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Creating Tourism Improvement Districts to Raise Stable Funding for Destination Marketing and Promotion

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Abstract

Tourism Improvement Districts (TIDs), modeled after the more well-known Business Improvement Districts (BIDs), are increasing rapidly in the U.S. With enabling legislation from state and local governments, TIDs allow hoteliers in a tourist destination to ban together to impose compulsory assessments on nearly all the hotels in the district in order to raise money to fund destination marketing. To date, research on TIDs have come almost exclusively from destination marketing organizations (DMOs), travel associations, TIDs, and consultants with vested interest in the formation and expansion of TIDs. This paper synthesizes information from available reports and attempts to provide a more balanced view of the role of TIDs in destination tourism marketing and promotion.

Key words: Tourism improvement district, tourism business improvement district, tourism marketing district.

JEL Classification: H4, H7

Creating Tourism Improvement Districts

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> A financial revolution is transforming the tourism industry. Tourism Improvement Districts (TIDs) have fundamentally changed the financial structure of DMOs throughout the United States. They have helped bureaus avoid an annual "beg-a-thon" at city council by providing stable, dedicated funding.
>
> (U.S. Travel Association, 2014, p. 1)

Introduction

Tourism Improvement Districts (TID)—also referred to as Tourism Business Improvement Districts (TBID), Hotel Improvement Districts (HID), and Tourism Marketing Districts (TMD)--"are hotel assessment districts that raise funds for destination marketing, tourism promotion, sales, and events." (U.S. Travel Association, 2014, p. 1). The perceived advantages of TIDs are: (1) They provide a stable funding source for tourism promotion; (2) they are designed, created, and managed by hoteliers who pay the assessment; and (3) funds raised by TIDs cannot be diverted by governments to pay for other public services. TID assessments are a rapidly rising source of revenue for Destination Marketing Organizations (DMOs). (Destination Marketing Association International, 2015, p.3).

A TID is comprised of a collection of hotels in a city or county sanctioned by state and local governments to levy a compulsory assessment on themselves to provide funding to market and promote a tourist destination in order to increase the number of overnight visitors, occupancy and room rates.[1] As of November 2015, the National Tourism Improvement District Directory lists 95 TIDs in California and 56 in 10 other states. TIDs have also been formed in England and Scotland. In California, annual TID budgets range in size from $30,000 (Murrieta) to $30,000,000 (San Diego) (Tourism District Resource Center, *District Directory,* 2015). In 2012, there were 3,031 counties and 19,522 municipalities in the U.S. (U.S. Census Bureau, 2012). Thus, potential exists for significant expansion of TIDs in the years ahead. However, most states still have to pass enabling legislation to allow the formation of TIDs. In 2014, only 10 states "either directly authorize the formation of TIDs or have the necessary elements for TID formation." (U.S. Travel Association, 2014).

To date, research on TIDs have come almost exclusively from DMOs, travel associations, TIDs, and consultants with vested interest in the formation and expansion of TIDs. This paper synthesizes information from available reports and attempts to provide a more balanced view of the role of TIDs in destination tourism marketing and promotion.

Why TIDs?

Tourism destination marketing is a public good which gives rise to free riding (Bonham and Mak, 1997). Like all public goods, destination marketing is non-rival and non-excludable. It is non-rival in that there is no reduction in the marketing benefit available to any individual

[1] Tourism District Resource Center, at http://www.tourismimprovementdistrict.com/article-what-is-a-tid.php Destination Marketing Association International defines TIDs as "a public-private partnership formed by the local government at the request and/or the approval of businesses in a district, with the aim of increasing the number of overnight visitors using business and services [in] that area." At http://www.destinationmarketing.org/tourism-improvement-districts This definition curiously does not mention marketing at all. Waikiki, Hawaii's world-renowned destination, has two business improvement districts to raise money to improve Waikiki as a tourist destination. Because they do not allocate any of their budgets to marketing, they are not listed as TIDs in the National Tourism Improvement District Directory.

firm by adding more firms. It is non-excludable in that, once money is spent on generic marketing, all firms benefit whether or not any individual firm contributed any money to the collective marketing campaign. Therefore, the incentive is for each firm to free-ride on other firms' contributions. However, if sufficient number of firms opt to free-ride, there is insufficient funds available to promote the destination. It is a classic example in economics of market failure. Mancur Olson (1971) notes that large groups especially experience great difficulty at preventing free riding because large groups have higher costs of co-ordination. Olson suggests two solutions. One is to exclude nonmembers from the benefits, which is not possible with a public good. The other, and the standard, solution to free riding is for the government to tax all firms and make available the public good to everyone. Eliminating free riding enhances economic efficiency.

In the traditional model of funding for tourism destination marketing in the U.S. (and, indeed, around the world) state/local governments establish destination marketing organizations and fund them either by direct appropriation from the government's general fund and/or a dedicated tax (Bonham and Mak, 1996). The most common source of tax revenue is the hotel occupancy/lodging/bed tax. Destination Marketing Association International's *2015 DMO Organizational & Financial Profile Study (*p. 3) found that 87% of the 246 DMOs from the U.S., Canada, and Bermuda that participated in its survey reported receiving funds from the lodging tax. However, lodging taxes are often diverted by governments to fund other local public services. As well, there is often public opposition to using tax revenues to benefit private businesses. In the early 1990s, Colorado and California closed their state tourism offices (Bonham and Mak, 1996). In 1996 Congress stopped funding the United States Travel and

Tourism Administration (USTTA) which had promoted the U.S. as a tourist destination for 35 years; USTTA was dissolved in 1997 (Platzer, 2014).

An alternative to the traditional funding model is compulsory self-assessment, and is the model used by TIDs. In the U.S. agricultural marketing orders have long used self-assessment to fund promotion of fruits and vegetable crops (U.S. General Accounting Office, 1985, Chapter 3).

Background

TIDs are a type of Business Improvement Districts (BIDs). Hoyt and Gopal-Agge (2007, p. 946) define BIDs as "privately directed and publicly sanctioned organizations that supplement public services within geographically defined boundaries by generating multiyear revenue through a compulsory assessment on local property owners and/or businesses." They are described by some as "quasi-governmental entities." (Morcal and Zimmerman, 2008). They fund recurring rather than one-time activities that are designed to benefit the businesses and properties in the district. BIDs were first created to provide a limited number of extra-governmental local public goods such as public safety, cleaning, and maintenance to rejuvenate urban neighborhoods and promote local economic development.

States must first enact enabling legislation to allow municipal governments to designate BIDs. Assuming the state government has already provided the enabling legislation, property owners in a neighborhood establish the geographic boundary of the district, an assessment schedule and a budget and vote on whether to petition the municipal government to form a BID. When a majority of the property owners agree, a BID is formed for a limited number of years (with a provision for extension). Once formed, mandatory assessments in addition to existing property taxes are then levied on all property owners in the area. The municipal government collects the assessments and turns the money over to the BID which operates as a not-for-profit corporation. In this public-private partnership, additional local public goods are made available to revitalize neighborhoods and stimulate local economic development without having to use tax dollars. Having business leaders, instead of government bureaucrats, manage BIDs and apply their experience to influence local development policies is seen by some as another advantage of BIDs (Justice and Goldsmith, 2008, p. 165-166).[2]

BIDs were first established in Toronto, Canada in the late 1960s and have since spread to the U.S. and many other countries. However, they are most prevalent in Canada and the U.S. One reason for its popularity in the U.S., as has been argued, is that America has always been receptive to private-government partnerships because business owners in America historically played powerful roles in urban political economy. American towns and cities were founded as commercial enterprises (Morcol and Zimmermann, 2008).

The Louisiana Legislature authorized the first U.S. self-assessment district--the Downtown Development District--in New Orleans in 1974, fifteen years before West Hollywood, California formed the first TID in the U.S. (Marcol and Zimmermann, 2008, p. 31). The number of BIDs in the U.S. surged during the 1980s when the Reagan Administration terminated the federal general revenue-sharing program with municipalities, forcing cities to look for alternative ways to provide local public services (Marcol and Zimmermann, 2008, pp.32-33; Gruson, 1987).[3] California, which led the nation in creating BIDs, had another reason (Meek and Hubler, 2008, p. 199). The passage of Proposition 13 in 1978, a tax-limitation initiative, crippled the ability of California cities (and the state) to raise revenue and greatly

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[2] Critics of BIDs question whether they can be held accountable for their decisions and actions.
[3] Federal general revenue sharing began in October, 1972 under the Richard Nixon Administration and was terminated in October, 1986 under the Reagan Administration. General revenue sharing with state governments ended in 1981.

expanded the establishment of special assessment districts (Sexton, Sheffrin and O'Sullivan, 1999, p. 108; Meek and Hubler, 2008). Laws that were passed to enable the establishment of BIDs in California were later employed to create TIDs in the state.[4]

In the first nation-wide survey of TIDs, 123 TIDs across 9 states were contacted and 88 of them responded; 62 (70%) were from California. Seventy-five percent of the TIDs that responded were formed after 2005 and more than two-thirds (68%) were formed between 2007 and 2013, with the peak occurring in 2010. Not by coincidence, the number of TIDs grew rapidly during the U.S. financial crisis and Great Recession (2007- 2009) when state and local governments were in financial distress. During the recession demand for travel in the U.S. declined sharply (Ritchie, et al., 2010; Sheel, 2008). The U.S. Bureau of Economic Analysis estimates indicate tourism value-added declined every year between 2007 and 2009 (Platzer, 2014, p. 3). The financial crisis and recession hit California's local governments especially hard; Proposition 13 further complicated their task of raising tax revenues to fund core public services (O'Leary, 2009; Munnell, 2013). Funding for tourism promotion became a casualty.

The national study of TIDs reported 11% of the respondents gave "Loss of City/County funding" and 61% gave "Insufficient existing funding/Require base funding" as the primary reasons to form their TID. In a separate report, 45% of the TIDs in California cited "City/County Reducing Budget" and 32% cited "No Tourism Funding/Needed Base Funding" as the primary motivation to form their TID (*Civitas*, circa 2015, p.7). Not surprisingly, California's

[4] In California BIDs are authorized through three sections of the California Streets and Highway Code: the Parking and Business Improvement Area Law (1965), the Parking and Business Improvement Law (1989) and the Property and Business Improvement District Law (1994). Meek and Hubler, 2008, pp. 200-201. California TIDs originate from the 1989 and 1994 laws (California Travel Association, circa 2012, p.2)

local governments, which have suffered through repeated fiscal crises, have led the nation in the formation of TIDs.

TID Formation and Structure

TIDs are created in the same way as BIDs. They are self-financed and self-governed. They differ from BIDs in several ways. Today, BIDs have become more like general purpose governments; their numerous functions often include consumer marketing (Morcol and Zimmerman, 2008). By contrast, TIDs are single-purpose entities focusing solely on destination marketing and promotion.

BID boundaries extend over small neighborhoods.[5] TIDs cover a much larger area. Membership in a TID is more likely to be associated with a particular destination's brand. The first national study of TIDs in the U.S. found that 72% of the TIDs include either a single city (64%) or county (8%); the rest encompass multiple cities and counties (Civitas and Strategic Marketing Group, 2014, p. 10).

TID assessments are business-based while BID assessments are more commonly property-based.[6] TIDs are "tied directly to the lodging industry"[7] and only hotels in the district pay the assessment.[8] Nationally, about 50% of the TIDs employ the *ad valorem* levy (usually 1%

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[5] Brooks (2008, p 390) finds that in Los Angles BIDs are typically much smaller than one square kilometer.

[6] Not so in England (English Core Cities DMO Group and VisitEngland, 2001). Brooks (2008, p. 401) notes that Los Angeles has both property- and merchant-based BIDs. She argues that property-based BIDs are more willing to make larger investments in the neighborhood because they are the residual claimants of successful investments. Merchants may also desire to improve their neighborhoods, but may be priced out if too much improvement takes place. Merchant or business based BIDs are financed not by assessments on property values but license fees.

[7] http://www.civitasadvisors.com/tourismdistricts.htm

[8] Following the closing of the state's tourism office, the State of California created a state-wide TID in 1998. Visit California is a not-for profit corporation that is funded by compulsory assessments on businesses in accommodations, attractions, passenger car rental, restaurants & retail, and travel services to fund tourism marketing. (See

to 3% of room revenue) and 44% employ the *per diem* levy (usually $1 to $2 per night per occupied room) (Civitas and Strategic Marketing, 2014, p. 19). By comparison, hotel occupancy taxes in the U.S. predominantly are *ad valorem* taxes (HVS, 2014; STR Analytics and RRC Associates, 2012). *Per diem* taxes are unpopular because they are deemed to be unfair. They are inflexible when market conditions for lodging change. Over time, effective tax rates decline as *per diem* rates remain unchanged while hotel room rates rise. But *per diem* taxes/assessments are easier to administer since occupancy is more readily observable than room revenues.

Proponents of TIDs make it a point to emphasize that hotel assessments are benefit assessments in that funds raised "are used to provide services directly benefitting the business[es] which pay" (Civitas, circa 2015, p. 1).[9] To the extent that these expenditures are effective, they also benefit lodging establishments (as well as other tourism related businesses) that are exempt from paying. Nationally, about 35% of the TIDs have a room count threshold to determine if they are subject to assessment (Civitas and Strategic Marketing Group, 2014, p. 21). For example, in the San Diego Tourism Marketing District, the assessment is levied only on lodging establishments with 70 rooms or more (San Diego Economic Development Division, 2014). In the city of Los Angeles, the room count threshold is 50 rooms.[10] Besides excluding

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http://www.californiatourism.ca.gov/Home) Lambeth and Cardoza (2010) note that the U.S. federal government also established a nation-wide TID in 2009 to promote foreign travel to the U.S. However, Brand USA is not hotel-based and does not fit the definition of a TID. It is self-described as a "cooperative destination marketing organization" funded partly by a $10 per person fee imposed by the federal government on visitors from visa waiver countries and partly by voluntary cash and/or in-kind contributions (such as advertising) from the travel and tourism industry. Brand USA is governed by an 11-member board of directors appointed by the U.S. Secretary of Commerce. (Task Force on Travel and Competitiveness, 2012; About Brand USA at http://www.thebrandusa.com/About-Brand-USA/Our%20Role%20in%20the%20Travel%20Industry). See also Platzer, 2014, p. 12.

[9] Also, http://www.tourismimprovementdistrict.com/article-what-is-a-tid.php

[10] http://tmd.discoverlosangeles.com/content/latmd-overview

smaller traditional hotels, they also exempt vacation rentals and other non-hotel properties (e.g. Airbnb) thus giving them a competitive advantage over traditional hotels in the very competitive lodging business.[11]

TID Effectiveness

Important questions remain to be answered concerning TIDs' impacts on the travel and tourism industry. First, have TIDs increased marketing budgets in destinations that have adopted them? Second, to what extent, if any, have TIDs displaced financial support previously provided by states and municipalities for destination marketing? Third, who ultimately bears the burden of the hotel assessments? Fourth--and the most important--have TIDs increased hotel room nights, occupancy, and room rates? Unfortunately, there is paucity of rigorous empirical research to answer these questions.

There are responses from the nation-wide survey of TIDs conducted by Civitas and Strategic Marketing Group (2014). Formation of TIDs increased total funding for tourism marketing. Twenty-six percent of the TIDs in the national study sample reported no prior funding before the formation of their TID. Forming a TID gave them base funding for marketing. Among the 88 respondents, the average funding *gain* was $1.6 million with the majority falling between $500,000 and $2 million. These are impressive gains. They are also surprising. The National Tourism Improvement District Directory indicated 38 (or 40%) of 95 California TIDs have annual budgets of less than $500,000 (Tourism District Resource Center, 2015).[12]

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[11] Santa Monica's TMD includes all lodging businesses located within the boundaries of the City of Santa Monica with an average daily room rate of $100 and above. South Lake Tahoe TID also assesses condos and vacation rentals for those under specified property management.
[12] At http://www.tourismimprovementdistrict.com/district-directory.php In the national study sample, 62 out of 88 respondents were from California.

In an ideal world, TID funds should not displace prior government funding. Too much displacement might undermine hoteliers' support for TID formation and renewal. In Montana, the state with the second largest number (17) of TIDs, TID revenues cannot be used to displace lodging tax revenues (Montana Department of Revenue, no date). The national TID study provides no information on revenue displacement. Anecdotal evidence suggests that, at least in some destinations, displacement has occurred. For example, the San Diego Tourism Marketing District reported that district revenues "relieved the City of San Diego from funding tourism promotion…thus saving the City $10.4 million in obligations." (San Diego Tourism Authority, et al., 2013, p. 14; Tourism Economics, 2013.) According to the California Travel Association (circa 2012, p. 1) "…today's budget climate has forced many municipalities to divert a portion of that [Transient Occupancy Tax] funding to backfill essential services such as police and fire operations, libraries, parks, and street maintenance…TMDs are replacing local tax dollars as the primary funding source for convention & visitor bureaus." More research is needed on this issue.

Civitas and Strategic Marketing Group (2014, p. 23) state "TID assessments are usually passed on to the guest. Experience has demonstrated that this pass through does not discourage hotel patrons." Actually, the observed "experience" is not the result of the assessments alone but the combined effects of the assessments and the increased spending on tourism marketing.

Assessing hotels to pay for tourism marketing has two opposite effects. TID assessments are equivalent to a tax increase on lodging.[13] Economic theory suggests that a tax increase on

[13] Hotel assessments are technically not a tax. A tax is an involuntary payment to the government that does not entitle the payer to receive a direct benefit of equivalent value in return (Mak, 2004, p. 149). There is general agreement that hotel occupancy taxes are largely passed on to consumers (Mak, 2006; Mak, 2004, Chapter 12). Hence, it is considered a consumption tax.

lodging increases the tax-inclusive hotel room rate to the consumer but reduces the net (after-tax) room rate received by lodging suppliers. (Mak, 2006; Mak, 2004, Chapter 12). In 1994 New York State and New York City drastically cut the aggregate hotel occupancy tax rate in the City by over 20% to stimulate a languishing tourist industry.[14] At the time New York City had the highest hotel occupancy tax rate in the country (Johnson, 1997). Follow-up research by New York City's Independent Budget Office (1997) using time-series econometric analysis determined that the tax cuts increased hotel occupancy and (pre-tax) room rates, as expected.

In the case of TIDs, hotel assessments mean higher assessment-inclusive hotel room rates and lower demand for lodging. However, the decline in room demand can potentially be off-set by using the additional revenue raised to increase spending on tourism promotion. If successful, the additional spending increases demand for lodging and/or cause demand to be more price inelastic. Whether or not the tax increase and the increased spending on tourism promotion combine to produce more hotel room nights sold is an empirical question.

In the national study of TIDs (p. 43), seventy-five percent of those surveyed indicated that their primary strategy for TID funds was to increase new visitors. The desired outcome is clearly measurable. Did they succeed?

Sixty-two percent of the 88 TIDs in the national study responded that they did not conduct an economic analysis on Return on Investment (ROI) generated from additional funds (p.34). A Congressional Research Office survey (Platzer, 2014, p.12) of extant literature on the effectiveness of tourism marketing expenditures concluded that "…there is a dearth of empirical

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Obviously, one cannot assume that lodging tax rates can be raised indefinitely without encountering consumer resistance.

[14] The aggregate hotel occupancy tax rate is the sum of City and State and general sales tax levied on occupied hotel rooms.

evidence on the value of tourism advertising and uncertainty about the credibility of studies of tourism promotion."

A comparison by Adeel Ahmed (2010) of estimated return on investment from tourism marketing in sixteen state tourism offices revealed the following:

> ROI estimates of visitor spending per advertisement dollar ranged from $48.53 (Michigan) to $305.00 (California)[15], with an average of $122.80 and a median of $123… Five states (MI, MT, VA, MN, and MO) had a spending ROI of less than $70 per advertising dollar…
>
> Similarly, ROI estimates of state and local tax revenue per advertising dollar ranged from $2.54 (Missouri) to $20 (California), with an average of $8.18 and median of $5.00…Further exploration of California, Michigan, North Dakota, and South Dakota illustrate the differing ways states conduct tourism marketing research."

The California Travel Association funded "the first-ever comprehensive study of TMDs [Tourism Marketing Districts] currently operating in California."[16] The study, completed in March 2012, claimed the following (p.2):

> Combined, the state's TMDs spent more than $125 million to market and promote their destinations in 2010. Their efforts generated $8.9 billion in new, direct spending—a remarkable $70 return for each dollar invested.

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[15] The next highest was Colorado at $193 followed by Arizona at $180. The lowest was Missouri at $46.81; the next two highest were Michigan at $48.53 and Montana at $50.

[16] See individual success stories reported by the news media at http://www.tourismimprovementdistrict.com/news.php

For some districts, the estimated return from tourism promotional expenditures were even more remarkable. The Sonoma County tourism improvement district reportedly achieved a return on investment of $85 in additional visitor spending for every dollar spent on tourism promotion (Quackenbush, 2012). The Napa Valley tourism improvement district generated $2.1 million in funds and spent $1.2 million on tourism promotion which was estimated to have generated an additional $134 million in direct visitor spending (Quackenbush, 2012). The study needs to be independently evaluated.[17] Until then, some skepticism is warranted.

A separate study of the effects from the reduction in San Diego Tourism Marketing District (SDTMD) funding provides sharp contrast to the results in the California statewide study. Beginning January 1, 2013, the San Diego Tourism Marketing District saw a significant portion of its normal funding withheld by the local government. Reduced funding resulted in a sharp reduction in marketing campaigns designed to attract tourists to San Diego. For the two fiscal years 2013 and 2014, SDTMD expenditures on marketing were projected to fall by $30 million. The consulting firm, Tourism Economics, estimated the impact of this reduced spending on room revenues (and room nights) in San Diego, using both econometric and market share analysis (Tourism Economics, 2013). The market share analysis indicated San Diego County would lose $208 million in hotel room revenues due to reduced spending on destination marketing; the econometric analysis predicted a loss of $223 million (Tourism Economics, 2013, p. 11). Tourism Economics (p. 12) estimated total visitor spending in San Diego County would fall by $560.4 million. Thus, for every dollar reduction in spending on destination marketing

[17] This author tried to obtain a copy of the study by writing to the author and the California Travel Association, and also enlisted the assistance of the University of Hawaii Interlibrary Loan Service, but was unsuccessful.

over the two years, San Diego County was predicted to lose slightly over $7 in hotel room revenues and almost $19 (not $70) in visitor spending.

Despite the dearth of rigorous marketing effectiveness studies, 61% of the respondents in the national TID study (p. 37) were “Very satisfied” with their TID and another 28% were “Satisfied.” Only 4% were either “Unsatisfied” or “Very Unsatisfied.” Perhaps it is no coincidence that the current satisfaction level is high because U.S. tourism has been rebounding nicely since the end of the recession; 2015 was the fourth consecutive year of growth in the U.S. travel market (Biesiada, 2016). The lodging sector has performed especially well with demand out-pacing supply, pushing up room rates and occupancy. Responses may be quite different in the next tourism downturn.

Concluding Remarks

The “bottom-line purpose of TIDs is to provide funds” for tourism marketing and promotion (Civitis and Strategic Marketing Group, 2014, p. 44). The goal is attainable because local governments allow TIDs to compel potential free riders to pay their fair share of destination marketing expenses. In this case, coercion enhances economic efficiency in that it generates funding for the desired level of spending on tourist destination promotion.

Across the U.S., municipal finance—or, the lack of it—was the prime motivator behind the formation of TIDs. According to TID consulting firms Civitas and Stragetic Marketing Group (2014, p 44) “TIDs are continuing to spread across the nation and show no signs of slowing down.” This paper suggests that whether or not TIDs will continue to grow as rapidly as it has in the past, and in what locations, will depend a great deal on the future financial health of U.S. local governments. To date, the advantages of TIDs are highly touted while their potential disadvantages are scarcely heard. It would be valuable to learn which destinations have considered creating TIDs but rejected the idea, and why. As with BIDs, legitimate questions can be raised about their accountability. Hotel assessments and their uses are intended to benefit those who pay. What if the interests of hoteliers and those of the general public conflict? Who then will decide whose interests dominate? In theory, accountability rests with lawmakers who designate the TIDs. Is it true in practice? These are important questions to be researched.

The dearth of follow up studies on the effectiveness of TID expenditures on tourism marketing is disappointing but perhaps not surprising. Marketing effectiveness studies are complex and costly. In the absence of hard evidence, people tend to substitute opinion for analysis, and no one can be held accountable for poor marketing decisions (Mak, 2008, p. 116). One possible solution is for local governments to require them as a condition of TID designation. But that alone is not enough. The travel and tourism industry has to agree on acceptable evaluation methods for destination marketing, and provide guidance on what data need to be collected. Too often what is passed off as tourism marketing effectiveness studies provide no estimates of how many more visitors were attracted and how much additional revenues were generated (Mak, 2008, pp. 115-116). For example, the Hawaii Tourism Authority has been conducting tourism marketing effectiveness studies since 2003 to provide "insight into the overall intention to travel to Hawaii, brand valuation, and measurement of specific, separate attributes for Hawaii's major marketing areas of U.S. West, U.S. East, Canada and Japan" (Hawaii Tourism Authority, 2015, p. 3) The studies produce no estimates of the actual return on investment on money spent to promote Hawaii as a tourist destination.

Ten percent of the respondents in the national study of TIDs indicated that "competitive destination(s) increasing their budget" as their primary reason for forming their TID (p. 18). In a separate report on California TIDs, it was 18% (Civitas, circa 2015). Civitas and Strategic

Marketing Group (2014, p. 42) surmise that “successful use of TID funds will encourage destinations to increase TID collections further in an effort to gain a marketplace advantage.” What it means for the future of the travel and tourist industry, and indeed for the broader economy, is unclear. With more destinations entering the competitive marketing game and each spending more than before to keep up with rivals, will they simply cancel out each other’s spending? In the worst case scenario, total spending rises but returns do not keep pace with escalating expenditures. Marketing dollars have alternative uses in the community. The broader, economy-wide effects of competitive destination marketing, and what to do about them, remain to be examined.

Finally, the fact that tourism improvement districts are tied to the hotel industry potentially poses a threat to their future. In the U.S., vacation rentals and other non-hotel properties are growing faster than hotel rentals. They are not included in TIDs but are able to free-ride on the marketing expenditures funded by hotel assessments. How long before hoteliers become disenchanted by a model that assesses them but increasingly benefits their rivals? In the current toxic relationship between hotels and non-hotel property owners/managers, the difficult challenge is to get them to work together to identify and then strive to achieve a common objective. At stake is the sustainability of TIDs as we know them.

There is a rich body of academic research on business improvement districts from diverse disciplines. There is virtually none on tourism improvement districts. This presents exciting research opportunities, especially on the economic effects of TIDs, to researchers for years to come.

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