THE POWER OF TOURISM

Supplement to the San Diego Business Journal
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San Diego’s tourism economy is without question essential to our city and enviable quality of life. Tourism put tens of thousands of San Diegans to work and generates hundreds of millions of dollars in tax revenue that is used to pave streets, build parks, hire police officers and firefighters, and fund other public services across the city. It also provides funds to attractions like the San Diego Zoo, Balboa Park and the USS Midway Museum, which without tourism, might not exist for us locals to enjoy throughout the year.

Today, San Diego is one of the most popular tourism destinations in North America. In fact, earlier this year, San Diego was named by Money magazine as America’s best place to visit in 2016, citing our combination of outdoor attractions, cultural landmarks, great weather and affordable hotels. A similar honor was given by National Geographic Traveler magazine, which selected San Diego as one of the “Best of the World” destinations for 2016.

Of course, being a top tourist destination doesn’t come easily – it takes a lot of work. With so many competing destinations, we must continually market San Diego across the country and around the world. That’s why I support the mission of the San Diego Tourism Authority, whose sales efforts and creative marketing initiatives are producing record-breaking results.

Last year, San Diego surpassed records in every major category, including the number of visitors to our city, the amount of money they spent while here and the number of San Diegans who now work in tourism.

On behalf of our city, I want to thank all the men and women who work in our wonderful tourism industry for all they do to keep our city and tourism economy thriving.

Sincerely,

Kevin L. Faulconer
Mayor
City of San Diego
The year was 1888. San Diego entrepreneurs Elisha Babcock and H. L. Story had conjured up an idea for a new business enterprise while rabbit hunting on the sagebrush meadows of Coronado. They envisioned a world class destination that would anchor a major new San Diego trade and draw people from around the world. Their vision of an idyllic tourist destination culminated that year in the opening of a marvel of its time — the legendary Hotel del Coronado — and an industry was born. Growing side by side, along with maritime and military development, San Diego’s tourism industry established itself as a key economic driver. Today tourism helps sustain the region and has placed our city prominently on the global stage.

Business travelers and corporate meeting planners now can rely on easy access to the city by air, rail or roadway, along with every level of convention and meeting facility capable of hosting international conferences or Comi-Con confabs.

Along with our pristine beaches and beautiful weather, cultural tourism has thrown a spotlight on our traditions in art and heritage. Balboa Park shines as the “Smithsonian of the West.” Major attractions from the San Diego Zoo to SeaWorld to LEGOLAND draw a worldwide audience. Our revitalized neighborhoods entice a new type of visitor eager to explore our renowned microbrew pubs and budding culinary scene.

Most importantly, San Diego’s tourism sector has always offered economic and employment opportunities. In times of shrinking defense budgets and a slowed economy, local hotels, restaurants and attractions have supported families, returning veterans and eager college students.

We look to the future of this flourishing industry and to an even more pronounced positive impact on our local economy and our singular lifestyle.

Armon Mills
President & Publisher
Letter from the San Diego Tourism Authority

Tourism is a major economic driver and San Diego’s number one service export. The travel sector has a far larger footprint than many realize. More than transportation and lodging, travelers generate spending at restaurants, museums, attractions and retailers. Traveler’s spending is amplified through a ripple effect: as tourism employees spend their paychecks in other sectors of the regional economy and as vendors and suppliers receive contracts from travel businesses.

Travelers boost the economy, stimulate job growth and generate tax revenues. San Diegans enjoy the benefits of the tourism infrastructure and have civic pride in living in a top travel destination. We believe a strong tourism industry means a strong San Diego.

The private nonprofit San Diego Tourism Authority was incorporated in 1954 with the mission to drive visitor demand to economically benefit the San Diego region. Our board of directors is comprised of all sectors of the tourism economy and oversees a global marketing program. Through strong stewardship and award-winning programs, San Diego has risen to become one of the nation’s top travel destinations. On behalf of the staff and nearly 1,000 member businesses of the SDTA, we thank you for your support of San Diego’s tourism economy.

Ted Molter
Chairman of the Board

SDTA Executive Committee
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San Diego County Regional Airport Authority
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Jimmy Parker
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Peter Ripa
Farmers Insurance Open
Bruce Walton
Competitor Group Inc. & Terramar Retail Centers
Tony Young
RISE San Diego
Alan Ziter
NTC Foundation

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And don’t miss the sights and sounds of our 100-year spectacular! This once-in-a-lifetime free event will be at the Spreckels Organ Pavilion in Balboa Park on May 14 at 6 p.m.
Following the Money from Tourism

More than 50 years ago, San Diego’s Transient Occupancy Tax (TOT) was created to promote tourism. At only 4 percent, it was a humble beginning.

Today, the TOT has grown to 10.5 percent, generating more than $246 million in annual hotel tax revenues for local governments. The City of San Diego receives nearly $200 million from TOT. The City of Carlsbad nets close to $20 million and the City of Coronado receives close to $14 million—vital sources to their municipal budgets.

None of the City of San Diego’s TOT revenues go to the San Diego Tourism Authority. Instead, the TOT supports an extraordinary array of local organizations, city services, and programs that benefit both visitors and local residents alike.

National University economist Erik Bruvold points out that the spillover benefits of a strong tourism economy carry far-reaching ramifications. “San Diego residents benefit from tourism-tax revenues in ways that might be surprising to many residents,” he noted recently.

“Great restaurants, top-flight attractions, clean beaches, and public safety are some of the priorities of visitors when considering San Diego and other destinations. When we provide those as a lure for tourism, San Diegans benefit as well,” says Bruvold.

TOT funds finance a noteworthy portion of San Diego’s quality of life and public services. In fact, more than 175 community organizations, public programs, and capital projects are financed by City of San Diego TOT funds. In 2016 more than $31 million in TOT funds also will be spent on significant capital improvement projects such as Mission Bay and Balboa Park improvements, PETCO Park, Qualcomm Stadium, and the trolley system.

“San Diego residents benefit from tourism-tax revenues in ways that might be surprising to many residents.”

—Erik Bruvold, National University
Tourism by the Numbers

The impacts of tourism, San Diego County’s second-largest traded economy, stretch into every corner of the region. More than 34 million annual visitors generate more than $700 million in tax revenues, including transient occupancy, property, and sales taxes. More than 180,000 San Diegans work in the tourism sector with thousands more dependent on a robust tourism industry.

Here’s a look at how the fiscal impacts of tourism translate into the business of San Diego.

- **34.3 Million Visitors**
- **$16.4 billion in regional impact**
- **$705 million in total taxes generated**
- **183,000 San Diego jobs**
- **$9.9 billion spent by visitors**

9 in 10 San Diegans equate tourism with jobs.

Directly tipped $28.75 & indirectly tipped $16.66 per hour.

Facts about impact.
Tourism Drives Economic Development

There was a time when San Diego tourism officials wanted to fill the rear seats with tourists while local economic development leaders worked to fill the front seats of those inbound flights with business travelers. Today, the San Diego Tourism Authority and San Diego Regional Economic Development Corporation (EDC) believe the two are linked.

Business leader Malin Burnham and the EDC’s president and CEO Mark Cafferty both say that in some ways business decisions and tourism are unextractable. When they are recruiting a business owner, community leader, or researcher to San Diego, their job is made easier by tourism.

“San Diego has a unique quality of life that other cities competing for new business can’t offer,” says Burnham. “Through a strong tourism program prospective companies already know that San Diego is the kind of place where their families and those of their employees would want to live.”

Cafferty agrees. About five years ago San Diego’s EDC and Tourism Authority leadership realized they had similar objectives. Both were marketing in the same international markets. Both tourists and businesses had interest in San Diego as a bi-national region. Both had a vested interest in more airline service to San Diego. In fact, the San Diego County Regional Airport Authority had similar objectives. A new collaboration evolved as a result.

When they combined forces, increased air service to and from Japan and the United Kingdom resulted. Both are leveraging National Geographic Channel’s designation of San Diego as one of the smartest cities in the world. Today, Cafferty regularly updates the San Diego Tourism Authority’s board of directors and the Tourism Authority’s Joe Terzi does the same at EDC.

A key link between the two is the airport. “Strong tourism demand helped bring direct international flights from London and Tokyo, resulting in a nearly $200 million local economic impact,” notes Assembly Speaker Emeritus Toni Atkins. “In fact, air service is critical to growing San Diego’s gross regional product.”

“Today, we serve 60 destinations with nonstop service and we are accommodating all-time high passenger levels of nearly 20 million annually,” says the airport’s president and CEO, Thella Bowens.

According to Bowens, the average occupancy rates on British Airways’ flights to San Diego are higher than the airlines’ overall occupancy numbers. She notes Japan Airlines flights to San Diego generate $90 million in annual economic impact.

“Today, we serve 60 destinations with nonstop service and we are accommodating all-time high passenger levels of nearly 20 million annually.”

—Toni Atkins, Assembly Speaker Emeritus

“It’s never lost on us how much of San Diego new business is linked to tourism.”

—Mark Cafferty, San Diego Regional Economic Development Corporation

Thella Bowens
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Building the Global San Diego Brand

To compete today, San Diego has to battle not just with the Silicon Valley or New York City; it has to compete with London and Tokyo and Hong Kong,” believes San Diego business leader Malin Burnham.

“A global reputation lays the groundwork for San Diego leaders committed to creating extraordinary centers of excellence in San Diego,” he adds. Much of that begins with proactive national and international destination marketing.

San Diego’s unique attributes are leveraged around the world. “When you think of San Diego, you think of palm trees, beaches, and the warm weather. The ideal visitor destination. We have what other cities would create if they could,” says Assembly Speaker Emeritus Toni Atkins.

The San Diego Tourism Authority conducts a comprehensive national and international brand awareness campaign, largely unknown to most San Diego business leaders. Public relations managers pitch and place articles in international travel publications; organize and host international travel writers, called FAM (familiarization) visits to San Diego; and personally visit editors of influential media outlets based in New York and elsewhere.

As a result, in 2015 the Tourism Authority hosted approximately 300 national and international travel writers, bloggers, and photographers. More than 9.86 billion impressions were generated around the world about the allure of San Diego as a leisure, conference, and business destination. It would have cost approximately $30 million to purchase that level of exposure with advertising.

Another method to build a global presence is by hosting television productions. The San Diego Zoo, Old Town, Balboa Park, and SeaWorld are popular locations. Aboard the USS Midway Museum, “Good Morning Australia,” “National Geographic Europe,” Germany’s “Next Topmodel,” a China Travel Network show, and Japan’s highest-rated comedy TV show have filmed episodes on the flight deck, showcasing San Diego.

A major focus has been China’s travel market. The San Diego Tourism Authority’s PR efforts generated 9 billion exposures last year. The local impact has been obvious. In only three years, Mandarin has become the most-commonly spoken foreign language on Midway by a factor of two-to-one over Spanish.

San Diego Councilmember Todd Gloria sees a direct benefit between public relations and a strong tourism economy. “San Diego continues to be highlighted as a premier travel destination, standing out on a global scale. Fostering a healthy tourism industry requires marketing, which is why I thank partners like the Tourism Authority for keeping us competitive as a destination.”

National and international marketing takes several forms. When the airport landed Japan Airlines and British Airways nonstop service, both airlines began marketing San Diego as a destination. TripAdvisor recently ranked San Diego as the 6th most popular destination in the U.S. The Midway is the 9th

“34 million visitors a year bring… an overall better quality of life in our communities.”
— San Diego Councilmember Todd Gloria
most-popular U.S. museum of any type on TripAdvisor. National Geographic Traveler also recently ranked San Diego as a top international destination.

On a parallel course, Tourism Authority sales missions to major international tour operators, travel publications, and others generate enormous global awareness. Current priorities are Canada, Mexico, United Kingdom, China, Japan and Australia. Secondary markets include Germany, South Korea and Brazil.

Often times representatives from San Diego’s top attractions accompany Tourism Authority representatives to make San Diego's case as a one-of-a-kind destination. “We’re committed to participating in these vital sales missions,” says Mac McLaughlin, president and CEO of the USS Midway Museum. “We see the results of those efforts every day aboard Midway and along the Embarcadero.”

Gloria also sees the results every day. “San Diego’s estimated $4 million visitors a year bring in dollars that the city can spend on freshly paved sidewalks and streets, clean beaches, and an overall better quality of life in our communities.”
Tourism: A Springboard for Higher Education

Carl Winston sees it every day. The executive director of the L. Robert Payne School of Hospitality and Tourism at San Diego State University sees how the tourism industry transforms lives and families. He believes the program is an investment in both San Diego’s tourism economy and in the potential of hundreds of San Diego students.

Conceived in 1999, Robert Payne’s $1.1 million gift launched a $10 million campaign largely funded by leaders in the San Diego hospitality industry. That launched the acclaimed program that now has about 500 students enrolled. Winston was one of the program’s founders and has shepherded its development.

Over the decades, as San Diego became more nationally and then globally known as a travel destination based on its quality of life, extraordinary talent moved here and set San Diego on a different course. E.W. Scripps and Ellen Browning (health care research) were among the first. Charles Lindbergh (aviation pioneer), Reuben H. Fleet (aircraft manufacturing), Roger Ravell (UC San Diego), Irwin Jacobs (Qualcomm), the Blue brothers (General Atomics / national defense) and Den- ny Sanford (regenerative medicine) were among those who followed. Tourism and San Diego’s quality of life has always attracted talent and students to San Diego.

Tapping into hospitality-major students at SDSU is a priority. “Our program emphasizes a practical, hands-on approach. Our students take a variety of business classes and most must work at least 400 hours in the industry. They can find that work only if the local tourism industry is strong,” said Winston.

“In a way, San Diego is our ‘lab,’” he continues. “With a strong tourism economy, employers need dedicated hospitality-related majors as seasonal employees and our students gain invaluable real-world experience.”

Phil Blair, co-founder of Manpower San Diego, agrees. “It’s extraordinary that we have such a diverse visitor industry that young people can forge a meaningful career path if they take initiative without going to college. They can opt for a well-grounded college education in hospitality while working in the industry at the same time.”

Winston points out that about 80 percent of his students also study abroad, about 50 percent self-identify themselves as non-white, and many are the first in their families to attend college.

He also notes that San Diego’s stature in the tourism industry at the national level enables him to recruit top-level instructors who are unmatched elsewhere. His instructor lineup includes former presidents of Marriott and Intercontinental (Holiday Inn). And as the program’s reputation spread internationally, it has begun attracting mid-career hospitality industry professionals to continue their professional development at SDSU.

“San Diego is investing in a human resource — people — through the partnership between the hospitality school and the hospitality industry. That will drive down the cost of talent acquisition as we continue to invest in the future of tourism in San Diego,” he adds.
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— Six unique bar and restaurant concepts
Local Tourism: A Realm of Opportunity

How many careers offer extraordinary upward mobility for a teenager, perhaps with no prospects of college, working part-time and attending high school? A strong local tourism economy creates such opportunities in the hospitality and related industries.

Manpower San Diego’s co-founder, Phil Blair, believes there are myths surrounding hospitality-industry jobs. “Those jobs can be a gateway to careers for those willing to make the most of them,” says Blair. He notes that more than half of all tourism employees earn a middle class salary, even though some may have started out as bussers and servers.

Blair points out that savvy hospitality industry personnel interviewers hire entry-level employees not for the job at hand, but they hire applicants if they believe they have potential to move upward. That can include the high school student working summers just as it can include the hospitality industry major at San Diego State University. “They are looking for the ‘soft skills,’ the ability to work with people, think on their feet, and take initiative. How many career paths offer that opportunity without the absolute requirement of a college or technical degree?” asks Blair.

He adds that according to the U.S. Travel Association, a young person who starts in hospitality at minimum wage has a maximum salary potential of $81,900, significantly more than non-tourism industry workers who start at the entry level. In addition, minimum-wage restaurant employees who directly receive tips earn at least triple the state minimum wage. Those who indirectly receive tips earn double the state minimum wage on average, according to the National University System Institute for Policy Research.

“We have a lot of people who need entry-level jobs and students who need internships,” notes Blair. The tourism industry provides those opportunities and the notion that they are minimum-wage jobs is largely a myth.”

He also points out tourism generates jobs outside the restaurant industry as restaurants account for only 22 percent of visitor spending. Attractions, shopping, conferences and transportation account for 36 percent, creating job demand in those sectors.

San Diego’s hospitality industry supports more than 180,000 jobs, many of them held by employees of vendors, suppliers, and contractors who work with hotels, restaurants and attractions. For example, an independent economic impact analysis of the USS Midway Museum in 2014 demonstrated that the museum directly contributes to 350 local jobs, and that the 1.3 million museum visitors’ spending in San Diego generated 791 jobs.

More than eight in 10 of those museum visitors are tourists.

To make that point, the U.S. Travel Association quotes President Barack Obama: “Tourism is the number one service that we export…and that means jobs.”

“Tourism is the number one service that we export…and that means jobs.”
— President Barack Obama
WE’RE KAISER PERMANENTE OF SAN DIEGO, and we’re committed to helping you achieve total health. We have over 20 facilities throughout San Diego, including North County, and we’re continuing to grow – adding a new state of the art hospital and new medical offices – to provide San Diegans the best care possible, close to home. We’re also staffing those facilities with some of the brightest medical minds in their fields. In fact, you can choose from over 1100 amazing physicians across 90 specialties. Plus, we provide online tools that make it easy and convenient for you to manage your health. When it comes to helping you live well and be well, we’re going the extra mile and then some. To learn more, visit us at kp.org/sandiego.
Sun, Sand, Surf…and Stage

It’s been said that a beach is a better beach with ballet. That’s the case in San Diego.

Cultural tourism does more than simply support San Diego’s thriving arts and culture community. It enhances a quality of life that benefits local residents as well. Although the Transient Occupancy Tax (TOT) was created years ago to promote tourism, today it is distributed into almost every corner of the San Diego region.

In the City of San Diego, $12.5 million will be distributed in 2016 to various arts and culture organizations as well as community festivals. Two arts-community leaders, Alan Ziter, executive director of the NTC Foundation, and Victoria Hamilton, arts and culture advocate at the Jacobs Center for Neighborhood Innovation, agree that a vibrant arts community is both an investment in and return on tourism.

“The arts provide a sense of authenticity that visitors are looking for,” says Ziter. “The arts provide an element to our quality of life that benefits both San Diegans and those who visit us.”

Hamilton points out that TOT funds are critical to San Diego’s quality of life and diverse arts and culture community. Organizations that will receive TOT revenues this year include City Ballet, Diversionary Theatre, La Jolla Music Society, Pacific Arts Movement, San Diego Master Chorale and the San Diego Museum of Man. Events that are supported by TOT include the La Jolla Wine & Food Festival, Cabrillo Festival, Paint Loma Summer Concerts, and the San Diego Quilt Show.

Nearly 150 community arts and culture organizations and event organizers will receive TOT funds this year.

“That helps us avoid a ‘brain drain’ where local creative talent can stay in San Diego and develop their ability. They don’t have to leave for opportunities elsewhere,” says Hamilton. She notes that organizations must match TOT grants with at least three times as much in other support, and receive TOT funds only on a reimbursement basis.

Ziter points out TOT-supported arts and culture not only retains local talent, it creates an exportable product. He points out that San Diego is second only to London among cities that take locally produced plays to Broadway in New York City.

Yet the fiscal impacts of tourism on the $191 million-a-year arts and culture community are far greater locally. Arts and culture organizations employ more than 2,000 San Diegans. The total number of jobs supported by arts and culture in San Diego exceeds 6,200.

TOT funds also finance growing community outreach programs into schools. Nearly 100 local nonprofits make more than 11,000 community and school visits a year, serving more than 450,000 San Diegans.

Meanwhile the San Diego Tourism Authority recognizes the value of “cultural tourism.” Part of its marketing program focuses on the appeal of San Diego’s arts and culture community, in part because cultural tourists tend to spend more and stay longer when in San Diego. They also have more motivation to return to see new shows, exhibitions, and other offerings.

As a result the Tourism Authority’s “Nine Arts

“The arts provide a sense of authenticity.”

— Alan Ziter, NTC Foundation
Districts, One Vibrant City” initiative taps into the potential of cultural tourism in San Diego. About 12 percent of San Diego’s tourists participate in arts and culture activities. The appeal of those activities is pervasive. Nearly 60 percent of the visitors supporting the local arts traveled to San Diego from outside California and Arizona.

Many political leaders outside San Diego and across the country see the value of well-funded arts and culture programs. “Politicians don’t bring people together. Artists do,” said Richard Daley, the former mayor of Chicago. Ziter agrees. “The arts help create a diverse community. That’s still another benefit of a financially strong arts and culture community in San Diego.”

![Museum of Contemporary Art](image-url)
Tourism: Survival of the Fittest

About 20 years ago the State of Colorado eliminated its tourism marketing budget. In one year it plummeted from 1st to 17th in summer resort tourism. In three years it lost nearly one-third of its tourism market share. Tax revenues dropped by more than $150 million.

When former San Diego mayor Bob Filner halted the flow of San Diego tourism-promotion dollars two years ago by more than 80 percent, the results were nearly as disastrous. More than $200 million in regional hotel revenues was forfeited, along with more than $550 million in total visitor spending. Overall, $1.3 billion in regional impact was lost.

The lesson was clear. Despite San Diego’s renown as a tourist destination, San Diego tourism industry is locked in a never-ending battle with its competitors, most of whom are far better funded. Threats abound everywhere.

In Anaheim, a portion of room taxes are refunded to developers who build four- and five-star hotels. The city council has eliminated entertainment taxes on Disneyland properties for 30 years in return for Disney’s commitment to invest at least $1 billion in resort expansion over the next six years. Anaheim also is investing heavily in redevelopment to serve tourists. Council members are quoted as saying their tourism investment helps “secure our residents’ and the city’s financial future for the next 20 or 30 years.”

San Diego faces massive family-tourism competition. Universal Studios recently opened its $500 million Wizarding World of Harry Potter attraction. A $300 million Great Wolf Lodge hotel and water park opened this year in Garden Grove. Disneyland is developing a 14-acre Star Wars attraction. The Aquarium of the Pacific in Long Beach is planning a $53 million expansion that will feature an “immersive theater.”

“The lucrative convention business also is heavily competitive. Anaheim is adding 200,000 contiguous square feet to its convention center. Los Angeles is planning to expand its convention center complex in a single contiguous area. Meanwhile, San Francisco is investing $500 million in its convention center facilities toward the same effort.

The contiguous space will be increased by 42 percent. “If you don’t have contiguous space, then the clients don’t want to be there,” said Joe Ballesteros, vice president of public policy for the San Francisco Travel Association recently in that city’s Business Times.

Ted Molter, chairman of the San Diego Tourism Authority’s board of directors, shares that view against a backdrop of potential San Diego ballot initiatives that could threaten the expansion of the convention center.

“Any proposed increase to the transient occupancy tax that threatens the ability of the San Diego Tourism Authority to competitively market the destination or meet the needs of convention customers with a contiguous expansion of the San Diego Convention Center will harm the health of the tourism economy and impact the quality of life for all San Diegans,” he announced recently.

“Proactive tourism marketing puts San Diego on the global stage and attracts visitors, events, resorts, transportation services and other economic development that benefits the entire community.”

— Joe Terzi, San Diego Tourism Authority

Universal Studios is investing $1.6 billion in attraction development.

Disneyland is investing more than $1 billion in attraction development.
Meanwhile, Colorado learned from its mistake. In 2006, $19 million was restored to its statewide tourism promotion budget. The following year the state set an all-time record when 28 million visitors spent $9.8 billion.

“Since 1954, the mission of the nonprofit San Diego Tourism Authority has been to stimulate tourism demand that benefits the community,” says President and CEO Joe Terzi.
MOMENTS THAT inspire

Inspiring more than 160 million visitors over the last 52 years