TO: HONORABLE COUNCIL MEMBERS

FROM: KARA APPLE, CITY MANAGER’S OFFICE

DATE: SEPTEMBER 28, 2020

SUBJECT: AGENDA ITEM NUMBER 10- Status Report and Direction Regarding Continued Participation in the San Mateo County Tourism Business Improvement District (TBID) or Adoption of a Resolution to Withdraw Participation

Please see the attached correspondence from hotel properties who wish to withdraw from the San Mateo County Tourism Business Improvement District.

Kara Apple
City Manager’s Office
Dear Council –

Thank you for taking the time to read my email, I will get right to the point.

I was one of the people behind starting the association with the San Mateo Visitors & Convention Bureau (SMCVB) ten years ago. I believed then what I believe now, the SMCVB is a good organization with good leadership. Ten years ago we were anxious to see if we were a mutually good fit, the Palo Alto hospitality community and the SMCVB.

Unfortunately it hasn’t worked. As you are aware, very few room nights have been produced for Palo Alto and in some cases, the few rooms that were produced were coming here regardless of the SMCVB involvement. When business is good, our rates are too high and Palo Alto often lacks the meeting space some groups need. When we are in a situation as we are now, when business is scarce, we cannot reduce our rates to the levels in San Mateo County, in either scenario, we cannot be competitive. The numbers over the last 10 years have proved this out. Sometimes partnerships are just not a good fit.

Others will tell you about Visitor Guides, fam trips, etc. other services the SMCVB makes available. These are good and important features. However, for the money we pay, we need room nights to justify this amount of money we are paying to the SMCVB. Room nights pay our bills, pay our associates and allow us to reinvest in the properties, Visitor Guides don’t do that.

Our two hotels pay the following on an annual basis:
Sheraton: $86,904
Westin: $45,036
TOTAL: $131,940

Our hotels represent the largest group of hotels in Palo Alto, and we pay a significant percentage of the overall dues. We feel that we are the best to make the judgement - is this a mutually good relationship and fit.

I would like to stress one last point, I believe it is the most important point. We all tried. The SMCVB, the hotels, we all wanted this to work, mutually. We tried for 10 years. It is not anyone’s fault, it just isn’t a good fit.

Sincerely,
Dear Councillors:

The Glass Slipper Inn has been a participating member of the San Mateo County Convention and Visitors Bureau's (SMCCVB) Tourism Business Improvement District (TBID) since its inception.

We are writing to add our public comments to your upcoming discussion to be undertaken at the Monday, September 28th council meeting, during which you intend to discuss the city's continuing participation in the TBID.

During our time of participation in the district, we have not seen a measurable impact to our individual bookings or to our group reservations from the district. Nor have we obtained any direct or indirect referrals for hotel business by district-affiliated companies and organizations.

As a result, we don't believe that there is value to be gained by continuing to be a member of the TBID and to pay the ongoing fee assessment.

Thus we request that you adopt a resolution to withdraw participation from the TBID for Palo Alto hotels.

Regards,
Mahendra Patel (General Manager)
--
Glass Slipper Inn
3941 El Camino Real, Palo Alto, CA 94306
650-493-6611 // 650-493-4421 [fax]
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hotels and to support the withdrawal of Palo Alto hotels from this organization.

It is worthwhile to note that the 2020 hotel outreach results conducted by Lt. Kara Apple reflect a higher percentage of hotels voting to withdraw from the SMCCVB than in the 2019 outreach.

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<th>2020</th>
<th>2019</th>
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<tbody>
<tr>
<td>20 Votes to withdraw from TBID</td>
<td>74%</td>
<td>70%</td>
</tr>
<tr>
<td>$243,826.60 of $309,039.80 Total assessment</td>
<td>79%</td>
<td>68%</td>
</tr>
<tr>
<td>1586 of 2112 Total rooms</td>
<td>75%</td>
<td>62%</td>
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I think two points are particularly noteworthy:

- Whether in booming times, or in the worst economic times that any hotelier can remember, the sentiment about belonging to and funding the SMCCVB is not deemed valuable by 20 of the 23 hotels that chose to participate in the survey. Let us agree that not participating in the survey does not constitute a vote to continue.

- Of the seven largest hotels, five want to end the relationship with the SMCCVB. Among the five, two properties that did not respond in 2019 now want to leave.

Although some hotels used to ‘pass through’ SMCCVB fees to their guests, this is no longer possible. With the current drastic drop in room rates and the low number of guests, fees are now an internal cost along with payroll and all other expenses. Again, this is a recurring cost that has not added value over the previous ten-year relationship.

To reiterate the experience of the Cardinal Hotel with the SMCCVB over the past ten years:

- No relevant leads - we engaged in lead process for years
- No leads ever converted to bookings
- No outreach from SMCCVB between 2010 -2018

- In 2019, after the SMCCVB learned that the Palo Alto hotels were not satisfied with the performance of the organization, there was a flurry of outreach and that effort fell flat. I talked with Nina Ramos and Juan Camero and neither followed through with promises to connect me with opportunities to present my historic property - either directly with travel writers or with another colleague to discuss the film market.

This organization may have its place marketing for San Mateo County hotels. Our market here in Palo Alto is simply too different which makes their efforts in our market irrelevant. As many have said, it is
just not a good fit. After 10 years and paying over $3,000,000 to the SMCCVB, there should be no fundamental doubt about its relevance to Palo Alto hotels. Now is the time to withdraw.

I appreciate your time and consideration in reading this email.

Sincerely,

Stephanie Wansek

Stephanie Wansek | General Manager
THE CARDINAL HOTEL
235 Hamilton Ave | Palo Alto, CA | 94301 | www.cardinalhotel.com
p: (650) 323-5101 f: (650) 325-60856 | stephanie@cardinalhotel.com

From: Hotel Parmani | Palo Alto <info@hotelparmani.com>
Date: Thu, Sep 24, 2020 at 8:01 AM
Subject: Withdrawal from TBID
To: <city.council@cityofpaloalto.org>

Thank you for taking the time to read through my perspective below. I write to request withdrawal from participation in the SMCCVB ("CVB") TBID.

My family has owned and operated a small independent motel on El Camino Real for over 40 years, which has required significant sacrifice, risk and diligence, as well as a fierce loyalty to Palo Alto. We have endured many economic cycles and observed what works for small properties like ours, which informs my perspective.

Participation in the TBID (i) is an ineffective use of hotel marketing dollars, (ii) was forced upon small independent motel properties like ours, (iii) is something an overwhelming majority of hotels do not want, (iv) is advocated for by organizations with conflicts of interest.

I urge you to support a majority of hotels by withdrawing from forced participation in the TBID.

Ineffective TBID
The overwhelming response by hotels (large and small) voting to withdraw makes clear that participation in the TBID is fruitless. Years of evidence and experience show that the TBID is ineffective and costly with no tangible reward.

The TBID does not serve small motel properties like mine. We have netted exactly 0 dollars from participation over 10 years. In fact, I get more business from Stanford in any typical one week period from organic, non-commissionable referral business (even currently) than the CVB provided to me in nearly 10 years combined.

The CVB cannot seriously argue it provides a valuable return on investment to smaller motels like mine. They do not pretend to try. Instead, the CVB advances a theoretical economic argument that the value to small motels like mine lay in the hypothetical overflow business from larger hotels that secure bookings through participation. This is not true.

Consider that the 4 largest hotels in Palo Alto wish to withdraw from the TBID. What does that tell you? The larger hotels likely want out because they receive no tangible return on investment. If the TBID does not generate business for the largest hotels, there is not any overflow business for small motels like ours. This is my experience. The largest hotels would not want to withdraw if the CVB was producing business for them. Instead, they overwhelmingly want out.

It should alarm you that so many properties want out. If the TBID is valuable, there wouldn't only be 3 affirmative Yes votes (excluding the 4 that were counted as Yes votes because they did not respond). Business owners and general managers calculate financial impacts - if there is a net positive financial impact, it is unlikely they would want out.

Small properties like mine receive zero benefit from participation in the TBID no matter how the overall regional economy is performing. In good times, Palo Alto’s rates are too expensive for leads generated via the CVB. The CVB cannot generate meaningful leads in recessionary, depressed economic times like these because there are either too many hotels competing for the same business (San Mateo County + Palo Alto), or there isn't any business to be generated. The TBID is a poor fit - in good times and bad.

**Forced Participation**

At its inception, small properties like ours were not given a choice nor a voice - we were forced to participate in the TBID. A small subset of unrepresentative, larger hotels (Crowne Plaza, Sheraton, Westin, Garden Court Hotel, and Dinah's), the Palo Alto Chamber of Commerce, and City Council entered into this arrangement on behalf of all properties. The concept was sold as affording Palo Alto hotels an opportunity to increase visibility and generate business coming out of the last recession in exchange for an annual fee charged to hotels. I fervently believe this value proposition has not been realized.

Nearly 10 years later, all but one of the original 5 hotels that had a voice voted to withdraw from the TBID.

With all hotels afforded a voice regarding the original value proposition, the result is crystal clear.

**Withdrawal Requested by Majority**
To force the majority of hotels to stay in an arrangement they resoundingly wish to divorce themselves from signals to Owners and GMs that the CVB, Chamber, and City Council are better suited than each individual property on how best to use and allocate its marketing budgets.

Hotel operators and owners know what is best for their business and conclude that continued participation is not worthwhile.

Twenty properties voted to exit the arrangement, and only 3 affirmatively voted to continue participation (with 3 non-responsive and 1 not voting counted as Yes votes).

**Conflicts of Interest / Interested 3rd Party Input**

City Council should not consider the input of the CVB or the Chamber on whether to withdraw from the TBID. Both organizations hang onto the notion that the TBID is valuable. Unfortunately, both have obvious conflicts of interest of financial incentives to force continued participation despite hotels' objections.

The CVB’s input should not carry any weight. It will lose $309K of annual funding. The CVB’s attempt to influence City Council on this issue, contrary to the will of a majority of Palo Alto hotels, can be attributed more to maintaining its funding cash cow than to generating any meaningful return for Palo Alto properties - in particular small properties like ours. The CVB is not entitled to this forced participation simply because it will blow a hole in their budget.

If the CVB had any meaningful business generation over the last 10 years, 75% of properties would not request withdrawal. I cannot imagine any business wanting to exit a relationship which yields them even a marginally meaningful return on investment.

Similarly, City Council should not prioritize the Chamber’s position over that of the majority of hotels. The Chamber will lose $31K in funding. I understand their concern. However, the Chamber’s position on the issue has absolutely nothing to do with what is best for hotels.

The Chamber is an interested 3rd party - not a hotel operator nor travel agency. If the Chamber’s scant funding was not at stake, it could not credibly argue that it has any vested interest or position on this issue. **The Chamber is certainly not in a better position than I am to tell you whether or not participation is in my best interest.**

City Council should value the clear mandate from a majority of hotels in Palo Alto of what is best for their businesses and discount the opinions of other parties that do not represent the views of individual businesses.

**Education / Outreach / Chamber of Commerce**

The CVB touts that it provides education and outreach to the industry. I note to you that there are countless other hotel organizations, with nominal annual fees, which provide more comprehensive education and outreach.
The Chamber notes that it provides visitor’s information electronically and in print form - which is updated every two years. I submit to each of you that in a world where information changes by the second, having a printed guide updated every 2 years is not beneficial to hotels.

Consider how you plan your own travel. Nobody relies on print brochures nor thinks to themselves to start a hotel search by picking up the phone to call the local Chamber of Commerce. Travellers use Google, Hotels.com, other Online Travel Agencies, or other referrals. The traveler coming to Palo Alto is technologically savvy, knows why he/she is coming, and has no trouble identifying the reasons to stay in Palo Alto.

Can you imagine picking up the phone and calling the Chamber, and the Chamber actually having a dedicated person who picks up the phone and dispenses advice on where to stay? And if they did, what is their criteria for referring to hotels - which hotels get the referrals?

I have no desire to replace TBID participation with anything else. The CVB’s efforts to convince Palo Alto hotels to remain in the TBID failed because it provides no actual value. The CVB has asked for more time to "right the ship." They've had 10 years. It is time to listen to your businesses and terminate this arranged marriage.

**Conclusion**

I urge City Council to listen to its hotel operators and withdraw from the TBID effective immediately. Businesses like mine are doing everything we can to survive during this pandemic and uncertain economic time. *Small businesses like ours must have the agency and control over how we spend our hard-fought revenue, including our own individualized, tailored marketing efforts.*

City Councilmembers do not need to make a value judgment on whether you think it is worthwhile to continue participation. Council need only understand that the affected properties have spoken - emphatically. Large and small properties want to withdraw. It defies logic that if you find something to be of value, you would want to rid yourself of it.

I thank you again for considering my input.

Sincerely,

Yatin Patel

Hotel Parmani | Palo Alto
3200 El Camino Real
Palo Alto, CA 94306
Tel: 650.493.9085 Fax: 650.493.8405
www.hotelparmani.com
Hello,

I am writing you because we (The Comfort INN Palo Alto) would like to opt out or be removed from the SMCCVB Agreement. Reasons being there are no economic benefits for our property. It puts us at a competitive disadvantage when we are charged this fee and it produces no viable leads over the years. So we are asking to be removed from the program and agreement.

Thanks,

JP Howard
General Manager
Comfort INN Palo Alto