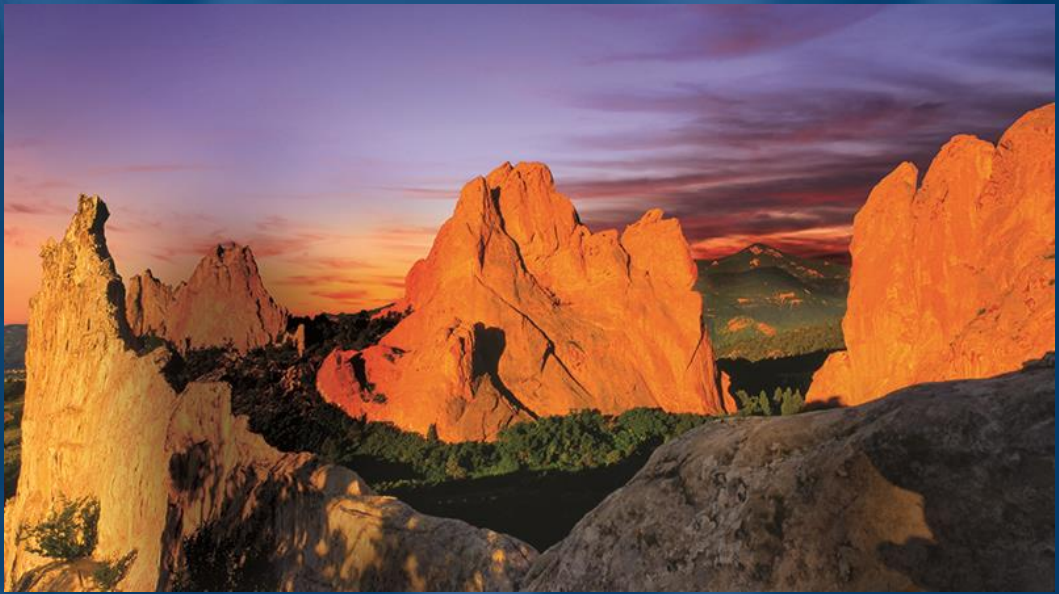
Colorado Springs Destination Marketing Funding Analysis and Recommendations



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Executive summary and recommendations

Executive summary, recommendations, next steps

Overview

The Colorado Springs CVB ("CVB") engaged Tourism Economics ("us" or "we") to conduct an independent analysis of the level of destination marketing that would support the success of Colorado Springs/Pikes Peak as a visitor destination in the future. Additionally, the Colorado Springs CVB engaged us to explore potential funding options. This report summarizes our results and recommendations. This executive summary follows the structure of the accompanying report, with five main sections.

Section 1: Vital role of destination promotion

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy, and acts as a catalyst for economic development. The Colorado Springs CVB conducts group sales and marketing to carry out its mission of attracting more visitors to the Colorado Springs/Pikes Peak region. Through these efforts, the CVB generates significant group business (more than 225,000 group room nights in 2014); and reaches potential travelers (over 1.4 million website visits and 2.8 million social media impressions during 2014).

Section 2: DMO funding benchmarks

To evaluate destination marketing organization ("DMO") funding in Colorado Springs, we conducted a benchmark analysis of 19 selected destinations. In this analysis we quantified the level of destination marketing that other destinations with broadly similar characteristics carry out on an ongoing basis. These benchmarks showed typical DMO funding levels per hotel room and per leisure and hospitality job that are higher than current funding in Colorado Springs.

Section 3: Incremental DMO funding

To determine the incremental DMO funding that is appropriate for the Colorado Springs/Pike Peak region, we expanded on the benchmark analysis by analyzing anticipated changes to the visitor attractions and infrastructure in the region and by conducting 12 stakeholder interviews to gain an understanding of the regional context.

Based on our analysis, we determined that destination marketing of the Colorado Springs/Pikes Peak region is underfunded and that funding should be increased. We then prepared three scenarios of potential destination marketing funding levels. Each of these scenarios represent levels of destination marketing funding that would be:

1. realistic to support based on current visitor volumes;
2. consistent with the range of destination marketing funding currently in place in comparable benchmark destinations;
3. expected to yield effective returns on investment; and,
4. adequate to support growth of the destination, including recognition of new visitor facilities and attractions that have recently opened, or that are anticipated to open over the next several years.

The three scenarios we recommend for consideration anticipate total DMO funding from public sources (i.e. taxes) for the Colorado Springs/Pikes Peak region of between \$4.9 million and \$7.2 million, as summarized in a table on the following page.

Executive summary, recommendations, next steps

Section 4: Funding alternatives

We next considered funding mechanisms that could be used to fund increased levels of destination marketing. Our analysis included:

- background on potential funding mechanisms;
- considerations specific to Colorado Springs/Pikes Peak;
- discussion of two specific funding mechanism alternatives, including a preliminary analysis of potential funding levels;
- discussion of potential impacts of tax rate increases; and,
- funding analysis summary and recommendations.

Based on this analysis, **we recommend the Colorado Springs/Pikes Peak region aim to generate approximately $7.2 million of DMO funding through public sources**.

To generate these funds we recommend considering **raising the Colorado Springs LART to 4.0%** and extending it to include attractions.

But we also recommend continuing to explore a regional solution, such as the establishment of a local marketing district that includes key zones of the three-county region and which is part of a structure that implements a 4.0% tax on lodging, plus local taxes on car rentals and attractions.

We recommend that funding be established on a long-term basis.

As further background:

- In Alternative 1, expanding the LART to include attractions, and raising the tax rate to 4.0% would raise an estimated $6.8 million at current levels of visitor activity, close to the target of $7.2 million.
- In Alternative 2, creating a local marketing district that includes key zones of the three-county region, and implementing local taxes on attractions and car rentals, could raise as much as $8.2 million. However, it is more realistic to assume that only key zones of the three-county region participate, and that actual funds raised may approximate the goal of $7.2 million.

Recommended DMO funding from public sources

DMO funding (public sources), in millions

Colorado Springs CVB current funding (2013)	Recommended Colorado Springs destination marketing funding		
	Scenario A	Scenario B	Scenario C
$2.7	**$4.9**	**$6.1**	**$7.2**

Preliminary analysis of public fund options

DMO funding (public sources), in millions

Current	Alternative 1: Expand LART		Alternative 2: Create LMD	
LART on lodging and car rentals in CO Springs (TTM)	Increase existing Colorado Springs LART, and expand to include attractions		Establish a local marketing district plus local taxes on rental cars and attractions	
1.0%/2.0% rates	3.0% rate	4.0% rate	3.0% rate	4.0% rate
$2.9	**$5.1**	**$6.8**	**$6.1**	**$8.2**

Source: Tourism Economics

Executive summary, recommendations, next steps

Section 5: Quantify potential benefits

In the final section of the analysis, we estimated the increase to visitor spending and tourism jobs that could result from increased destination marketing.

The increase in annual visitor spending to the three-county region ranged from $132.2 million in Scenario A, to $245.6 million in Scenario C.

We estimate these increases in visitor spending would support at least 1,400 new tourism sector jobs, and potentially as many as 2,700. This would support increased employment in other sectors as well, and would represent a source of new tax revenues in the region, helping offset the tax burden on local households.

Potential impact of increased tourism activity

		Potential increase in visitor spending and local employment		
Tourism activity	**Current level**	Scenario A	Scenario B	Scenario C
Current visitor spending by county (2013, in millions)				
El Paso	$1,131.8			
Fremont	58.8			
Teller	138.2			
Three-county total	$1,329	$132.2	$191.6	$245.6
Implied increase in three-county region		*9.9%*	*14.4%*	*18.5%*
Current tourism employment by county (2013)				
El Paso	12,450			
Fremont	800			
Teller	1,530			
Three-county total	14,780	**1,470**	**2,131**	**2,731**
Implied increase in three-county region		*9.9%*	*14.4%*	*18.5%*

Sources: Dean Runyan Associates (current visitor spending by county); Colorado Springs CVB; Tourism Economics

Executive summary, recommendations, next steps

Next steps

We recommend further discussion along two potential funding mechanisms that could be successful for the Colorado Springs/Pikes Peak region.

- In Alternative 1, with a 4.0% tax rate, the region would be expected to raise DMO funding close to the target of $7.2 million in Scenario C. Generating a more specific outline of this plan, and gathering support among local attractions and the lodging community would be a critical first step, and a key demonstration of momentum to the broader community. This would be anticipated to include a recommendation on the share of LART funds to be dedicated to DMO funding as well as any planned related uses for LART funds not specifically dedicated to DMO funding.
- We also recommend that the region explore the potential for a broader regional solution, such as the establishment of a local marketing district (e.g. Alternative 2, with a marketing and promotion tax of 4.0% on lodging and local taxes structured to collect 4.0% on car rentals and attractions). To have a realistic chance for implementation, this district would likely consist of several non-contiguous zones within the three-county region. These would be zones that contained the primary base of hotels and visitor attractions in the area. A next step to explore this option would be to assess the potential support of lodging and attraction operators in areas outside Colorado Springs.

1. Vital role of destination promotion

Vital role of destination promotion

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing its unique challenges.

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing three challenges.

Challenge #1: The visitor economy is fragmented

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail stores, transportation, performance venues and other attractions), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, certain benefits accrue across the economy rather than to just an individual business.

Because a visitor’s spending is spread across businesses, any single business may not capture sufficient share of a visitor’s spending to justify marketing to attract visitors to a destination. For example, an individual hotel could market the attractiveness of a destination, but it would only benefit from those additional visitors who not only choose the destination, but also choose that particular hotel; and the hotel would only benefit directly from the visitor’s spending at the hotel. In other words, at the level of an individual business, the returns on independent marketing to attract visitors to a destination can be less compelling. However, when viewed at the level of the destination, there is a more direct connection. The destination captures a substantial dollar amount per visitor, and in aggregate there are compelling returns on effective destination marketing.

Solution: destination promotion provides the scope and strategic vision supporting a wide array of individual businesses.

Destination promotion organizations also play a role furthering the strategic potential of the visitor economy. Destination marketing organizations (“DMOs”) can take a long term view of the development of the destination, and pursue tactics to help develop a visitor economy that better fits the goals of local residents and businesses. For example, many destinations have a mix of peak, shoulder, and low season periods. DMOs take steps to build shoulder season and low season demand, and help fill slower days of the week, supporting a more stable base of employment and helping ongoing operations achieve a “break even” level of profitability. Similarly, DMOs can play a role helping to find solutions that balance the development of the visitor economy with the constraints and goals of a given destination, such as fostering the development of geographic areas with greater capacity for growth.

The importance of overarching destination marketing is also evident within the group meetings business. Meeting planners, especially for larger events, require support and incentives that go well beyond what a single business can offer. However, the benefits are spread across the entire spectrum of the visitor economy.

Vital role of destination promotion (continued)

The fundamental motivation driving a visit is not usually the offerings of a single business—instead it is the destination.

Challenge #2: The primary motivator of a trip is usually the experience of a destination, extending beyond the offerings marketed by a single business

The fundamental motivation driving a visit to a given destination is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience is comprised of a visitor's interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; conferences; performances and other events; family activities; sports and other recreation; and cultural sites and attractions.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not also adequately address the core motivation for potential visitors. Through coordinated destination promotion, local businesses are able to represent the destination collectively, and in doing so drive demand for all segments of the visitor economy. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

Solution: destination promotion articulates the brand message that is consistent with consumer motivations

The same holds true in the case of group travel, such as corporate meetings and trade conventions, in which an event sponsor seeks a destination that meets multiple success criteria. While the offerings of an individual headquarter hotel or convention facility are critically important, in many cases the merits of a destination overall are being considered relative to other potential options. In such situations, a coordinated strategy from initial marketing and touch points that build familiarity, to the dedicated sales team that lines up the destination's best offer of facilities, amenities and services, augments and rises beyond the message of a single operation.

Vital role of destination promotion (continued)

The scale of collaborative destination marketing is more effective than what individual businesses could accomplish.

Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets

Effective destination marketing requires significant and consistent funding with the aim of gaining a sufficient “share of voice” to be heard and make an impact. Whether in the form of advertising, public relation efforts, or group sales, scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact and more specialized efforts. As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses could accomplish. Simply put, the whole of destination marketing is greater than the sum of individual parts.

Solution: destination promotion pools resources to provide the economies of scale and marketing infrastructure required to generate impact

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMO’s are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, DMOs:

- Conduct marketing that leverages a base level of awareness of the destination has already been established with some target customers, allowing annual marketing spend to be more effective at activating and reinforcing key messages;
- Use existing infrastructure, such as websites and publications, that are updated on a recurring basis;
- Employ a staff with established relationships with local tourism-sector businesses and marketing service providers; and,
- Support market research, such as visitor profile studies, that help individual businesses better target market opportunities, but which would likely not be economical for individual businesses to support independently.
- Through these economic factors, destination promotion helps expand the visitor economy in ways that are consistent with local priorities, building the types of opportunities that are a critical part of economic development.

Travel has proven its resilience

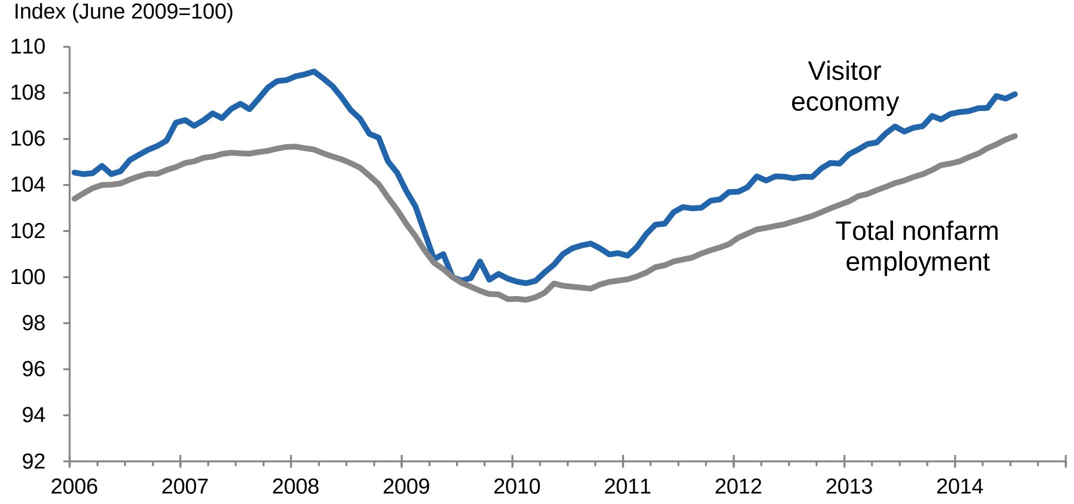
As incomes rise, consumer spending on travel has grown at an even faster rate and employment in the travel economy has led growth during the recent economic recovery.

Across the US, favorable tail winds have supported above average growth in the visitor economy. As income levels rise, consumers are dedicating a greater share of spending to travel and tourism. For example, in the span of slightly more than a generation, per capita consumer spending on hotel stays in the US has increased 200% since 1980, even as per capita GDP – as a measure of income levels – has increased only 75%.

Travel has proven its resilience, with a strong recovery from the most recent economic downturn. As the visitor economy has recovered, it has contributed job growth since the end of the recession at a faster rate than the US average. As of July 2014, employment in key sectors of the visitor economy was 7.9% ahead of its June 2009 level, compared to a 6.1% gain for the broader economy.

Visitor economy employment trends

Compared to total nonfarm employment



Source: Bureau of Labor Statistics; Tourism Economics

For this analysis of national employment trends, we used the leisure and hospitality sector, consisting of NAICS 71 Arts, entertainment and recreation, and NAICS 72 Accommodations and food service, to represent the visitor economy.

The visitor economy represents a "primary employer", drawing new dollars from outside the area to support local jobs

Nationally, hospitality and tourism has outperformed the aggregate of all other primary sectors since 1998, with employment expanding nearly 10% while all others shrank 1%.

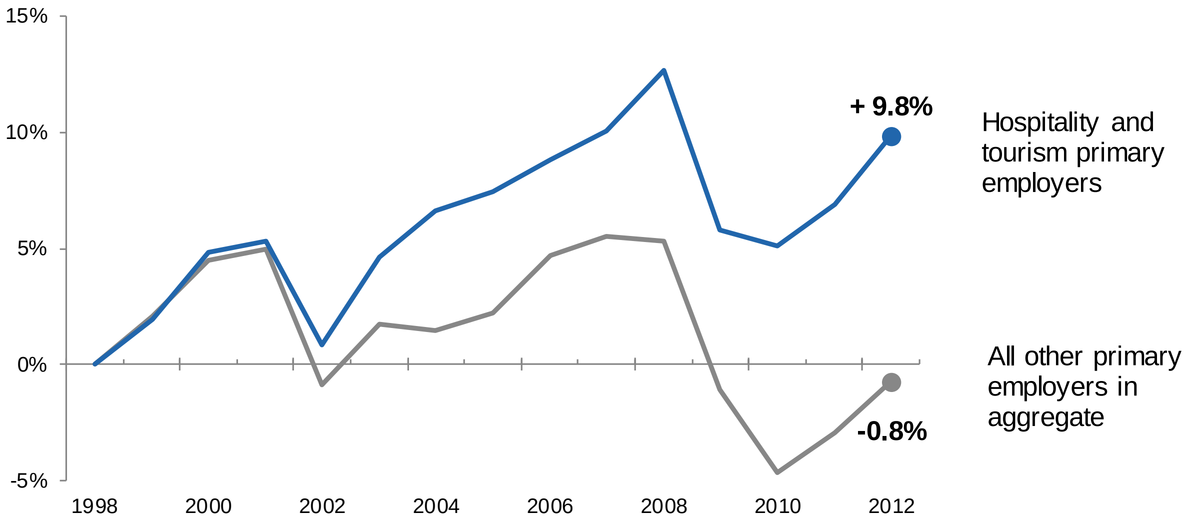
As a primary employer, the visitor economy is a key part of economic development.

Visitor spending represents new dollars for the local economy. This spending supports jobs, incomes, tax revenues and local business sales that represent part of the region's economic base, providing demand for goods and services from other local businesses. This role of the visitor economy as a "primary employer", also referred to as a "traded cluster" or "export sector", is an important part of regional economic development.

Destination promotion helps achieve economic development by growing visitor spending. But in addition, as explained further on the following pages, destination promotion also acts as a broader catalyst of economic development.

Primary employer employment gains over time

Index, cumulative percentage points of employment growth since 1998



Source: US Cluster Mapping Project; Census Bureau; Tourism Economics

Destination promotion helps drive economic development

The importance of destination promotion to the visitor economy is well recognized, but destination promotion also acts as a catalyst of economic development.

In recent research, Tourism Economics / Oxford Economics identified four primary channels through which destination promotion drives broader economic development and growth. In many situations, DMOs and economic development agencies are becoming increasingly aware of the valuable benefits of coordinating and collaborating.

1) Attracting strategic events

By securing meetings and conventions, DMOs attract the very prospects that economic development agencies target. Not only do these events create valuable exposure among business decision makers, they create direct opportunities for economic development agencies to deepen connections with attendees.

"Economic clusters and conventions have become synergistic"

Tom Clark
Metro Denver Economic
Development Corporation

2) Raising the destination profile

Destination promotion builds awareness, familiarity, and relationships in commercial, institutional and individual networks that are critical in attracting investment.

"We are learning a lot from Visit California by how they brand California and how to take their model and apply it to economic development."

Brook Taylor
Deputy Director
Governor's Office of Business and Economic Development (GO-Biz)

3) Building transport networks

By developing the visitor economy, destination promotion supports transportation infrastructure, providing greater accessibility and supply logistics that are important in attracting investment in other sectors.

"Air service is profoundly important to corporate investment and location decisions... This is one of tourism's most significant contributions since the levels of air service at New Orleans far exceed what local demand could support."

Stephen Moret
Secretary
Louisiana Economic Development

4) Raising the quality of life

Visitor spending helps support a broader and higher quality set of local amenities than an area could otherwise sustain. The cultural, entertainment, culinary, and retail attractions that visitors support make a place more attractive to investors.

"Traveler attractions are the same reason that CEOs choose a place."

Jeff Malehorn
President & CEO, World Business Chicago

Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
Link to http://www.oxfordeconomics.com/engine

Destination promotion helps drive economic development

The four channels of catalytic impacts generate benefits that extend beyond direct effects of driving visitation.

Destination marketing supports economic development through four catalytic channels, extending its impact well beyond the effects of visitor spending. Destination marketing builds transport accessibility, attracts major events that build awareness, raises the quality of life for residents, and raises the profile of a city among potential investors.

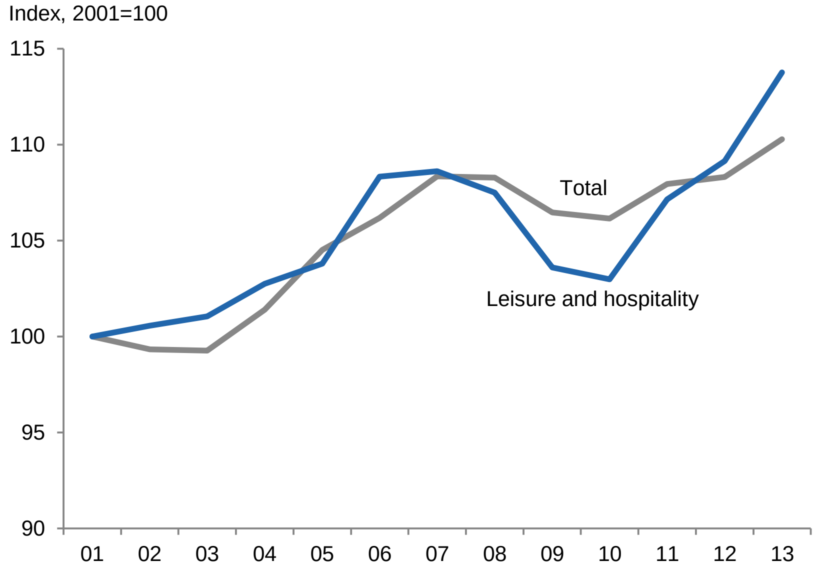
As a result, cities that succeed as destinations are more likely to succeed in broader economic terms.

Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
Link to http://www.oxfordeconomics.com/engine

Colorado Springs is benefiting from the recent growth of travel activity.

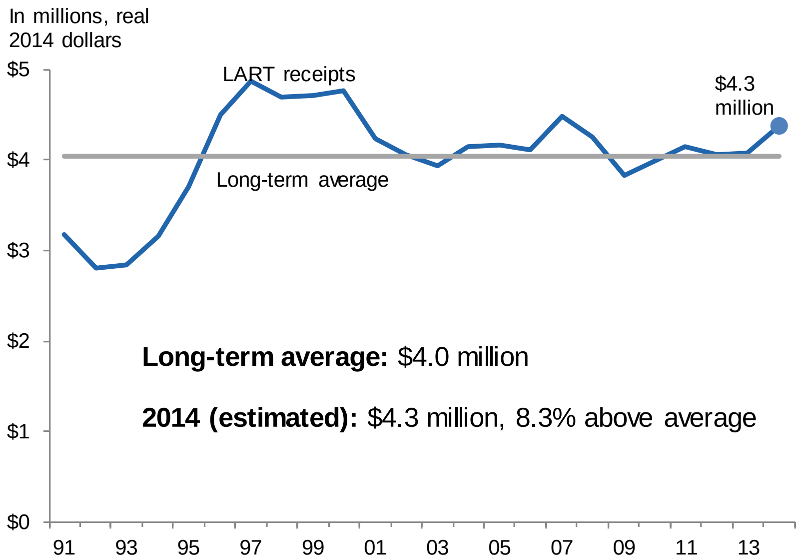
Leisure and hospitality job growth has outpaced total job growth, and LART receipts in 2014 were approximately 8.3% ahead of the long-term average.

Employment, Colorado Springs MSA



Note: Leisure and hospitality includes accommodation and food service jobs.
Source: Bureau of Economic Analysis

LART receipts, inflation-adjusted



Source: Bureau of Economic Analysis; Colorado Springs CVB.

Colorado Springs CVB

The stated mission of the Colorado Springs CVB ("CVB") is: "We bring more visitors to Colorado Springs at Pikes Peak." The CVB identifies its primary objectives as:

- Brand development / destination development / info source
- Demand generator (e.g. leisure travelers, meeting planners, sports event planners and film locations)
- Media exposure / leverage technology

These key objectives are consistent with the primary activities carried out by DMOs across major markets in the US.

Marketing

As part of carrying out these objectives, the CVB employs a wide range of traditional and online marketing programs and platforms including direct sales, trade events, Official Visitor Guide and other promotional publications, websites, a mobile app, print advertising, online advertising, email marketing, pay-per-click, search engine optimization, retargeting, hosted writer trips, PR outreach, sweepstakes and social media.

Leisure Travel Marketing

The CVB promotes the region to potential leisure travelers primarily located within a 500-mile radius. These marketing efforts leverage the destination brand developed in 2011 and focus on three target markets: families, outdoor enthusiasts, arts/culture/heritage travelers.

Group sales

The CVB's group sales team actively pursues leads for group meetings and events for target markets such as corporate, associations, religious and government meetings as well as motorcoach tours and sporting events to be held at hotels, attractions and event venues. As shown in the adjacent table, this group sales team generated more than 225,000 group room nights in 2014.

In the Colorado Springs/Pikes Peak region, the role of the primary destination marketing organization is fulfilled by the Colorado Springs CVB.

Colorado Springs CVB performance

	Year End		
Key performance indicator	**2013**	**2014**	**Change**
Group travel servicing and bookings			
Room nights	196,097	225,707	15.1%
Room night economic impact	$78,816,329	$117,889,112	NA
Group sales lead generation (number of leads by category)			
Trade shows	44	48	9.1%
Group leads new accounts	292	399	36.6%
Group leads existing accounts	85	135	58.8%
Total group leads	377	534	41.6%
Cost per lead	$2,969	$2,346	-21.0%
Marketing activities			
Spent on advertising	$1,049,892	$1,021,857	-2.7%
Website visits	1,154,971	1,424,784	23.4%
Social media impressions		2,842,321	

Note: CVB implemented Tourism Economics/DMAI Economic Impact Calculator on January 1, 2014 and the room night economic impact is not directly comparable across years. Social media impressions/metrics are dependent on company processes and algorithms, which were changed in 2014 by various social media companies.

Source: Colorado Springs CVB

2. DMO funding benchmarks

Benchmarking

Approach

To evaluate the level of DMO funding in Colorado Springs, we conducted a benchmark analysis. This analysis helped us to quantify the level of destination marketing that other destinations with broadly similar characteristics are carrying out on an ongoing basis.

This benchmark analysis consisted of three steps in which we:

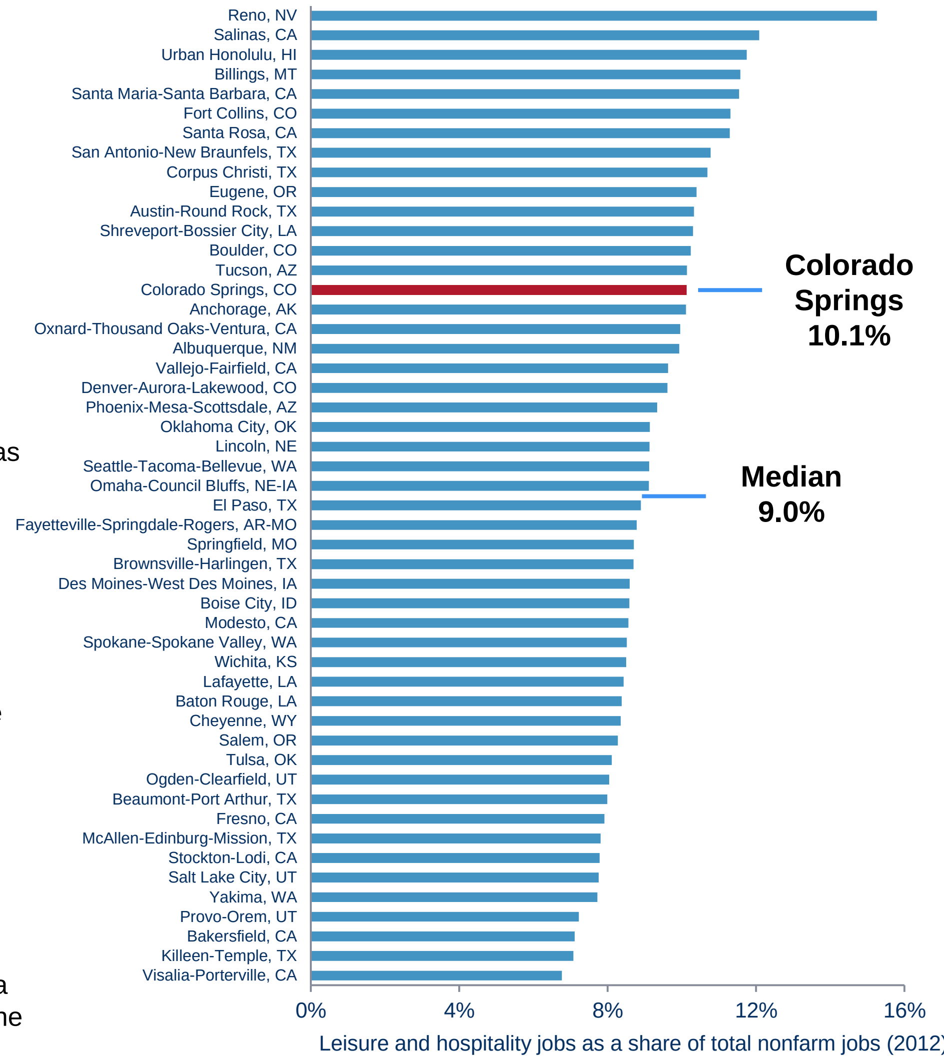
- identified a broad set of 50 comparable destinations;
- selected 19 destinations (20 including Colorado Springs) to use as DMO funding benchmarks;
- calculated measures such as DMO funding per hotel room, and DMO funding per hospitality and leisure job;
- benchmarked current Colorado Springs DMO funding relative to these comparables.

The 50 comparable destinations that we identified in the first step are listed in the adjacent graph. The Colorado Springs metropolitan statistical area (MSA) has a population of 668,000 (2012), and consists of two counties (El Paso and Teller). These 50 comparable MSAs generally have populations between 300,000 and 1.2 million, except in the case of several large and small metros that we added (Denver, Seattle, Oklahoma City, Billings, Boulder, etc.).

In analyzing the share of local employment accounted for by the leisure and hospitality industry, we noted that Colorado Springs has a greater share of leisure and hospitality employment, demonstrating the importance of the travel sector to the local market.

Leisure and hospitality employment share

As a ratio to total non-farm jobs (2012)



Source: Bureau of Economic Analysis; Tourism Economics

Characteristics of funding benchmarks

From the set of 50 destinations, we selected 19 as DMO funding benchmarks

In selecting these 19 specific benchmarks for the analysis, we considered:

- destination size;
- suitability of the market as a benchmark (e.g. Greater Phoenix CVB serves a broad geographic area and was excluded); and,
- availability of benchmark information

Benchmark characteristics

Destination	Corresponding MSA	Primary DMO market area	Convention center
Albuquerque	Albuquerque, NM	City area	Yes
Austin	Austin-Round Rock, TX	City area	Yes
Billings	Billings, MT	City area	No
Boulder	Boulder, CO	City area	No
Cheyenne	Cheyenne, WY	Larimer County	No
Colorado Springs	Colorado Springs, CO	Three county region	No
Denver	Denver-Aurora-Lakewood, CO	Denver County	Yes
Des Moines	Des Moines-West Des Moines, IA	Five county region	Yes
Estes Park	(not part of a MSA)	City area	No
Fort Collins	Fort Collins, CO	City area	No
Oklahoma City	Oklahoma City, OK	City area	Yes
Salt Lake	Salt Lake City, UT	Salt Lake County	Yes
San Antonio	San Antonio-New Braunfels, TX	City area	Yes
Scottsdale	(not applicable)	Cities (Scottsdale and Paradise Valley)	No
Seattle	Seattle-Tacoma-Bellevue, WA	City area	Yes
Spokane	Spokane-Spokane Valley, WA	Spokane County	Yes
Springfield, MO	Springfield, MO	City area	Yes
Tucson	Tucson, AZ	Pima County	Yes
Wichita	Wichita, KS	Three county region	Yes
Yakima Valley	Yakima, WA	Yakima County	Yes

Notes:
Convention center column shows availability of a convention facility with substantial exhibit and meeting space.

Source: Tourism Economics

Characteristics of funding benchmarks (continued)

Annual DMO funding among the benchmark ranges from $0.9 million to $19.9 million.

The annual level of DMO funding ranged from a low of $0.9 million (Fort Collins), to a high of $19.9 million (San Antonio).

The number of leisure and hospitality jobs is based on information from the Bureau of Economic Analysis. It includes employees of establishments such as hotels and restaurants. This is a broad measure. For example, the Colorado Springs MSA shows approximately 38,000 jobs according to this definition. This is broader than the 13,980 jobs supported by travel and tourism in El Paso and Teller county as estimated by Dean Runyan Associates for 2013.

Benchmark characteristics

Destination	**Leisure and hospitality jobs** (MSA, 2012, in thousands)	**Leisure and hospitality job share** (MSA, 2012)	**Population** (MSA, 2012, in thousands)	**Hotel rooms** (primary marketing area, 2014, in thousands)	**DMO funding (1)** (in millions)
Albuquerque	47.6	9.9%	901.7	15.7	6.4
Austin	118.0	10.3%	1,834.3	23.6	10.7
Billings	12.3	11.6%	162.8	4.4	1.2
Boulder	24.8	10.2%	305.3	2.1	1.5
Cheyenne	5.2	8.4%	94.5	2.5	1.6
Colorado Springs	38.3	10.1%	668.4	11.7	3.3
Denver	164.9	9.6%	2,645.2	22.5	18.8
Des Moines	35.2	8.6%	589.0	11.2	4.5
Estes Park	NA	NA	NA	2.6	2.1
Fort Collins	22.1	11.3%	310.5	2.5	0.9
Oklahoma City	72.1	9.1%	1,296.6	15.6	5.6
Salt Lake	61.4	7.8%	1,123.7	18.4	14.6
San Antonio	131.6	10.8%	2,234.0	40.3	19.9
Scottsdale	NA	NA	NA	12.6	10.7
Seattle	203.7	9.1%	3,552.2	20.2	16.9
Spokane	24.0	8.5%	532.3	6.9	3.9
Springfield, MO	22.4	8.7%	444.6	5.6	2.9
Tucson	50.1	10.1%	992.4	15.9	6.4
Wichita	31.8	8.5%	636.1	8.9	2.8
Yakima Valley	8.1	7.7%	247.0	2.8	2.5

Notes:
(1) DMO funding is shown as the annual average over a two-year period (2012 and 2013 actual or budget, where available).
Population and employment are shown as NA For Estes Park and Scottsdale. Estes Park is not part of an MSA. Scottsdale is part of the larger Phoenix-Mesa-Scottsdale, AZ MSA, which is not considered comparable in this analysis.

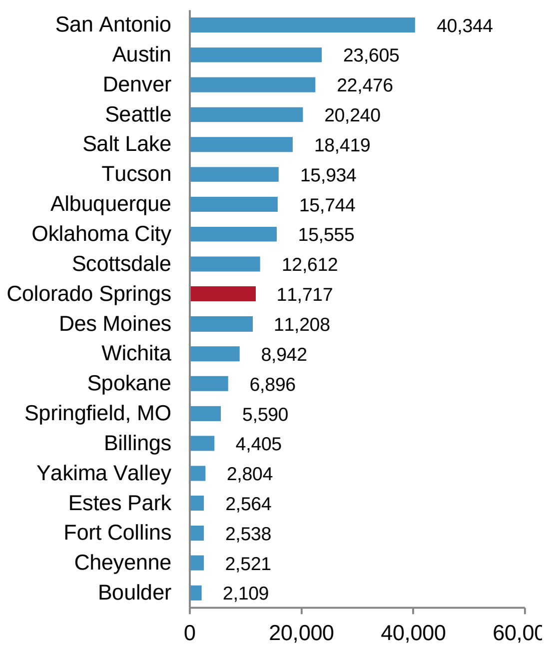
Source: Smith Travel Research; DMAI; Bureau of Economic Analysis; Tourism Economics

Funding metrics

Benchmarks showed DMO funding levels per hotel room and per leisure and hospitality job that are higher than Colorado Springs.

Hotel rooms

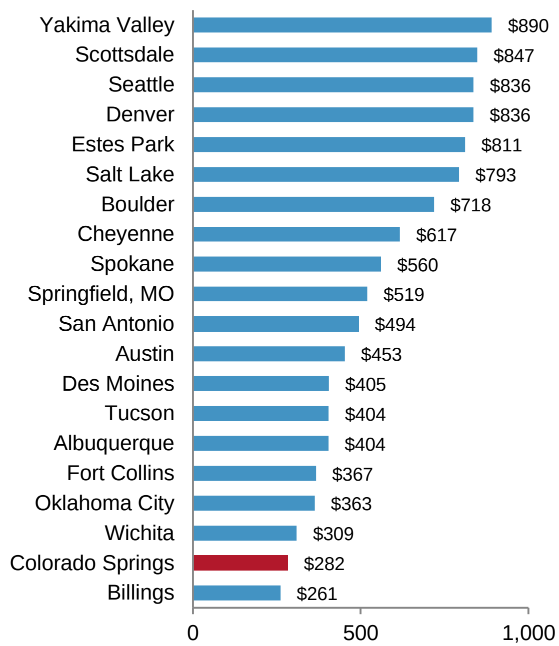
Hotels in primary area for DMO



Source: Smith Travel Research; Tourism Economics

DMO funding per hotel room

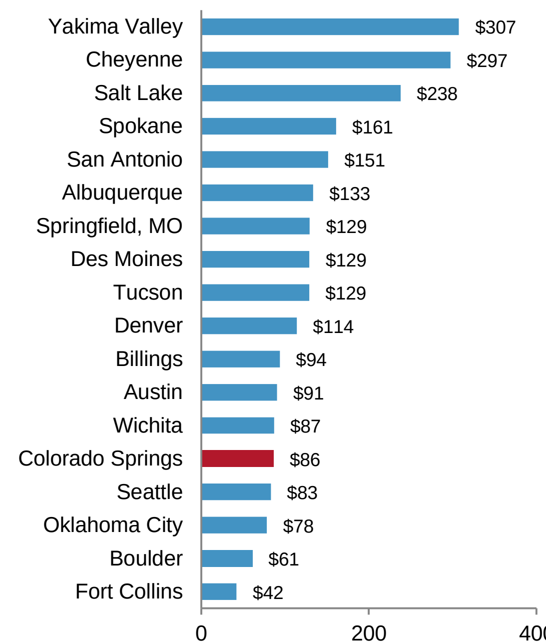
Annual average funding



Source: Smith Travel Research; DMAI; Tourism Economics

DMO funding per job

Annual average DMO funding as a ratio to leisure and hospitality employment in MSA

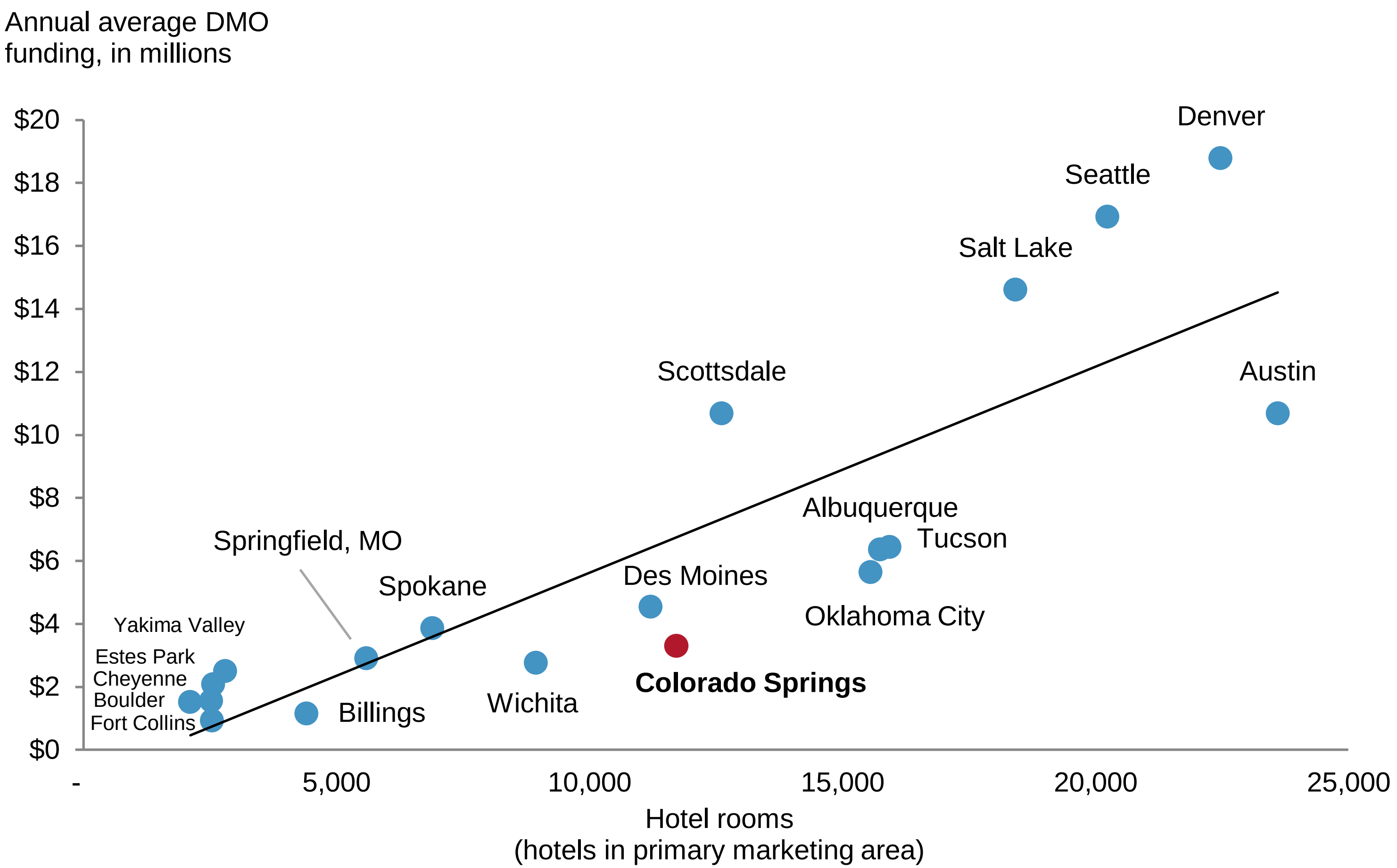


Source: Bureau of Economic Analysis; DMAI; Tourism Economics

Funding metrics (continued)

Colorado Springs has lower DMO funding than anticipated relative to its hotel inventory.

DMO funding compared to hotel inventory

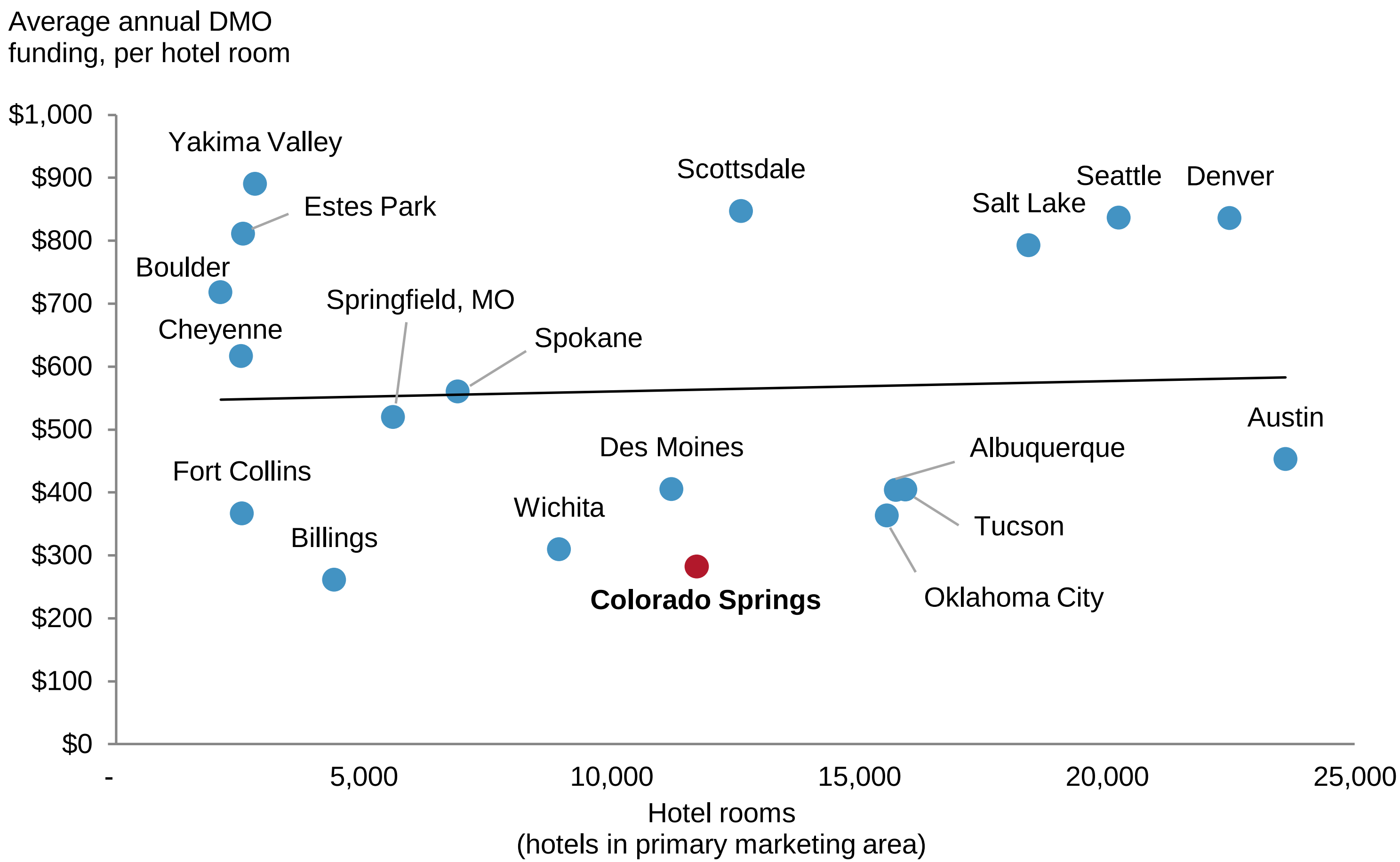


Source: Smith Travel Research; DMAI; Tourism Economics

Funding metrics (continued)

Colorado Springs has lower DMO funding than anticipated relative to its hotel inventory.

DMO funding per room compared to hotel inventory

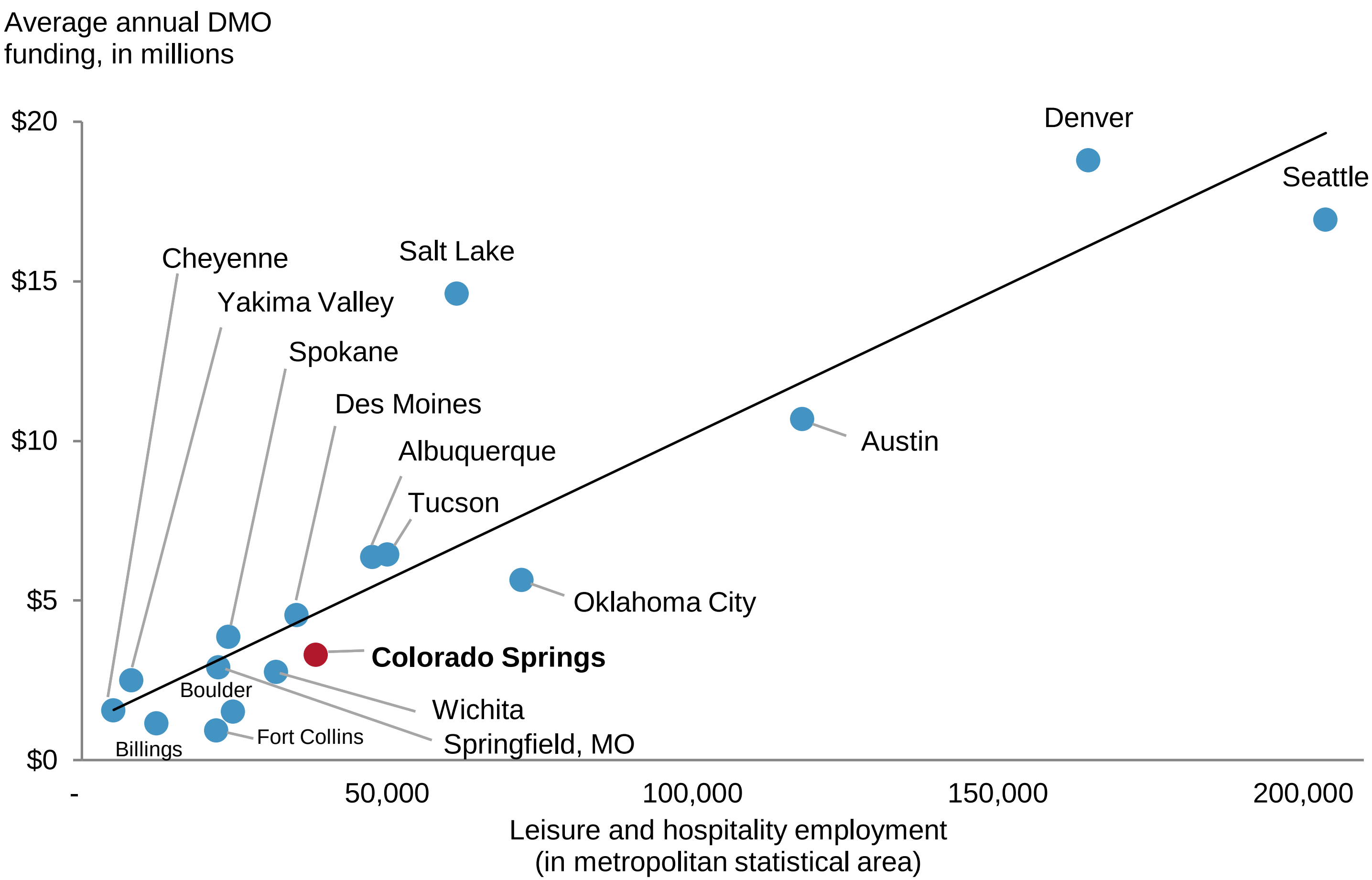


Source: Smith Travel Research; DMAI; Tourism Economics

Funding metrics (continued)

Colorado Springs has lower DMO funding than anticipated relative to its number of leisure and hospitality jobs.

DMO funding compared to leisure and hospitality jobs



Source: Bureau of Economic Analysis; DMAI; Tourism Economics

3. Incremental DMO funding

Determine incremental DMO funding

We expanded on our benchmark analysis by analyzing planned developments in the destination and by conducting stakeholder interviews.

To determine the incremental DMO funding that is appropriate for the Colorado Springs/Pikes Peak region, we expanded on the benchmark analysis by:

- analyzing anticipated changes to the visitor attractions and infrastructure in the region, including the City for Champions project; and,
- conducting 12 stakeholder interviews to gain an understanding of the regional context.

Based on our analysis, we determined that destination marketing of the Colorado Springs/Pikes Peak region is underfunded and funding should be increased. We then prepared three scenarios of potential destination marketing funding levels. Background on these steps and an outline of the three scenarios is provided on the following pages.

Recent improvements to regional visitor facilities and attractions

New investments in regional visitor facilities and attractions create the opportunity for greater tourism sector growth – and the need for greater destination marketing to ensure success.

Opportunity and need for incremental DMO funding

As part of our analysis for the potential level of incremental DMO funding that may be appropriate for the Colorado Springs/Pikes Peak region, we considered the level of tourism-sector investment the region has recently attracted. These projects represent a opportunity for the region, serving as an example of a vibrant destination as part of a compelling destination marketing campaign.

However, in addition to an opportunity, these projects also present a need for expanded destination promotion efforts. To help ensure the success of recently opened projects such as those listed below, as well as projects that are planned or proposed, it will be important for the Colorado Springs/Pikes Peak region to amplify its destination promotion activities, helping attract increased levels of visitation and spending to support expansion of local employment.

New

Terror-Dactyl: This new thrill ride at the Cave of the Winds attraction reaches 100 mph and was featured on the NBC Today Show.

The Broadmoor: Various improvements to property and Wilderness Experience

- Broadmoor West was renovated and expanded with additional rooms, a new restaurant and an upgraded exterior.
- The Broadmoor Fly Fishing School recently opened on one of the golf course lakes and The Broadmoor Fishing Camp is expected to open in Spring 2015 about 1.5 hours west of Colorado Springs.
- The Ranch at Emerald Valley, is a lodge and collection of cabins in the foothills behind The Broadmoor that is expected reopen in 2015 after closing temporarily due to flooding.
- Cloud Camp is a lodge and collection of cabins on one of the peaks of Cheyenne Mountain.
- Penrose Heritage Museum (formerly the Carriage Museum) has been improved and expanded – it features vehicles and artifacts from the Broadmoor International Hill Climb.
- Broadmoor World Arena has improved the scope and quality of its sports and entertainment performances.

South Slope Recreation Area: This area of Pikes Peak is newly opened to the public with hiking and horseback riding trails on a seasonal basis after having been closed to the public for more than 100 years.

Royal Gorge Bridge & Park: The park opened its new visitor center and several attractions in September 2014 and will continue with additional phases in 2015 and beyond, rebuilding after a severe fire in 2013.

Manitou Incline: This popular hiking trial on a former maintenance railway reopened in December 2014, after repairs necessitated by years of use and heavy rains in 2013.

Additional investments in visitor facilities and attractions in process or planning

Improvements in process at Garden of the Gods Visitor Center and Seven Falls, as well as future plans for the region, have the potential to further expand the attractiveness of the region to visitors.

In process	**Garden of the Gods Visitor and Nature Center:** This facility plans to celebrate its 20th anniversary in May 2015. It has recently undergone expansion and extensive renovations and the interactive exhibit space is now being developed.
	Seven Falls: After being severely damaged during the heavy rains of 2015, this outdoor attraction has been acquired by The Broadmoor and will reopen with a new restaurant and visitor center in spring 2015.
	The National Museum of WWII Aviation: The existing facility offers tours showing visitors what it was like to be a pilot in the second world war. The museum recently received a large grant to expand its footprint and artifacts.
Planned	**Flying W Ranch:** Prior to a devastating fire in Summer 2012, this popular tourism venue featured outdoor meals and entertainment for up to 1,100 people. The attraction may reopen in 2016.
	Over the River: Plans are in process for a larger-than-life art installation by Cristo, who is known for draping fabric over buildings, between canyons and throughout New York's Central Park. His vision for this Canon City exhibition is to drape a silvery material over various stretches of the Arkansas River.
	Mountain Post Museum: This facility is currently raising funds to build a new facility just outside Gate 1 of Ft. Carson. The museum house artifacts that emphasize the mutual history of Fort Carson and the surrounding communities.
	Children's museum: A group of citizens is working to build a Children's Museum that may be located in downtown Colorado Springs and have the potential to attract overnight visitors.
	Pikes Peak Summit House: The City of Colorado Springs, United States Forest Service (USFS), Colorado Springs Utilities (CSU), and U.S. Army Research Institute of Environmental Medicine (USARIEM) are developing plans for a new Summit Visitor Center Complex. The design firm is expected to be selected this spring, and funding efforts are underway.

City for Champions

City for Champions represents a valuable opportunity to substantially increase the destination profile of Colorado Springs/Pikes Peak and attract new visitor spending to support new local jobs and increased local tax revenue.

The collection of projects proposed as part of the City for Champions initiative has the potential to elevate the profile of the destination and attract more than 500,000 new out-of-state visitors.

Effective destination marketing can highlight the development and opening of these facilities, demonstrating the active tourism sector and supporting a call to action to encourage new and extended visits to the region.

The expected result of destination promotion highlighting these projects would be a boost to visitor spending at other businesses in the area, supporting increased local employment and tax revenues.

City for Champions Overview

Project component	Based on City For Champions Executive Summary: Projected opening date	Cost	Estimated annual visitation
The United States Olympic Museum	2017	$59,389,000	350,000
Downtown Stadium and Events Center	To be determined	$60,650,000	522,000
Sports Medicine and Performance Center	To be determined	$27,000,000	25,000
Gateway at Falcon Stadium Visitors Center	2018	$20,500,000	400,000
Total		$167,539,000	1,297,000
Net new out of state visitors			513,000

Notes: Estimated annual visitation and net new visitors based on information provided by Colorado Springs CVB.

Source: Colorado Springs CVB; City for Champions; Tourism Economics

Interviews

We completed 12 stakeholder interviews. Key observations from these interviews are summarized on the following pages.

Completed interviews	
Steve Bartolin **Jeff Johnson** **Jack Damioli**	General Manager, The Broadmoor Hotel Vice President of Sales and Marketing, The Broadmoor Hotel Vice President and Managing Director, The Broadmoor Hotel
Sallie Clark	Former CVB Board; Current County Commissioner; B&B owner; former City Councilor
Bob Cope	City of Colorado Springs Economic Vitality
Jeff Greene	El Paso County Administrator
Lyda Hill **Nancy Lewis**	Owner, Garden of the Gods Visitor Center; philanthropist Oversees operations of the Garden of the Gods Visitor Center, former Director of City Parks, former CVB Board
Chris Jenkins	President, Nor'wood Development
Katherine Loo	Philanthropist; Community Activist/Leader
Jan Martin	Colorado Springs City Council; LART Committee member
Andy Neinas	Owner, Echo Canyon Rafting, PPCAA and CVB Board member, Fremont County
Tom Osborne	CEO, CS Sports Corp; CVB board member
Fred Veitch	VP Nor'wood; LART Committee member
Andy Vick	CEO of Cultural Office of the Pikes Peak Region ("COPPeR")

Interviews (continued)

Key observations from our stakeholder interviews are summarized as follows.

Strengths

- The Colorado Springs CVB has strong industry support and industry input. Tourism industry leaders are generally confident the CVB has done well with what they have to work with. They are being effective with what they have.
- Tourism and the visitor experience is part of our DNA. Colorado Springs is a tremendous destination, with outdoor areas and natural beauty, and a strong base of attractions/museums, arts, and sports activities. By growing this valuable sector, we're investing in our strengths. We haven't invested enough in tourism promotion in the past, and it's likely that the dividends will exceed the costs.

Weaknesses / Threats

- Convincing voters to pass a tax increase may be a bigger hurdle than convincing the industry.
- To convince residents of the importance of tourism, it's important to get all the different sectors of the tourism sector to start talking the same language.
- Political environment influences the discussion.
- The Colorado Springs open space program, Trails, Open Space and Parks (TOPS), is currently primarily focused on acquisition, development, and preservation of open space, rather than maintenance. For example, areas such as the Garden of the Gods (separate from the Garden of the Gods Visitor Center) and local trails still require ongoing maintenance and reinvestment.
- The low lodging tax in Colorado Springs is an advantage when hotels are competing with other destinations for groups and meetings.
- The CVB used to have industry advisory committees, but those have been ended. The CVB doesn't do much outreach, particularly with smaller businesses. The advisory committee used to keep industry members up to date on where the money was going, and had liaisons with the city council and county administration.

Existing LART

- The LART ordinance hasn't been revisited since 1979, it's certainly time to talk about it.
- Historical distribution of funds from LART has been "done poorly". For example, poor communication between city council and the participants that are raising the money – not negative communication, just nobody talking to each other.
- LART has become a "catch-all". Traditionally LART was better defined to focus on the tourism sector opportunity. More requests are being funneled toward it. LART is increasingly looked to as a source of funds for economic development. LART funds should be more focused on promotion and infrastructure.
- Influential members of the lodging community are supportive of ensuring that the 2/3 share of the LART for the use of the CVB is protected and preserved. These same members would be supportive of an increased LART, assuming that: 1) the 2/3 share for the CVB is protected, 2) area attractions also begin to contribute, and 3) some type of funding is set up to attract air service.

Interviews (continued)

Key observations from our stakeholder interviews are summarized as follows.

Opportunities

- Tourism and destination promotion is very important to the Colorado Springs/Pikes Peak region. If not for our existing tourism attractions, we would have gone the way of other towns in Colorado that have shrunk. Tourism is one of the major sources of economic development for the region; "without tourism, we are going to wither on the vine". Tourism helps our region diversify and become less dependent on sectors such as defense.
- Many people don't realize that the city general fund is primarily generated through sales tax revenue, and that 20%/30% of sales tax revenues are paid by visitors. There is likely an effective way to have additional investment in tourism promotion funded through a means, such as an increase in the LART, that is paid for by visitors and which then expands tax revenues for the city in a meaningful way.
- In whatever model is established, transparency is important. Having industry involvement is important. If increasing the LART, it's important to have some ideas wrapped into this about how additional funding would be used.
- The lodging tax is "ridiculously low". Visitors are used to paying more in tax. It looks like there is headroom to raise the tax and invest more in tourism.
- Other states and regions tend to invest more in efforts such as tourism promotion and the local arts council. Denver is an example of a specific tax to fund science and arts. One of the reasons there are pressures to tap LART for various uses is because there isn't the level of state or county funding that is typically available in other jurisdictions.
- This region also badly needs increased air service, particularly from the Eastern US and other non-stop routes. With increased funding for destination promotion, consideration should be given to effective ways to attract air service. For example, by providing short-term revenue guarantees for new routes. This air service would help with economic development and benefit residents of the region as well.
- The attractions recognize there is a benefit to working together and marketing, hence the formation of Pikes Peak Country Attractions Association. There wasn't necessarily a historical reason for this to be separate from the CVB.
- The City for Champions projects have the potential to raise Colorado Springs' profile and are anticipated to attract additional visitors.

Interviews (continued)

Key observations from our stakeholder interviews are summarized as follows.

Regional considerations

- Bringing more people to Colorado Springs and Pikes Peak benefits the region. People who come this part of the country don't see it as county lines. If you can see Pikes Peak, you're in the Pikes Peak region.
- Regional cooperation would be great, but difficult. There have been examples of regional cooperation, such as El Paso and Teller County working together to focus on workforce development. Potentially could have a committee appointed by different jurisdictions, with advisement from industry.
- There is great potential for "that single voice" of destination promotion for the region. We all have responsibility to be connected, and to feed in and support a regional voice.
- Fremont County has a lodging tax, but the $150,000 or so that it generates is a limited budget to work with.
- Colorado Springs currently markets the "region". But attractions outside Colorado Springs don't participate, and there is a need to start engaging them.
- An extension of LART to El Paso County is an option to consider, and might be successful. El Paso has no lodging tax for unincorporated areas. One option might be to establish a LART for El Paso that applied to those establishments not already paying the Colorado Springs LART.
- However, some parts of El Paso County are less likely to support a tax than others, and something that was only part of the county may have a better chance at success. For example, voters in certain areas supported the recent storm water measure, while other areas had very little voter support.

Interviews (continued)

Key observations from our stakeholder interviews are summarized as follows.

Funding considerations and options

- There is a state statute that sets the maximum county lodging tax at 2.0%. Fremont County is at 2.0%, so it is at the maximum. However, Canon City could set a lodging tax that was higher.
- Pikes Peak Regional Transportation Authority is multi-jurisdictional. It is a 1.0% sales tax on unincorporated El Paso County and four jurisdictions with El Paso County.
- A multi-county tourism district would require a step that involves the legislature (e.g. legislature to create the district), but that shouldn’t be seen as an obstacle.
- It would be possible to base a tourism district on commercial property values. For example, Pueblo and El Paso Counties created a district to fund flood mitigation, promotion of open space, and recreational activities that is funded through a fee assessment process.
- Attempt to raise a fee to pay for storm water improvements recently failed. Attempt to pass a 3% lodging tax in the City of Fountain (within El Paso County) to support destination promotion, failed in November 2014.
- Tax on visitors would be expected to face less resistance from voters than a tax on residents.
- Sunset provisions have been included in some transportation funding structures. However, unlike a specific road or bridge project, Colorado Springs has an ongoing need for destination promotion.
- There may be other groups in the Colorado Springs/Pikes Peak region that also need funding that would help support a regional tax, such as arts, parks, or a specific infrastructure project. For example, the Scientific and Cultural Facilities District in the seven-county Denver Metro Area successfully provides funding for cultural facilities.
- As an example of programs to attract airlift, the towns of Telluride and Mountain Village collect a 2% lodging and restaurant excise tax, which is then supplemented with private funds to support risk mitigation programs that attract additional airlift.
- LART could be extended to include vacation rentals, currently only hotels/motels and B&B’s collect LART.
- Pikes Peak Regional Transportation Authority (“PPRTA”)—comprised of unincorporated El Paso County, the cities of Colorado Springs and Manitou Springs, and the towns of Green Mountain Falls and Ramah. PPRTA has had its critics, but it’s been renewed. It’s been important that it’s been tied to specific projects and that there’s a sunset to the tax.
- Raising the existing LART may be an effective initial step. It could provide stability to the CVB and a way to prove the growth potential.

Recommendation to increase funding

In our assessment, destination marketing of the Colorado Springs/Pikes Peak region is underfunded and funding should be increased.

In our assessment, destination marketing of the Colorado Springs/Pikes Peak region is underfunded.

The level of destination marketing funding is substantially below the benchmarks we analyzed. The region has extensive existing visitor attractions, as well as multiple new and planned visitor facilities and attractions that create an opportunity and a need for increased destination marketing.

We anticipate that increased destination marketing will yield favorable returns, and have separately quantified such returns in Section 5. We recommend Colorado Springs increase funding for destination marketing.

We prepared three scenarios of potential destination marketing funding levels.

Each of these scenarios represent levels of destination marketing funding that would be:

1) realistic to support based on current visitor volumes;
2) consistent with the range of destination marketing funding currently in place in comparable benchmark destinations;
3) expected to yield effective returns on investment; and,
4) adequate to support growth of the destination, including recognition of new visitor facilities and attractions that have recently opened, or that are anticipated to open over the next several years.

These scenarios are outlined on the following page.

Outline of three potential levels of DMO funding

We prepared three scenarios of potential destination marketing funding levels. These range from $5.8 million of annual funding, which would support effective promotion of the region, to $8.2 million, which would support a strong, leading voice for the region.

In these scenarios, the dollar amounts represent the annual amount of destination marketing funding for a DMO representing the region (e.g. Colorado Springs CVB). The amounts are realistic to support based on current visitor volumes. As the region's visitor economy expands in future years, it is anticipated that annual amounts for destination marketing would increase.

	Scenario A	Scenario B	Scenario C
Annual funding for destination marketing	**$5.8 million**	**$7.0 million**	**$8.2 million**
Geographic coverage	Continued marketing of the three-county Colorado Springs/Pikes Peak region. In Scenario B and C, with higher levels of regional funding, it is anticipated that the DMO would have greater capacity to effectively market the full region.		
Description	Greater funding level relative to current ($3.4 million), supports effective promotion and growth of Colorado Springs tourism sector.	Greater funding level relative to Scenario A supports increased capability to market current and future tourism-sector developments in the region.	Greater funding level relative to Scenario B supports greater national reach and stronger leading voice for destination promotion of the region.
Consistency with benchmarks	Represents funding at approximately 100% of benchmark ratios (e.g. funding per hotel room, and funding per hospitality and leisure job).	Represents funding at approximately 120% of benchmark ratios, which is consistent with destinations that are in the top third of the benchmarks.	Represents funding at approximately 140% of benchmark ratios, which is consistent with destinations that are in the top quarter to top fifth of the benchmarks.

Comparison of increased DMO funding to benchmarks

The three scenarios we recommend for consideration are based on funding at 100%, 120% and 140% of average benchmark ratios of funding per hotel room and per job.

For example, benchmark DMOs show current funding that averaged $559 per hotel room. To reach that level, Colorado Springs would require $6.5 million of funding. Meanwhile, benchmark DMOs show current funding that averaged $134 per leisure and hospitality job. For Colorado Springs to reach that level (i.e. be at 100% of the average), would require $5.1 million of funding. The average of $6.5 million and $5.1 million is $5.8 million, and that is shown in the table to the right as the recommended funding level in Scenario A.

Destination marketing funding scenarios

			Recommended Colorado Springs DMO funding scenarios		
	Benchmark DMOs	Colorado Springs CVB current funding (2013)	**Scenario A**	**Scenario B**	**Scenario C**
Destination metrics					
Hotel rooms (2014)	12,342	11,717	11,717	11,717	11,717
Leisure and hospitality jobs (2012, MSA)	60,906	38,319	38,319	38,319	38,319
DMO funding	$7,044,479	$3,352,581			
DMO funding ratios					
Funding as a ratio to average			**100%**	**120%**	**140%**
Amount per hotel room	$559	$286	$559	$670	$782
Amount per leisure and hospitality job	$134	$87	$134	$161	$188
Potential funding for Colorado Springs at benchmark levels					
Amount based on hotel room ratio			$6,546,010	$7,855,212	$9,164,414
Amount based on leisure and hospitality job ratio			5,135,964	6,163,157	7,190,350
Average (rounded)			$5,800,000	$7,000,000	$8,200,000
Recommended Colorado Springs DMO funding in each scenario			**$5,800,000**	**$7,000,000**	**$8,200,000**

Source: STR; Bureau of Economic Analysis; DMAI; Tourism Economics

Comparison of increased DMO funding to benchmarks (continued)

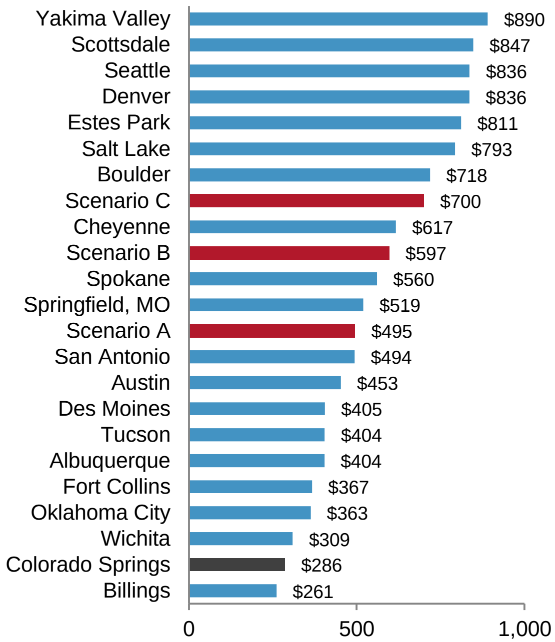
In each of the three scenarios, Colorado Springs/Pikes Peak region funding remains within the range of the benchmark DMOs.

On the basis of DMO funding per hotel room, in Scenario C, with $8.2 million of funding, which is equivalent to $700 per room, the Colorado Springs/Pikes Peak region would have less funding on a per hotel room basis than 35% of the benchmark DMOs.

On the basis of DMO funding per job, in Scenario C, with $8.2 million of funding, which is equivalent to $214 per leisure and hospitality job, the Colorado Springs/Pikes Peak region would still have less funding than 15% of the benchmark DMOs.

DMO funding per hotel room

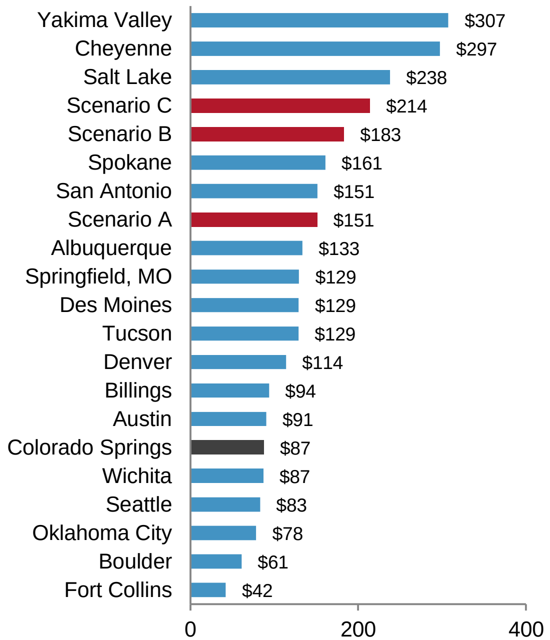
Annual average funding



Source: STR; DMAI; Tourism Economics

DMO funding per job

Annual average DMO funding as a ratio to leisure and hospitality employment in MSA



Source: Bureau of Economic Analysis; DMAI; Tourism Economics

DMO funding share from public sources

The three scenarios we recommend for consideration show total DMO funding from public sources (i.e. taxes) of between $4.9 million and $7.2 million.

Currently the Colorado Springs CVB receives 82.7% of its funding from public sources, and generates the remainder from private sources, such as memberships. This is in line with the average of the benchmark DMOs (83.0%).

In the future funding scenarios, we anticipate at the DMO will increase its private funding, for example by expanding membership. However, as a conservative assumption, we have estimated that public funds will be the primary source of increased funding.

For example, in Scenario A, we have assumed that 90% of the incremental DMO funding will come from public sources. Similarly, we have assumed that in Scenario B and C, 95% of the increase in funding relative to Scenario A will come from public sources.

Assumed share of funding from public sources

	Benchmark DMOs	Colorado Springs CVB current funding (2013)	**Recommended Colorado Springs destination marketing funding**		
			Scenario A	**Scenario B**	**Scenario C**
DMO funding	$7,044,479	$3,352,581	**$5,800,000**	**$7,000,000**	**$8,200,000**
Percent change relative to current level			*73%*	*109%*	*145%*
Change relative to current level			*$2,447,419*	*$3,647,419*	*$4,847,419*
Share of incremental funding assumed to be generated by public sources			90%	95%	95%
DMO funding from public sources	$5,844,276	$2,720,000	**$4,922,677**	**$6,062,677**	**$7,202,677**
Share of total DMO budget from public funding (1)	83.0%	82.7%	84.9%	86.6%	87.8%
DMO funding from private sources	$1,200,203	$632,581	$877,323	$937,323	$997,323
Percent change relative to current level			*39%*	*48%*	*58%*

Notes: Colorado Springs current funding excludes fund balance
Sources: Colorado Springs CVB; DMAI; Tourism Economics

4. Analyze funding alternatives

Analysis of funding mechanisms

Hotel occupancy taxes are the primary source of DMO funding nationally, and among the set of comparable destinations. Followed by tourism improvement districts/marketing districts.

In the previous section, we recommended three potential levels of DMO funding. Our analysis of potential funding mechanisms is outlined in this section in the following order:

- potential funding mechanisms at a high level;
- considerations specific to Colorado Springs/Pikes Peak;
- discussion of two funding mechanism alternatives for consideration, including a preliminary analysis of potential funding levels that may be achieved;
- discussion of potential impacts of tax rate increases; and,
- funding analysis summary and recommendations.

Potential funding mechanisms at a high level

- **Hotel occupancy taxes:** On a national basis, hotel occupancy taxes have traditionally been a primary source of funding for destination marketing. According to DMAI, 86% of DMOs covered in the DMO Organizational & Financial Profile Study received hotel room tax revenue in 2013. This is also true in the case of the DMOs that we considered as benchmarks for this analysis, with the a majority receiving a portion of the local city or county hotel occupancy tax as a funding source. As shown on the following page, many of these comparable DMOs depend heavily on hotel occupancy taxes, receiving an average of 76.6% of total DMO funding from hotel occupancy taxes.
- **Tourism improvement district/marketing districts:** The second most common form of DMO funding that we observed in the comparable markets that we analyzed were tourism improvement districts or marketing districts. This category includes a variety of structures, but the typical funding mechanism is in some way based on hotel stays, such as an assessment of a specific dollar amount per occupied room. For example, the three comparable DMOs in Washington State (Seattle, Spokane, and Yakima Valley) each receive funds from $2 per occupied room night self-imposed assessment, in addition to other funding sources (e.g. Visit Seattle also receives a portion of the local hotel occupancy tax). DMAI reports such tourism improvement/marketing districts are rapidly becoming a more common source of DMO funding, with 13% of national DMOs reporting such funding. The following page provides two examples.
- **Other city, county, or state funding:** Specific DMOs also receive funding from a variety of other public sources. On a national basis, DMAI reports these sources represent approximately less than 10% of public funding, though for specific DMOs the amounts can be significant.
- **Special restaurant tax, car rental tax, or other sales tax:** Although many restaurants and attractions derive a significant portion of revenue from visitors, and benefit from destination promotion, there are relatively few examples of direct DMO funding from specific sales taxes, such as restaurant taxes or car rental taxes.

Examples of tourism districts

While California has the greatest prevalence of tourism districts, states such as Washington, Montana, Texas and Louisiana have started adopting aspects of the model. Michigan has a extensive history of using room assessments to fund tourism promotion. It dates back to 1980, when a state law was passed that permitted the CVB, with the support of hotel operators, to establish a room assessment program.

Such funding assessments are sometimes described as "self-imposed" because an initial supporting petition by local businesses is required and opportunities to terminate the assessment are provided. Typically, once the assessment is in place, all covered establishments are required to participate in collecting and remitting the assessment.

Tourism Business Improvement Districts in California

In California, Tourism Business Improvement Districts ("TBIDs") are formed under a state statute, with local enabling procedures. As an example Mammoth Lakes recently established a TBID with an annual budget of $4.7 million. Funding mechanisms include a 1.0% assessment on lodging establishment revenue; 2.0% on lift ticket and ski school sales at ski resorts; and 1.5% on sales at retail and restaurant establishments. Retail and restaurant establishments with annual revenue below $150,000, or that can demonstrate, such as through credit card receipts, that they do not receive at least 50% of their business from visitors, pay annual assessment of $500.

The Mammoth Lakes TBID was formed by submission from tourism businesses representing more than 50% of the total annual assessment and approval by the town council. It has a five-year life, and is subject to termination earlier at the request of owners paying more than 50% of the assessment.

Tourism Promotion Areas in Washington State

In 2003, Washington State established a framework by which local areas can form a Tourism Promotion Area to conduct destination marketing funded by a self-imposed assessment on lodging.

The law stipulates that hotel operators representing at least 60 of the assessed rooms must approve the fee program through a ballot process. The fee on lodging can be up to $2 per night, and can reflect classifications based on number of rooms, room revenue, or location within the area. The local legislative authority has sole discretion of how the charge may be used to promote tourism, but may appoint a new or existing advisory board or commission to make recommendations.

As an example in practice, the Seattle Tourism Improvement Area (essentially the greater downtown area) was created by city council based on the support of 77% of local hotels to fill a void as the state and city eliminated direct support for tourism promotion. Hotels with greater than 60 rooms levy a $2 surcharge per occupied room per night. The City of Seattle collects the funds from the hotels using existing staff of the Department of Finance and Administrative Services, and contracts with Visit Seattle as a destination marketing organization to conduct marketing.

The Seattle Tourism Improvement Area raises approximately $5 to 6 million annually through the lodging assessment. These funds were used in part to fund a $2.5 million advertising campaign promoting the city to residents of Vancouver, BC, Portland and San Francisco.

Lodging taxes as a source of DMO funding

In the majority of the comparable markets that we analyzed, the DMO receives a specific share of the local city or county lodging tax.

Among the comparable DMOs that receive a share of the local city or county lodging tax, the average DMO receives 76.6% of its total public funding from lodging taxes.

Among this set of DMOs, an average of 2.31 percentage points of lodging tax is dedicated to the DMO.

DMO share of lodging taxes

Destination	Type of lodging tax included in analysis	Lodging tax rate	Share of tax going to DMO	Percentage points of lodging tax going to DMO	Share of total DMO funding from public sources generated by lodging tax
Albuquerque	City	6.00%	50.0%	3.00%	82.3%
Austin	City	9.00%	16.1%	1.45%	85.1%
Cheyenne	County	4.00%	100.0%	4.00%	89.1%
Denver	City	10.75%	25.6%	2.75%	81.2%
Fort Collins	City	3.00%	70.0%	2.10%	NA
Oklahoma City	City	5.50%	36.4%	2.00%	93.4%
Salt Lake	County	4.75%	44.8%	2.13%	53.8%
San Antonio	City	9.00%	28.0%	2.52%	97.2%
Scottsdale	City	5.00%	50.0%	2.50%	71.9%
Spokane	City	1.30%	55.0%	0.72%	25.8%
Springfield, MO	City	5.00%	47.0%	2.35%	62.3%
Tucson	City and county	6.00%	41.5%	2.49%	87.7%
Wichita	City	6.00%	34.3%	2.06%	89.2%
Average		**5.79%**	**46.1%**	**2.31%**	**76.6%**
Colorado Springs	**City**	**2.00%**	**66.7%**	**1.33%**	**73.0%**

Notes: Table shows rates as reported in the DMAI "2013 DMO Organizational & Financial Profile Study". The lodging tax rate reflects only the tax that has a specific share dedicated to the local DMO, which is not necessarily the total tax on lodging. In the case of Tucson, the DMO receives 33% of the city lodging tax and 50% of the county lodging tax, and this table is set up to show the average of 41.5%.

Source: DMAI; local jurisdictions; Tourism Economics

Considerations specific to Colorado Springs/Pikes Peak region

In particular, we noted eight specific considerations relevant to DMO funding for the Colorado Springs/Pikes Peak region. These are based on our interviews with stakeholders, analysis of other comparable destinations, and experience in the destination marketing sector.

1) Destination promotion is a strategy that is consistent with the region's strengths and goals

The overall goal of destination promotion as a strategy to help grow the region's visitor economy is consistent with:

- economic development strategies of the area as it seeks to provide job opportunities for local residents, diversify its economic base, expand airlift to benefit local residents and businesses and to attract new businesses;
- existing strengths of the area as a visitor destination, including natural characteristics, local attractions/visitor infrastructure, deep history as a visitor destination, and a local business, educational and residential community that supports the attractiveness of the area for group meetings and events.

2) Colorado Springs has historically provided less funding for destination marketing than comparable destinations

It is anticipated that it will take time to build increased recognition and familiarity among travelers and group event planners, but that such efforts will yield favorable returns.

3) New and improved visitor facilities and attractions have recently opened in Colorado Springs and more are planned

Recent openings, and plans for projects such as the City for Champions, create the opportunity and the need for increased, effective destination marketing.

4) The region has a large number of attractions frequented by visitors

The Colorado Springs/Pikes Peak region is recognized as having a large number of local attractions that cater to visitors. While some of these attractions are within Colorado Springs, others are in Manitou Springs, Canon City or other surrounding areas. These attractions benefit from destination promotion that draws increased levels of overnight visitors to the Colorado Springs/Pike Peak region. Also, most of these attractions charge a fee for admission or sell tickets.

5) It is import to place any new tax burden on visitors, not residents

In any effort to raise increased funding for destination marketing, it is anticipated to be important to place the burden specifically on visitors, rather than local residents. Any tax increase is subject to voter approval.

Considerations specific to Colorado Springs/Pikes Peak region (continued)

6) The existing LART sets certain precedents, but isn't the only option and new options should also be considered

Existing funding is being generated through the Lodgers and Auto Rental Tax ("LART"). Historically, the Colorado Springs CVB has typically received 2/3 of LART funds, with the remainder being allocated by the LART Committee to promote tourism and economic development.

The 2/3 share for the Colorado Springs CVB as the local DMO is not stated by law, but has been historical practice. The Colorado Springs CVB conducts visitor promotion activities under a year-to-year contract, in accordance with the City Code. The contract calls for the promotion of tourism, recreational visitors, business meetings, conventions, and other special events, which attract visitors to the city and the greater Pikes Peak region.

7) County lodging taxes are capped

County lodging taxes in Colorado can not exceed 2.0%, though individual municipalities within a county may set higher rates.

8) Colorado state law provides for "local marketing districts"

Colorado state law provides for the creation of "local marketing districts", such as to carry out tourism promotion or marketing of public events. Such districts are an optional framework for conducting tourism promotion. The following provides some background on these districts.

- Currently, five local marketing districts are in operation in Colorado, as shown in the adjacent table.
- Local marketing district boundaries may consist of contiguous or noncontiguous areas, and may be within the boundaries of a single or multiple local governments.
- These districts have the ability to levy a "marketing and promotion tax" based on accommodations. This can be in addition to local lodging taxes. For example, Alamosa County has both a 1.9% county lodging district tax as well as a 4.0% local marketing district tax on lodging.
- The creation of a local marketing district, as well as any marketing and promotion tax, must be approved by voters in an election.
- As an initial step, the creation of a local marketing district requires the filing of a petition signed by commercial property owners that own more than 50% of the commercial property in the proposed district, measured on the basis of assessed value.

Local marketing districts in Colorado

Local marketing district	LMD tax rate
Alamosa County (county limits)	4.0%
Estes Park (Estes Park and surrounding area)	2.0%
Gunnison County (county limits)	4.0%
Steamboat Springs (specific portions of Steamboat Springs city)	2.0%
Vail (Vail town limits)	1.4%

Note: LMD tax applies to just hotel and motel rooms in some districts, and to rooms and accommodations more broadly in others.

Source: Colorado Department of Revenue

Link to: Colorado Revised Statutes, Title 29, Article 25, Local Marketing Districts

Funding mechanism alternatives

We've outlined two alternative funding mechanisms for further consideration.

Based on our understanding of the situation, including the specific factors outlined on the previous pages, we've outlined two alternative funding mechanisms for further consideration.

	Alternative 1: Expand LART	Alternative 2: Create LMD
Short description	**Increase existing Colorado Springs LART, and expand to include attractions**	**Establish a local marketing district ("LMD") and implement local taxes on rental cars and attractions**
Common elements	In both Funding Alternatives: • attractions would be defined in such a way to focus on the types of facilities that most typically are appealing to visitors from outside Colorado Springs/Pikes Peak; • similar to the existing LART, lodging would include hotels, motels, B&Bs, and campgrounds; and, • consistent tax across categories (e.g. 4.0% on lodging, car rentals and attractions, where applicable).	
Geographic area	Existing model, i.e. funding collected in City of Colorado Springs and used to market Colorado Springs/Pikes Peak region (El Paso, Fremont, Teller counties)	Funding from, and marketing of, Colorado Springs/Pikes Peak region (El Paso, Fremont, Teller counties). To the extent achievable, the goal would be to include funding from all geographic areas with significant tourism infrastructure.
Funding structure for destination marketing organization	Share of LART (e.g. 2/3) specifically dedicated to destination promotion as carried out by a destination marketing organization (such as the Colorado Springs CVB) under a multi-year contract with the City (e.g. five years)	Share of funds to be dedicated to destination promotion as carried out by a destination marketing organization (such as the Colorado Springs CVB) under a multi-year contract with the local marketing district or similar entity (e.g. five years).

Additional background on funding mechanism alternatives

Alternative 1: Expand LART

Increase existing Colorado Springs LART, and expand to include attractions

In this alternative, the existing LART would be extended to include a tax on attractions. It would also be modified to provide a stable base for destination marketing funding by specifying a specific share of funds to be allocated to a DMO and by establishing a multi-year contract period. Extending funding sources to include Colorado Springs attractions would broaden the funding base, thereby raising additional funds, and sharing the responsibility for supporting destination promotion beyond the lodging and car rental sectors.

Alternative 2: Create LMD

Establish a local marketing district ("LMD") plus local taxes on rental cars and attractions

In this alternative, funding would be expanded to a regional base, including areas beyond the City of Colorado Springs. This would broaden the funding base, thereby raising additional funds, and would share the responsibility for supporting destination promotion beyond establishments in Colorado Springs.

A regional funding base, and the increased financial involvement of area attractions, would provide a solid foundation for a destination marketing organization that could act as a strong, coordinated voice promoting visitation to the Colorado Springs/Pikes Peak region. Thus it is assumed in Alternative 2 that destination promotion for the region would be carried out by a single destination marketing organization that was contracted by the local marketing district, or similar entity, for a multi-year term.

There are a number of structural and legal elements that would need to be worked out to implement Alternative 2. For example, the Colorado law that provides for the creation of local marketing districts only allows such districts to levy a tax on accommodations. Thus, to provide regional destination promotion funding from attractions and car rentals, may require additional steps.

Tourism Economics is not providing legal advice on the structuring of funding mechanisms, and is only suggesting ideas for further investigation and analysis.

As an example, one possible structure for Alternative 2 may be as follows:

- Establish a Colorado Springs/Pikes Peak local marketing district including non-contiguous geographic areas that include the key areas with tourism infrastructure, (e.g. Manitou Springs, Canon City, Cripple Creek), funded by a lodging tax with two-thirds of funds dedicated to regional destination marketing; and,
- Establish local taxes on lodging, car rentals and attractions in key municipalities, (e.g. Colorado Springs, Canon City and Manitou Springs) with two-thirds of funds dedicated to regional destination marketing.

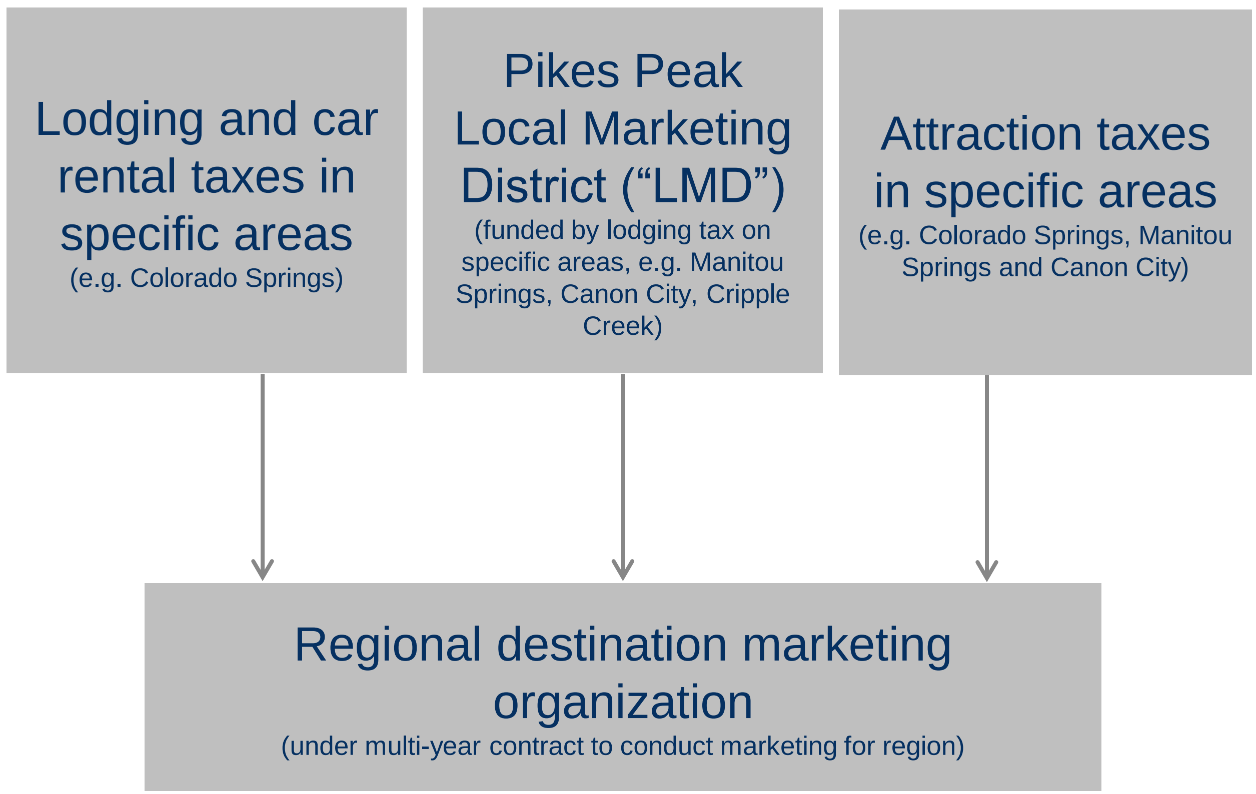
The LMD could potentially replace the existing Colorado Springs LART, or alternatively a hybrid approach could be used. For example, potentially LART could be expanded as in Alternative 1, with a portion of LART funds being dedicated to destination marketing of the region, either through an LMD or directly to a DMO.

Alternative 2: Hypothetical structure of LMD

As a graphical example, we have provided the following hypothetical structure of multiple funding sources supporting a single regional destination marketing organization.

In this example, various taxes are used to directly fund a DMO.

Existing lodging and car rental taxes (i.e. the LART) could be kept in place (potentially with an increased tax rate), with a share of the receipts dedicated to directly fund a DMO. A LMD could be established for specific areas, with funding raised by a lodging tax and used to fund a DMO. And attraction taxes could be established by specific local areas, with funding dedicated to a DMO.



Preliminary analysis of potential funding

We have prepared a preliminary analysis of potential funding that may be generated in the two alternatives at various tax rates.

The analysis outlined on the following pages is intended to provide approximate estimates of the level of funding that could be raised in the two alternatives for discussion purposes.

DMO funding and funding for related uses

In the case of the current Colorado Springs LART, 2/3 of LART funds have been traditionally allocated to the Colorado Springs CVB, with the remaining 1/3 allocated by the LART Committee to promote tourism and economic development.

In this analysis, we have assumed that 2/3 of taxes will be dedicated to destination marketing as conducted by a single DMO. We have referred to this share as “DMO funding (public sources)”, with the other 1/3 referred to as “funding for related uses”. Alternatively, rather than 2/3 of funding being dedicated to a DMO, the share could be set higher. A DMO funding share lower than 2/3 would risk undermining the support of the lodging and attraction businesses by weakening the link between the taxes collected and the level of destination marketing being funded.

Funding for related uses could be allocated in a manner similar to the existing Colorado Springs LART under the guidance of a committee, and/or a portion could be allocated to a specific use. For example:

- maintenance of open space, such as parks and trails;
- regional art and culture initiatives; or,
- programs to attract additional airlift (such as revenue guarantees).

Such programs are related to the visitor economy, as they would help improve the attractiveness of Colorado Springs/Pikes Peak as a destination for visitors, but they also benefit local residents.

Specific funds could be dedicated to attract additional airlift, such as through risk mitigation programs that guarantee revenue on certain additional flights. However, it may be preferable for such airlift programs to be directly funded by the DMO. Such an approach would give the DMO the flexibility to set funding levels based on specific opportunities and prospective returns on investment relative to other forms of destination marketing, rather than committing a specific level of ongoing funding.

Overall, determination of an appropriate share for DMO funding and a method for allocating funding for related uses is heavily dependent on garnering industry support and local voter approval.

To garner industry support, we recommend the full amount of funds raised in either Alternative 1 or 2 be dedicated to fund a DMO and uses that are related to the visitor economy (e.g. uses that benefit both visitors and residents, such as tourism development programs, open space, arts/culture, or attracting airlift). Additionally, we recommend that at least 2/3 of funds raised be specifically dedicated to DMO funding.

Preliminary analysis of potential funding: Hypothetical tax rates

For discussion purposes, we have prepared preliminary estimates of the potential funding and associated tax rates in the two funding alternatives.

In each case, it is assumed that 2/3 (66.7%) of tax revenue would be dedicated to a single, regional DMO.

We have considered 3.0% and 4.0% tax rates as examples of tax rates that raise competitive levels of destination marketing funding in the alternatives analyzed.

While it may be necessary to have several separate taxes (as discussed on page 49), this analysis looks at potential revenues in aggregate. In other words, the potential funds that could be raised in Alternative 2 for example, assuming several taxes were set up that were equivalent to 3.0% or 4.0% of lodging, car rental and attractions revenue.

Hypothetical tax rates for preliminary analysis

Description	Current: LART on lodging and car rentals in CO Springs	Alternative 1: Expand LART: Increase existing Colorado Springs LART, and expand to include attractions		Alternative 2: Create LMD: Establish a local marketing district plus local taxes on rental cars and attractions	
Lodging					
Tax rate	2.00%	3.00%	4.00%	3.00%	4.00%
Share to destination promotion	66.7%	66.7%	66.7%	66.7%	66.7%
Share of tax rate to DMO	1.33%	2.00%	2.67%	2.00%	2.67%
Car rental					
Tax rate	1.00%	3.00%	4.00%	3.00%	4.00%
Share to destination promotion	66.7%	66.7%	66.7%	66.7%	66.7%
Share of tax rate to DMO	0.67%	2.00%	2.67%	2.00%	2.67%
Attractions					
Tax rate	0.00%	3.00%	4.00%	3.00%	4.00%
Share to destination promotion	NA	66.7%	66.7%	66.7%	66.7%
Share of tax rate to DMO	NA	2.00%	2.67%	2.00%	2.67%

Note: NA indicates not applicable.
Source: Tourism Economics

Preliminary analysis of potential funding: Tax base

We summarized the estimated tax base in the three-county region for the purpose of estimating potential funding.

The majority of revenues in each sector are generated by establishments within Colorado Springs.

These estimates are based on several sources of information:

- LART and Fremont County lodging tax receipts;
- information on hotel inventory in each geographic area;
- estimated admissions revenue at major attractions.

In the case of lodging and car rentals, estimates reflect recent levels of activity. For attractions, estimates reflect approximately current activity plus assumed stabilized revenue at the US Olympic Museum under development as part of the City for Champions initiative. Campground and B&B revenues are not included outside Colorado Springs.

Potential tax base

Geographic area	Lodging base Annual room revenue (TTM)	Car rental base Annual car rental revenue (TTM)	Attraction base Admissions revenue
Colorado Springs	$193,174,400	$42,452,700	$19,600,000
El Paso County, excluding Colorado Springs	8,154,717	(minimal)	7,100,000
El Paso County	**$201,329,117**	**$42,452,700**	**$26,700,000**
Canon City	$5,607,008	(minimal)	3,500,000
Fremont County, excluding Canon City	593,442	(minimal)	(minimal)
Fremont County	**$6,200,450**	(minimal)	**$3,500,000**
Teller County	**26,229,146**	(minimal)	(minimal)
Total three-county region	**$233,758,713**	**$42,452,700**	**$30,200,000**
Sub-total: outside Colorado Springs	*$40,584,313*	(minimal)	*$10,600,000*

Note: TTM indicates trailing twelve-month period.

Sources: STR; Fremont County; City of Colorado Springs; Colorado Springs CVB; Tourism Economics

Preliminary analysis of potential funding: Estimated funding

Potential DMO funding corresponding to our set of assumptions ranges from approximately $5.1 million to $8.2 million across the two alternatives.

In Alternative 1, under a 4.0% tax rate, it is estimated that $10.2 million of total funding would be generated, of which $6.8 million would be dedicated to DMO funding (public sources). The remaining $3.4 million would be funding for related uses.

In Alternative 2, under a 4.0% tax rate, an estimated $8.2 million would be generated. However, this assumes a 4.0% tax is applied to all major attractions and lodging facilities in the three-county region. To extent that fewer areas participate, revenues would be lower.

Preliminary analysis of potential funding

Description	Current LART on lodging and car rentals in CO Springs	Alternative 1: Expand LART Increase existing Colorado Springs LART, and expand to include attractions		Alternative 2: Create LMD Establish a local marketing district plus local taxes on rental cars and attractions	
	1.0%/2.0% rates	3.0% rate	4.0% rate	3.0% rate	4.0% rate
Funding (rounded)					
DMO funding (public sources)	**$2,859,000**	**$5,105,000**	**$6,806,000**	**$6,128,000**	**$8,171,000**
Funding for related uses*	1,4294,000	2,5524,000	3,4034,000	3,0644,000	4,0854,000
Total funding	$4,288,000	$7,657,000	$10,209,000	$9,192,000	$12,256,000
DMO share	66.7%	66.7%	66.7%	66.7%	66.7%

Source: Tourism Economics

* The line titled “funding for related uses” represents a 1/3 share available for uses that are related to the visitor economy. Examples of such uses are discussed further on page 51.

Potential impacts of tax rate increases

We anticipate the positive impacts of increased destination promotion will more than offset any negative effects of higher local tax rates.

Increased tax rates on lodging and car rentals represent a cost to visitors, and have the potential to affect traveler behavior. Several observations are important to consider.

Lodging

- At the level of an individual traveler, or traveling household, the dollar amount of the tax increase is minor. For example, on a two-night stay at a $100 room rate, a 2.0 percentage point increase as would occur with an increase in the LART rate from 2.0% to 4.0%, would represent a $4 increase in the cost to the traveler.
- Many business travelers, and a portion of leisure travelers, place a high value on staying proximate to their intended destination, and few are anticipated to shift the location of their stay, or reduce the length of their stay, as a result of a minor tax rate increase.
- As outlined on the following page, the total tax on lodging in Colorado Springs (9.63%) is:
  - lower than other Colorado markets (average of 11.46%); and
  - the second lowest among the 20 benchmark destinations that we analyzed (average of 12.6%).
- Group travel is somewhat different, as meeting planners for many group events and meetings are considering hotels in multiple potential destinations. In these situations, planners are comparing the bottom-line cost of the event, including lodging taxes, across competitive hotels in markets with different tax structures. In these bidding situations, hotels in Colorado Springs would be anticipated to absorb much of the cost of an increased lodging tax. However, increased destination promotion spending funded by the tax is anticipated to have offsetting positive effects, such as more group lead opportunities.

Car rental

- As shown on an accompanying page in this section, the total taxes and fees on a rental car at Colorado Springs Airport are 1.9 percentage points below Colorado comparables, and 5.4 percentage points below regional comparables.

Attractions

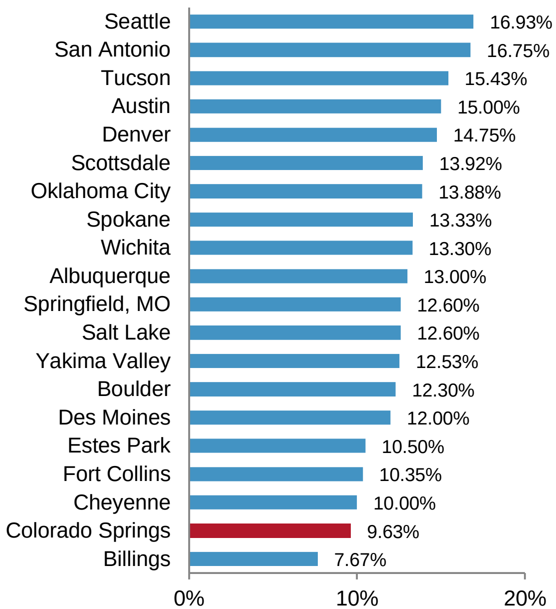
- Attractions in the Colorado Springs/Pikes Peak region are competing to attract locals and visitors who may otherwise visit an attraction in another area, or may choose to allocate their leisure budget to another activity altogether (e.g. restaurant meal, or recreational equipment rental). A 4.0% tax on a $20 admission, is equivalent to an additional $0.80. For visitors to the Colorado Springs/Pikes Peak region this represents a minor additional cost, and is not anticipated to result in substantial shifts to other types of leisure spending, or shifts to spending outside the region.
- As points of comparison, movie theater admissions in Colorado Springs are subject to a 2.0% tax and riding stables are subject to a 5.0% tax; Boulder has a 5.0% tax on admissions to public places or events; Denver has a 10.0% tax on admissions to city-owned facilities, and Vail has a 4.0% tax on lift tickets.

Overall, we do not anticipate a negative impact to hotels, rental car operations, and attractions in the Colorado Springs/Pikes Peak region as a result of a tax increase in which a majority of the funds are being used to fund destination promotion**. Indeed, with increased destination promotion spending, we anticipate businesses in these categories will experience net positive impacts of a such a tax increase.**

Lodging tax benchmarks

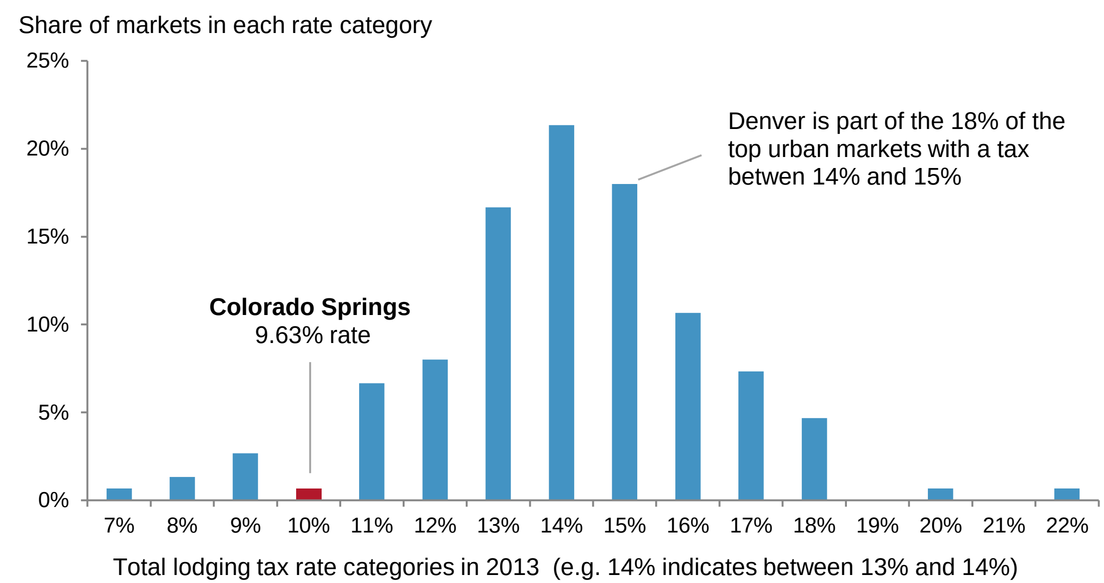
Colorado Springs has a lower tax rate on accommodations than more than 94% of national urban markets as researched by HVS.

Lodging taxes and assessments



Note: Total amount of tax on lodging. Includes dollar per room assessments by assuming average room rate of $150.
Source: DMAI; Tourism Economics

Lodging tax rates in top 150 US urban markets



Source: HVS

Lodging tax benchmarks (cont.)

Colorado Springs' lodging tax is currently 1.84 percentage points lower other Colorado destinations.

Regional lodging tax benchmarks

Destination	Corresponding county	State	County	City	Lodging	Transportation	Other	Total
Aspen	Pitkin	2.90%	3.10%	2.40%	2.00%	0.90%	0.00%	**11.30%**
Aurora (Adams County)	Adams	2.90%	0.75%	3.75%	4.25%	1.00%	0.10%	**12.75%**
Aurora (Arapahoe County)	Arapahoe	2.90%	0.25%	3.75%	4.25%	1.00%	0.10%	**12.25%**
Boulder	Boulder	2.90%	0.80%	3.56%	3.94%	1.00%	0.10%	**12.30%**
Breckenridge	Summit	2.90%	2.00%	2.50%	3.40%	0.75%	0.125%	**11.68%**
Estes Park	Larimer	2.90%	0.65%	5.00%	2.00%	0.00%	0.00%	**10.55%**
Fort Collins	Larimer	2.90%	0.65%	3.85%	3.00%	0.00%	0.00%	**10.40%**
Grand Junction	Mesa	2.90%	2.00%	2.75%	3.00%	0.00%	0.00%	**10.65%**
Pueblo	Pueblo	2.90%	1.00%	3.50%	4.30%	0.00%	0.00%	**11.70%**
Snowmass Village	Pitkin	2.90%	3.10%	3.50%	2.40%	0.90%	0.00%	**12.80%**
Vail	Eagle	2.90%	1.00%	4.00%	1.40%	0.50%	0.00%	**9.80%**
Average (excluding Denver)		**2.90%**	**1.39%**	**3.51%**	**3.09%**	**0.55%**	**0.04%**	**11.47%**
Denver	Denver (consolidated)	2.90%	0.00%	3.62%	7.13%	1.00%	0.10%	**14.75%**
Colorado Springs	**El Paso**	**2.90%**	**1.23%**	**2.50%**	**2.00%**	**1.00%**	**0.00%**	**9.63%**
Difference from average (percentage points)		*0.00%*	*-0.16%*	*-1.01%*	*-1.09%*	*0.45%*	*-0.04%*	***-1.84%***
Cripple Creek	**Teller**	2.90%	1.00%	2.30%	0.00%	0.00%	0.00%	**6.20%**
Canon City	**Fremont**	2.90%	2.50%	2.00%	2.00%	0.00%	0.00%	**9.40%**

Notes:

The transportation tax column includes Regional Transportation District tax, Rural Transportation Authority tax, and Mass Transit System tax for applicable areas. Where applicable, the Mass Transit System tax has been deducted from the county tax (Aspen, Breckenridge, Snowmass Village, and Vail).

The other tax typically consists of a 0.1% tax for Scientific and Cultural Facilities, though in the case of Breckenridge, the other tax is 0.125% Summit County Housing Authority.

For Aurora, Boulder and Denver, the sales tax portion of the lodging tax is show in the City column. For example, Denver has a 10.75% lodgers tax, and a 3.62% sales tax, and for the purpose of this table, this is shown as 3.62% sales tax and 7.13% lodging tax (10.75% - 3.62.% = 7.13%).

The lodging tax column shows the Local Marketing District Tax for Estes Park and Vail, as this tax applies to rooms and accommodations.

The southeastern portion of the City of Aurora extends into Douglas County, however this table only addresses Adams and Arapahoe counties.

Source: State of Colorado; local jurisdictions; Tourism Economics

Rental car tax benchmarks

Car rental taxes and fees quoted at the COS are 1.9 percentage points lower than other Colorado destinations, and 5.4 percentage points below other regional comparables.

Assuming a one-day rental car rate of $65, taxes and fees represent an added cost of 30.3% at the airport in Colorado Springs, compared to 32.1% at other selected Colorado airports on average, and 35.7% at other airports in the region.

These taxes and fees include “fees” charged by certain rental car companies that may represent a revenue source for the rental car company rather than a tax, concession fee, or other assessment collected on behalf of another organization.

Average rental car taxes and fees at airport locations

Based on rental car company websites quoting a daily rental cost close to $65

	Daily rate	Taxes and fees	Total cost	Taxes and fees as a ratio to daily rate
Selected Colorado airports				
Denver	$66.27	$22.67	$88.93	34.2%
Aspen Sardy Field	63.63	22.34	85.97	35.1%
Durango Laplata	66.08	17.71	83.79	26.8%
Eagle Regional	60.49	20.52	81.01	33.9%
Grand Junction Regional	71.81	22.21	94.02	30.9%
Average	**$65.66**	**$21.09**	**$86.74**	**32.1%**
Selected comparable city airports				
Wichita	$64.78	$20.26	$85.04	31.3%
Oklahoma City	69.87	24.74	94.60	35.4%
Salt Lake City	62.53	25.60	88.13	40.9%
Albuquerque	66.79	23.60	90.39	35.3%
Average	**$65.99**	**$23.55**	**$89.54**	**35.7%**
Colorado Springs	**$65.90**	**$19.94**	**$85.84**	**30.3%**
Difference from Colorado average (percentage points)	*0.24*	*(1.15)*	*(0.91)*	***-1.9%***
Difference from selected city average (percentage points)	*(0.09)*	*(3.61)*	*(3.70)*	***-5.4%***

Notes: Analysis is based on the average daily rate and taxes and fees quoted for early 2015 rentals at airport locations by three rental car company websites in each destination (selected from Hertz, Budget, Enterprise, and National, depending on destination).

Sources: Rental car company websites, Tourism Economics

Funding analysis summary

Our analysis of recommended DMO funding from public sources, and potential options to raise such funds, is summarized in the following table.

In Section 3, we proposed three scenarios of DMO funding for consideration. The DMO funding from public sources in these scenarios ranged from $4.9 million to $7.2 million.

In this section, Section 4, we have prepared a preliminary analysis of public funding options. The two alternatives show the potential to raise between $5.1 million and $8.2 million of DMO funding from public sources.

Generating funding close to that outlined as Scenario C is an attainable goal for the region to pursue. Alternative 1 (an expansion of LART to attractions), and an increase of the LART rate to 4.0%, would raise approximately $6.8 million, which is close to the $7.2 million envisioned in Scenario C.

Achieving the full $8.2 million of funding in Alternative 2 (4.0% tax rate) is optimistic, as it assumes full coverage of the three-county region. However, we recommend continuing to explore such a regional solution. Even if the LMD only consisted of Colorado Springs and certain additional zones, if it included funds generated through a tax on attractions, it would have the potential to:

- increase funding beyond the $6.8 million estimated to be raised in a Colorado Springs solution, which would be expected to yield greater benefits for the region in terms of increased visitor spending and related job growth; and,
- provide a foundation for a strong regional voice for destination marketing, supporting greater potential returns on destination marketing funds through greater scale, and tighter coordination of messaging and strategy.

In summary: We recommend the Colorado Springs/Pikes Peak region aim to generate approximately $7.2 million of DMO funding through public sources. To generate these funds we recommend considering raising the Colorado Springs LART to 4.0% and extending it include attractions. But we also recommend continuing to explore a regional solution, such as the establishment of a local marketing district that includes key zones of the three-county region and which is part of a structure that implements at 4.0% tax on lodging, car rentals and attractions.

Recommended level of DMO funding from public sourc

DMO funding (public sources), in millions

Colorado Springs CVB current funding (2013)	Recommended Colorado Springs destination marketing funding		
	Scenario A	**Scenario B**	**Scenario C**
$2.7	**$4.9**	**$6.1**	**$7.2**

Preliminary analysis of public fund options

DMO funding (public sources), in millions

Current	**Alternative 1: Expand LART**		**Alternative 2: Create LMD**	
LART on lodging and car rentals in CO Springs (TTM)	Increase existing Colorado Springs LART, and expand to include attractions		Establish a local marketing district plus local taxes on rental cars and attractions	
1.0%/2.0% rates	3.0% rate	4.0% rate	3.0% rate	4.0% rate
$2.9	**$5.1**	**$6.8**	**$6.1**	**$8.2**

Source: Tourism Economics

5. Quantify potential benefits

Quantify potential benefits

We have estimated the increase to visitor spending and tourism jobs that could result from increased destination marketing.

Recognizing that the Colorado Springs/Pikes Region has characteristics and assets that are favorable to growth as a destination, but that destination marketing has been funded at levels below comparable markets, we believe there is substantial potential for increased destination marketing to drive incremental growth in visitor spending, jobs and tax revenues.

To quantify the potential gains, we have used estimated levels of return on investment to approximate the potential additional visitor spending that could be driven by increased destination marketing. This analysis also considers the expected opening of visitor attractions and amenities in the Colorado Springs/Pikes Peak Region as outlined in Section 3. Such openings help create a situation in which additional destination marketing can be particularly effective. For example, offering opportunities to emphasize the destination as a vibrant destination, and adding additional capacity for visitor activity.

The following analysis proceeds in three steps:

- providing examples of destination marketing ROI measured in other markets and a calculation of group sales ROI associated with activity by the Colorado Springs CVB;
- estimating additional visitor spending; and,
- estimating additional tourism jobs.

Assessments of marketing effectiveness in other markets

Various US DMOs conduct periodic assessments of marketing effectiveness. There are several goals of these studies, including understanding how specific marketing campaigns are perceived by households, how effective the campaigns are in having an impact on households' intent to travel to a given destination, and which target markets are showing differing level of responsiveness to marketing. Many of these studies also include a specific analysis of the ROI of marketing spending in the form of a quantitative assessment of the level of incremental visitor spending and tax revenues that are attributable to destination marketing.

These studies use a variety of methods, and are measuring the impact of a range of different campaigns across different situations. For example, a specific study may look at incremental visitors attracted by a state-level marketing campaign conducted by a state that attracts travelers from a range of national markets, while another study may focus on the results of a more targeted regional campaign carried out by a city-level CVB. While the results of a specific study pertain most directly to the situation that was analyzed, and the corresponding assumptions, it is appropriate to consider broader inferences from the research.

We recently analyzed studies that included an estimate of the incremental visitor spending attributable to marketing spending. For example, in a fairly typical approach, a study would:

- use a survey to analyze the effect of a specific advertising campaign on households' travel to a given destination, such as by analyzing the impact on actual travel among those that had observed the advertising or by analyzing the impact on households' intentions to travel;
- project that effect to the broader set of households in the marketing area to estimate the number of incremental visits attributable to the campaign;
- apply typical levels of spending per visitor to estimate incremental visitor spending; and,
- compare incremental visitor spending to the level of marketing spending to estimate the ROI.

We summarized the estimates of incremental visitor spending per dollar of marketing spend from these studies in the table on the following page.

Destination marketing ROI

Estimates of incremental visitor spending per dollar of marketing spend from the set of studies we analyzed is summarized in the adjacent table, supporting the following observations.

- The results range from as low as $12 for an analysis conducted for Syracuse, NY to as high as $200 for an analysis conducted for Colorado.
- However, for the most part, visitor spending per dollar of marketing spend ranges between $50 and $100, with an average for state studies of $116 and an average of metro and regional studies of $54.
- Overall, we observe that recent marketing campaigns by destination marketing organizations at the metro and regional level in the US have generated approximately $54 of incremental visitor spending for each dollar of destination marketing spending.

In addition, we considered the returns achieved by the Colorado Springs CVB through group sales activities, as follows.

- The local direct impacts of group events the Colorado Springs CVB assisted to secure reached an estimated $76.5 million in 2013, based on the Tourism Economics/DMAI Event Impact Calculator as applied by the Colorado Springs CVB.
- The portion of the Colorado Springs CVB budget that corresponds to convention sales, domestic tour sales and sports sales totaled $1.2 million in 2013.
- This indicates an ROI of $64.37 of visitor spending per dollar of DMO expenses.

Marketing ROI Matrix

Region	Timing	Visitor Spending Per Ad Dollar
States		
Colorado	2012	$200
Florida	2011	177
Maryland	2012	160
Wyoming	2013	134
Missouri	2013	131
North Dakota	2010	91
Virginia	2006	71
Michigan	2009/10	54
New Mexico	2012	29
Metros and regions		
Philadelphia, PA	2009/10	$100
Branson, MO	2012	79
Kansas City, MO	2013	65
Springfield, MO	2011	61
Finger Lakes Wine Country, NY	2012	44
San Diego, CA	2013	19
Syracuse, NY	2008	12
Average of all studies		$89
Median of all studies		$75
Average of states		$116
Average of metros and regions		**$54**

Sources: Local studies compiled by Tourism Economics

Potential increase in visitor spending

With incremental funding consistent with Scenario B, we estimate the three-county region would attract $191.6 million of additional visitor spending.

For Scenario A, we estimated that $5.8 million of DMO funding would support $2.2 million of additional marketing and sales spending after administrative costs.

Using an assumed visitor spending ROI of $60, we estimated additional visitor spending of $132.2 million. This would represent a 9.9% increase relative to 2013 visitor spending in the three-county region.

For Scenarios B and C, we applied progressively lower ROI assumptions on the incremental marketing and sales spending ($55 and $50) to reflect the lower marginal returns of additional marketing.

ROI Analysis

	Colorado Springs CVB current funding (2013)	**Recommended Colorado Springs destination marketing funding**		
		Scenario A	Scenario B	Scenario C
DMO funding (in millions)	$3.4	$5.8	$7.0	$8.2
Increase relative to current level (in millions)		$2.4	$3.6	$4.8
Increase after deduction for administrative costs		90%	90%	90%
Incremental marketing and sales spending		$2.2	$3.3	$4.4
ROI in terms of visitor spending per marketing dollar				
Estimated ROI on incremental spend		$60	$55	$50
Implied ROI relative to current funding		$60	$58	$56
Estimated annual incremental visitor spending (in millions)		**$132.2**	**$191.6**	**$245.6**
Implied increase in three-county region		*9.9%*	*14.4%*	*18.5%*

Sources: Dean Runyan Associates (current visitor spending by county); Colorado Springs CVB; Tourism Economics

Potential increase in tourism employment

We estimate that additional visitor spending in Scenario B could generate over 2,100 new tourism sector jobs. This would support increased employment in other sectors as well.

To help quantify the potential impacts, we analyzed the potential level of tourism sector jobs associated with increased visitor spending.

As shown in the adjacent table, using Scenario B as an example, $191.6 million of additional visitor spending would represent an increase of 14.4% relative to total visitor spending in the three-county region as estimated by Dean Runyan Associates for 2013.

Assuming a similar incremental employment increase supports an estimate of over 2,100 additional tourism sector jobs. Additionally, through multiplier effects, other jobs in the regional economy would also be supported.

Even just on the basis of city sales tax revenues, the direct impact of $191.6 million of visitor spending would be expected to be substantial. Assuming approximately 75% of the visitor spending occurs in Colorado Springs and is subject to the City's sales tax, would imply $2.9 million of additional annual revenue for the City's General Fund (2.0% general fund share). Adding indirect effects would further increase the positive impact to City revenues.

Potential impact of increased tourism activity

		Potential increase in visitor spending and local employment		
Tourism activity	**Current level**	Scenario A	Scenario B	Scenario C
Current visitor spending by county (2013, in millions)				
El Paso	$1,131.8			
Fremont	58.8			
Teller	138.2			
Three-county total	$1,329	$132.2	$191.6	$245.6
Implied increase in three-county region		*9.9%*	*14.4%*	*18.5%*
Current tourism employment by county (2013)				
El Paso	12,450			
Fremont	800			
Teller	1,530			
Three-county total	14,780	**1,470**	**2,131**	**2,731**
Implied increase in three-county region		*9.9%*	*14.4%*	*18.5%*

Sources: Dean Runyan Associates (current visitor spending by county); Colorado Springs CVB; Tourism Economics

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, its draws on its own staff of 30 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

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