

**WRITTEN STATEMENT OF:
Stacy Smith
General Manager
Hyatt Place National Mall**

**PERFORMANCE OVERSIGHT HEARING: DESTINATION DC
BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON
BUSINESS & ECONOMIC DEVELOPMENT
Feb. 8, 2021**

- Thank you, **Chairman McDuffie** and members of the Committee on Business and Economic Development.
- I am Stacy Smith, General Manager of the Hyatt Place National Mall.
- I'm honored to serve as chair of the board of Destination DC during such challenging times. My hotel has been a proud member organization of Destination DC since we opened in 2015.
- Over the last few years, DC had reached record travel levels, but now, everything has changed.
- Many DC residents have lost their jobs. Public data shows that of the **54,200 jobs lost** in DC from February to December, **56%** were jobs in the leisure and hospitality sector.
- Of those lost jobs, **6,100** were lost in **hotels** alone.
- I know that Destination DC will play a pivotal role in attracting travelers back to Washington, DC through its inclusive marketing approach focused on DC's diverse neighborhoods and incredible assets.

- Select service hotels like mine truly rely on them to book small meetings and group blocks.
- Because of our very small budget for social media and advertising, we benefit significantly from our presence on Destination DC's website, **washington.org**, and cooperative promotional opportunities.
- Without them, we would not have the same ability to reach consumers and the meetings audience.
- We also benefit from their messaging about the destination.
- We rely on Destination DC to reiterate health protocols and safety messages – which will ultimately help instill consumer confidence, encourage travel and get my employees back to work.
- In addition, Destination DC helps shape the industry's talent for the future through the American Experience Foundation, its charitable arm that provides opportunities for DC students to advance within the local hospitality industry, which I am passionate about.
- As our economy begins its path to recovery, we need to leverage the outstanding marketing and sales talent at Destination DC to build consumer confidence, attract visitors and get DC residents back to work, especially the **more than 30,000 employees** in hospitality-related industries.
- The team at Destination DC, through Elliott's leadership, has only gotten more creative in their outreach to customers – keeping DC top-of-mind and ensuring we're ready when travel opens back up.

- Destination DC is a 501-c-6 organization, and we are grateful that the federal government has now included them in the Paycheck Protection Program, because they were omitted at first.
- But it's not going to be enough, as they need additional funding for marketing.
- The return of tourism is not going to happen overnight – we need to focus on the future.
- If Destination DC doesn't have enough funding, it impacts the resources and talent at the organization and prolongs DC hospitality-industry unemployment.
- Now more than ever, it's important that our elected officials understand the impact of tourism on the local economy and the importance of marketing to attract visitors, which is why Destination DC exists.
- These are challenging times, but DC is a strong, resilient city and we'll make it through this crisis together.
- Thank you, Mr. Chairman, for the opportunity to testify.



Council of the District of Columbia

COUNCILMEMBER

Kenyan R. McDuffie

COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT

Fiscal Year 2020 Performance Oversight Hearing for:

Destination DC

On

Monday, Feb. 8, 2021

1350 Pennsylvania Avenue NW

Washington, D.C. 20004

Testimony Provided By:

Elliott L. Ferguson, II, President & CEO

Destination DC

- Good morning Councilmember McDuffie and members of the Committee on Business and Economic Development.
- I am Elliott Ferguson and I am the President & CEO of Destination DC, the official destination marketing organization for Washington, DC.
- I'd like to thank my board chair, Stacy Smith, for her testimony and her unwavering support throughout these times. Other members of our board are watching as well.
- I am also joined virtually by members of my executive team. *[including Robin McClain, SVP of Marketing & Communications, and John Kim, Chief Financial Officer]*
- Destination DC is a **private, nonprofit** organization, focused on economic development for the city through tourism.
- Although our FY2021 budget approved by our board is **\$17.25 million**, based on the current hotel tax collection trend, our working budget is **\$10.25 million, down 28.6% from FY2020**.
- For funding, we receive **.97%** of the **14.95%** hotel tax, which would typically make up approximately 82% of our budget, and the hotel tax is the only city tax we benefit from.
- The tax is paid by visitors who are physically checking into hotels, so the visitor impact and our performance directly ties to our budget.
- As you can imagine, due to the pandemic, our budget has been severely impacted. In FY20, we had to implement a furlough, salary reduction, and renegotiate our office lease to reduce our expenses by almost **\$3 million**.
- Some of these measures continue in FY21, as **29%** of positions remain on a hiring freeze or furloughed.
- We would also typically fund the rest of our budget through member dues, partnerships and services we provide to conventions that are in town.
- All of those revenue sources have been impacted.

- We recognize our members are hurting like us, and waived hotel dues for 3 months and other businesses for 1 full year.

Tourism Update

- We were on **10 years** of record growth before the pandemic destroyed travel.
- In 2019, we saw the best year ever for DC tourism, as we welcomed a record **24.6 million visitors**.
- Those visitors spent **\$8.2 billion**, generating **\$896 million** in District tax revenue and were responsible for **78,266 jobs** in DC. All the numbers were up.
- Now, Tourism Economics estimated that visitation fell **57%** in **2020**. We'll know for sure later this year.
- And through the course of the pandemic last year, from mid-March to December, visitor spending was down **71%**, or **\$4.9 billion**, and **DC lost \$375 million in tax revenue**.
- According to STR, the organization focused on the hotel industry, hotel revenue for that same time period was down **87%**, or **\$1.6 billion**.

Marketing & Communications

- Because of the pandemic effectively shutting down travel, and minimal hotel tax revenue, we have not advertised since last spring.
- Instead, we focused on content and public relations and supported local businesses through our **Stay Local** campaign that provided deals for residents to get away in their own backyard.
- We're now working with **Events DC** and **Greg O'Dell's** team on a recovery campaign.
- Though Events DC has been severely impacted also, and are relying on reserves, we do still anticipate receiving marketing dollars from them.
- Initial marketing efforts will most immediately focus on the **50 million people** within a **4-hour** drive of DC.

- The recovery campaign will be based on research on consumer sentiment, so building confidence with the vaccine will be important, as recent data suggests that **nearly half** of regular travelers surveyed said they would **wait to travel “until vaccines are widely available.”**
- And we also look at ROI.
- We invested time and resources to create an **ROI** study for our last advertising campaign, “Discover the Real DC.”
- The study, developed with the CFO’s office, showed that for every **\$1** DDC spent on spring and summer advertising in 2019, **\$3.03** came back to the city.
- This more than **3-to-1** return was the highest we’ve seen to date. When you invest in marketing, you have more tourism and the city benefits.
- We also know that as we recover, there will be a lot of competition for visitors.
- But, there’s a reason Condé Nast Traveler named DC #1 best destination in the world for 2021.
- We have pride in having more than **100 free things to do**; the 16 free Smithsonian museums + the National Zoo and other free attractions. They all play a huge role as people’s personal budgets have been impacted.
- We celebrate our neighborhoods and things specific to DC, like our local culture, Go-Go and jazz, dining, shopping, nightlife, sports, arts, historic attractions, waterfronts, parks, theater and more.
- Now, we don’t produce any events, but we work closely with those who do, like the **National Cherry Blossom Festival, DC Jazz Festival, Restaurant Association Metropolitan Washington** and others, to market events happening in the city.
- We benefit from protest tourism and people traveling to DC to exercise their First Amendment rights, as we saw with the Black Lives Matter movement last summer.

- We're proud of Black Lives Matter Plaza put in place by our Mayor, and will use that as an opportunity to promote DC to the national and global community.
- One of the strongest ways to communicate with potential visitors is through our website, **washington.org**.
- So, we just launched a redesign at the beginning of the year to keep it dynamic and engaging – a major accomplishment in the pandemic.
- I'm proud that if you go to washington.org, you'll find information about DC's thriving Black community, including Black-owned businesses and an intro to Go-Go music – in addition to our city's incredible Black history.
- You'll also find detailed information on things to do virtually and in-person, our neighborhoods, and so much more.
- Locals use our website to find out about things to do in the city, too. So, we've developed a new bi-weekly newsletter directed towards the local audience.
- It's called "**DC on the Go-Go**" and it delivers things to do, places to eat and things to know about the city.

International

- Now, you might be wondering about the highly coveted international market.
- Tourism Economics does not expect international visitation to the U.S. to fully recover to 2019 levels until 2025, at the earliest.
- So why focus so much on them? Because they stay longer and spend more, making up 7% of visitation but **27%** of the spend.
- Again, competition will be fierce.
- Washington, DC is only the **8th** most visited U.S. destination for overseas visitors.
- The question is usually how can we be #8? But there are amazing destinations ahead of us like New York City, Miami, Los Angeles, Orlando, San Francisco, Las Vegas and Honolulu.

- I didn't even reference Boston, Philadelphia or other top destinations.
- These are cities with larger marketing budgets and state tourism budgets – so we compete well, all things considered, but need more funds to gain market share.
- We'll continue to focus on the perception of safety in DC which has been challenged by the insurrection on Jan. 6, but then softened as the global community witnessed the peaceful transfer of power on Jan. 20 at inauguration.
- Our offices in **China**, the **UK**, **Australia** and **India** help gauge where we are.
- These offices focus on increasing group and business travel as well as PR, raising DC's profile.
- Our reps are especially important because rebounding globally is not a one-size-fits-all approach.
- As part of Capital Region USA, known as CRUSA, we work with **Maryland**, **Virginia** and **the Metropolitan Washington Airports Authority** to promote the region from a sales and media perspective with reps in China, the UK, France & Germany. CRUSA only focuses on the international market.
- We have a great relationship with **Jack Potter**, CEO of the Airports Authority and his team, including **Jerome Davis**, Executive Vice President and Chief Revenue Officer of MWAA and a member of our board.
- MWAA recognizes our ability to promote DC and has, for the last 3 years, funded some of our international efforts, especially in emerging markets where new flights are coming directly to Dulles International Airport.
- Together we work with DC and state of Virginia to communicate overseas travel requirements when entering the U.S. and hope to resume many nonstop flights when the time is right.
- We collaborate with **Brand USA** as they market the U.S. globally and speak regularly about recovery.

- I serve on many local & national boards of industry organizations, including chairing the **U.S. Travel Association**. Though my time as chair is coming to an end, but I will remain an active member as we work on advocating for our industry with the Biden administration on relief efforts and policies to encourage travel, including Visa criteria.

Convention Sales & Services

- Unfortunately, the convention industry has been severely impacted.
- Washington, DC was scheduled to have **22** major citywide conventions in **2020**.
- We lost **all but 4** last year before the pandemic hit. These lost citywides, coupled with other impactful convention center groups, totals an economic impact of nearly **\$370 million**.
- In 2021, we've lost **22** major groups, more than **317,000** total room nights and an economic impact of nearly **\$214 million**.
- And the reality is meeting planner confidence remains challenged.
- With mass gathering restrictions, new COVID-19 variants and without solid vaccine distribution, fall 2021 is still worrying convention organizers.
- Meeting planners need about 6 months to plan an in-person event, so we're talking to groups scheduled to meet late this year, as they weigh attendee confidence, airline availability and local restrictions.
- So DC can't control the outcome, but our convention services department remains in constant communication with these customers.
- However: our team is still busy selling the city, because citywide conventions are normally booked 5-10 years in advance.
- **We've been successful in confirming major future citywide business during the pandemic.** [Lions Clubs International in 2027 with over 27,000 room nights, U.S. Green Building Council in 2023 with 12,000 room nights; Delta Sigma Theta in 2025 with 24,000 room nights].

- I mentioned Events DC earlier and we work closely with their team to bring major conventions to the Walter E. Washington Convention Center.
- Not every meeting is a citywide, so throughout our membership, we work with hotels to book meetings of all sizes throughout the city, as small as 10 rooms.

Development and Collaboration

- It's our role to share with business and leisure visitors what to do when they're here, including new development and hotels.
- We work with the **Hotel Association of Washington, DC, Restaurant Association Metropolitan Washington** and **Events DC** as part of the Hospitality Alliance.
- In fact, with Mayor Bowser, last week, we announced **DC Salutes You** – a program that offers deals for military to encourage U.S. servicemen and women to return to DC for a leisure trip.
- Working closely with **Shawn Townsend** and his team, we focus on a post-pandemic strategy with the **Office of Nightlife & Culture**, as our VP of Tourism serves on that commission.
- We also are promoting virtual and appropriate in-person opportunities to celebrate the 175 anniversary of the **Smithsonian Institution and others** [100th anniversary of the Phillips Collection, 50th anniversary of the Kennedy Center]

American Experience Foundation

- You heard from Stacy about the **American Experience Foundation**, our nonprofit near and dear to our heart.
- This summer, DDC had the opportunity to expose 72 interns from DC high schools' Academies of Hospitality and Tourism to the hospitality industry in a virtual setting.
- We were very pleased to hear how successful this program was from teachers and kudos to **Chancellor Ferebee** and his staff for working with us on it.

Closing

- In closing, during my 19 years at Destination DC and 10 years as president and CEO, we've seen a lot: 9/11, sniper, anthrax, government shutdowns, pandemic.
- By 2022, Tourism Economics estimates that visitation could rise to 19 to 22 million, but that's still down 3 to 6 million from 2019 levels.
- So it's important we remain aggressive to capture our fair share of visitors.
- Now more than ever, cities around the globe are recognizing the importance of tourism in their destination, and the impact on local jobs and taxes.
- To put it in further perspective -- nearly 300,000 DC households would have to contribute an additional **\$2,920 per household** to maintain 2019 DC tax levels.
- **Our member hotels, restaurants, local businesses and attractions are counting on us to market our destination, and tourism is what's going to help DC residents get back to work.**
- We appreciate you recognizing our need for more funding to compete, especially against destinations outspending us and with access to state budgets.
- We may come back to ask for additional support because of the ROI associated with marketing our destination.
- It's our pleasure to work closely with local government and Events DC in our recovery efforts. We are grateful to work with you, the council, DMPED and Mayor Bowser as you recognize the impact of promoting DC for tourism.
- The more the city invests in tourism, the greater the return is as it pertains to creating **jobs**, increasing **tax revenue** and having a healthier, thriving **local economy**.
- I'm happy to answer any questions that you have.