support services; and

B. In March 2010, the Council of the City of Palo Alto adopted Resolution No. 9043 consenting to Palo Alto being included in the boundaries of the SMCTBID and authorizing the City of Burlingame, which administers the SMCTBID, to take all necessary steps and actions to formalize the inclusion of Palo Alto in the boundaries of the SMCTBID; and

C. The City of Burlingame effectuated the Palo Alto Council's request to be included in the boundaries of the SMCTBID; and

D. Since 2010, commercial lodging facilities in Palo Alto have been assessed fees according to the procedures of the SMCTBID, and an owner or manager of a hotel has served on the SMCTBID advisory board; and

D. At the request of certain hotel and motel owners and operators in Palo Alto who have articulated a desire to no longer participate in the SMCTBID, the City of Palo Alto now wishes to withdraw from the boundaries of the SMCTBID; and

E. Accordingly, the Palo Alto Council now requests the City of Burlingame to take all necessary steps to effectuate the withdrawal of the City of Palo Alto from the boundaries of the SMCTBID, according to procedure and law, and as soon as it is feasible to do so.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The City of Palo Alto hereby requests to withdraw from the boundaries of the San Mateo County Tourism Business Improvement District for hotels effective January 1, 2020, or as soon as feasible thereafter, and authorizes and requests the City of Burlingame to take all necessary steps and actions to implement its withdrawal from the boundaries of the SMCTBID.

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Not Yet Approved

SECTION 2. The Council finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Planning and
Community Environment

Director of Administrative
Services