

## Blue Ribbon Commission Speech

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Thank you for opportunity to present today.

I would like to cover 3 key areas with you.

1. The current revenue streams the CVC manages,
2. Nashville's hospitality industry's performance,
3. how this performance helps our city financially and ideas on how we can do more.

The economic model of hospitality was intentionally set up by Metro to generate sales tax revenue and jobs for the city.

We do that well, as we import sales tax and create jobs.

I'll start with reviewing the current revenue Streams from the hospitality. Please know I'm only addressing ones we manage. There are others, but I don't feel I'm the expert to address them.

The first revenue stream is the occupancy/hotel tax

Out of a 6% hotel tax, 2% is reinvested to market the city and maximize ROI from visitors.

The 2% is **dedicated** by state law and Metro ordinance to tourism promotion.

The 2% investment currently has a \$7 billion return on investment.

We can't take credit for all the ROI, but we do play a significant role.

Per Metro, tourism sales and marketing services are bid out through an RFP every 5 years.

NCVC is a non-profit organization that bids on this contract.

The contract is reimbursement based - we have to spend money up front, submit invoices to the city and wait to be reimbursed.

While the amount budgeted is a projection, we are only able to invoice up to the amount collected.

If revenues ever **fall short**, like they did after **Opryland closed, 9/11, the recession and after the flood**, we cut that amount, raise additional money from the private sector or even borrow it.

But we live within our means and have successfully navigated all of this without burdening Metro.

The NCVC is not guaranteed money and is not a department with Metro.

In addition to the 2% occupancy tax collections, the NCVC supplements an additional \$2-3 million annually in private revenue to the overall budget.

The model **protects Metro** from any financial exposure, rewards us when we perform well and penalizes us if we underdeliver.

The contract is monitored by the Metro Tourism and Convention Commission, which is appointed by Mayor and approved by Council.

We also conduct an independent audit annually, which is submitted to Metro Finance and copied to Metro Council.

It's no secret that we have performed exceptionally well over the last 9 years.

This success has caused our budget to grow – has also greatly increased revenue to the city with occupancy tax, sales tax, and even property tax values.

While performing well, this growth has actually put more pressure and responsibility on us.

For example, there are 33,000 hotel rooms in Nashville and our job is to fill all of them.

We're at one of the highest occupancy rates in the country at around 75%.

But we're not full and there are 5,000 more hotel rooms under construction.

We have to absorb the surplus or we are at risk of lower occupancy, lower rates and ultimately lower sales tax collections.

Outside of Opryland, the MCC and a few other attractions, we are the only entity that is spending money marketing and selling city globally.

The marketing is critical to the thousands of local businesses all around the county who depend on visitors and employ over 70,000 people.

The Zoo is a perfect example of this marketing impact.

They're doing an incredible job and just announced a record year for attendance at 1.2 million – **49% were visitors. Our growth is not just about downtown.**

They wouldn't have achieved this growth and we wouldn't have a world-class zoo without visitors.

#### The second revenue Stream is the Event Marketing Fund (EMF)

The Event Marketing Fund was created to save the city money and ease the burden of government.

Metro used to significantly fund many large events like the CMA and July 4th from the general fund.

Over the years as budgets became tight it became understandably difficult to fund these types of events with other key priorities like education and public safety.

Event funding began getting cut.

For example, at the request of the city, we took over the July 4<sup>th</sup>.

When CMA was looking at moving to another city, the city initially offered them \$1 million a year to keep them here.

After a few years, the city couldn't keep that commitment against the other priorities.

Colin Reed, our organization and the Hospitality Association correctly assessed the situation – these large, visitor-generating events were critical to the industry’s strategy to grow visitation, increase tax collections and gain national PR for the city.

It was no longer reasonable to expect Metro to fully support them from the general fund.

We came up with a model to create a new funding source separate from the general fund that would support these events and take the burden off Metro.

We passed legislation at the state and Metro levels to create the Event Marketing Fund, which adds an additional \$.50 per hotel room night for this new revenue stream.

The EMF is managed by a committee appointed by the Mayor. It has been in existence for 12 years and the model has been very successful.

It’s safe to say that without the EMF, NYE wouldn’t exist, the CMA may have chosen another city and July 4<sup>th</sup> would have remained a small, local event.

We also would not have been able to recruit other world-class events to Nashville like the Women’s Final Four, the NHL All-Star Game and the NFL Draft.

In just the last calendar year, CMA, July 4, Draft and NYE each had record-breaking events and collectively brought in \$238.6 million in direct visitor spending and 242,433 room nights sold.

The EMF takes a huge financial burden off Metro and Metro reaps the reward in terms of tax revenue and putting a spotlight on our city nationally.

### The third revenue Stream 3 is the Business Development Fee (BDF)

Virtually every destination city has some incentive mechanism to recruit meetings and conventions.

In the past, Nashville has offered this in the form of hotel room rebates, where we add a fee to the room rate to cover other significant expenses like rent and transportation.

Our marketing worked, as did the MCC, and has led to increased demand and higher hotel rates.

As the rates escalated, this method was no longer viable.

The industry created the BDF model, which creates a new revenue stream use for this incentive mechanism and to assist Metro in the costs associated with hosting these large conventions and meetings.

It places a quarter of a percent tax on retail sales, restaurants, bars and attractions in the CBID, which comes to about a penny on a beer.

The BDF was passed by state law and adopted by Metro ordinance and the Mayor appoints the committee for oversight.

Collections from this tax today result in just over \$2.5 million/year.

Collectively, all of this has worked beyond expectations, generating revenue for the city and state without putting any additional burden on the general fund.

I'd now like to talk about Nashville's Hospitality Industry's performance and how we can be more of a resource to the city.

It's no secret that the city and state are a sales-tax based economy.

And we feel we are in the import business – we import sales tax.

The current ROI for hospitality is stellar – Metro spends roughly \$30 million/year from hotel tax, which is generating approximately \$7 billion in visitor spending and netting almost \$190 million to the General Fund.

Not to be overlooked is the incredible growth of hospitality businesses that have opened in the last few years and the property taxes they generate.

Take SoBro for example – while I don't have the numbers, it's a safe bet that property taxes from SoBro alone have dramatically increased over the last 10 years because of this industry.

We've gone from this area being parking lots, strip clubs and a Greyhound bus station to a vibrant, revenue-generating neighborhood.

Our industry's performance is stellar by any measurement. We are literally the envy of the entire country.

On the PR side, for the last 8 years, Nashville has been named a top destination in the world by numerous, major travel publications.

In fact, we are the only US city to be listed as a top destination to visit this year by Conde Nast, Forbes and the UK's daily newspaper The Sun.

By the numbers, in the last decade, Nashville has outperformed the US average in all hospitality measurement categories.

We currently we have 16.1 million visitors who spend almost \$7 billion in visitor spending annually.

For perspective, Davidson county is **producing 1/3 of all the visitor spending in the entire state – that's one county out of 95 that is producing 1/3 of the spending for all of Tennessee.**

A few other ways to look at it from data provided by STR, the Department of Commerce and State office of Revenue

- each visitor to Nashville contributes about \$5/day to Metro's general fund,

- and visitor spending saves Davidson County residents roughly \$1,900 a year in property taxes.

Our Music City brand is at the heart of this success – it's our most important asset.

While it is wildly successful, it's also fragile.

Nashville has no major demand generator – like a beach, gaming, or a major family attraction. We just have music and creativity at the heart of who we are.

The industry decided years ago to collaborate to rally around the brand and deliver on our Brand Promise. **It's working.**

It's also no secret that our city's abnormal growth has created growing pains, from too many vehicles on the streets, to air BNBs to public safety.

The hospitality industry can and should be part of the solutions to these growing pains.

We have a strong record of stepping up and helping the city ease its financial burden while keeping our product strong.

We have already convened stakeholders to address key issues and fund solutions for downtown issues.

This time is no exception.

While we are cautious about short-term ideas that deeply cut the funding to promote our city, we feel there are some great, more fruitful solutions that do both:

protect the Brand and not remove the resources to keep the momentum of this city strong,

**and**

allow this industry to generate and contribute even more revenue that can be used to address these growing pains.

I think it's important to recognize that the hospitality industry has already greatly contributed to Metro's bottom line.

In addition to the revenue streams already outlined, the NCVF has contributed an additional \$3.5 million to general fund this year.

We have also worked with city department heads to pay for infrastructure/equipment needs.

For example, we have worked with:

Metro Parks in general improvements to Centennial, Walk of Fame and Riverfront Park,

Public Works to provide LED message boards, and bike racks

Metro Police to buy mobile barricades, IT enhancement and assist with workforce recruitment,

And with the Fire Department to provide an ATV.

We also provide a thank you lunch annually for the entire staffs of Metro Police, Public Works, Fire, and OEM.

Altogether, we have provided well over a \$1 million in these types of donations to city departments over the last few years.

But we can and are willing to do more, and I'd like to outline just a few ideas to generate event more revenue from this industry.

#### First, increase Beer Permits.

A beer permit has a one-time application fee of \$250 and then \$100/year per business.

For comparison, the state collects \$10,000 annually per business for liquor license.

There was a bill introduced at the state last year to increase these permit fees and failed.

It's being introduced again this year and hopefully will pass.

#### Second, increase Vacation Rental By Owner Permit Fee

The air BNB discussion in Nashville is a little complicated and there have been years of hard work by many people to get it right for our city.

But what's not complicated is the potential revenue this relatively new and strong business segment can generate.

Currently it's a \$313/year fee to get a permit to operate a vacation rental in your home.

We think there is great potential to increase this fee.

For example, New Orleans just significantly increased the amount of revenue coming in from these rentals.

On top of the significantly increased tax rates they've imposed, they just added a \$10-12/per night fee, which goes toward affordable housing.

If New Orleans can increase to this level and not see it damaging sales, we can certainly withstand an increase also.

### Third - Increase Valet Lane Closures

Hotels pay the city \$50 a year to operate a valet lane. We feel that is grossly underpriced for the benefit they receive.

Just for an example, the new hotels on 4<sup>th</sup> Ave. are charging \$35+ per car/per night just to park.

A few cars in one night pays for their annual fees to Metro. The rest of the cars that night and the other 364 days of the year goes to profit.

It's reasonable to expect Metro to collect a more equitable share of this revenue.

### Fourth, increase the fees for entertainment Vehicle.

The current license fee for a pedal or low speed vehicle is \$250 for business and \$50 per vehicle per year.

We advocate increasing both.

Each vehicle creates more stress on our infrastructure and causes safety issues in our entertainment core.

In addition to new revenue, an increased fee may actually cut down on the amount of vehicles operating, which can only help alleviate traffic pressure and frustration.

Fifth, consider increasing the BDF

We know that the extra quarter of a percent sales tax is largely being passed along to customer.

It's currently collecting a little over \$2.5 million/year.

The legislation creating it allows for this revenue to be used for public safety.

If we doubled amount collected, it immediately creates an additional \$2.5 million in collections for Metro to put in the general fund.

**There are solutions out there.**

Overall, we think if nothing changed and none of these ideas were implemented, we think the we could contribute approximately \$2.5 – 3 million/year in recurring revenue to the general fund without damaging our sales and marketing efforts.

But if we look at some of these ideas more strategically, we think we can grow new revenues to the city by several million without damaging the dedicated funding for marketing.

You have a very important role in exploring new revenue for the city.

As you continue your work, I ask you to be mindful that hospitality is one area that Nashville has done right in recent years.

The CVC was hired by Metro to do a very important job – bring in revenue and market Nashville.

To say I'm proud of our accomplishments is an understatement.

This city has exploded on the back of this hospitality industry.

We have provided phenomenal ROI to the city.

We have greatly exceeded all measurements and expectations from the city and our industry.

We have overcome great economic adversity with the theme park closing, 9/11, the great recession and the flood without relying on a government bailout.

We have continued to partner with the city to be an economic solution, not a burden.

We have succeeded in projects far beyond the basics of our contract deliverables.

We were instrumental in recruiting British Airways to town and putting Nashville on the international stage— we continue our partnership with the airport to increase air service to the city.

We have recruited major, world class events to town like the NFL Draft.

We have raised our city's reputation to be recognized globally as a top destination for our assets like music and food.

And all of it adds to a phenomenal quality of life for our citizens.

The city's financial situation has created a conversation as to whether to dismantle the city's most successful industry and kill the momentum.

We feel strongly that there is a more strategic, prosperous approach to allow this successful industry to provide even MORE resources to make our city even better.

It's a model we know we will work by an industry that has a long history of success.

And I ask you to let Nashville and this industry continue doing what it does best.

Thank you for your time and I'll be happy to answer any questions.

# Nashville Growth vs. US Average

10 Year Growth in Hotel Data

	Nashville –	
	Davidson County	United States
<i>Total Hotel Rooms</i>	34.4%	11.8%
<i>Demand</i>	72.6%	34.1%
<i>Occupancy</i>	32.0%	20.0%
<i>ADR</i>	77.5%	34.6%
<i>RevPAR</i>	134.3%	61.5%
<i>Room Revenue</i>	206.3%	80.5%

# DAVIDSON COUNTY TRAVEL SNAPSHOT

Facts About a Leading Industry That's More Than Just Fun



## BY THE NUMBERS

### 2018 Economic Impact (EI) of Tourism in Davidson County

- Rank **#1** out of 95 counties by EI
- Generated **\$6.96 BILLION** in direct visitor spending
- Generated **71,142** jobs
- Produced **\$1.786 BILLION** in payroll
- Created **\$175.7 MILLION** in local tax revenue
- Created **\$346.7 MILLION** in state tax revenue

## TOURIST SPENDING PER DAY

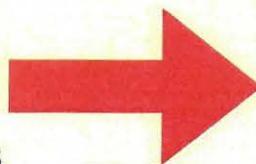
### Tourist Spending in Davidson County

- Generated **\$19,072,192.36** per day
- Produced **\$4,893,164.24** in payroll per day
- Created **\$481,341.56** in local tax revenues per day
- Created **\$949,909.99** in state tax revenues per day

## PER HOUSEHOLD

### As a result of taxes generated by tourist activity in the county:

- Each household pays **\$642.38** less in local county taxes
- Each household pays **\$1,267.72** less in state taxes



## IN OTHER WORDS...

### If it were not for state and local taxes generated by tourism...

- Each Davidson County household would pay **\$1910.10** more in taxes

Sources: 2018 Economic Impact of Travel on Tennessee Counties Report [www.tnvacation.com/industry](http://www.tnvacation.com/industry);  
U.S. Census Bureau American Fact Finder  
<https://factfinder.census.gov/>

## Nashville Travel & Tourism Industry Growth

	2014	2015	2016	2017	2018	2019	Five Year Growth
<b>Airport Passengers</b> [1]	11,039,634	11,673,633	12,980,106	14,125,449	15,996,194	18,273,434	65.5%
<b>Hotel Rooms Sold</b> [2]	6,824,306	7,067,951	7,307,989	7,545,872	7,988,922	8,769,272	28.5%
<b>Direct Visitor Spending</b> [3]	\$5,420,000,000	\$5,686,000,000	\$5,997,000,000	\$6,505,000,000	\$6,961,000,000	TBA	39.4%*
<b>Hotel Occupancy Tax Collections</b> [4]	\$49,882,795	\$57,028,095	\$64,709,362	\$72,550,745	\$81,353,821	\$89,496,820	79.4%
<b>Visitors</b> [5]	13,100,000	13,500,000	13,900,000	14,500,000	15,200,000	16,100,000	22.9%
<b>Visitor Taxes to Metro Budget</b> [6]	\$145,723,799	\$156,954,683	\$167,194,894	\$178,731,791	\$189,248,970	TBA	42.3%*

*Forecast*

\*2013-2018 growth

Sources:

[1] Metropolitan Nashville Airport Authority/BNA

[2] STR, Inc.

[3] "Economic Impact of Travel on Tennessee Counties" prepared for TN Department of Tourist Development (TDTD) by US Travel Association (USTA)

[4] Metro Nashville Department of Finance

[5] Nashville Convention & Visitors Corp (NCVC), STR, Destination Analysts

[6] "Economic Impact of Travel on Tennessee Counties" by USTA, Metro Department of Finance, NCVC

# Nashville Pipeline: Hotels & Restaurants/Bars/Cafés

## Nashville/Davidson County: New Hotel Rooms



*We currently have 33,200 hotel rooms and expect to have 41,500 rooms by the end of 2022.*

## Nashville/Davidson County: New Restaurants/Bars/Cafés

