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1.0 DESTINATION SA INTRODUCTION & BACKGROUND

In 2005, CSL International, in conjunction with Brand Insights, was retained to help facilitate the creation of a formal long-range strategic plan for the San Antonio visitor industry. Titled Destination SA, the basic objectives of the study are to provide the community with a plan to:

- Enhance the attractiveness of the destination for visitors and residents.
- Protect and enhance the unique cultural and historical characteristics of the San Antonio destination.
- Enhance the ability of the visitor industry to create significant economic benefits for the residents of San Antonio.

1.1 Importance of Visitor Industry Strategic Planning

Unique among economic development initiatives, investment in the visitor industry can bolster local tax revenues thereby reducing the tax burden on residents, can improve the quality of life aspects for residents, and can increase the exposure of the destination to business leaders from around the country and globally. The importance of comprehensive policy, development and organizational planning with respect to this industry is difficult to overstate.

Past studies have estimated the economic impact of the visitor industry in San Antonio at nearly \$7.2 billion, generating nearly \$100 million in taxes and fees to the city of San Antonio and supporting 86,380 jobs within the economy¹. When prepared in 2002, these estimates were characterized as conservative. The actual importance of the visitor industry is magnified when considering the fact that the current corporate base in San Antonio and the locally-generated disposable income lag behind competitive markets reviewed, with the exception of New Orleans.

(1) San Antonio's Hospitality Industry Economic Impact in 2002 – Chamber of Commerce.

While significant progress has been made in establishing San Antonio as a desirable destination for corporate relocation, the visitor industry will continue to play a very important role in supporting the overall economic health of the region.

We recognize that no visitor destination will remain constant in its overall economic contribution; patterns of growth or decline will continually take place. In San Antonio, significant investment in the visitor industry and associated features have been implemented over the past 20 years, yet in some sense, a plateau may have been reached in terms of industry growth. Either continued investment and positioning of the visitor industry in San Antonio will take place, or the positive impacts enjoyed by residents will begin to erode.

One objective of Destination SA is to outline steps needed to protect and grow the visitor industry and associated impacts. We have developed a model designed to calculate potential increases to the economic impact of the visitor industry associated with Destination SA recommendations. By assessing opportunities to extend the stay of current visitors, expand into other visitor markets, increase the level of spending per visitor and increase convention activity, growth in economic impact of 30 percent is a realistic and achievable target. This would represent over \$2.0 billion in added annual impact to the San Antonio economy and an added \$29 million in annual City tax revenues.

Expanding Economic Impact, Benefiting Residents

Tax revenues generated by the visitor industry will not remain static. Without continued strategic investment, combined with policies and structures to guide these investments, these revenues can decrease. Destination SA is designed in part to ensure that positive financial impact of the visitor industry grows by at least 30 percent. The resulting \$29 million in added annual tax revenues lessens the burden for San Antonio residents.

1.2 An Extensive Study Process

Key elements of the study process include significant stakeholder outreach and consensus-building within the community, evaluating the organizational structures which are charged with implementing any planning recommendations, stressing the uniqueness of the San Antonio product, developing guidelines for a San Antonio branding effort and building value for the benefit of residents of San Antonio.

As part of the Destination SA research phase, we have conducted the following research:

- Over 50 interviews with local industry/business/political leaders.
- Focus groups with area visitor industry, business and community leaders.
- Over 2,000 intercept interviews in the San Antonio area, including the Alamo/visitors center, Convention Center, Alamodome, Market Square, area hotels, Sea World and Fiesta Texas.
- Interviews with over 150 planners of nationally-rotating conventions and tradeshows.
- Interviews with past Convention Center users.
- Intercept interviews with travelers residing outside the San Antonio market.
- Review of the existing San Antonio area visitor industry amenities and organizational structures.
- Review of past development and strategic planning documents.
- Evaluation of competitive and comparable destinations.

Based on this research, we have developed the Destination SA Strategic Plan highlighting specific findings/recommendations and implementation steps designed to meet the community objectives stated at the outset of this report. An extensive presentation of supporting

documentation under separate cover can be reviewed to gain a greater perspective regarding the study research.

1.3 Building on Current Atmosphere of Progress

Visitors to the San Antonio area are attracted to a wide variety of entertainment alternatives, encompassing the downtown area and its world-class amenities, expanding outwards to the theme parks, golf and resort facilities, historic Missions, and attractions within a broader (100 - mile) radius of San Antonio. The uniqueness of the San Antonio product, well marketed over the past ten years, has positioned it among a select set of cities as a national destination, drawing visitors from throughout the country.

Beyond the existing set of attractions, we recognize that the San Antonio visitor industry infrastructure does not exist in a static state. Numerous and significant development and improvement projects are currently taking place within the community that will impact the visitor industry, with many more being planned.

Extensive Visitor Industry Investment Underway

- *San Antonio River Improvements*
- *Mission Trails*
- *Convention Center Hotel*
- *Market Square Reinvestment*
- *San Antonio International Airport Expansion*
- *Pearl Brewery Development*
- *Houston Street Upgrades and Improvements*
- *Cibolo Canyon (TPC)*
- *UTSA Expansion Plans*
- *Signage—Downtown Wayfinding System*
- *Museo Americano/Alameda Theater*
- *Aztec Theater/Alamo National Bank Redevelopment*
- *HemisFair Park Plans*

In addition, fund raising is progressing very quickly to address improvements to the Japanese Tea Gardens and the Sunken Garden Theater; planning is in final stages for tournament-quality sports venues outside the downtown area; the Cibolo Canyon (TPC) is moving forward; and numerous other initiatives are being discussed in the community that will impact the visitor industry.

Combined, these projects clearly indicate that the San Antonio visitor product is evolving and progressing. Destination SA will serve as a guide to strategic planning that combines current initiatives with recommended future development, all within the context of necessary changes to visitor industry policy and organizational structures.

2.0 CURRENT VISITOR INDUSTRY CONDITIONS & LIMITATIONS

As far as the San Antonio visitor industry has come over the past ten to twenty years in terms of developing market-wide visitor industry features, our research begins to point out issues that will begin to limit growth, or even decrease, the impact and benefit to residents generated by the visitor industry. Specific issues are noted below.

- 2.1 **Density of pedestrian traffic on the River Walk** – particularly with the significant improvement/expansion to the Convention Center and the opening of the Convention Center hotel, the level of pedestrian activity on the River Walk will increase. Over time, the quality of the experience offered to visitors will diminish as signs of overcrowding take place.
- 2.2 **Elements of La Villita and Market Square** – both features, highly unique and very important to the success of the visitor industry in San Antonio, have noted weaknesses. In particular, the hours of operation are not conducive to visitor schedules, controls on the type of product offered at these venues are not as tight as they should be and various infrastructure/exterior improvements need to be made (particularly at Market Square). At La Villita, a significant opportunity is being missed by not programming significant arts and cultural activities on the site, particularly those that involve the resident artisans.
- 2.3 **Elements of HemisFair Park** - HemisFair Park has been cited by visitors in our intercept surveys as not fully meeting expectations. The Park has not risen to the level of other attractions in the area including La Villita, River Walk and the Alamo. The recently developed HemisFair Master Plan identifies a range of improvements that will benefit the Park. The City should consider building on these recommendations with a focus on the visitor industry.
- 2.4 **Downtown housing** – we tend to think of successful economic development from three perspectives: housing, office and visitor. There are a multitude of relationships between these platforms, each delivering critical activity to a development area in different ways during different timeframes. Together, they serve to create a desirable, 24-hour presence

beneficial to both residents and visitors. Within this context, the existing base of downtown housing is insufficient to support many of the features of a 24-hour city. Current efforts to attract and incentivise development are moving in the right direction, yet could be enhanced as the market for downtown housing continues to emerge.

- 2.5 **Lack of extended stay potential** – San Antonio is viewed by many visitors as a two to three day destination, with insufficient amenities existing to justify a more extended stay. To some degree, this may be a result of a focus on the River Walk and Alamo as central themes in marketing and branding efforts (efforts which have resulted in tremendous growth in visitor industry activity over the past ten years). To a large degree, this perception is not fully accurate, as San Antonio does offer diverse historical, cultural and entertainment amenities. The challenge is that visitors are seeking three things: convenience, value and uniqueness. The value and uniqueness are present in the market, however the broad set of amenities in the San Antonio market can be difficult to conveniently package and deliver to the visitor, resulting in a perception of the destination as a short-term visit. In a sense, experiencing Disney is easy, but you have to “work” for the experience in a highly unique and culturally/historically diverse destination. The key is to make this effort as convenient as possible.
- 2.6 **City policies may not fully encourage “Authentic”** – in several ways, current City policies don’t reflect an appreciation of bringing the authentic character of the destination to the visitor and resident. For example, City policies are punitive towards street performances that have the potential to introduce authentic art and culture to the visitor. To some degree, City policies regarding fees charged to local entrepreneurs may make it difficult for authentic locally-owned restaurants, retail and other outlets to succeed, particularly along the River Walk. Every effort must be made to bring the history and culture of San Antonio to the visitor (in most cases they won’t work very hard to find it themselves). A flourishing local arts, music, food and retail industry downtown needs to be pursued more aggressively.

2.7 Lack of street level atmosphere – the character of the River Walk area is not generally present at street level within the downtown area. This creates a discontinuity of experience for residents and visitors, going back and forth between the world-class atmosphere of the River Walk to a more generic experience at street level. Not all of downtown can maintain a consistent atmosphere, however there are important areas – linkages between the River and key street level attractions – that require an authentic flavor.

2.8 Air access – particularly for convention planners, there is a concern regarding lack of sufficient air access to deliver large numbers of delegates to the destination within short periods of time.

None of these issues presents an immediate threat to the viability of the San Antonio visitor industry. However, over time, if these issues are not addressed, a significant opportunity to expand the economic base of the community will be lost, and the current positive impact of the visitor industry in San Antonio (at over \$7 billion annually) may begin to erode. As stated aptly by travel writers interviewed as part of this project, the biggest threat to the San Antonio product is gradual conversion to “generic”, or becoming just another Dallas or Houston.

By considering the extensive research conducted as part of Destination SA, we will identify elements of physical development, policy/procedure and organization that are designed to address the types of concerns noted above and to position San Antonio for an extended period of significant growth in the visitor industry.

3.0 KEY RESEARCH FINDINGS

Before we present the specific set of recommendations that encompass Destination SA, it is useful to review the major research findings that have been developed. These findings are the result of thousands of interviews with visitors, travelers outside San Antonio, event planners, travel writers, local officials and representatives of competitive destinations. A very brief summary of applicable research is included within this section. The full set of research is presented in a separate document.

3.1 The View from Travel Writers

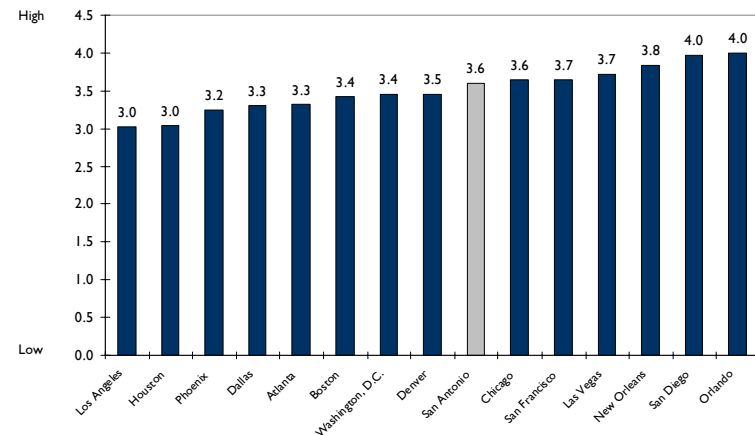
- The River Walk and Alamo are central to the visitor industry appeal of the destination, but other elements are also important. Descriptors such as “fun, party, color, cultural pride, romantic, old Spanish and nice” represent an important diversity of characteristics that in many ways are unique to San Antonio. Future branding and marketing efforts will need to stress variety in a way that captures these unique elements.
- Themed or generic tourism related projects may not provide the greatest impact on San Antonio visitor levels. Rather, any future visitor industry development initiatives must be infused with the authentic San Antonio features of art, culture and history.
- In reviewing travel writer feedback, the concept emerges of a visitor destination that can center around the River Walk and Alamo, but that is much more diverse than that, and that is infused with a very unique or authentic history and culture. This authenticity must be protected at all costs.

Continued vigilance is needed to protect “San Antonio Authenticity”, and to prevent a gradual slide into “generic”.

3.2 Conversation with Event Planners

- As an event destination, San Antonio is highly-rated, ranking ahead of established convention and tradeshow destinations such as Denver, Washington D.C., Boston, Atlanta and Dallas. The size of the Convention Center in San Antonio is comparatively small. As a result, there will consistently be opportunities to “pick and choose” the events that are held in the market during peak demand seasons.

Ranking of Competitive and Comparable Markets (All Respondents) – National Conventions & Tradeshows



Source: CSL Interviews, 2005

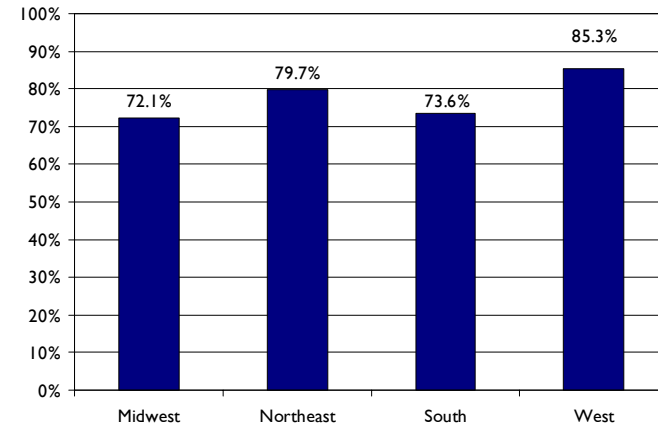
- The strengths of the San Antonio destination are significant and revolve around a central location within the U.S., friendly people and an interesting/unique destination. In a highly competitive convention and tradeshow market, these strengths can set San Antonio apart from other destinations.
- In some sense, planners perceive the River Walk and Alamo as the “hook and bait” needed to lure the attendees, with the other attractions serving to extend the visitor stay and ensure return visits.
- The weaknesses are also tangible, and include limited air access into the destination and a perception of recent price increases. Significant efforts are underway to improve the physical conditions at the airport

and to increase capacity into the destination on major carriers. Pricing issues, particularly with the hotel product, may be a function of increases in room demand, allowing hotels to increase rate.

3.3 Extensive Visitor Research

- Visitation to San Antonio originates from around the country, placing the destination within a select set that is national in scope. San Antonio marketing efforts should continue to broaden beyond Texas/Southwest.
- San Antonio carries a relatively consistent positive perception nationally. It is important to note that surveys have been taken with visitors that by and large had made a decision to travel to the San Antonio. In effect, they already likely had a positive opinion of San Antonio, and this positive perception was mentioned by a large majority of visitors.
- Of visitors that had made a decision to come to San Antonio (and thus surely had a positive opinion of the destination going in), between 72 and 85 percent (segmented by region of the country) stated they had a better experience in San Antonio than expected. This provides an indication that branding and marketing efforts in past years may even be understating the value and desirability of the destination. In essence, these efforts may be “under-promising” relative to the actual appeal of the destination.

Percent of Respondents with a Better Experience in San Antonio than Expected by Region



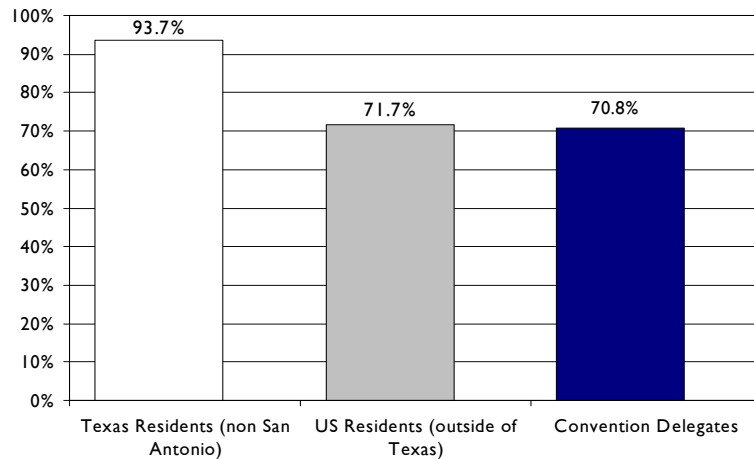
Source: Custom Intercept Solutions, 2005

- Return visitors to San Antonio are highly satisfied with the destination, with nearly all recording a very positive perception. This finding places some validation behind past efforts to continue to draw visitors from drive markets that represent a majority of repeat visitors. Sixty-five percent of visitors to San Antonio for the first time recorded very positive perceptions of the destination.
- Slightly over 70 percent of first-time visitors would plan a return visit. Similarly, visitors from all areas of the country have registered significant interest in returning to San Antonio in the future. These visitors represent a potential source of future growth in the San Antonio visitor industry. To realize the return visit potential from first time visitors, it will be very important to offer an extensive package of amenities, sufficient to create motivation for return visits.
- For Texas residents, the strength of the San Antonio destination is well established. For non-Texas visitors, our research indicates that 62 percent are visiting San Antonio for the first time. Yet, as noted above, 71 percent want to return. Combined, this indicates that greater

emphasis could be placed on attracting non-Texas visitors and on drawing them to the destination for return visits.

- The vast majority of visitors from within Texas show an interest in returning, and nearly 72 percent of non-Texas leisure travelers feel the same way. Very importantly, nearly 71 percent of convention attendees registered an interest in returning to San Antonio. Given that the large majority of event attendees don't choose the destination in which a convention is held (i.e. they didn't choose to be in San Antonio), the 71 percent potential return rate is very high. As noted above, future sections of this report discuss means of capitalizing on repeat visit potential.

Percent of Respondents Planning a Return Trip to San Antonio by Region – VIC/Alamo Surveys



Source: Custom Intercept Solutions, 2005

- Over 62 percent of non-Texas visitors are arriving in San Antonio for the first time, and as noted previously, these visitors are pleasantly surprised with the amenities in the destination and are very interested in returning.

- Over 71 percent of non-Texas visitors stay more than three nights in the destination, generating significant economic impact. Slightly over 50 percent of Texas residents stay for more than three nights. The relatively close proximity of Texas residents to San Antonio certainly allows for shorter visits. Greater penetration of the national convention and leisure market will pay disproportionately higher dividends given the longer stay potential.

3.4 A Conversation With Area Hotel Concierge Staff

- The attractions that concierge staff recommend to visitors are very diverse and include both the primary features of the Alamo and River Walk, as well as amenities such as the Botanical Gardens, Spanish Governors Palace and area museums and the Cathedral. Missing from this list is the diverse set of locally-oriented music, art and cultural facilities, many emanating from the neighborhoods surrounding the downtown area. Also of note, these amenities have remained relatively unchanged for many years. Going forward, if the return visit potential for the destination is to be realized, and if the length of stay in San Antonio is to be increased, added amenities will need to be developed.
- Concierge staff indicated some negative visitor feedback concerning La Villita and Market Square, particularly related to hours of operation. These two amenities are part of the authentic fabric in San Antonio and must be protected. Similarly, HemisFair Park appears to us as an untapped asset; not currently rated highly by visitors.
- Other issues cited by visitors related to basic “livability” amenities such as grocery stores and laundromats, and are features that are often associated with a viable 24-hour downtown.
- The Amigo program and police on bike offer a feeling of friendliness and security that is very important in a destination. In order to capitalize on these qualities, consideration should be given to blending them into future branding and marketing efforts.

3.5 Demographic Comparisons

- Population growth in greater San Antonio has outpaced growth in competitive and comparable cities, as well as the United States as a whole.
- The average household income within the San Antonio CBSA approximates \$59,400. Only one market, New Orleans, has a lower average household income (when ranked by CBSA) than San Antonio.
- Estimated total retail sales for the greater San Antonio metropolitan area totaled more than \$24 billion in 2004, ranking second to last among the 19 cities reviewed. New Orleans, with nearly \$16 billion in total retail sales, ranked last (prior to Hurricane Katrina).
- Although conditions are improving markedly, the number of corporate headquarters and branches currently in San Antonio is well behind the majority of markets reviewed in this analysis. Specifically, the San Antonio CBSA, with a total of approximately 830 corporations and branches employing more than one hundred people, ranks second from the bottom of the selected competitive and comparable markets. Among competitive and comparable markets, an average of 2,400 such corporations and branches exist.
- San Antonio, though ranking near the bottom in terms of both CBSA population and total inventory of hotel rooms among the competitive and comparable markets, ranks near the top in hotel rooms per person, indicating that the market has a very well developed visitor industry. This comparison is also indicative of the fact that San Antonio may have more of the supporting visitor industry infrastructure (i.e., restaurants, retail, tourist attractions, etc.) already in place.
- Clearly, an important economic strength and source of the tax revenue resides in the San Antonio visitor industry.

4.0 RECOMMENDATIONS FOR FUTURE INDUSTRY DEVELOPMENT AND GROWTH

The recommendations stated herein are based on the extensive research conducted as part of Destination SA and focus on areas of physical development, policy and organizational structure. Within these areas, recommendations are made that are in some cases very specific, and in other cases more general in nature to provide decision makers with a framework for future initiatives.

The recommendations contained herein cannot be implemented by a single entity or agency. In fact, participation from a variety of public and private sector entities will be necessary to realize the potential of Destination SA. Various implementation efforts are discussed in a later section of this report.

4.1 Protecting the Authenticity of the Destination

It is important to note that many have emphasized the importance of maintaining the historical and cultural integrity of the San Antonio community as part of any enhancement to the visitor industry, almost giving the impression that this is a **limiting constraint** to future growth. In fact, our research indicates that maintaining the historical and cultural integrity of the San Antonio area is a **necessary** component of any future visitor industry development, that these characteristics serve to define the uniqueness of the destination.

This gives rise to our first recommendation, that a community-wide authenticity campaign be initiated to protect the unique (and highly marketable) assets and character of the destination.

Authenticity Campaign in Practice

We do not provide specific rules as to how such a program should be formed and maintained. We do however suggest several guidelines for use in developing the program.

- The mission of a San Antonio authenticity program should be simply to encourage the public and private sector to make decisions with respect to policy and development that protect and highlight the history and culture of the destination.
- Responsibility for the program should be housed within the CVB and Office of Cultural Affairs. There need be no dedicated staff, nor any bureaucratic function. A simple statement of purpose could be drafted that relates to the encouragement of authentic San Antonio history and culture. Perhaps representatives of these departments could sponsor an annual reception to recognize individuals and organizations that have made decisions in the best interest of highlighting authentic San Antonio history and culture.
- As examples, perhaps a local transportation company that educates its drivers on the area history and culture and encourages them to share these stories with customers; or a restaurant that similarly educates staff on history/culture issues. Perhaps a city staff person that routinely encourages developers to include references to history and culture in private projects. There is an incredibly wide range of opportunities for recognition as part of an authenticity campaign for San Antonio.
- The concept of such an authenticity campaign should be tied to the future branding and marketing initiatives. The program will help deliver on a promise to visitors and residents that when they travel to San Antonio, their experience will be unique not generic - and authentic not artificial.

In addition to these guidelines, there are several City policies that should be addressed in the spirit of enhancing and protecting the authenticity of the destination. Two potential areas of focus are addressed below.

- Modify existing City code to encourage legitimate street performances in targeted areas. Current code discourages and even prohibits performance of local artists in the downtown area. The City should consider a process to license groups (at a very low fee), and schedule performance times at various downtown locations, particularly at street level. This will provide local arts groups with an added source of income, and will create opportunities to bring the authentic San Antonio culture to visitors and residents in the downtown area. Responsibility for this effort could be undertaken by the Office of Cultural Affairs.

- Modify existing City code to encourage locally-owned establishments to locate along the River. This effort may also involve working to educate local business owners as to programs that currently exist. Currently, there is a concern that various fees and licensing costs may negatively impact the ability of smaller local businesses from achieving the operating margins necessary for success. Larger chain establishments tend to have a greater ability to absorb various fees and other expenses. This type of initiative is important to prevent against a creeping expansion of franchise/chain establishments in a destination in which visitors are seeking “authentic.” While national chains will always be part of any successful development, interviews with travel writers and visitors clearly indicate that a potential threat to the success of the visitor industry in San Antonio is a process by which the unique character of the destination is dulled by significant development of more generic restaurant/retail outlets.

4.2 Investing in Infrastructure, Tied to a Theme

In this section, we seek to outline a broad set of community-wide features that can be developed or enhanced in order to meet objectives of significantly enhancing the profile and economic impact of the visitor industry in San Antonio.

We have structured the Destination SA recommendations for infrastructure into four areas, as listed below.

- Development along the Northern Stretch of the River
- Development within the Downtown Area
- Development along the Southern Stretch of the River
- Broader Market and Region-Wide Development

Three of the areas of recommendation relate to the River and immediate surrounding vicinity. Research clearly indicates that it is the River, more specifically the River Walk area, that visitors consistently respond very positively to. It occurs to us that the best course of action will be to play off a strength, as the River Walk is nationally and internationally known as a high quality and uniquely San Antonian feature. Rather than deemphasize the River in future

planning and marketing efforts, it is our recommendation to significantly expand and enhance the broader River experience. The resulting improvements will serve as a thread upon which many features within the downtown, broader San Antonio and entire region can be linked – in some cases physically, and in other cases through a concerted, strategic marketing effort.

By way of background, the San Antonio River Improvements Project is a ten-year, \$140 million City, County and Federal investment in a four-mile segment of the river from Hildebrand to Lexington (“Museum Reach”) and a nine-mile segment from South Alamo Street to Mission Espada (“Historic Mission Reach”). The focus of the project is largely infrastructure, flood control and restoring natural amenities. Elements that could directly benefit visitors (and at the same time, the residents of San Antonio) are not a major component of current planning, primarily due to budget conditions.

The River Improvement Project offers a very timely opportunity to (1) extend the visitor elements of the River Walk, thereby mitigating crowding issues and (2) add/upgrade significant signature features along and nearby the River allowing visitors to extend their stay beyond one or two days. Suggestions for improving the River experience are discussed below.

Development along the Northern Stretch of the River (Museum Reach)

On the northern reach of the River improvement section, the City should identify opportunities and areas for creation and enhancement of specific attractions. The phrase “attraction” is used in this report, and is not intended to suggest a manufactured or artificial feature. On the contrary, this study characterizes an attraction as a link to the history and culture of the community, while providing a desirable amenity for the visitor. The objective is to give the visitor a unique and authentic San Antonio experience along and near the River lasting for several days. Examples of attractions that could populate the northern stretch of the River include the following:

- 4.2.1 Planned Development Along the Turning Basin** - The terminus of the navigable River to the north takes place at a turning basin located near Grayson Street. The areas surrounding the turning basin offer an opportunity to create a visitor industry draw. One suggestion for such a

feature encompasses the concept of a “chataqua”, or an indoor/outdoor plaza area at which visitors could view and participate in a wide variety of authentic craft and music demonstrations, and gain insight into area history and culture, all within an entertainment/educational framework. This effort responds well to the growing concept of “family edutainment”, offering entertainment as well as a family learning experience. Consideration could be given to partnering with the Institute of Texan Cultures to produce such an attraction. Other options for development of attractions in this area should also be explored during future planning efforts. To fully develop the visitor industry potential of the River in this way, land acquisition will be required.

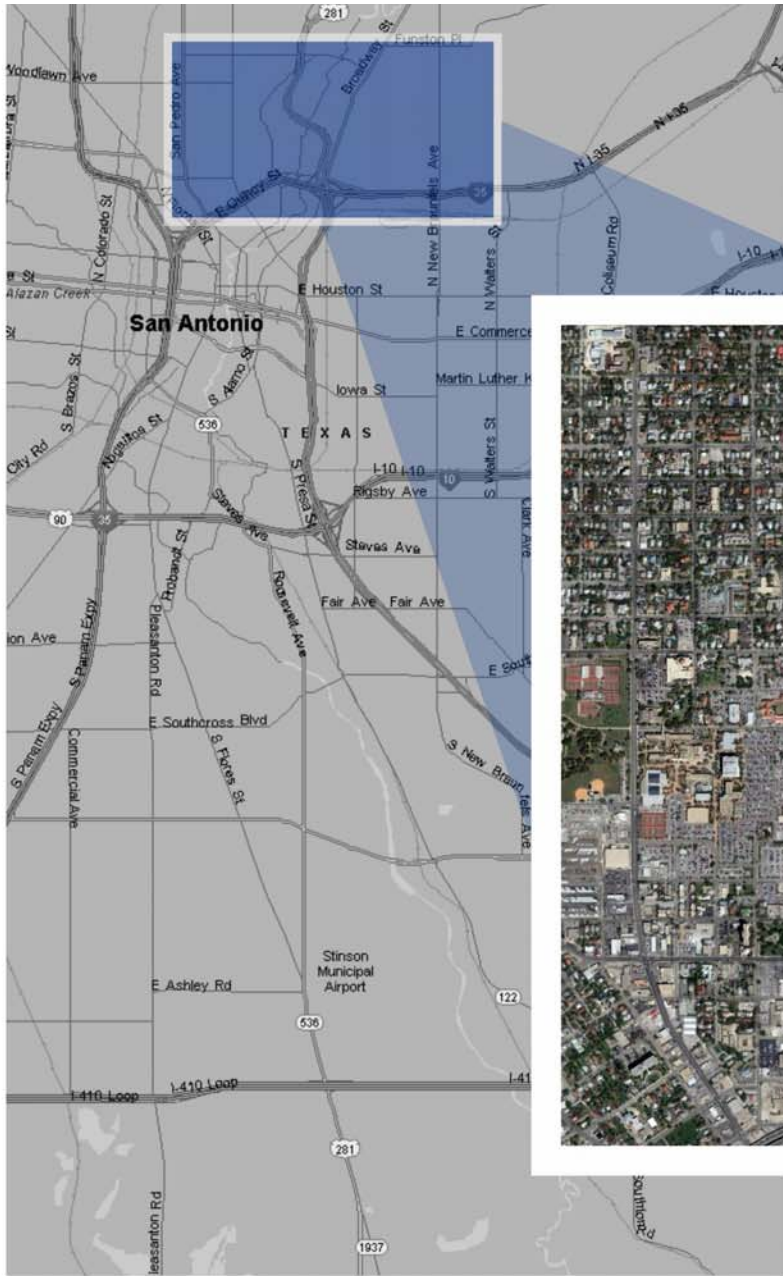
- 4.2.2 Linkages from the Turning Basin to Brackenridge Park** - From the turning basin area, visitors could use rental transportation to traverse a well landscaped pathway to Brackenridge Park, the Zoo, the Witte Museum and related amenities. The modes of transportation could include bicycles, pedi-cabs and even Segway units. Guided tours could also be conducted. The journey itself between the turning basin and the Park becomes part of the attraction.
- 4.2.3 Pearl Brewery** - Pearl Brewery could represent a destination, with a mixed-use restaurant, retail and entertainment zone. Visitors could also participate in a “culinary experience” associated with the Culinary Institute of America. The concept might include day-long cooking classes with world-class chefs.
- 4.2.4 Museum of Art** - The Museum of Art is considering significant investment, including the development of performance space and sculpture gardens. Combined with an aggressive music/entertainment/event programming schedule, this could represent a distinct attraction.
- 4.2.5 River Locks** - The River Locks themselves will offer the visitor an interesting and unique experience. From a River navigation perspective, the development of the Locks are critical. Without them, the navigable portion of the River is severely limited. Funding for the Locks project is nearly secured and must be finalized in order to ensure the ability to navigate the northern stretch of the River.

4.2.6 Land Acquisition Initiatives - To achieve several of the objectives noted above, the City will have to be very proactive in terms of land planning, land acquisition, developer interactions and related efforts. Funding for land acquisition efforts will have to be identified, and could include use of funds dedicated for parks, CEID fund, land swap opportunities, bond issues or other such sources. These and other potential revenue sources will need to be explored by the City further in order to raise necessary capital, which could be substantial depending on the level of land acquisition and/or development pursued.

4.2.7 Supporting Private Sector Development - Opportunities exist at various points along the northern stretch to create residential, retail and other mixed use developments. As this area of the River is critical to the overall visitor industry in San Antonio, efforts to work with developers in order to coordinate private sector initiatives, along with desirable public sector efforts (as described above) should take place.

Through these efforts, a visitor to San Antonio could begin by experiencing the many current and significant amenities of the River Walk. Ride the River north to experience museum, culinary and entertainment amenities. Continue on to the turning basin for highly authentic exposure to art/culture/crafts and related amenities. The visitor could continue north via guided tours to Brackenridge Park, the Witte Museum, the Zoo and related attractions.

An image of the River highlighting these opportunities is presented on the following page.



- SAN ANTONIO NORTH**
1. Brackenridge Park – Witte Museum
 2. Pearl Brewery
 3. San Antonio Museum of Art
 4. San Antonio Zoo
 5. Turning Basin



Development Within the Downtown Area

Research clearly indicates that the River Walk area is unique among destination features in its ability to impress visitors and to help secure their return visit. Shortcomings of the current infrastructure, as previously noted, include the likelihood that pedestrian congestion will negatively impact some of the character of the area, and the fact that the current River Walk experience lasts only a day or two.

As part of Destination SA, we have identified several specific initiatives for the downtown area that we believe will be important in creating the type of destination that can generate significant increases in visitation/economic impact.

4.2.8 Important Street Level Linkages – East West Connectors - There are several opportunities to develop important street level linkages in the downtown area. (1) *Connecting the River to Market Square/Museo Americano/Alameda Theater* - Develop active, inviting, well-landscaped and shaded corridors at street level between the River and various downtown attractions. With the relocation of various County functions, the linkages along Delorosa/Market and Commerce would be a natural area in which to invest in a new corridor plan. In addition, ongoing redevelopment along Houston Street will provide an opportunity to introduce landscaping/signage to create an additional east/west linkage to the Museo/Alameda Theater. The goal of these efforts should be to create well-landscaped, appropriately themed corridors between the River Walk and the important assets of Market Square, Museo Americano and Alameda Theater (together forming potential for a nationally recognized base of Latin American/Mexican art and culture). (2) *Connecting downtown to Sunset Station/Saint Paul Square* – A ULI report (2004) details opportunities to create these linkages or gateways through I-37, primarily along Commerce connecting to the River Walk Mall, and outlines specific steps to be taken (the connection of the Bricktown area of Oklahoma City to the downtown serves as a potential example of this type of connectivity). Through these efforts, a visitor to the destination, as well as local residents, could experience the unique flavor of San Antonio arts and culture. The upcoming downtown master plan should include a prominent section focusing on the types of

initiatives designed to bring out the unique characteristics of the city at street level.

4.2.9 Performance/Resting Spaces - Along with the landscaped linkages in the downtown area as described above, a prominent feature of the overall atmosphere improvements should include the development of small areas designed to accommodate live performances by licensed local arts groups. Such space could be scheduled by local arts groups, bringing the sound and sights of local arts and culture to the street level in targeted areas of the downtown.



Street performances along key pedestrian connectors

4.2.10 La Villita - Address concerns regarding La Villita operations, particular the early closing times. The City should also consider policies that encourage actual artist demonstration in the La Villita area. This could also be part of a City-sponsored Authenticity Campaign. La Villita is at the same time a unique community treasure and a business-oriented

retail zone. The tremendous visitor industry benefits of the area cannot be fully realized if the business of the site is not carefully managed. Currently, the Parks and Recreation Department directly manages La Villita, along with 200 parks, sports facilities, cemeteries, pools and other recreation facilities. To maximize the visitor activity at La Villita, consideration should be given to contracting operations to an experienced vendor with expertise in hospitality based retail. The firm would have day-to-day management responsibility, with a contract tied in part to financial and customer service success. Emphasis would be placed on enhancing the atmosphere of authenticity, quality of the product and the activity centered around art and music.

4.2.11 Market Square - Address concerns regarding Market Square operations, particularly closing hours. The City could push for identifying several days for extended hours of operation. For example, days on which significant convention activity takes place could be targeted for extended hours. Also, the City should consider policies that encourage authentic craft versus imported products (China, Indonesia, etc.). The City could promote the “Authenticity Campaign” within Market Square. As with La Villita, consideration should be given to contracting with a private hospitality retail vendor to operate the overall enterprise on behalf of the City.

4.2.12 HemisFair Park - The Park has been cited by visitors in our intercept surveys as not fully meeting expectations. Looking forward, the Park should be considered as a future opportunity to attract and entertain both visitors and local residents. The recently developed HemisFair Master Plan identifies a range of improvements that will benefit the Park. The City should implement the recommendations of the plan and consider building on these recommendations with a focus on the visitor industry. Areas of focus contained within the Master Plan that should be pursued, and in some cases intensified in the context of attracting visitors to the destination, include:

- *Alamo Street Area* – creating a “children’s activity area,” or on a broader level, creating a family friendly environment rising to the level of a distinct destination within the downtown area. The existing historic structures in the area could be developed to provide recreation amenities such as bike rentals, limited retail or

space for historical displays. These structures could also provide office space for appropriate non-profit organizations. Any such opportunity would require sufficient public investment to improve the base structures, after which potential public/private initiatives could be considered. Consideration could also be given to locating additional, historically appropriate structures at the area to enhance the attractiveness and visitor industry potential of the Park. Attention will have to be paid to creating linkages across Alamo to La Villita. It will also be important to go beyond physical structures to include the programming of events, perhaps tied to the era of the original facilities located at the site. While some of these concepts go beyond the Master Plan, they would directly address an objective of creating an attraction to include within the fabric of the downtown/River area.

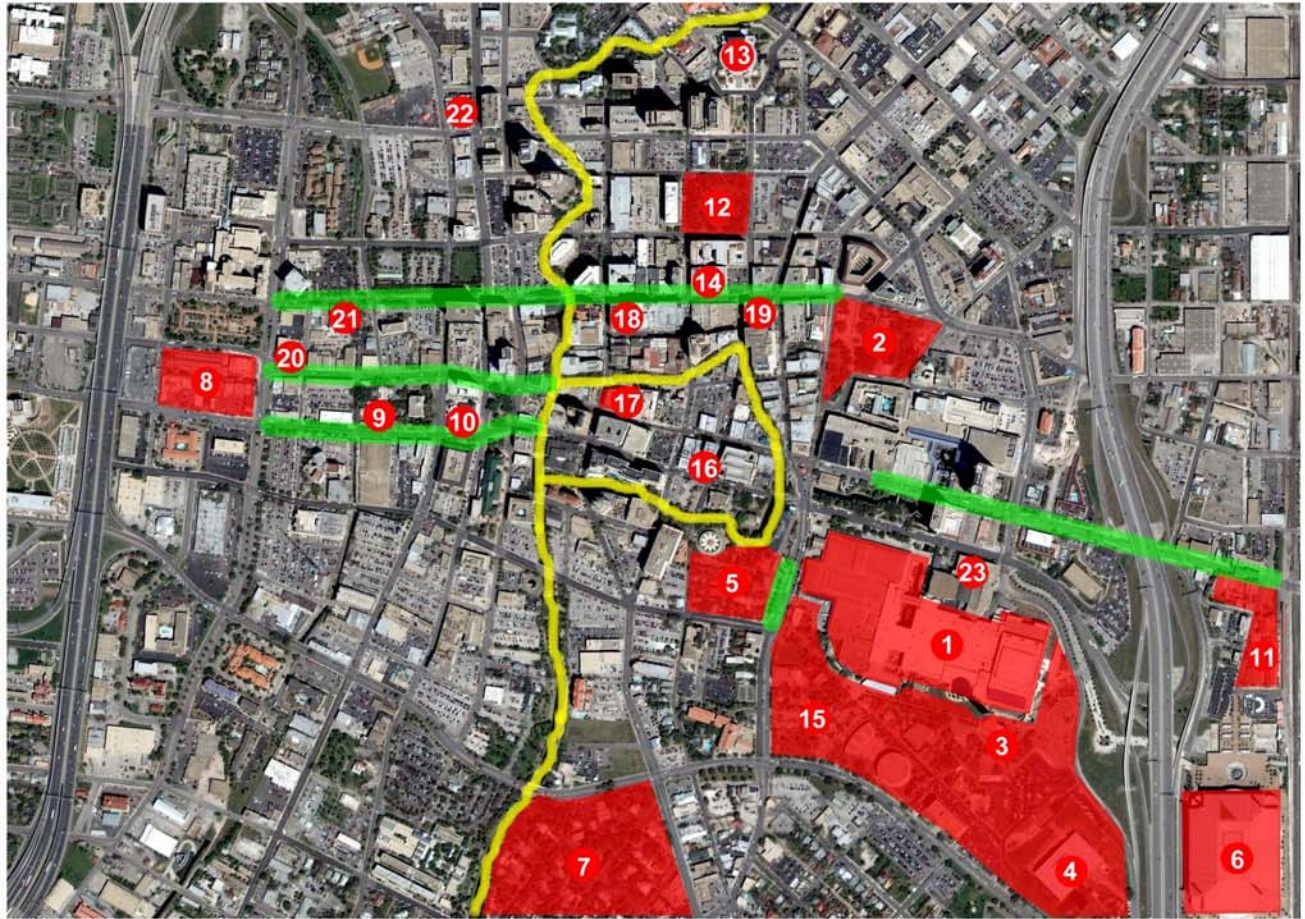
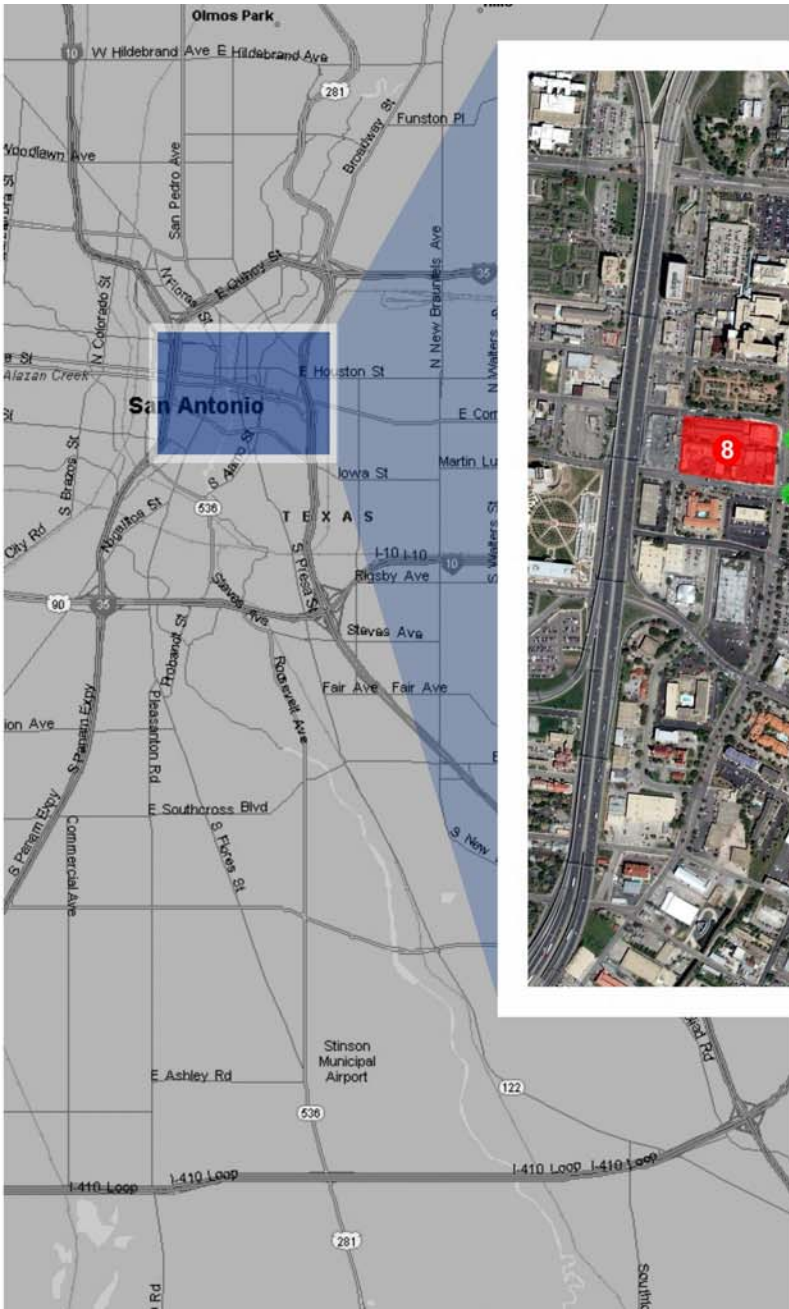
- *Open Space/Tower of the Americas Area* – centered around the newly renovated Tower, this area could provide a “central park” element to the city. Perhaps more a place for residents, but also serving as an area that a visitor can access for a slower paced urban park experience.
- *Institute of Texan Cultures (ITC) Area* – reorienting the outdoor exhibit area towards the west side of the Park, providing for a more obvious and visual linkage to the center of the Park. Improved linkages between the ITC and the remainder of the Park could be created through relocation of parking inventory.
- *Regional Transportation* – sufficient land exists within the confines of the Park to allow for consideration of some form of destination/downtown transportation hub. The hub could accommodate tour buses with visitors able to disperse into the downtown area. It could also provide for transportation elements including trolley and personal transportation options such as bike, pedi-cab, segway and/or other creative modes.

4.2.13 Downtown Housing – As noted earlier in this report, downtown housing is an important component to creating a 24-hour destination that offers the amenities and presence that can energize the visitor industry. Efforts to lure housing development downtown have

succeeded, with the higher end product developed as part of the new Convention Center hotel, the project at Houston and Broadway, La Cascada, Villaje de Rio (under construction) and numerous other existing and potential projects. While some progress is being made to expand this base, there are challenges in that site acquisition costs are high relative to potential unit sales prices. At the same time, demand for downtown is in an early stage of growth, with a level of uncertainty sufficient to delay significant investment. Future planning efforts regarding downtown housing should proceed in two ways. First, continue to leverage public financial support programs to assist developers with the economics of particular projects. These programs include tax increment reinvestment zones, tax abatements and rebates and CEID fund grants and loans. The City should also consider offering subsidized parking as part of selected developer-led downtown housing projects. This effort could also help alleviate an overall shortage of downtown parking. Secondly, efforts could be considered to spur demand for downtown housing, leading to potential increases in pricing, including the following.

- Investigate enhancements to the downtown living environment, including wi-fi offerings, security, landscaping and other amenities important to residents.
- Regularly provide current market information on downtown housing to brokers, retailers, employers, developers, appraisers, lenders and other interested parties.
- Develop media articles to highlight downtown's inviting and vibrant residential living options.
- Implement a campaign to encourage people to live downtown (for example, Denver's "Center Yourself" in Denver initiative).

An exhibit highlighting the features of the downtown area is presented on the following page.



- SAN ANTONIO DOWNTOWN**
- | | |
|---|---|
| 1. Henry B. Gonzalez Convention Center | 13. Korean War Memorial / Vietnam Vets Memorial |
| 2. The Alamo | 14. Children's Museum |
| 3. HemisFair Park / Tower of the Americas | 15. Family/Children Activities, Transportation/Recreation Hub |
| 4. Institute of Texas Cultures | 16. Western Museum (potential) |
| 5. La Villita | 17. Aztec Theater |
| 6. Alamodome | 18. Majestic Theater |
| 7. King William Historic District | 19. Buckhorn Museum |
| 8. El Mercado | 20. Museo Americano |
| 9. Spanish Governor's Palace | 21. Alameda Theatre |
| 10. San Fernando Cathedral | 22. Artpace |
| 11. Sunset Station | 23. Convention Center Hotel |
| 12. Travis Park | |

Destination SA

Strategic Planning for Visitor Industry Growth in San Antonio

Development along the Southern Stretch of the River (Mission Reach)

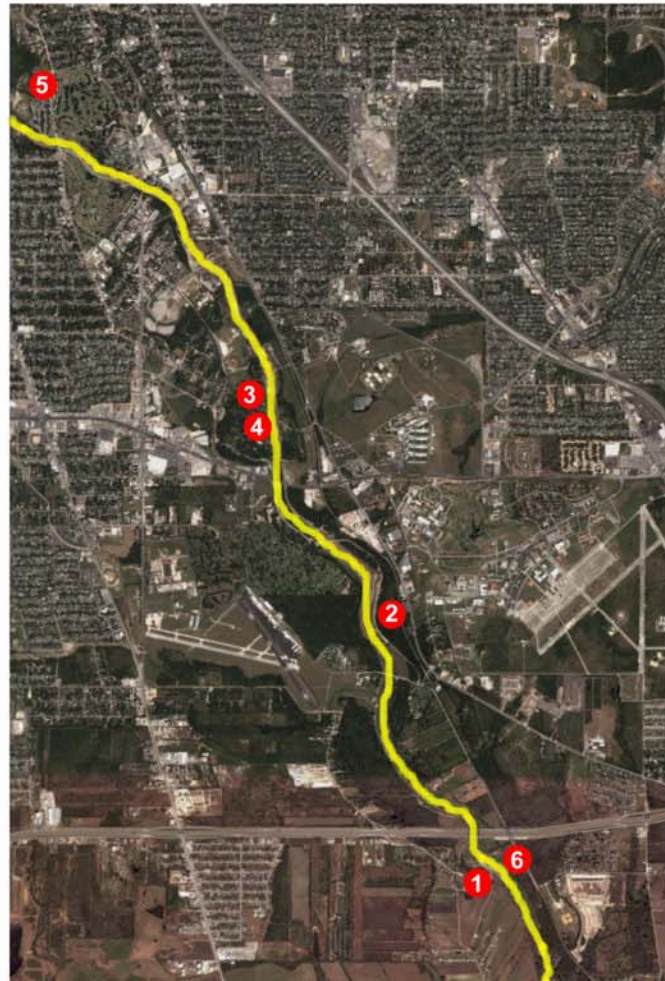
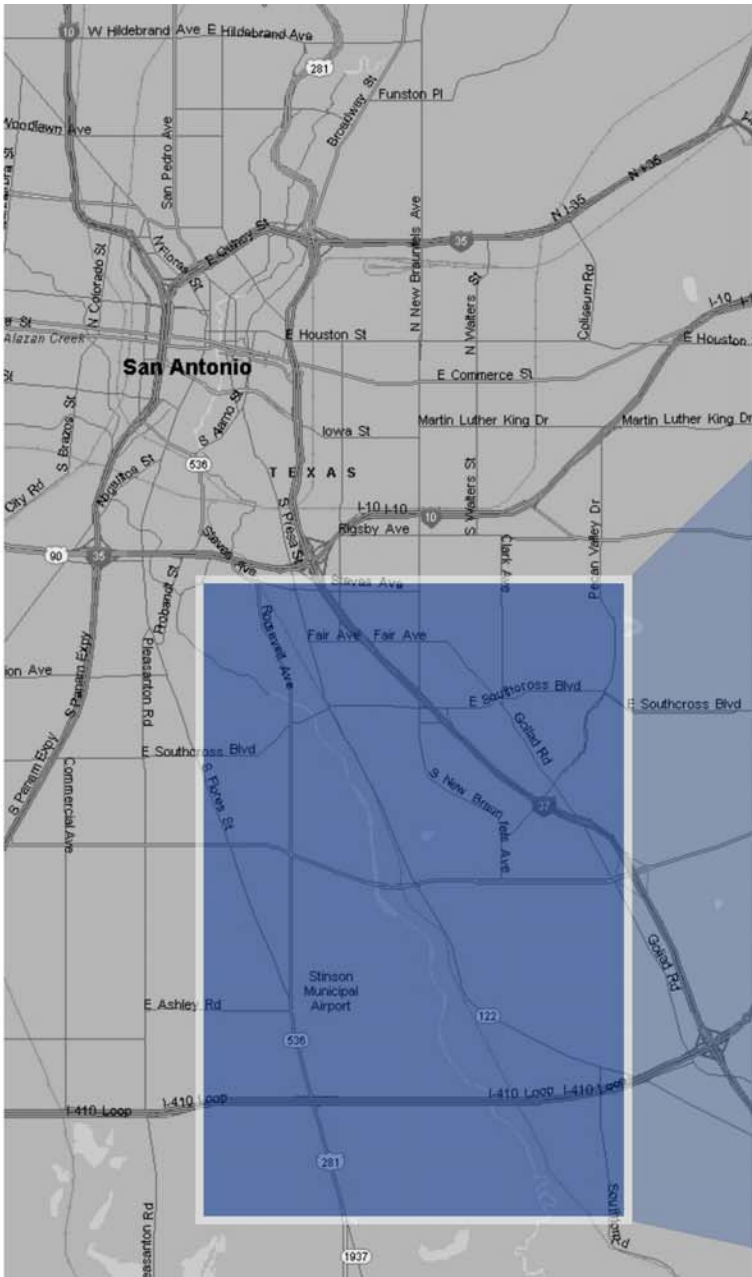
A very distinct experience could take place along the southern stretch of the River focusing on ecotourism and the historic Missions. The current River Improvements Project sets the stage for a significant enhancement in the ability to draw visitors to the area. Amenities such as canoeing, birding, hiking and experiencing the history of the Missions could extend and diversify the visitor experience. Virtually all of these experiences are uniquely and authentically based in the history of San Antonio. A focus on this region takes advantage of the significant research that indicates visitors are motivated in part by the unique character of the San Antonio destination.

- 4.2.14 Outdoor Recreation Hub** – To take advantage of the outdoor recreation amenities, consideration should be given to developing an operational hub for bike and canoe rental, providing maps and guidance for hiking, providing historical information related to the area and other such functions. This type of feature expands on the traditional concept of Visitor Center, which currently exists along the southern stretch. The Parks and Recreation Department, although already stretched in terms of its responsibilities relative to budget, may be the appropriate entity to maintain such an operation.
- 4.2.15 Mission Trails** – Consideration should be given to placing an extensive series of exhibits and displays highlighting local natural and historical conditions. In addition, in order to best accommodate potential sporting events (i.e. marathons) the surface material used should be “runner friendly,” assuming sufficient engineering specifications can be met. Finally, connecting the Trail system to the downtown for pedestrian access should be a public priority.
- 4.2.16 Event Programming at the Missions** – The historic Missions, connected by the Mission Trails, represent the primary visitor destination within the southern stretch of the River. Consideration should be given to creating events within the Mission sites that could include offering evening dining experiences, or the proposed Spanish Colonial Demonstration Farm at Mission San Juan.
- 4.2.17 Creating Linkages** – The southern stretch of the River contains many of the most historic components within the destination,

including the Missions, acequias and surrounding historic sites. Future development of links to these features from the Mission Trails is incorporated in current River planning and should be aggressively pursued. The recreation hub concept noted above should also be linked to this system. The transportation hub identified for consideration at HemisFair Park could be linked to the outdoor recreation hub to the south to allow visitors the ability to bike the southern stretch, visit historic sites, take advantage of canoeing opportunities and experience the restored natural conditions along the River.

An exhibit highlighting the features of the southern stretch of the River is presented on the following page.

- SAN ANTONIO SOUTH**
1. Mission Espada
 2. Mission San Juan
 3. Mission San Jose
 4. San Antonio Missions Visitor Center
 5. Mission Concepcion
 6. Potential Recreation Hub



Destination SA

Strategic Planning for Visitor Industry Growth in San Antonio

Broader Market and Region Wide Development

Beyond the River and downtown areas, there are numerous existing features of the destination that constitute important visitor industry amenities. These include the theme parks (SeaWorld and Fiesta Texas), the various resorts and golf courses and the important historic and cultural districts/neighborhoods that surround the downtown area.

To build on these amenities, there are several initiatives that should be considered as part of visitor industry infrastructure development within the broader market area, as discussed below.

4.2.18 Financial Support for Neighborhood Arts Organizations - The current direct arts group funding from the Office of Cultural Affairs (\$2.1 to \$2.4 million annually distributed to approximately 30 groups) should be increased by as much as 50 percent initially, and potentially more as the arts community continues to develop. This will be important in creating and supporting the authentic artistic content that visitors respond to and seek when traveling to San Antonio. In competitive destinations such as Orlando or San Diego, this type of arts investment may have less impact on the visitor industry. However, in San Antonio, research clearly indicates that the history, culture and related artistic features are an important part of the appeal for visitors. This aspect offers San Antonio a unique advantage among destinations, and should be exploited. Added funding for this initiative should not negatively impact the funding for the CVB. It should be noted that the residents of San Antonio are very fortunate in that they benefit from very successful non-profit entities that support arts and culture, as well as the recently launched Fund for arts, culture and community (“theFund”).

4.2.19 Cultural Districts as a Means of Bringing Visitors to the Neighborhoods – The broader San Antonio area encompasses numerous distinct districts or neighborhoods that offer unique opportunities for cultural and/or artistic experiences. OCA has developed a comprehensive set of Neighborhood Tour Guides that go into detail as to the unique elements of particular neighborhoods. The challenges are (1) bringing these opportunities to the attention of the

visitor and (2) providing the necessary logistics for visitors to find and explore the particular neighborhoods. In reality, there will be a subset of the overall visitor base that is energized to travel to individual neighborhoods and will “dig deep” to experience authentic visual, performance and related art forms. To reach these individuals, the website maintained by the CVB should be used aggressively to assist visitors in planning their neighborhood experience. To create the appropriate logistics for these visits, appropriate signage will be needed and visitor industry staff (visitor center, amigo’s, etc.) will have to be fully educated as to neighborhood features, location and direction.

4.2.20 Building a Connection Between Arts Groups and the Visitor – Local arts organizations in San Antonio, more than in most destinations, support the overall visitor industry message of authenticity and cultural heritage. However, in many cases, visitors to the destination will not seek out neighborhood arts organizations. To reach the broader visitor base, local arts groups will have to bring art to the visitor. To achieve this, consideration should be given to working with OCA and/or the CVB to maintain an inventory of groups, their focus and their availability for performances/displays. Coordination can then take place with event planners, tour group operators and local visitor industry businesses to schedule arts activities targeted towards the visitor and produced by local artists within the community. This effort can be greatly assisted with participation from the various private sector destination management organizations.

4.2.21 Amateur Sports Facility/Industry Development – Youth and amateur sports events can provide significant room night generation for hotels outside the downtown area and economic impact for the entire community. Numerous projects within the destination have been approved, including two 20-field tournament soccer complexes, two four-field baseball complexes and the National Swimming Center. These projects offer an opportunity to generate increased visitation to the destination, and their implementation should be expedited. This may require City management efforts to assist in securing land currently controlled by the San Antonio Water System. In addition, current contractual policy regarding required Police support for outdoor recreation and sporting events may be resulting a cost-prohibitive

situation for sponsors of events such as marathons, road races and related events.

The exhibit on the following page ties together the set of existing and recommended attractions for the San Antonio destination. Together, they enhance the ability of the destination to attract visitors from a national audience, to extend their stay in the destination, to draw from specific sub-markets (culinary, arts/cultural, eco tourism, etc) and to protect and enhance the authentic character of the destination.

4.3 Specific Industry Initiatives Designed to Maximize Visitation to the Destination - CVB Policies and Procedures

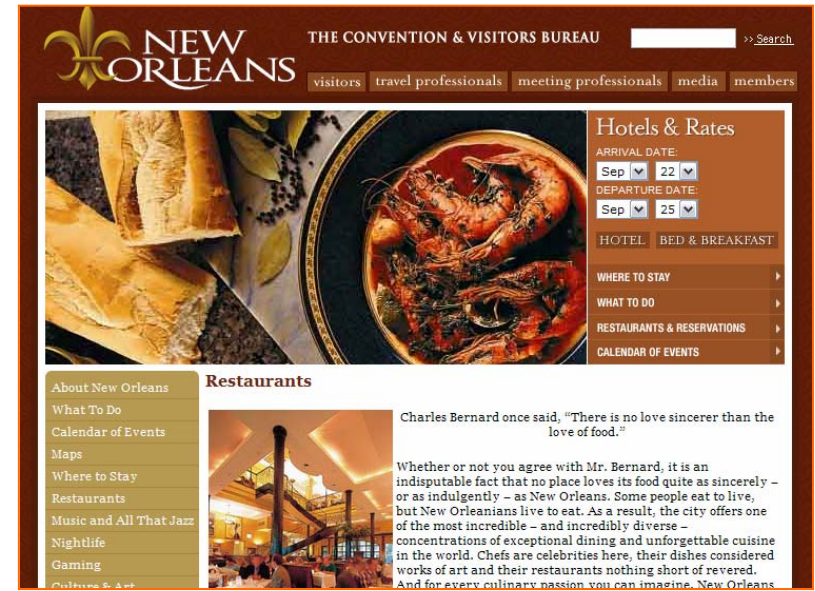
The following recommended modifications to CVB policies and procedures are designed to increase the level of visitation to the San Antonio destination and the resulting tax revenue/economic impact benefiting residents of the community. In many cases, the CVB is currently addressing aspects of the recommended changes. The individual points below should serve as guidelines for further policy refinement and focus.

4.3.1 The Convention Center is relatively small in terms of exhibit space compared to competitive venues. At the same time, San Antonio is rated as a highly attractive destination by national event planners. This “supply/demand” characteristic plays strongly in favor of the San Antonio destination. As a result, the CVB is in a position to attract events that yield high economic impact. In some cases, the CVB may forego events that would rotate to San Antonio if their economic impact is less than desired. This research suggests that the CVB should continue to reject some events willing to come to San Antonio due to low room night/economic impact levels.

4.3.2 Several national companies market and operate web-based services allowing visitors to select various attractions within a destination and to purchase admission prior to arriving. Packages can be developed by theme (history, sports, amusement/attractions, culture, arts, culinary, etc.). This feature would help draw visitors into specific areas of the community based on their interests. The Tourism Council is exploring this concept, and the CVB should be very involved in these discussions. The CVB website should be the primary portal for this initiative, and for all such initiatives that impact the convention and tourism industry for San Antonio.

4.3.3 The CVB should continue to pursue coordination of its marketing strategies with efforts underway at area attractions, particularly Sea World and Fiesta Texas. These private entities invest very significantly in marketing on a local, regional and national basis, and closer coordination could generate greater reach and impact for CVB marketing initiatives. In the past, the private attractions have been

reluctant on occasion to share details of marketing initiatives on a corporate policy basis. Perhaps a quarterly meeting could be scheduled with an “all cards up” philosophy. It is certainly possible to protect the confidentiality of the information shared by each party at such a meeting, perhaps through various legally binding confidentiality agreements.



Example of a focus on culinary tourism – New Orleans CVB website.

4.3.4 Our survey research indicates a very high likelihood to return to San Antonio, even for first time visitors and convention attendees. Efforts should be made to aggressively reach out to these visitors to secure return visits to the destination. To accomplish this, there is a wealth of untapped visitor contact information that CVB representatives generate from attendee lists at past events, area hotels and attractions and website visits. The CVB should partner with these entities to offer a package or “invitation” to return to San Antonio with various discounts. For example, the CVB could allow an association to send its members

the “invitation” to return to San Antonio, thereby benefiting the association by giving them something of value to share with their members and at the same time increasing repeat visitation to the Destination.

- 4.3.5** Similarly, the CVB could develop a plan to present hotel guests with a leave-behind invitation in their room prior to departure. This approach could also be taken for event attendees, with the leave-behind included as part of event information.
- 4.3.6** The Tourism Council and the CVB are generally focused on a common purpose of promoting visitation in the San Antonio destination. Within this overall purpose, there needs to be a clear distinction of responsibilities between the two organizations. The CVB should continue to be the community-wide leader in convention and visitor sales, marketing, branding, research and related efforts. The role of the Tourism Council can continue to focus on advocacy of policies that can benefit the industry. Over time, consideration could be given to combining the board/Oversight Committee of the CVB and Tourism Council, or even combining the two entities under the CVB umbrella.
- 4.3.7** The relationship between a CVB and the wide variety of visitor industry businesses in a community has to be strong and productive. As previously noted, the community should always look to the CVB as *the* resource for convention and visitor industry research, expertise, sales and marketing. Recent efforts taken by the San Antonio CVB to reach out to the visitor industry as business partners (quarterly meetings, newsletters, etc.) are very important and should be continued. While not a public relations effort per se, the CVB should work with local media, business leaders and elected officials to definitively represent the convention and visitor industry.
- 4.3.8** The CVB currently maintains several convention service staff to coordinate various needs of event planners such as managing hotel room blocks, supporting attendee-building initiatives and interfacing with other city departments on behalf of the planner. As an event is booked, the planner is notified that a particular event service person will be working with them. As the date of the event approaches, an event coordinator from the Center becomes part of the process, with

responsibility for the actual production of the event at the Center. Consideration should be given to more closely coordinating the CVB and Center efforts related to event service. In effect, an event planner would get joint CVB/Center notification that specific individuals (one event coordinator and one convention service staff) will be working with them during planning and through the conclusion of the event.

- 4.3.9** Currently, Center event sales responsibilities are divided between Center and CVB staff, with the CVB responsible for long-term leads and Center staff filling in short-term gaps in the event schedule. Consideration could be given to allocating all Center event sales and marketing responsibilities to the CVB. This would eliminate the need for the Center to staff a sales department, and would allow for coordinated managing of the Center event schedule to maximize economic impact generating events. Center management would retain all authority over Center pricing and policies.
- 4.3.10** Consideration should be given to housing CVB event sales staff at the Center. This could be accomplished on a rotational basis, with some portion of the staff housed at the Center for periods of six months to a year. The exposure of sales staff to the asset that they are selling has shown to have positive effects at other CVB’s.
- 4.3.11** Culinary tourism is a niche opportunity that provides San Antonio the ability to capitalize on a growing trend nationally. The CVB/City should partner with the Culinary Institute of America (assuming they participate in the Pearl Brewery development) to create and market a “San Antonio cuisine.” The CVB website can target visitor segments that respond to culinary amenities. Cooperative marketing opportunities between restaurants and visitor industry organizations are necessary to highlight this aspect of San Antonio culture, and the CVB could take the lead in coordinating these efforts.
- 4.3.12** There are numerous attractions and unique destinations within a 150-mile radius of San Antonio (Gulf coast, historic communities, natural attractions, etc.). As the largest metropolitan area within this region, San Antonio could serve as a hub within a broader hub and spoke system of visitor amenities. Visitors could take part in the numerous amenities within San Antonio, and extend their stay by traveling to other

area attractions. There have been efforts in the past to co-promote a broader region with a San Antonio hub, however this effort has been deemphasized in recent years. Consideration should be given to reaching out to surrounding visitor bureaus to develop a co-promotion program designed to bring visitors to San Antonio with extended stays in surrounding areas of the region.

5.0 VISITOR INDUSTRY STRUCTURE, GOVERNANCE AND FUNDING

No visitor industry plan, including Destination SA, can be successfully implemented without the leadership of a well structured and funded destination marketing organization, governed in a way that highlights creativity and minimizes distracting political influences. In this section of the summary, we address these areas as they relate to current conditions in San Antonio and present recommendations for future initiatives.

5.1 Organizational Structures

Most CVB's are organized as 501(c)(6) not-for-profit enterprises, operating under a contract with the public sector to conduct destination sales and marketing operations. The public sector provides financial resources (generally in the form of hotel taxes) and the CVB commits to represent the destination to the broader visitor industry. Of the 14 destinations reviewed in this study (including major San Antonio competitors), only Las Vegas and Saint Louis and San Antonio are operated outside the 501(c)(6) construct.

Typically cited advantages of the common not-for-profit structure include the ability to insulate the CVB from political influence, the ability to develop operating policies unconstrained by public sector restrictions, the ability to set compensation levels commensurate with competitive destinations and the ability to instill a "private sector" responsiveness and business approach. In some cases, a lack of these characteristics has negatively impacted the ability of the San Antonio CVB to operate competitively. However, progress has been made in several areas including creating incentive plans for sales staff and adjusting compensation levels.

Having reviewed the San Antonio model closely, there are tangible benefits that are unique among competitive destinations. These include the close linkages with City departments that can impact the visitor industry (i.e. convention center, police, fire, public works); the financial benefits related to City-paid rent, hosting fees and other items; and a comparatively strong benefits program for employees. In addition, operating with a City management position in charge of

the Convention Center, CVB and OCA affords a unique opportunity within the industry to coordinate all primary activities relating to the San Antonio visitor industry, including structure, policy, investment and related matters. There may be an opportunity to better leverage the potential advantages of this position under the existing structure, as discussed later in this section.

As part of our analysis process, we have considered two alternative approaches to improving the ability of the CVB to implement Destination SA; (1) conversion to a 501(c)(6) and (2) substantive modifications to the existing structure.

A 501(c)(6) Organization

Conversion to this type of organization involves pulling a city department outside of the city structure, and may require a restructuring according to any resulting changes to budget levels. Issues to be addressed could include:

- Accommodating personnel transition (including allowing for employees on both City and CVB payroll for a period of time).
- Developing new financial reporting structures.
- Develop agreed-upon funding levels and formulas.
- Developing new organizational structures and staffing levels as necessary.
- Developing new compensation, procurement and other business policies.
- Modifying sales/marketing plans as necessary.
- Developing/modifying human resource policies.
- Procuring necessary software and support tools.
- Securing office space.

Such a conversion would be a major undertaking and would likely require a period of two years to identify, implement and solidify policies, procedures and structures.

Modifications to Existing Structure

Several of the limitations of the existing structure and the benefits of a 501(c)(6) structure have been presented above. The objective of the modified structure is to mitigate limitations and to take advantage of benefits inherent in the not-for-profit structure.

We have had preliminary discussion with City legal staff, and it appears that opportunities exist to approach City Council with a package of responsibilities that could be more directly controlled by the CVB without direct Council input. These responsibilities could include:

- Ability to set rental rates and offer discounts.
- Ability to procure services and products, within more flexible limitations than currently exist.
- Added ability to set pay scales commensurate with competitive businesses and destinations (some flexibility currently exists).

In all cases, the City Council could retain ultimate authority to review and reverse decisions as part of an annual review process. While further research may be needed, it does appear that the potential exists to implement modifications to the existing structure in order to retain existing benefits and capture many of the benefits of the 501(c)(6) model.

Of particular interest, the opportunity to create/modify a position in city government that is designed to coordinate all primary aspects of the visitor industry from a strategic planning perspective is appealing. While the current Assistant to the City Manager position has overall responsibility for convention and tourism issues, a greater emphasis, or a rejuvenation of the role as it relates to the visitor industry, could be considered. This position would be charged solely with representing the convention, tourism and arts/cultural industry within all public and private sector initiatives that impact the industry.

For example, the following issues could have in the past, and can in the future, benefit by proactive hands-on input at a high level on behalf of the visitor industry.

- River Walk improvement/extension
- Improvements to Market Square
- Policy issues related to Market Square and La Villita
- Pearl Brewery development
- Area museum/attraction development (both public and private sector)
- Houston Street development
- HemisFair development
- City policies impacting the industry
- City assets that impact the visitor industry
- Downtown master plan
- Downtown signage initiatives

Significant discussion and/or development is taking place in each of these and other such areas, and the visitor industry needs to be fully represented. Alone among competitive destinations, San Antonio could place a senior level official in charge of coordinating all strategic aspects of competing successfully in one of the most important industries in the local economy.

Currently, the challenges to providing this representation include the following.

- The CVB director must focus on selling, marketing and brand management within the destination, and cannot fully address broader community-wide visitor industry infrastructure issues.
- The Center director must focus on ensuring a well run, customer friendly and secure facility and similarly does not have the time resources to commit to broader infrastructure issues.

- The current Assistant to the City Manager to which the CVB, Center and Alamodome report is (1) also currently responsible for other projects and assignments (such as the recent interim role as the Airport Director) and (2) hasn't been tasked to focus solely on aggressive representation of the visitor industry.

By increasing the focus of the Assistant to the City Manager position directly on the visitor industry, San Antonio could have a competitive advantage over other major destinations which don't typically have a coordinated planning regime for infrastructure and policy development within the convention and visitor industry.

It is important to note that this position will not be directly involved in day-to-day operations of the Center or CVB. The focus of this position will be directly on:

- Short and long-term planning related to visitor industry infrastructure, including implementation of many of the recommendations contained herein.
- Interacting with other City departments and various foundations that impact the visitor industry, playing an important hands on planning role versus just attending meetings.
- Reviewing City policies and procedures for positive/negative impact on visitor industry.
- Coordinating CVB, Center, Alamodome and related City assets from a strategic coordination perspective.

Consideration could also be given to folding economic development under this city leadership position, however this may not be critical as an initial step. Alternatively, the Assistant to the City Manager position discussed above could also provide *visitor industry* guidance and vision to the Economic Development Department while remaining separate.

The formal recommendation of the Destination SA report is to pursue modifications to the existing structure and evaluate the results after one year. If it becomes clear that much of the operational flexibility inherent in the 501(c)(6) structure cannot be achieved within a City department, a move to the non-profit

structure could be considered. Little is lost in pursuing this approach, and if it successful, many of the benefits associated with City control would be retained.

5.2 Board Governance

An Advisory Commission for the Convention Center, CVB and Alamodome currently exists, with limited responsibilities to advise staff on operational matters and to make recommendations to City Council as important issues arise. Unlike the board governance for many 501(c)(6) structures, the Advisory Commission operates with a relatively low profile. As an important aspect of the structural recommendations noted above, consideration should be given to increasing the authority and profile of the Advisory Commission.

Added Authority

We previously noted that consideration should be given to delegating several convention and visitor industry operational aspects away from the City Council, including aspects of compensation, procurement, pricing and discounting, among others. A proposed recipient of these responsibilities should be the Advisory Commission. The Commission would then have the authority to work with management within the Center, CVB and perhaps OCA to implement business oriented policies and changes as appropriate. The Assistant to the City Manager would maintain overall responsibilities for representing the visitor industry in all public and private sector initiatives that impact the visitor industry, but would have less input in day-to-day operational aspects.

Added Profile

The boards of major CVB's around the country are often staffed with high level business executives from within the community. Similar to the existing Advisory Commission in San Antonio, these boards include general management of area hotels, attractions and other visitor industry establishments. In addition to these positions, CVB board governance in many competitive communities consists of individuals with titles such as:

- Regional Managing Director, Wells Fargo
- President, San Francisco Giants Enterprises

- Executive Vice President, Cendant
- Publisher, Atlanta Business Chronicle
- Vice President, Georgia Power
- Vice President, Corporate Affairs, Turner Broadcasting Systems
- President & General Manager, WXIA-TV
- President, U.S. Poultry & Egg Association
- President & CEO, Public Broadcasting Atlanta
- Vice President, Advertising & Marketing, Cingular Wireless
- Senior Vice President, Bank of America

While the existing Advisory Commission is comprised of highly qualified individuals from various industry sectors, our recommendation is that membership for future iterations of the Commission *expand* on this track record by including additional professionals at the highest level of their profession, with the highest level of business and political profile.

With these initiatives, we have laid out a structure that is business-oriented, that takes advantage of synergies inherent in being a City department, and that is governed by high level executives and industry leaders.

5.3 CVB Budget Issues

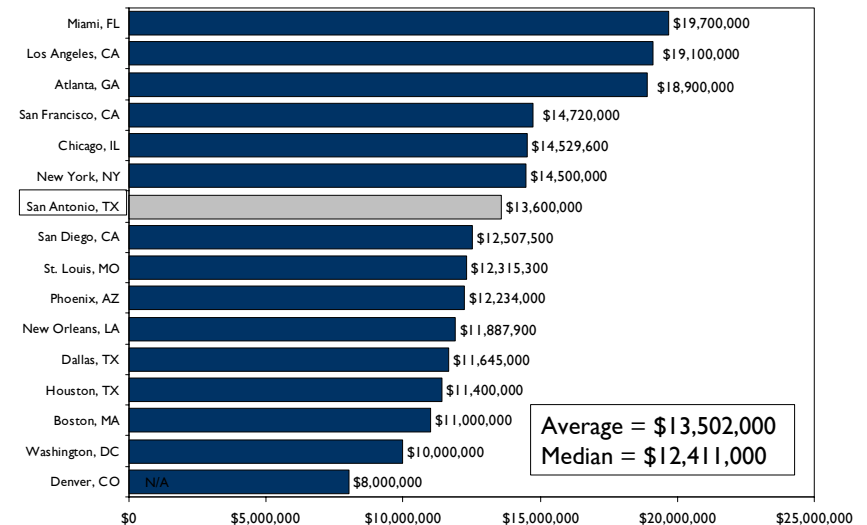
Providing resources to the CVB that are at least consistent with competitive destinations should be an important objective of the community. This is particularly true given the importance of the visitor industry to the overall San Antonio economy. The approximate \$14 million budget for the San Antonio CVB ranks near average among the 15 comparable and competitive destinations reviewed.

As indicated in the corresponding exhibit, the San Antonio budget is an average of approximately \$2.4 million higher than budgets for cities including San Diego,

St. Louis, Phoenix, New Orleans, Dallas, Houston, Boston, Washington D.C. and Denver. Six CVB's within the set reviewed operate with budgets greater than that in San Antonio.

There does not appear to be evidence that the current budget for the San Antonio CVB is unnecessarily high or low. Consideration could be given to assessing budget allocation, however there is no compelling reason to make overall budget changes.

**Comparison of Annual CVB Budget –
Competitive & Comparable Markets**



Note: The Las Vegas Convention and Visitors Authority operates with a \$163.5 million budget. The Orlando/Orange County Convention and Visitors Bureau operates with a \$41.3 million budget. Neither have been included in average and median calculations.
N/A = not available
Source: Convention and Visitors Bureaus

Finally, consideration should be given to setting the percentage of HOT tax allocated to the CVB at a fixed level. While such a policy change won't result in a set annual funding amount, it will give the CVB (1) a clearer understanding of their revenue levels for purposes of long term planning and (2) a revenue stream that can increase with the expansion of the overall visitor industry and related CVB responsibilities. For example, with the new Convention Center hotel,

revenue will likely increase, as will the need for the CVB to focus resources on filling the hotel. The funding structure should automatically adjust for the expansion (and contraction) of the visitor industry, and setting a percentage of HOT tax allocated to the CVB will accomplish this. While implementation of the current discretionary approach attempts to protect investment in the visitor industry, the percentage of HOT tax allocated to the CVB has dropped from an average of 39.0 percent between fiscal years 2001 to 2003 to 36.3 percent between fiscal years 2004 to 2006. Applied to 2006 gross HOT collections, this change in allocation percentage translates to a \$1.1 million impact. While current City management has acted responsibly, the existing discretionary approach to CVB funding leaves open the possibility of future decisions that may not be in the best interest of the visitor industry.

6.0 IMMEDIATE FOLLOW-UP AND IMPLEMENTATION EFFORTS

The findings and recommendations presented in this report serve as a roadmap for public and private sector decision makers, providing guidance as to the steps that need to be undertaken to significantly and appropriately expand the success and positive impact of the San Antonio visitor industry. Within the remainder of this report, we highlight numerous specific initiatives that will have to be pursued immediately in order to move from a conceptual stage towards implementation of recommendations.

For each of these initiatives, we provide a brief description of the particular task, and a listing of the agencies and organizations that will have to be involved. In order to begin the process, we strongly suggest that the forces behind the initiation of Destination SA convene an initial, day-long planning session to discuss the specific recommendations and to begin the process of delegating tasks with specific timelines. The particular areas in which the focus should be placed are highlighted below.

6.1 Land Acquisition to Control Specific Areas of Development Along the River, Particularly to the North of Downtown.

In reality, there will be a fairly select number of properties/areas along the River that should be targeted for public control. One of these (area of the turning basin) has been identified herein. Any more detailed discussion of particular parcels as part of this planning effort may cause unnecessary speculation. Therefore, a process to identify other potential locations that may be central to the development of the River should take place involving key agencies and organizations as listed below. This process should include identifying, assessing value and developing an acquisition strategy/funding source for acquiring identified parcels. This effort should include participation by:

- Assistant to the City Manager in charge of visitation
- Economic Development Department representation
- Parks and Recreation Department representation
- Department of Asset Management

- River Authority/Foundation representatives
- Real estate consultants
- CVB representation
- Finance Department representation

The goal of this group should be to report back to the City with a plan outlining land acquisition targets and strategies within six months.

6.2 Plan for Future Visitor Industry Development Along and Proximate to the River

This represents perhaps the most extensive effort to be undertaken. With a successful land acquisition strategy, the focus will shift to planning for the actual development of various features and attractions. Development efforts will take two forms; either City-controlled initiatives or public/private ventures. Beginning within the next three to five months, and continuing for a period of six months, recommendations should be developed as to necessary public sector input into projects as diverse as development along the Riverbanks, Pearl Brewery, the Locks, HemisFair Park, sports facilities and other projects as outlined in this Strategic Plan. A thorough exercise in evaluating development options that spur visitation and support the quality of life for residents should take place. Departments and organization that should be involved in this process include:

- Assistant to the City Manager in charge of visitation
- Economic Development Department representatives
- River Authority/Foundation representatives
- Sports Foundation
- Land use/real estate consultants
- Parks Department
- Historic Preservation Office
- Paseo del Rio Association
- City Architect
- Other City departments, as appropriate

As noted above, in some cases the initiative may be controlled entirely by the public sector through land acquisition and planning for development of particular attractions that are respectful of the history and authenticity of the community. In other cases, there will certainly be opportunities to create public/private partnerships on privately controlled land. These partnerships can be used to encourage/incentivise developers to create amenities and attractions that conform to the goal of creating entertaining, significant and authentic attractions along the River. Particular areas of focus for the public/private venture opportunities should be placed on partnerships with the Museum of Art, Pearl Brewery and with land owners/developers controlling parcels currently targeted for mixed use development south of the proposed locks on the west side of the River. With zoning, permitting, condemnation and a wide variety of other powers, the City should have significant leverage in these efforts.

6.3 Identify Opportunities for Connecting the Turning Basin with Brackenridge Park

This will be an important linkage in the effort to extend a visitor/resident experience northward from the turning basin, and in maximizing the use and attractiveness of the Park and its amenities. The linkage should encompass various modes of personal transportation along a well landscaped and inviting connection. Modes of transportation could include bike rental, Segway and pedi-cabs. This effort will require coordination with private sector vendors.

Entities assigned to this task should include the following.

- Assistant to the City Manager in charge of tourism
- Economic Development Department representatives
- Department of Asset Management
- River Authority/Foundation representatives
- Parks Department representatives
- City Architect

6.4 Develop Linkages Between the River and Various Downtown Amenities

The objective is to extend the River experience into various downtown amenities such as Market Square/Museo Americano/Alameda Theater, La Villita, HemisFair Park and Sunset Station. The efforts to create linkages would generally include landscaping, creating shade and creating small resting pockets/performance areas. Houston Street, Market/Delorosa, Commerce and Alamo are viewed as appropriate targets for creating necessary linkages. Entities assigned to this task should include the following.

- Assistant to the City Manager in charge of visitation
- Economic Development Department representatives
- Department of Asset Management
- CEO of the CVB
- River Authority/Foundation representatives
- Parks Department representatives
- City Architect
- Downtown Alliance

This group should consider developing these efforts in the context of the downtown master plan effort scheduled to commence in the near future.

6.5 Develop a “San Antonio Authenticity” Campaign

Research clearly indicates that visitors respond positively to the unique historical and cultural characteristics of the San Antonio destination. As such, a formal effort should be undertaken by the City with a primary goal of protecting and enhancing the “authenticity” of the San Antonio destination. A committee of visitor industry and community leaders should be commissioned to review a wide variety of San Antonio assets and policies with a fundamental question in mind: “have we represented to the fullest extent possible, the unique and authentic attributes of our

community?” We know that San Antonio is a highly desirable destination, and that there are unique features that set the San Antonio destination apart from competitors such as Orlando, New Orleans and San Diego. It is very important to be proactive in protecting and enhancing these unique features.

Entities assigned to this task should include the following.

- Assistant to the City Manager in charge of visitation
- CEO of the CVB
- Historical preservation representatives
- City Architect
- Office of Cultural Affairs
- Private sector cultural/historical representation

Consideration should be given to formalizing this group under the Assistant to the City Manager in charge of tourism, giving them responsibility to suggest creative ways to maintain and enhance the authenticity of the destination.

6.6 Develop Modifications to Various City Policies and Regulations

As noted within the summary of findings and recommendations (Part II of this section), there are various City policies that need to be reviewed in terms of their impact on the visitor industry. These include policies related to:

- Street performances.
- La Villita (vendor responsibilities and hours of operation).
- Market Square (vendor responsibilities and hours of operation).
- Fees charged to restaurant, retail and other entrepreneurs (with a focus on benefiting local establishments).

- Allocation of Hotel Tax revenues and consideration of a set percentage allocation to the CVB.
- Criteria used to allocate CEID funds (approximately \$10 million per year).
- Consideration of reorganizing the Oversight Committee and providing the entity with limited additional authority over setting rates/discounts, booking policies, sales efforts, marketing strategies and related matters regarding the CVB and Center.

A review of these policies should be undertaken immediately, and a report back to City Council should be made within six months. Departments and entities that should be involved in this process include:

- Assistant to the City Manager in charge of visitation
- City Attorney’s office
- CEO of the CVB
- Office of Cultural Affairs
- Downtown Alliance

6.7 Develop Modifications to Various CVB Policies and Procedures

As noted within the summary of findings and recommendations section (Part II), there are various CVB policies that need to be reviewed in terms of their impact on the visitor industry. These include policies related to:

- Priority booking at the Convention Center.
- Web based packaging of area attractions.
- Programs to solicit return visitation.
- Establishment of the CVB as the primary source of convention and tourism industry expertise through various measures.

- Coordinated marketing strategies with area attractions.
- Develop a more seamless approach to CVB and Center staff servicing of event planner needs.
- Pursuing culinary tourism, in conjunction with the attraction of the Culinary Institute of America.

Over the next six months, CVB leadership, in conjunction with the Assistant to the City Manager in charge of visitation should evaluate the specific implications of each of these recommendations and should report back to City Council with an action plan for implementation.

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- San Antonio Convention & Visitors Bureau
- San Antonio Sports Foundation
- City of San Antonio – Numerous City Departments
- San Antonio River Foundation
- Office of Cultural Affairs
- San Antonio Convention Center
- San Antonio Parks Foundation
- Aztec on the River
- River Walk Plaza Hotel
- Texas Travel Industry Association
- Councilman Roger Flores' office
- Centro San Antonio
- UTSA, Tourism Management Program
- UTSA, Health Sciences Center
- San Antonio Area Tourism Council
- Spurs Sports and Entertainment
- AT&T Center
- Downtown Alliance
- theFund
- Bromley Communications
- Fiesta Texas
- SeaWorld
- Southwest Airlines
- SAHLA
- Chamber of Commerce
- Historical Preservation Society
- Marriott River Walk
- Martin/Feldman Associates
- Venture Art
- Silver Ventures
- Alameda
- San Antonio Film Commission
- Paseo del Rio Association
- Americans for the Arts
- San Antonio Concierge Association
- Warm Springs
- Alamodome
- Intervistas Consulting
- Hyatt Regency Hill Country Resort and Spa
- Museo Americano
- San Antonio River Authority
- Urban Land Institute
- San Antonio International Airport