The Town of Hilton Head Island
Accommodations Tax Advisory Committee
Regular Meeting

Tuesday, July 10, 2012
9:00 a.m. – Benjamin M. Racusin Council Chambers

AGENDA

As a Courtesy to Others Please Turn Off All Cell Phones and Pagers during the Meeting

1. **Call to Order**

2. **Freedom of Information Act Compliance**
   Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. **Swearing in of Reappointed and New Members**
   - **a.** Bret Martin – *Mayor Drew Laughlin*
   - **b.** Mike Alsko – *Mayor Drew Laughlin*
   - **c.** Stewart Brown – *Mayor Drew Laughlin*

4. **Crystal Award Presentation**
   - **a.** Willis O. Shay – *Mayor Drew Laughlin*
   - **b.** John Diamond – *Mayor Drew Laughlin*

5. **Reception**
   - **a.** A reception will be held in Council Chambers in appreciation to all Committee Members for a great year of service, to Mr. Willis O. Shay for his seven years of service, to Mr. John Diamond for his six years of service, to welcome Mr. Mike Alsko and Mr. Stewart Brown and to congratulate Mr. Bret Martin on his reappointment.

6. **Special Orders**
   - **a.** Election of Chairman and Vice Chairman

7. **Approval of Minutes**
   - **a.** Regular Accommodations Tax Advisory Committee Meeting of April 17, 2012.

8. **Chairman's Report**

9. **Unfinished Business**

10. **New Business**

    a. Review 2012 – Accommodations Tax Advisory Committee Schedule

11. **Adjournment**

Please note that a quorum of Town Council may result if four (4) or more of Town Council members attend this meeting.

TOWN OF HILTON HEAD ISLAND
ACCOMMODATIONS TAX ADVISORY COMMITTEE

Date:	April 17, 2012	**Time:**	9:00 a.m.
Members Present:	Bret Martin, *Chairman*; Willis O. Shay, *Vice-Chairman;* John Diamond, John Munro, Frank Soule, Robert Stenhammer, Trish Heichel		
Members Absent:	None		
Staff Present:	Susan Simmons, *Director of Finance*; Brian Hulbert, *Staff Attorney;* Bruce Seeley, *Inspections, Collections and Audit Manager*; Lori Schmidt, *Billing and Cash Receipting Manager*; Debra Cyrilla, *Human Resources Assistant;* Erica Madhere, *Finance Assistant*		
Council Present:	Bill Ferguson, Kim Likins		
Others Present:	Leta Salazar, Susan Thomas, Charlie Clark, Kelly Smith, Jack Reed, Cathy Havens, Connie Killmar, Ray Deal, Brenda Ciapanna, Jean Beck, Andy Twisdale, Bill Miles, Joe Croley - Representatives from the Hilton Head Island-Bluffton Chamber of Commerce/VCB; Steve Birdwell, The Sea Pines Resort and Hilton Head Island Marketing Council; Tom Ridgeway, Hilton Head Rentals & Golf, and Hilton Head Island Marketing Council; Cary Corbitt, The Sea Pines Resort and Hilton Head Island Marketing Council; David Tigges, McNair Law Firm and Hilton Head Island Marketing Council; Kathi Bateson, Arts Center of Coastal Carolina and Hilton Head Island Marketing Council; Carolyn Vanagel, Concours d'Elegance and Hilton Head Island Marketing Council; Mark O'Neil, Hilton Head Hospital; Tom Upshaw, Palmetto Electric		
Media:	None		

DRAFT

1. Call to Order:

The meeting was called to order at 9:00 a.m.

2. FOIA Compliance:

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Approval of Minutes:

Ms. Heichel moved to approve the Minutes of December 8, 2011. Mr. Soule seconded the motion. The Motion passed unanimously. (7-0)

4. Chairman's Report:

None

5. Unfinished Business:

None

6. New Business:

a. Hearing regarding the Chamber of Commerce and Visitor & Convention Bureau's proposed budget of expenditures for 2012-2013 of the 30% allocation of State Accommodations Tax Funds for advertising of tourism.

Mr. Stenhammer disclosed a potential conflict of interest and left the dais for the duration of the hearing. The required disclosure form is attached.

Steve Birdwell, President of Sea Pines Resort, Vice-Chairman of Hilton Head Island Visitor and Convention Bureau, and Chairman of the new Hilton Head Island Marketing Council made opening comments to the Committee. The Hilton Head Island Marketing Council was formed by the Visitor and Convention Bureau earlier in 2012 to provide direct input from the local tourism and hospitality industry into the VCB's Sales and Marketing program. The Marketing Council is made up of a cross section of the local industry representatives and was involved with reviewing and establishing short and long term goals to drive Hilton Head Island tourism. The short term goals (now through the calendar year 2013) are to identify Hilton Head's top assets that target affluent travelers, and build packaging with lodging around them; develop social media strategy and allocate resources to fully optimize, and develop ROI metrics; start a campaign to communicate the story of DMO programs and successes locally; improve partnerships and create high impact co-op programs; and to improve SEO and keyword search. The long term goals (up to 10 years) include: growing funding for destination marketing; tourism product development; possible licensing of the Lighthouse as the Hilton Head brand image; airport / air service improvements including a low cost carrier, and auxiliary off-season events around the Concours. Mr. Birdwell noted that the number of visitors to Hilton Head has increased over the past 2 years; more visited the island in 2011 than visited any year before the recession, and stated that the Island is perfectly positioned to gain additional visitors, especially if the Chamber/VCB's marketing plan is followed. Mr. Birdwell answered questions from the Committee regarding the composition of the Marketing Council itself, and the short term and long term goals, specifically the goal of attracting the affluent traveler.

Susan Thomas, Vice President of the Chamber of Commerce joined Mr. Birdwell to further elaborate on the extensive research that has been conducted on the affluent traveler, which provides the basis of the marketing plan. Mr. Shay pointed out that the affluent traveler is incredibly important for a myriad of reasons, but most importantly, the people of Hilton Head Island will benefit the most from this type of traveler. Mr. Diamond suggested adding a new goal to create an objective, quantitative, competitive analysis that compares Hilton Head to alternate destinations for the affluent traveler. Mr. Martin thanked Steve Birdwell and the Marketing Council for the great work they have done in the short time since their formation.

Susan Thomas then began her presentation with a comparison of travel over the last 10 years. She showed a chart of US Travel Expenditures and GDP from 2000 to 2010, which shows a significant dip in both around September 11, 2001 through 2002, then a slow climb from 2003 through 2006, a downward trend starting in 2007, which severely dropped in 2008-2009, and finally an upswing starting again in 2010. She then showed information on local travel

expenditures, which experienced the same wave as the national expenditures. The good news is the expenditures are now increasing and there has been an increase in occupancy, ADR, RevPAR, as well as local ATAX collections. She noted that the State ATAX collections are at a much lower percentage than the local, which has a negative impact on the funding for the DMO funds, Town funds, and other partner organizations that depend on that money. Ms. Thomas then continued by saying the 'on the books' pace for the next 6 months shows a modest occupancy increase in the home and villa market as well as a slight increase in rates, as much as the current market will allow. The hotel data for the nation and the region shows an upward trend starting in 2010, continuing through 2011, and is looking even stronger for 2012.

Ms. Thomas then answered questions from the Committee regarding social media vs. print marketing, partnerships and cross marketing with nearby VCB's and destinations, ways to bring back the golf industry by hiring a golf-specific PR firm, targeting the motor-coach traveler and other smaller niche markets in addition to the affluent traveler and the ways in which the niche markets are targeted, and working with the Hilton Head and Savannah airports to lower prices in an effort to attract more travelers.

Ray Deal, Controller for the Hilton Head Island-Bluffton Chamber of Commerce / VCB, joined Susan Thomas to answer questions from the Committee regarding this year's budget vs. prior year actual revenues and expenses per category. There was some discussion as to how the revenues and expenses are allocated to the different sections of the VCB, as well as how the operating expenses are determined for the Chamber vs. VCB, to ensure that the assignment is fair to Hilton Head Island. Ray Deal explained what is and is not being charged to Hilton Head Island and stated that overall, the Chamber / VCB operates very efficiently.

The Committee took a short break at 10:30 a.m. and resumed at 10:40 a.m. Ms. Thomas continued to answer questions from the Committee. She explained its budget and marketing plan is different this year than previous years because they have aligned all of the programs with their specific expenses. They have made clear and specific goals and have detailed plans on how to support those goals. She again acknowledged the importance of the contributions from the Hilton Head Island Marketing Council. Mr. Martin asked for a compilation of data on the number of hotel and home and villa visitors per year going back to 2005, which was the previous peak year, to be able have a benchmark to compare to today's numbers. With this comparison they can try to determine what drives the type of visitor who contributes Accommodations Tax dollars, as opposed to the timeshare, second home, and day visitor who do not. Ms. Thomas mentioned the comparison will not be completely accurate since they did not include the same data segments in 2005 but she will work on getting this comparison. Mr. Martin also asked for updated data that will prorate revenue against the class of visitor (hotel, home and villa, and day visitor), as well as updated data on the average length of stay per class of visitor going back to 2005. Ms. Thomas agreed to provide these updated data charts.

The Committee members congratulated the Chamber / VCB on their comprehensive plan and appreciated the content, dashboard data and programs. They stated it was the best marketing plan they have seen from the Chamber / VCB to date.

Ms. Heichel made a motion to recommend that Town Council approve the budget as presented by the Hilton Head-Bluffton Chamber of Commerce and Visitors & Convention and Mr. Soule seconded the motion. The Motion was approved by a vote of 6-0. (Mr. Stenhammer was not at the dais and did not participate in the vote due to his recusal as noted above.)

Mr. Shay made a motion to introduce the document regarding the affluent traveler into record. This document was prepared by Mr. Shay in November of 2010 and became a part of the accumulated documents for the Mayor's Task Force on the Future of Hilton Head Island. The document is attached. Ms. Heichel seconded the motion. The Motion passed with a vote of 6-0. (Again, Mr. Stenhammer was not at the dais and did not participate in the vote due to his recusal as noted above.)

7. Adjournment:

Ms. Heichel moved to adjourn the meeting. Mr. Diamond seconded the Motion. The meeting was adjourned at 11:05 a.m.

Approved: **Respectfully submitted:**

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Bret Martin, Chairman **Erica Madhere, Secretary**

DRAFT

November 2010

THE CASE FOR ATTRACTING THE AFFLUENT TRAVELER

As chairman of the Residents subcommittee, I need to share some thoughts I have regarding the importance of the affluent traveler to our Island's economy, from the perspective of a 29-year-long resident.

We have all agreed that tourism is the Island's principal economic driver. Anywhere from 65% to 70% of the economic input is from tourism. That said, it remains to determine from whom those dollars are derived. They can come from any number of tourist types, Myrtle Beach or Palm Beach or an eclectic mix. What we don't want is just "anyone" coming here to make up the mix, for while it is all dollars to the businessman, it is not the least bit attractive to the resident who has little concern for the prosperity of the businesses on the Island. Say what you will about the many businesses which serve us well and may not be here if we didn't have substantial tourist traffic, I do not believe that that fact is enough to bring the residents on board to support a Town Council program which emphasizes the importance of tourism to the future prosperity of the Island, without recognizing what's in it for the residents.

So, what about the affluent traveler? While doing everything within reason to bringing tourist business to the Island, it is extremely important—and a major selling point to bring residents on board—that the visitors be as affluent as we can attract. Not just for their dollars but for them to experience our Island and its many unique features, and thereby be enticed to come back, buy property and ultimately come here to live.

The sales pitch we must make <u>to the residents</u> is that the best and perhaps the only way they will ever be able to get anything like fair

value for their residential property is to encourage affluent tourists to come, like their experience on the Island, and become buyers. That pitch will appeal to the resident property owners, when merely telling them the tourist industry brings $1,000,000,000 a year to the Island simply won't do it. That makes for good PR for the Chamber but decidedly not to the non-business oriented resident.

Furthermore, it is not enough merely to get the affluent traveler to come to the Island. If we want him/her to come back and become a potential property buyer, we must provide a variety of events, functions, facilities and attractions which give visitors an enjoyable intellectual and recreational experience, convincing him/her that the Island is the preferred choice for retirement living.

To that end, Council needs to foster a coordinated "entertaining" Island atmosphere, perhaps at a "community center", with a Town-supported Arts and Cultural structure to serve non-profit entities which educate/entertain the locals as well as the visitors. Once clustered, many of our volunteer-driven organizations could collectively render vital services to these two entities.

Provide the affluent traveler with a variety of pleasant experiences and he/she is more likely to return and become a property owner. That is the message the residents need to hear, understand and agree with. They will not support Council on the economic value of tourism to business alone. They need a hook which will appeal to their selfish interests. A beneficial market for the sale of their property—in most cases, a substantial part of their estate--could do that.

Respectfully submitted

Willis Shay

2012 ACCOMMODATIONS TAX ADVISORY COMMITTEE

SCHEDULE

ACCOMMODATIONS TAX ADVISORY COMMITTEE

Tuesday	April 17	9:00 a.m. Affiliated Agencies	Council Chambers
Tuesday	July 10	9:00 a.m. Swearing in of members, Election of officers	Council Chambers
Monday	August 27	8:00 a.m. Electronic Filing Available – on-line	www.hiltonheadislandsc.gov
Thursday	September 6	9:00 a.m. - 11:00 a.m. ATAX Applicant Workshop (All ATAC members are not required to attend)	Council Chambers
Friday	September 28	4:00 p.m. – Application Deadline	www.hiltonheadislandsc.gov
Thursday	October 18	9:00 a.m. – 11:00 a.m. Preliminary Review of Applications	Council Chambers
Wednesday	November 28	9:00 a.m. – 4:30 p.m. Applicant Hearings	Council Chambers
Thursday	December 6	9:00 a.m. – 4:30 p.m. Applicant Hearings	Council Chambers
Thursday	December 13	9:00 a.m. – 2:00 p.m. Review and Recommendations	Council Chambers