

SPECIAL REPORT

Full Recovery in Overall Visitation Numbers Expected in 2023

TOURISM: Orange Tier Now Allowing Outdoor Events to Resume at Limited Capacity

■ By MARIEL CONCEPCION

With 70 miles of coastline and six beach regions, numerous tourist attractions and near perfect weather year-round, it is no surprise that tourism is a major economic driver for San Diego.

Typically, the city hosts nearly 35.1 million visitors each year, with tourists spending roughly \$11.6 million annually. Pre-COVID-19, the industry generated about \$848 million per year in state and local transient occupancy, sales and property taxes, according to the **San Diego Tourism Authority**.

It is no secret, though, that tourism has been heavily affected globally by the COVID-19 pandemic – and San Diego has been no exception. Experts predict no industry has been hit harder locally, with the city losing more than \$6 billion in visitor spending from 2019 to 2020 thanks to the coronavirus crisis.

But with the county entering the less restrictive orange tier of California's color-coded system in April, as well as the continued distribution of the vaccine, projections for significant improvement in leisure travel – followed by gains in the business transient sector – are promising.

According to San Diego Tourism Authority's updated San Diego Travel Forecast report, released May 3, visitation and traveler spending in the city is expected to start improving as early as this year. Visitation is projected to total 24.9 million, a growth of 74% year-over-year in 2021 compared to 2020, as per the data.

To help with these efforts, city organizers and community groups like the San Diego Tourism Authority, the **San Diego County Regional Airport Authority** and the **San Diego Lodging Association**, among others, are working around the clock to encourage travelers to visit and spend their travel dollars locally and to prepare America's Finest City to welcome them back.

Drive Visitor Demand

Julie Coker, president and CEO of the San Diego Tourism Authority (SDTA), said the organization's mission continues to be to drive visitor demand in order to economically benefit San Diego and the region. To do so, SDTA has implemented a two-prong approach, she said, focusing on advocacy and marketing.

"With regards to advocacy, we have been working with stakeholders both in San Diego and



Julie Coker
President/CEO
San Diego Tourism
Authority



Photo Courtesy of the San Diego Tourism Authority

Pre-COVID-19, San Diego's Balboa Park saw more than 12 million visitors each year.

throughout the state for the safe and responsible reopening of our tourism industry," she said. "After leisure travel opened last June, we then focused our advocacy efforts on the reopening of meetings, conventions and events. On the marketing front, we have been investing in campaigns that target drive markets in California and Arizona as well as campaigns that encourage mid-week vacations to help boost room rates and occupancy, which has suffered without the business travel and in the absence of meetings and conventions. With meetings guidelines in place, we also will begin a campaign for the meetings market starting in July."

To Coker's point, Gov. **Gavin Newsom** has provided a road map for how larger scale meetings and events can take place with some restrictions after June 15 and then with no restrictions after Oct. 1.

"This is huge for San Diego because meetings and conventions are critical to the overall health of our tourism economy," said Coker. "It is the secret sauce that helps keep our occupancy and room rates high throughout the year."

As a result of the marketing efforts, San Diego has consistently been one of the top performing markets in the country when it comes to occupancy rates and room rates, said Coker. In September 2020, San Diego's occupancy was second in the nation

when it came to occupancy rates, fourth for average daily rate and first when it came to the all-important metric of revenue per available room. The performance, she said, was due in large part to the SDTA's marketing efforts. Additionally, on the weekends, occupancy is averaging over 80% throughout the county on Saturday nights, Coker added.

Keep Up the Momentum

Kerri Kapich, COO of SDTA, said the organization hopes to keep up the momentum.

"We are focused on domestic travelers that live close to San Diego that can get in a car and drive here," she said. "Now that we are starting to see some restrictions lift on small meetings, we will launch a program that will talk about holding small meetings in San Diego and continue to remind everyone that safety is something we take seriously, showcased via our Safe Traveler Pledge and our Safe Destination Pledge."



Kerri Kapich
COO
San Diego Tourism
Authority

Carl Winston, director of the **L. Robert Payne School of Hospitality & Tourism** at **San Diego State University**, said while the San Diego Tourism Authority and other pertinent groups have a lot of work to do to get tourism back to pre-pandemic levels (a full recovery in overall visitation is expected in 2023, according to the updated San Diego Tourism Forecast report), the preliminary outlook is very encouraging.

"San Diego has a leg up because it is an outdoorsy location and people still feel a bit safer outdoors," he said. "The playing field has changed a bit as leisure travelers are also now considering destinations like Lake Tahoe and Colorado, so there is that different type of competitive nature to it. With convention travelers still on hold, it really is a fight for the leisure guests. While it is not enough to completely boost tourism, it is a good place to start."

Restoring Suspended Routes

Hampton Brown is vice president of revenue generation, marketing and innovation at the San Diego County Regional Airport Authority (SDCRAA), the organization that owns and operates the **San Diego International Airport (SAN)**. The independent agency is currently focusing on restoring any routes that have been suspended, which include both domestic and international routes, he said.



Hampton Brown
Vice President of
Revenue Generation,
Marketing &
Innovation
San Diego County
Regional Airport
Authority

“Our air service priority for 2021 is to gain back the service we lost due to COVID-19, specifically international service to Europe and Asia,” said Brown. “This is because we know international passengers have the greatest potential as far as economic impact. Additionally, it is important that we

have non-stop or convenient connecting service to serve our business community. With large globally-focused innovation companies in the region, San Diego needs to be connected to the world. Once we are able to restore and stabilize services to Europe and Asia, we’ll be looking to expand our nonstop routes to Europe and Asia as well as establish a nonstop route to Latin America.”

According to Brown, SAN air service typically has a total economic impact of \$12 billion per year. Of that number, international flights are responsible for \$432 million annually, he said. This is because international visitors spend 43% more and stay 30% longer than domestic visitors, Brown stated. He added that when airlines offer nonstop routes to a city, it stimulates travel in that region because it is easier to get to that destination than to those that don’t have nonstop options.

Once in that city, visitors spend money on small businesses, hotels, restaurants, attractions and, specific to most cities in California including San Diego, contribute to the transient occupancy tax. Transient Occupancy Tax, also known as TOT, is a tax of 12% of the rent charged to



Photo courtesy of the San Diego Tourism Authority

San Diego is home to the largest recreational fishing fleet on the West Coast. Hit hard from canceled conferences and conventions, the industry is beginning to rebound.

transient guests in hotels/motels, including properties rented through home sharing services like **Airbnb**.

Air Service Incentive Program

To help entice airlines to add service locally, SAN is now offering a new incentive called Air Service Incentive Program for 2021, said Brown. This includes a cost per enplanement rebate for all new routes not currently served nonstop from SAN, he said, and incentivizes carriers to add new routes to SAN.

Additionally, a new one-year program was approved in February, said Brown, for the return of COVID-19 suspended services. The program utilizes a targeted regional approach -- domestic, North America and Transoceanic -- to offer more

generous incentives for regions in line with the SDCRAA’s strategic goals, he said.

“Since the new Air Service Incentive Program has been implemented, **Japan Airlines** has returned since early March and serves the market three times per week,” said Brown. “**Alaska Airlines** has announced several new routes that will be starting this summer. Additionally, **Alle-giant Air** announced five new destinations from San Diego including Mesa, Arizona; Bozeman, Montana; Des Moines, Iowa; Kalispell, Montana; and Pasco-Tri-Cities, Washington. We hear hotel occupancy rates are steadily increasing and as tourist attractions reopen, we are hopeful more visitors will come to San Diego this summer.”

Hotels, Motels, Etc.

On her end, **Namara Mercer**, executive director of the **San Diego County Lodging Association**, said she’s been working closely with San Diego Mayor **Todd Gloria** on a Back-to-Work taskforce for the hospitality and tourism industries. The San Diego County Lodging Association is one of the advocacy groups involved in the effort.

The goal, she said, is to have hospitality and tourism jobs filled by qualified employees from either San Diego or across the border in preparation for a surge in tourism as soon as this summer.

“It is about what the city can do to help hotels and the tourism industry get business back to San Diego,” explained Mercer. “What we’ve done so far is advocate for the relief of late fees for transient occupancy tax on hotels and those types of issues that people don’t normally think about. When hotels closed due to the pandemic, they still had to pay rent to the city and they had to pay TOT. Some were obviously late on those payments and so, I am working with the city on those fronts. Thankfully, this administration has been extraordinarily supportive of the tourism industry.”

2.7 Million Visitors in 2019

Michelle Metter, partner at locally-based **Fast Forward Events**, said she’s been active in attempting to educate elected officials on a reopening plan to safely bring live outdoor events and festivals, meetings and conventions back to the local market. In 2019, the industry attracted 2.7 million visitors to San Diego and \$3.5 billion in spending, she said.

“I recently joined the board of the newly formed **San Diego Events Coalition (SDEC)** which assembled in response to the shut down and lack of understanding and contradiction in the tiered system enforced in our state,” said Metter. “Additionally, I serve as a board member for the San Diego Tourism Authority and two national boards (SISO and IAEE) which are part of a larger lobbying initiative to help educate Sacramento on the nature of events and our ability to open safely.”

As a result, the San Diego events industry is seeing an easing of restrictions, she said, adding that as part of SDEC, she worked with County Supervisor **Nathan Fletcher** on fee waivers for event professionals looking to reinvent themselves in the San Diego economy. Many producers are small business owners who are part of the contribution to the meeting and special events industry’s overall economic impact, she said.

Now that San Diego is in the orange tier, allowing outdoor events to resume at limited capacity starting April 1, Metter is excited to announce the return of the **San Diego Bay Wine & Food Festival**. The event is scheduled to run from November 11 through November 15.

“As you may know, the festival is an iconic event for the city that has happened annually (until COVID) for the last 16 years,” she said. “The festival typically draws 15,000 attendees over a week of events and accounts for more than 6,000 room nights. We know it will take some



Michelle Metter
Partner
Fast Forward Events



Namara Mercer
Executive Director
San Diego County
Lodging Association



Photo Courtesy of San Diego Tourism Authority

Pre-pandemic, San Diego hosted 35.1 million visitors each year, with tourists spending roughly \$11.6 billion annually. Above, a hiker enjoys the Cedar Creek Falls trail near Ramona.

Life Sciences Sector Will Be Key to Rebuilding Downtown

TOURISM: Bio Events to Increase Overnight and Day Visits

■ By BRAD GRAVES

Tourism and technology are not mutually exclusive.

In many ways they lean on each other, support one another.

The same can be said for tourism and the military, or tourism and ... you name the industry.

Rick Fultz sees it. He is senior vice president and chief business officer of **Biocom California**, an organization that advocates for and supports the life sciences industry. He is also an incoming board member with the **San Diego Tourism Authority**.



Rick Fultz
Senior Vice President
Chief Business Officer
Biocom California

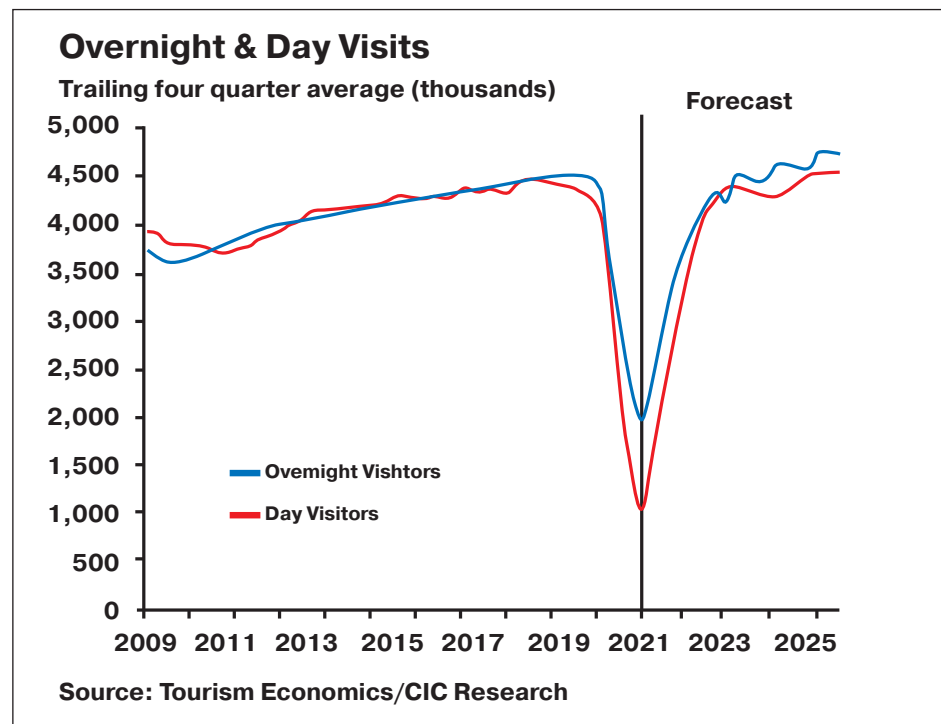
He noted that San Diego is frequently the host city for BIO, the world's largest biotechnology convention. BIO can bring 20,000 delegates to a city. That benefits downtown hotels, Gaslamp Quarter restaurants and other tourist-hosting businesses.

Building Downtown's Momentum

Plans to house biotechnology companies in a number of new buildings in downtown San Diego — including the former Horton Plaza mall and on U.S. Navy property near the waterfront — would add another dimension to such a gathering, he said. While venues such as the **San Diego Convention Center** could host large groups, private businesses could host smaller, more specialized sessions.

More life science companies downtown will generate room nights for downtown's hotels, noted **Julie Coker**, president and CEO of the Tourism Authority.

Fultz credited Coker with the work she



did to bring biotech business to Philadelphia. Coker served as head of the convention and visitors bureau in that city before taking a similar job in San Diego.

Once convention delegates have arrived, San Diego makes a powerful impression. Fultz recalled one evening at a BIO convention on the flight deck of the retired aircraft carrier USS Midway. He was among a couple thousand people, with fireworks going off. "That's pretty hard to replicate," he said.

In years past, tech companies such as **Qualcomm Inc.** have hosted local gatherings for customers (in 2005, the Fortune 500 chipmaker treated software developers to a concert with rock act **Huey Lewis and the News** in Balboa Park).

The links between other core San Diego industries and tourism are also strong. The military brings people to San Diego

on business, and to celebrate life's big events. Weekly graduations at the Marine Corps Recruit Depot bring in hundreds of family members from all over the United States. Those visitors stay at local hotels and seek out attractions such as the **San Diego Zoo** and **Sea World**. (Weekly graduations are once again open to families of new Marines.)

A Common Objective

The Tourism Authority isn't operating alone. Several well-established organizations formed to support various aspects of the San Diego economy share goals and coordinate efforts.

The Tourism Authority works seamlessly with the **San Diego Regional Economic Development Corporation** and the **San Diego Regional Chamber of Commerce** to support economic growth in San

Diego County.

The three organizations have been working together all through the pandemic, said Chamber President and CEO **Jerry Sanders**. Together with the **University of San Diego** and **Deloitte**, the three agencies have pursued a long-term economic recovery initiative called **Back in Business**.

The associations "work pretty well together," said **Mark Cafferty**, president and CEO of the **Economic Development Corporation**.

Both Cafferty and Coker spoke of how the local groups work together to convince airlines to establish direct flights to San Diego — particularly international flights. Airlines are concerned about filling the front of their aircraft with good-paying business travelers, and the rear of their aircraft with tourists. San Diego's representatives can sell both the strength of the region's economic clusters, as well as the community's desirability as a vacation destination.

Once the pandemic is over, there will be many opportunities to sell San Diego to visitors and would-be transplants, emphasizing the lifestyle that the region offers, said Coker. ■



Jerry Sanders
President and CEO
San Diego Regional
Chamber of
Commerce



Mark Cafferty
President and CEO
San Diego
Regional Economic
Development Corp.

San Diego Tourism Summary Outlook

(annual % growth, unless stated)

	2019	2020	2021	2022	2023	2024	2025
Visits	-1.9%	-59.2%	73.7%	37.8%	2.2%	2.8%	2.5%
Day	-3.3%	-67.3%	99.3%	51.3%	2.1%	2.4%	2.3%
Overnight	-0.5%	-51.3%	57.3%	26.7%	2.3%	3.2%	2.8%
Expenditure	1.3%	-55.6%	47.5%	38.3%	6.2%	5.9%	5.1%
Day	-0.2%	-69.1%	111.8%	56.1%	0.7%	2.4%	2.8%
Overnight	1.5%	-54.3%	43.1%	36.4%	6.9%	6.3%	5.3%
Hotel Sector							
Room supply	2.2%	-6.8%	7.9%	2.2%	0.4%	0.7%	0.7%
Room Demand	-0.2%	-40.9%	28.3%	25.9%	3.4%	3.3%	2.9%
Occupancy (%)	76.6	48.5	57.7	71.1	73.2	75.1	76.7
ADR (\$)	\$165.96	\$129.30	\$128.00	\$146.40	\$155.89	\$163.27	\$168.89

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time to rebuild to these levels but are feeling optimistic about our return, helping to support our restaurant and hospitality community, and spotlighting the absolute best in food, wine, beer and spirits that our county has to offer.”



Jackie Reed
CEO
T S Restaurants

Safe Environments

Jackie Reed, CEO of T S Restaurants, with two food places in San Diego – **Duke’s** in La Jolla and **Jake’s** in Del Mar – said restaurants are readying to welcome visitors back. To do so, she and other operators are creating safe environments for all guests to enjoy.

“Our goal is to welcome our guests back to T S Restaurants safely and enthusiastically,” she said. “We believe that the best thing we can do to stimulate the local economy is to continue to keep people safe within our restaurants. We have installed air filters, keep airflow at a maximum and follow recommended COVID safety protocols. San Diego County was the last of our restaurant counties to go to orange tier. We have seen an increase as a result, but we are still about 65% of pre-pandemic revenue in San Diego, which is the highest revenue level since February of 2020. If the June 15 CA reopening date designated by Governor Newsom holds, then we expect to be back to pre-pandemic revenue levels by July.”



Mark Neville
CEO
San Diego County
Credit Union Holiday
Bowl

\$977M in Economic Impact

Mark Neville is CEO of the **San Diego County Credit Union Holiday Bowl (SDCCU)**, with a mission to generate tourism, exposure and economic benefit for the region.



Pre-pandemic, the San Diego Zoo Safari Park averaged 1.5 million visitors per year.

Originally, the driver of these efforts was solely the bowl game and related events, said Neville, adding that since 1978, the game has contributed \$977 million in economic impact and more than 800,000 hotel room nights for the city of San Diego.

But a couple of years ago, the association made a conscious effort to fill more hotel rooms and generate even greater impact for San Diego tourism beyond the bowl game, he said, placing focus on attracting other sports events to San Diego. It was the SDCCU Holiday Bowl that brought the Navy-Notre Dame football game to SDCCU Stadium in 2018, which generated more than \$25 million in economic impact and filled more than 20,000 local hotel rooms. And last summer, the SDCCU Holiday Bowl successfully secured the 2022 Transplant Games of America for San Diego, said Neville.

Those plans are still in effect, he said, and expected to help the city boost tourism and measurably impact recovery efforts.

“Next summer more than 12,000 people – organ and tissue transplant

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JACKIE REED

recipients, living donors, donor families, caregivers, individuals on waiting lists, transplant professionals and many more from all 50 states and all over the world – will come to San Diego for six days of competition and events to unite, honor the families who have given the gift of life and ultimately raise awareness of organ, eye and tissue donation and

Photo courtesy of the San Diego Tourism Authority

transplantation,” he said. “At the SDCCU Holiday Bowl game this December, we anticipate that a full capacity crowd will be able to enjoy this year’s matchup between top teams from the Pac-12 and ACC and the best fan experience of any bowl game in the country. If we need to amend the crowd size later in the year, then we will, but we are very encouraged by the current COVID-19 statistical trends and



Carl Winston
Director
L. Robert Payne
School of Hospitality
& Tourism, San Diego
State University

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MARK NEVILLE

vaccination rates.”

Neville says San Diegans should expect more news from the SDCCU Holiday Bowl in coming months regarding several other initiatives it is currently pursuing to grow sports tourism in San Diego.

“Sports tourism is a massive industry and San Diego is an idyllic year-round location with many fantastic venues and locations to host sports events and activities,” he said. “We want to play a role and help make sure that San Diego gets its share of the pie. We want more visitors staying in our hotel rooms, dining in our restaurants, going to our iconic attractions, shopping in our stores and enjoying the most amazing city in the country.” ■



Photo courtesy of the San Diego Tourism Authority

With more people opting for the outdoors, San Diego beachfront icons like Belmont Park’s historic Giant Dipper roller coaster are back open with safety precautions in place.