

**Buncombe County Tourism Development Authority,
A Joint Meeting of the Public Authority and Nonprofit Corporation**

Explore Asheville Convention & Visitors Bureau – 27 College Place, Asheville

Board Meeting Minutes

Wednesday, August 30, 2017

- Present (Voting):** Jim Muth, Chair; Gary Froeba, Vice Chair; Chip Craig, John Ellis, Himanshu Karvir, John Lockett, John McKibbon
- Absent (Voting):** Paula Wilber, Leah Ashburn
- Present (Ex-Officio):** Buncombe County Commissioner Joe Belcher
Asheville City Councilwoman Julie Mayfield
- Absent (Ex-Officio):** None
- BC Finance:** Jennifer Durrett
- Advertising Agency:** Mark Mayer, David Crane, Amy Hubbell, Lauren Wegmann;
Peter Mayer Agency
- CVB Staff:** Stephanie Brown, Marla Tambellini, Pat Kappes, Dianna Pierce,
Jonna Reiff, Tina Porter, Carla McGlynn, Justine Tullos
- CVB Staff Absent:** None
- Guests:** Kit Cramer, Leeanne Briggs; Asheville Area Chamber of
Commerce
Bob McMurray, Black Mountain-Swannanoa Chamber of
Commerce
Chris Cavanaugh, Magellan Strategy Group/BCTDA Past Chair
Craig Madison, Bob Patel, Ron Storto, Herman Turk, John
Winkenwerder; BCTDA Past Chairs
Demp Bradford, Madison Davis; Asheville Buncombe Regional
Sports Commission
Jane Anderson, Asheville Independent Restaurant Association
Andrew Celwyn, Herbiary
Liz Button, Heirloom Hospitality Group/Curate
Sam Powers, City of Asheville
Lew Bleiweis, Asheville Regional Airport
Bryce Alberghini, UNC Asheville Student
Maria Pilos, Johnson Price Sprinkle, P.A.
Timothy Sadler, Closed Loop Consulting
Jason Sandford, Ashvegas
Rich Lee, Edward Jones

Executive Summary of Meeting Minutes

- Chairman Muth called the joint meeting of the BCTDA, Public Authority and Nonprofit Corporation, to order. He said this is the first meeting since the Explore Asheville CVB was established as an independent organization and moved into a new building.
- Chairman Muth welcomed the BCTDA past chairs who were present at this historic meeting and reflected on milestones that have occurred since the occupancy tax legislation was enacted in 1983.
- Minutes from the June 28, 2017 BCTDA meeting were approved with a 7-0 vote.
- The June 2017 preliminary and July 2017 financial reports were reviewed and approved with separate 7-0 votes.
- A budget ordinance, in the amount of \$1,600,000, was approved to close out budgets for TPDF projects completed and paid out in FY 2016-17 with a 7-0 vote.
- Ms. Brown reported that two penalty waiver requests recently submitted to the Buncombe County Commission for final approval were approved on August 1.
- In her President's Report, Ms. Brown shared a PowerPoint presentation highlighting recent CVB activities and metrics.
- Chris Cavanaugh and the team from Peter Mayer shared a PowerPoint presentation outlining the results of the Competitive Demand Analysis, which was recently completed to help understand lodging demand trends.
- Ms. Pierce provided a Group Sales & Service department report.
- Demp Bradford shared a PowerPoint presentation outlining an opportunity for the BCTDA to invest in bringing Haute Route, an international cycling event, to the Asheville area. With a 7-0 vote, the board approved spending \$30,000 per year for three years to bring this significant event to town.
- Brief updates from Asheville City Councilwoman Julie Mayfield and Buncombe County Commissioner Joe Belcher were heard.
- Under Miscellaneous Business, BCTDA past chairs engaged in a dialogue with the board and staff that centered on the results of the Demand Study and potential community challenges.
- Under Comments from the General Public, Timothy Sadler shared his thoughts related to illegal Airbnbs and bringing Climatecon to town.
- Chairman Muth and Ms. Brown thanked and recognized John Ellis for his service on the BCTDA board and TPDF committee, noting today is his last meeting, and wished him well in his retirement.
- The joint meeting of the BCTDA, Public Authority and Nonprofit Corporation, adjourned at 11:55 a.m.

Call of the Joint BCTDA Meeting to Order

Chairman Muth called the first joint meeting of the Buncombe County Tourism Development Authority (BCTDA), Public Authority and Nonprofit Corporation, to order at 9:06 a.m. and welcomed everyone. The visitors in attendance introduced themselves.

Chairman Muth then shared some insights on how members of the BCTDA board and Explore Asheville Convention & Visitors Bureau (EA CVB) team are embarking on a new era following the CVB's recent establishment as a new nonprofit/independent organization and relocation from the Chamber into a new building. He said this marks the BCTDA's first meeting held since the official change took place and then spent a few moments reflecting on milestones that have occurred dating back to 1983 when several

pioneers of the industry got together and worked to create a fund to market the destination, resulting in the legislative enactment of Buncombe County's occupancy tax. He thanked the past chairs who were in attendance and acknowledged others who were unable to attend this historic meeting. Chairman Muth reinforced how tourism has been an economic driver for the community and how the successful management of the occupancy tax provides a customer base for over 1,200 local tourism-related businesses including restaurants, artists, retail, attractions and accommodations, which cascades down to construction, accounting and legal services, goods and services, and all other facets of the community. Chairman Muth also spoke about the impact of the Tourism Product Development Fund, created in 2001, and how the funding of projects from that dedicated resource, including Pack Square Park, the J.B. Lewis Soccer Complex, WNC Nature Center, RiverLink, and the Asheville Museum of Science, among others, has significantly enriched the lives residents as well as visitors. He expressed his appreciation to the visionary leaders who initiated that fund and served on the review committee.

Chairman Muth also thanked area hoteliers for their efforts to address some local challenges, such as establishing a workforce development program, an anti-hunger initiative, and offering ESOL classes. He added the group of leaders in place now will continue to move forward and strive to be good stewards of occupancy tax dollars and address challenges while working with the City of Asheville, Buncombe County, the Asheville Downtown Association and other stakeholder groups to keep the Asheville area a great place to live, work and visit.

Approval of Meeting Minutes

Mr. Craig made a motion to approve the June 28, 2017 regular meeting minutes as presented. Mr. Lockett seconded the motion. There was no discussion and with all in favor, the motion carried 7-0.

(Note: The July 26 meeting of the BCTDA was canceled due to delays associated with the Explore Asheville CVB's relocation to its new building.)

The minutes are on file with the Explore Asheville Convention & Visitors Bureau.

Financial Reports

June 2017 Preliminary Financial Reports

Ms. Durrett reviewed the preliminary June financial reports. She said the numbers will significantly change when the final June reports are presented in conjunction with the audit, since FY 16-17 expenses processed in the month of July and revenue received in July for June sales are not yet included. She said the audit will be presented later in the fall.

Occupancy tax revenue received in June for May sales totaled \$1,256,037. June expenditures totaled \$4,340,724. YTD revenue exceeded expenditures by \$829,583, and includes twelve months of expenditures and eleven months of revenue. June expenditures for Tourism Administration: \$127,689; Professional Services: \$207,778; General Tourism (excludes media buys): \$175,832; Net Media: \$3,715,249; Motorcoach Sales: \$1,266; Meetings and Conventions: \$43,816; Convention Services: \$4,833; Marketing/Public Relations: \$64,753; International: \$2,920; Public Affairs: (\$4,425);

Event Grants Program: \$1,000. There is currently \$3,460,170 in undedicated dollars in the Tourism Product Development Fund (TPDF).

Revenue Summary: May operating (75%) collections equaled \$1,376,969, and TPDF (25%) collections totaled \$458,990.

Mr. Ellis made a motion to approve the preliminary June 2017 financial reports as presented. Mr. Froeba seconded the motion. There was no discussion and with all in favor, the motion carried 7-0.

The financial reports are on file with the Explore Asheville Convention & Visitors Bureau.

July 2017 Financial Reports

Ms. Durrett reviewed the July financial reports. She noted revenue received in July is for June hotel sales and is accrued back to FY 2016-17, therefore, only expenses and interest appear on the July financials. She answered questions related to the reasons behind this specific accounting practice and added that the TPDF fund is not impacted in the same manner as the operating budget when a change in the fiscal year occurs.

Occupancy tax revenue received in July for June sales totaled \$1,623,017. July expenditures totaled \$414,738. YTD expenditures exceeded revenue by \$414,542 due to occupancy tax receipts being credited back to the prior fiscal year. July expenditures for Tourism Administration: \$36,946; Professional Services/Contract: \$146,378; Staff & Facilities: \$6,731; General Tourism (excludes media buys): \$90,097; Net Media: \$25,000; Meetings and Conventions: \$65,750; Convention Services: \$0; Marketing/Public Affairs: \$27,299; Marketing/Public Relations: \$15,297; International: \$0; Public Affairs: \$1,240; Event Grants Program: \$0. There is currently \$3,827,787 in undedicated dollars in the Tourism Product Development Fund (TPDF).

Ms. Durrett said the online occupancy payment portal launched last month, through which 50-60 properties submitted reports and payments.

Mr. Luckett made a motion to approve the July 2017 financial reports as presented. Mr. Karvir seconded the motion. There was no discussion and with all in favor, the motion carried 7-0.

The financial reports are on file with the Explore Asheville Convention & Visitors Bureau.

TPDF Project Ordinance

Ms. Durrett asked the board to turn to the TPDF budget ordinance provided in the board books. Since TPDF project budgets span multiple fiscal years during planning and construction phases, it is necessary to close out the budget for completed projects at the end of each fiscal year. The ordinance being presented today totals \$1,600,000 and will close out the budgets for grants awarded to Highland Brewing Company (\$850,000), Colburn Earth Science Museum (\$400,000) and Montreat College (\$350,000).

Mr. Ellis made a motion to approve the Tourism Product Development Fund budget ordinance as presented in the amount of \$1,600,000 to close out the aforementioned TPDF project budgets. Mr. Craig seconded the motion. There was no discussion and with all in favor, the motion carried 7-0.

Chairman Muth will sign the ordinance and it will be kept on file with the Buncombe County Finance Department and Explore Asheville Convention & Visitors Bureau.

Update on Penalty Waiver Requests

Ms. Brown updated the board on action related to recent penalty waiver requests. She said that on August 1, 2017, the Buncombe County Commissioners reviewed and approved two requests sent to them by the Explore Asheville CVB staff: Days Inn Candler, in the amount of \$271.35, and the Princess Anne Hotel, in the amount of \$547.54.

President's Report

Ms. Brown reiterated Mr. Muth's acknowledgement of past BCTDA chairs and thanked those in attendance for their support. She then shared a PowerPoint presentation related to recent Explore Asheville CVB and industry activities to include the following:

- Ms. Brown reviewed the year-end June and July Visitor Indexes in detail and provided insight related to the numbers. She noted overall impact numbers such as occupancy, demand and average daily rate are measured by Smith Travel Research and only reflect hotel performance. Ms. Brown said the Peter Mayer agency and Mr. Cavanaugh will share a presentation related to hotel and Airbnb/STR demand later in the meeting.
- Ms. Brown made a recommendation to remove the Group Tour Bookings line from the Index. Ms. Pierce explained the reason for this request was that monthly call-arounds for motorcoach numbers did not garner accurate results, and staff time could be better invested in other areas. Ms. Pierce will report on sales activities later in the meeting.
- It was noted that property general managers and directors of sales are sent monthly sales lead reports, however, Mr. Froeba and Mr. Karvir said they were not currently receiving them. Ms. Pierce said she will look into and resolve this matter.
- Ms. Brown provided a chart showing preliminary numbers related to the year-end FY 2016-17 budget variance, noting of the \$15.3 million total adjusted budget, \$832,272 went unspent, and \$259,798 of that was related to expenses for the EA CVB's reorganization and relocation/upfit of the building that will need to be paid out of the current fiscal year. She said staff will be presenting a budget amendment to the board within the next couple of months once final costs are calculated. Ms. Brown said the EA CVB's FY 2016-17 program of work was completed and gave insight into other variances, and commended Ms. Tambellini and Ms. Pierce for efficiently managing their departmental budgets.
- At the July Leadership Asheville Buzz Breakfast event, Ms. Brown was on a panel with Mayor Manheimer, Darin Waters and Commissioner Al Whitesides discussing growth in the Asheville area. In August, the topic of the meeting was the public sector's response and included Elizabeth Button, John McKibbon, Jay Richardson and Steve Woody on the panel.
- The City of Asheville hosted a grand opening event at the new 14 Riverside Drive Arts & Culture Center on July 21. Mayor Manheimer recognized the BCTDA's TPDF support in her presentation and Ms. Brown shared comments related to this partnership.
- The Asheville Community Theatre recognized the BCTDA at its donor recognition ceremony on August 8 for the \$1 million TPDF award. The ceremony was held in the newly renovated theatre, which is the first of two phases of the project.

- Upcoming events for the EA CVB include a Media Preview of the new building on September 6; the BCTDA's Annual Meeting at the Country Club of The Omni Grove Park Inn on September 13; and an Open House for the industry on September 20.

Ms. Brown answered all related questions and concluded her report. Monthly Visitor Indexes and CVB Staff Recaps are posted on ExploreAshevilleCVB.com. Ms. Brown's PowerPoint presentation is on file with the Explore Asheville Convention & Visitors Bureau.

Buncombe County Competitive Demand Analysis

Mark Mayer, President of Peter Mayer, introduced the members of his team who were present at the meeting. He then began sharing a PowerPoint presentation by stating that, as the last fiscal year ended, the agency noticed that data received from Smith Travel Research (STR) showed hotel demand growth for the year appeared to be slowing, especially when compared to Asheville's competitive markets. They sought to dig into additional available data sources to better understand the reasons behind this trend and are now presenting the results of this process.

Chris Cavanaugh with Magellan Strategy Group, and Ms. Hubbell, Peter Mayer's Director of Research and Analytics, reviewed the methodology and criteria they used as they embarked upon this joint process to assess the decline in demand. Information from the two data sources, STR (hotel statistics) and AirDNA (a report of Airbnb listings, bookings, Average Daily Rate (ADR) and other statistics by listing type and market) were combined and cross-referenced to determine lodging statistics by property type. Then, the Asheville area's lodging performance was compared to that of Charleston, Greenville and Savannah.

The Competitive Demand Analysis findings showed that:

- Lodging demand growth in Buncombe County is outpacing that of key competitors.
- Airbnb is the beneficiary of that growth, and is changing the dynamics of Buncombe County tourism.
- Airlift may also be a factor in growth versus key competitors.

Ms. Hubbell said that in general, it's a "good news" story, but a little complicated. After years of extraordinary growth, Buncombe County hotel demand is still growing, but at a slower pace and mostly in the segment of Airbnbs. Several charts were shared that compared Buncombe County's growth using different metrics alongside data from the comparative destinations. Buncombe County outpaces competitors in Airbnb demand, although all four are seeing dramatic growth in that category.

As Ms. Hubbell and Mr. Cavanaugh worked through the slides reviewing data from the report, they answered all related questions. Meeting attendees engaged in an ongoing dialogue to understand the information being presented, which ultimately showed that Airbnb rentals are increasing and having a dramatic impact on hotel and B&B occupancy, and impacting ADR, as well. Mr. Mayer pointed out Buncombe County's smallest segment of lodging is absorbing most of the demand growth. Ms. Hubbell said hotel demand is flat, and Airbnb demand is up significantly. Ms. Brown provided additional insight on how the data was compiled by AirDNA and STR. She stated this information is being presented and the report is lodging-type agnostic, and there is no priority among lodging types, but the goal is to understand the trend and its potential

impact on the EA CVB's budget. Several variables were also considered that are not clear in the data, such as how many Airbnbs are new, just began reporting, or if vacation rentals are also included in Airbnb totals.

Mr. Cavanaugh then reviewed a comparison of air service for the comp set's airports, including service to various destinations by airline carrier, nonstop service to include daily, seasonal and year-round routes, available seats, and recent air service development successes.

Mr. Bleiweis shared insights on recent developments and successes at Asheville Regional Airport and how airlines select destinations to implement new air service.

Chairman Muth thanked Mr. Mayer, Ms. Hubbell and Mr. Cavanaugh for the presentation and Mr. Bleiweis for his comments. It was noted that further review of and discussion on this topic will take place. The PowerPoint presentation is on file with the Explore Asheville Convention & Visitors Bureau.

Group Sales & Service Department Report

Ms. Pierce shared a PowerPoint presentation highlighting the Group Sales and Service department's FY 2016-17 activities and metrics. She reviewed several slides comparing performance numbers over a five-year period to include sales goals, sales leads issued, and actualized room nights. She then reviewed charts that were specific to when leads for group arrivals were issued and room nights booked that actually occurred in the last fiscal year.

Next, Ms. Pierce reviewed areas of challenges and opportunities related to booking group business that included a tilt toward leisure, limited meeting space, a large influx of hotel inventory/short-term rentals, and House Bill 2, among others. She then provided insight on how the sales plan has been subsequently adjusted moving forward, and encouraged board members to also share with her their ideas and strategies.

During and after the presentation, Ms. Pierce answered all related questions.

Chairman Muth thanked Ms. Pierce for the report. The PowerPoint presentation is on file with the Explore Asheville Convention & Visitors Bureau.

Asheville Buncombe Regional Sports Commission

Demp Bradford, Executive Director of the Asheville Buncombe Regional Sports Commission, thanked the BCTDA for its ongoing support over the past six years, and for allowing the organization to be collocated in the EA CVB's new office space, noting he is already seeing increased synergy and collaboration.

Mr. Bradford said over the past year, he has been tasked with developing a strategic roadmap to move the destination forward as a sports tourism destination. He said one of the objectives is to recruit four major sports events annually that raise the profile of the area, which encourage other events to come as a result of the success of those events.

Mr. Bradford shared a PowerPoint presentation highlighting one such opportunity that the ABRSC is currently working to secure. It is called the Haute Route, an international cycling event with riders that come from more than 50 countries with an average annual income of \$140,000. The race dates occur in May 2018 and the anticipated average

length of stay for the approximately 300 riders is 5-6 nights, resulting in nearly total 1,400 room nights. Estimated business sales total \$1 million and 30 journalists from 12 countries are expected to attend, resulting in an anticipated 30 minutes of international television coverage, 150 print articles and 350 online articles.

Mr. Bradford said an investment by the BCTDA is needed for Asheville to be in contention to become the first U.S. location to host the Haute Route event. He reviewed several other benefits of bringing the event to the area. Mr. Demp said that in addition to the City of Asheville providing a \$10,000 in-kind annual commitment, and the ABRSC securing local and corporate sponsorships totaling \$10,000 per year, he is requesting that the BCTDA commit to investing \$30,000 annually for three years to further secure this event, which would be held the third week of May for three consecutive years beginning in 2018.

Mr. Bradford concluded his presentation by reviewing next steps for the ABRSC, which would include working with the Explore Asheville CVB staff to recruit additional events and develop a comprehensive marketing plan to further promote the area as a sports tourism destination.

A brief discussion took place centering on logistics related to the event, with Mr. Bradford and Ms. Brown answering all related questions. Mr. McKibbon said this is a huge opportunity for the area. Mr. Bradford stated if the BCTDA agrees to support it financially, he expects to receive a favorable response from Haute Route organizers. Ms. Brown added funding for this year would be taken out of contingency and that staff is supportive based on the time of year, brand value, and potential media relations impact.

Mr. McKibbon made a motion to approve \$30,000 per year for three years as an investment to bring the Haute Route event to the Asheville area. Funding for the current fiscal year will come from the General Tourism contingency line and staff is directed to include funding for the following two fiscal years in the proposed budgets. Mr. Lockett seconded the motion. Discussion included Mr. Storto asking if there is an option to opt out after the first year or two, with Mr. Bradford responding that the contract would include the option for either party to cancel the commitment with appropriate notice. A vote was then taken and with all in favor, the motion carried.

The PowerPoint presentation is on file with the Explore Asheville Convention & Visitors Bureau.

Asheville City Council Update

Councilwoman Mayfield said Asheville City Council has approved two hotels in the past two months within city limits. She added the new rules that were instituted earlier in the year that requires hotels with more than 20 rooms to be brought before Council for approval is driving better projects and constitute a positive change.

Chairman Muth thanked Councilwoman Mayfield for the update.

Buncombe County Commission Update

Commissioner Belcher briefly reported on county-related business, including changes in staff/management, the addition of recent and upcoming work sessions in July and in the Fall, and the Commission's support of initiating a Pre-K program at Johnston Elementary, an at-risk school.

Chairman Muth thanked Commissioner Belcher for the report.

Miscellaneous Business

Mr. Winkenwerder thanked Ms. Brown and the BCTDA board for inviting past chairs to today's meeting. He said he continues to be impressed with the EA CVB staff and Peter Mayer agency, and that the BCTDA board is an exemplary, well-qualified group. He shared some observations related to the Competitive Demand Analysis report that led to a broader discussion regarding illegal properties, fines, creating an equal playing field, impacts, and community challenges and opportunities. Mr. Turk, Mr. Patel and Mr. Storto also offered insight.

Chairman Muth said today's meeting is a first step in understanding the magnitude of this new dynamic and the board, staff and agency will continue to seek insights to better grasp the trend. Ms. Brown reiterated that today's presentation was lodging-type agnostic and the goal moving forward is to provide data and develop strategies based on this new information.

Chairman Muth thanked everyone for their insights and said this will be an ongoing discussion. He suggested that a good next step would be to schedule a forum or meeting with the city, county and/or other community stakeholders to further understand this trend.

Thanks to Outgoing BCTDA Board Member John Ellis

Chairman Muth said that this is the last meeting for Mr. John Ellis as a board member, and on behalf of the BCTDA, he sincerely thanked him for his many years of service both on the board and in the community. He noted Mr. Ellis has brought a lot of insight, business savvy and humor to his respective roles and will be sincerely missed. Mr. Ellis and his wife moved to Asheville 20 years ago when he became the Managing Director of the Diana Wortham Theatre, where he has contributed significantly to the area's performing arts scene by bringing in 200 events per year of national and local performing arts groups. Chairman Muth said he has been an integral member of the BCTDA for six years, and that during that time he served on the fiduciary task force and as chair of the finance committee, among other roles. Mr. Ellis also served on the TPDF committee from 2006-2015, and was chair from 2009 to 2012. Chairman Muth said Mr. Ellis deserves a lot of credit and will be missed both personally and professionally, and wished him well in his retirement. Ms. Brown also thanked Mr. Ellis on behalf of the Explore Asheville CVB staff and extended a gift for his service.

Mr. Ellis thanked Chairman Muth and Ms. Brown and said it has been his privilege to live and work in the Asheville area for 20 years and to have served on the BCTDA board and TPDF committee. He noted the TPDF grant program is of great benefit to the community and, with the Janirve Foundation no longer in play, it's the largest single source for grants in the nonprofit sector. Mr. Ellis said he has watched the funding process evolve

and commended the BCTDA for responding to shifts in the community and for being involved and proactive when opportunities arise.

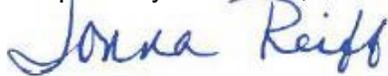
Comments from the General Public

Timothy Sadler shared comments related to residential properties functioning as illegal Airbnb commercial properties and suggested the BCTDA consider filing a class action lawsuit, and further suggested support of the entrepreneurial ecosystem by pitching to bring Climatecon to Asheville in March to be held at the Collider.

Adjournment

Chairman Muth thanked everyone for attending. Mr. Ellis made a motion to adjourn the meeting. Mr. Karvir seconded the motion and with all in favor, the motion carried 7-0. The meeting adjourned at 11:55 a.m. The BCTDA will next meet on Wednesday, September 27, 2017, at 9:00 a.m., in the Boardroom of the Explore Asheville Convention & Visitors Bureau.

Respectfully submitted,



Jonna Reiff, Executive Operations Manager