



Board of Supervisors Memorandum

June 7, 2016

Major League Soccer Incentives through Visit Tucson

Introduction

Major League Soccer (MLS) Preseason in Pima County, primarily held at the Kino Sports Complex, is a growing enterprise. In the past, Pima County has provided additional funding to Visit Tucson to incentivize professional sports teams to choose lodging locations in the unincorporated area of Pima County.

As can be seen in the attached report (Attachment 1) from Visit Tucson's Brent DeRaad, room-night stays have increased year after year, with 4,661 total MLS Preseason room-nights in 2016. However, only 42 percent of the room-nights booked were for hotels and resorts in the unincorporated area of Pima County. Another 647 room-nights were at the Marriott Starr Pass, where the County receives an Environmental Enhancement Fee.

Lodging nights and attendance increased for MLS soccer, but room-night stays in unincorporated Pima County resorts and hotels decreased. This is partly due to the time period MLS Preseason occurs, which is during the more popular tourist season when many of the County's resorts and hotels are fully booked.

In 2014, we provided \$166,000 and in 2015 \$185,000 as an incentive. As I have indicated previously, when this incentive was created, it was to be for a limited time period and be phased out. The incentive amount I recommend be transferred to Visit Tucson this year for this purpose is \$130,000. The allocations are approved by the County's Outside Agency Review Committee and now are required to be approved by the Board of Supervisors.

It is likely this lodging incentive payment to Visit Tucson will be discontinued for 2017 unless MLS can shift their season to slightly offset the peak tourism period in Pima County. I will initiate discussions with Visit Tucson and FC Tucson regarding how the incentive will be partially or entirely discontinued in 2018.

Recommendation

I recommend the Board of Supervisors allocate \$130,000 from the Contingency Fund to fund the agreement between Pima County and Visit Tucson for incentivizing Major League Soccer Preseason Training in Pima County at the Kino Sports Complex.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Major League Soccer Incentives through Visit Tucson**
May 20, 2016
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Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/anc – May 20, 2016

Attachments

c: Jan Leshar, Deputy County Administrator for Community and Health Services
Tom Moulton, Director, Attractions and Tourism
Reenie Ochoa, Director, Stadium District



TO: Chuck Huckelberry, County Administrator, Pima County

CC: Jan Leshner, Deputy County Administrator, Pima County
Tom Moulton, Director of Attractions & Tourism, Pima County
Reenie Ochoa, Director, Pima County Stadium District
Greg Foster, Managing Partner, FC Tucson

FROM:  Brent DeRaad, Visit Tucson

RE: Major League Soccer's Room-Night & Marketing Performance

DATE: May 17, 2016

2016 Agreement

Pima County, FC Tucson, Visit Tucson and Major League Soccer (MLS) are wrapping up the final year of a three-year agreement (2014-16) for MLS teams to participate in MLS Preseason in Tucson. For the 2016 event, Pima County agreed to pay MLS up to \$20,000 per team based on: 1) teams staying in hotels or resorts within unincorporated Pima County; 2) length of stay in those properties; and 3) marketing done by MLS teams to their fans encouraging them to travel to Tucson for MLS Preseason in Tucson.

Visit Tucson is spending \$40,000 with Major League Soccer to augment Pima County's investment in this initiative. In return for its investment, Visit Tucson sought Tucson-branded marketing from participating teams to their fans. Additionally, Visit Tucson spent \$10,000 marketing MLS Preseason in Tucson in metro Phoenix. Oro Valley has agreed verbally to pay \$5,000 to the Columbus Crew, which stayed at Hilton El Conquistador, while the City of Tucson is not investing in this event.

*Lodging—Unincorporated Pima County Properties & JW

<u>Team</u>	<u>Resort/Hotel</u>	<u>Stay</u>	<u>Room Nights</u>	<u>Total Expenditures</u>
Vancouver Whitecaps	Loews Ventana	9 nights (1/31-2/10)	371	\$97,000
Portland Timbers	#Marriott Starr Pass	15 nights (1/28-2/12)	435	\$130,028
Seattle Sounders	Lodge Ventana	13 nights (1/28-2/10)	264	\$72,000
Houston Dynamo	Loews Ventana	9 nights (2/1-10)	246	\$56,000
San Jose Earthquakes	#Marriott Starr Pass	9 nights (2/1-10)	212	\$76,464
New England Revolution	Westin La Paloma	14 nights (2/14-28)	401	\$140,687
Sporting Kansas City	Westin La Paloma	15 nights (2/13-28)	431	\$86,900
Houston Dynamo	Westin La Paloma	10 nights (2/18-28)	250	\$65,113
Totals—Properties in Unincorporated Pima County & JW Marriott			2,610	\$724,192

*Source: FC Tucson, April 2016

JW Marriott Starr Pass Resort pays Pima County 2% fee on all hotel revenues

Other teams that participated in MLS preseason training activities, but stayed in Tucson hotels were Real Salt Lake and the Colorado Rapids. Both teams stayed at Marriott University Park, which adjoins the University of Arizona's campus. Additionally, the Swope Park Rangers, a United Soccer League team owned by Sporting Kansas City, stayed at the DoubleTree by Hilton Reid Park Hotel.

Recap—2016 MLS Preseason in Tucson

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*Lodging—Tucson Properties

<u>Team</u>	<u>Resort/Hotel</u>	<u>Stay</u>	<u>Room Nights</u>	<u>Total Expenditures</u>
Colorado Rapids	Marriott University	13 nights (2/15-28)	352	\$98,215
Real Salt Lake	Marriott University	14 nights (2/7-21)	511	\$88,453
Swope Park Rangers	DT Reid Park	14 nights (2/14-28)	<u>272</u>	<u>\$43,690</u>
Total—Tucson Properties			1,135	\$230,358

*Source: FC Tucson, April 2016

*Lodging—Oro Valley Properties

<u>Team</u>	<u>Resort/Hotel</u>	<u>Stay</u>	<u>Room Nights</u>	<u>Total Expenditures</u>
Sporting Kansas City	Hilton El Con	17 nights (1/22-2/8)	535	\$113,000
Columbus Crew	Hilton El Con	13 nights (2/15-28)	<u>381</u>	<u>\$103,000</u>
Total—Oro Valley Properties			916	\$216,000
Total—2016 MLS Preseason in metro Tucson			4,661	\$1,170,550

*Source: FC Tucson, April 2016

Team Expenditures

Based on information in Visit Tucson's May 2014 and 2015 MLS recaps to Pima County, here is a comparison of reported expenditures for teams that stayed in hotels/resorts in unincorporated Pima County in 2014-16.

	<u>Room Nights</u>	<u>Total Expenditures</u>
*2016	2,610	\$724,192
2015	2,822	\$739,550
2014	3,008	\$1,327,928

* Showing Pima County and JW Marriott Starr Pass room nights & expenditures. Pima County's figures without Starr Pass are 1,963 room nights & \$517,700 in total expenditures.

Overview

Only 42% of the MLS room nights (1,963 of 4,661) were consumed in Pima County properties. Part of the issue is that county properties were booked with other business during the first two weeks of February, which is our busiest tourism timeframe due to the Tucson Gem, Mineral & Fossil Showcase.

Following are notes from FC Tucson's Greg Foster, which provide a comprehensive event overview: Pima County, Tucson and Oro Valley hosted 14 professional soccer teams over the course of six weeks. Half of all MLS teams (10 clubs) trained and competed in metro Tucson. Also participating were professional teams from Mexico (Celaya FC of Guanajuato), Korea (Seongnam FC) and two USL clubs (Swope Park Rangers and Arizona United).

Kino Sports Complex was utilized by 12 of the 14 clubs. Kino operated at full capacity and Naranja Park in Oro Valley provided two additional training fields to meet the needs of Sporting Kansas City and the Columbus Crew.

Kino was the site of 22 games across seven event dates. Attendance was comparable to 2015 and well ahead of 2014. Additionally, in a study released in March 2016 by Gilt Edge Marketing, Tucson is now ranked No. 25 among top U.S. markets for soccer.

Recap—2016 MLS Preseason in Tucson

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Overview (continued)

- Total hotel room nights purchased by visiting clubs grew from 3,630 in 2015 to 4,661 in 2016.
- Total hotel expenditures by visiting clubs grew from \$903,812 in 2015 to an estimated \$1,170,550 in 2016.
- Total tickets sold to fans with out-of-state mailing addresses: 871.
- Total tickets sold to fans with mailing addresses in Arizona, but outside Pima County: 1,119.
- Most of the games were live streamed with production costs borne entirely by participating MLS clubs. Click [here](#) for live-stream highlights from the Seattle-Portland exhibition from early February.

Pima County Lodging & Bed-Tax Revenue

1,963 – MLS room nights in hotels/resorts in unincorporated Pima County

x \$150 – rate per night

\$294,450 – MLS room revenue

+ \$35,481 – hotel taxes at 12.05%

\$329,931 – Total room expenditures (64% of total expenditures)

Of the \$35,481 (12.05%) in estimated resort/hotel taxes collected above, \$17,815 (6.05%) went to the State of Arizona and \$17,666 (6%) went to Pima County.

With Pima County also receiving 2% of all expenditures at JW Marriott Starr Pass Resort, that total equals \$4,130 (\$209,492 x 2%).

MLS & MLS Team Marketing

While the incoming number of MLS and international teams increased, along with their total room nights and expenditures, the team marketing was equal to, and possibly better than, their 2015 marketing. With more teams participating this year, the collective marketing impact was larger.

It is important to note that MLS spring training differs considerably from Major League Baseball spring training. MLS teams often train wherever they get the best offer and are not necessarily loyal to one destination. Some teams participating in MLS Preseason in Tucson did not commit until two months or less before the event. Some were still negotiating with FC Tucson up to 3 weeks before MLS Preseason in Tucson activities commenced. Seattle and Portland were not available for the Desert Diamond Cup for the first time, which most likely caused some loss in ticket sales.

With teams committing so late, it makes it difficult to market the event effectively to teams' fans in their hometown markets. While we saw an improvement in team lodging numbers in 2016, some teams held out on committing to Tucson while weighing their options to train in other markets that were willing to pay them more promotional funds.

It has been mentioned that signing teams to multiple-year MLS Preseason in Tucson agreements could be an effective way to market to those fans during the previous fall at the end of the MLS regular season. That could work, but this year we dealt with Seattle playing in the CONCACAF Champions Cup and they trained here in early February, instead of competing in the Desert Diamond Cup.

Recap—2016 MLS Preseason in Tucson

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2016 Team Marketing Overview

Columbus

- Stayed and trained in Oro Valley. No Pima County revenue is going to Columbus.
- Promotion included digital and social media.
- Participated in training session open to fans on Feb. 26, 2016.

Houston

- Promotion included 9 weeks of digital and social media—late December 2015 through February 2016.

New England

- Ran an 8-week digital and social media campaign (January-February 2016).
- Created a foot golf video that garnered thousands of views and promoted metro Tucson.

Portland

- Created a sweepstakes for a grand-prize winner to receive tickets and hospitality for Portland's early February 2016 friendly vs. Seattle.
- Implemented a strong digital, web and social media campaign.

San Jose

- Offered a preseason experience in Tucson, which was promoted via Twitter and Facebook posts.
- Three weeks (Jan. 1-22) of advertising and promotion was provided on team's website, including a landing page for preseason activities.

Seattle

- Seattle executed a strong 2016 marketing plan.
- The campaign included digital media, email marketing, social media promotion, Rave TV online feature and a customized travel package.
- Sent an email on Dec. 17, 2015 to fans promoting Seattle travel package to Tucson and access to a Feb. 5 training session. More than 460 fans clicked through for details.
- Seattle's fan travel package, included a pub night at Pueblo Vida on Feb. 5, including Sounders' coach Sigi Schmid and other team officials.

Sporting KC

- Sporting Kansas City did a remarkable job promoting 2016 MLS Preseason in Tucson.
- Their digital media package featured a Tucson Trivia Twitter contest with winners earning a MLS Preseason in Tucson prize package.
- Prize package, which included special access at a Feb. 26 open training session and FC Tucson's foot golf initiative was promoted on their website and via social media and a podcast.

Recap—2015 MLS Preseason in Tucson

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2016 Team Marketing Overview (continued)

Vancouver

- Vancouver put together a particularly robust marketing campaign for the Whitecaps' 2016 MLS Preseason in Tucson trip.
- Website ads, five videos, strong social media engagement and Tucson travel promotion in four of the club's e-newsletters ensured fans knew about MLS Preseason in Tucson.

In addition to expanded Tucson coverage via teams' websites and social media sites, teams participating in the Desert Diamond Cup also streamed those matches to their fans via the team websites.

Value to Pima County

Direct Spending

Pima County's sponsorship agreement with MLS generated 1,963 room nights in January/February 2016 in resorts within unincorporated Pima County, along with team spending of \$517,700. Of that total, an estimated \$17,666 in bed-tax revenue went to Pima County.

Additionally, Pima County received 2% of the Portland Timbers' and San Jose Earthquakes' expenditures at JW Marriott Starr Pass Resort, which equates to \$4,130.

This spending does not include MLS or visiting fans' expenditures. An unknown number of MLS officials, team sponsors and fans stayed in hotels and resorts within unincorporated Pima County.

2016 Total—Pima County + JW Marriott Revenue to County: \$521,830

Marketing/Promotional Value

Many of the teams delivered impressive marketing and promotional value to metro Tucson via their MLS Preseason in Tucson campaigns.

Teams have built loyal fan followings and communicate with them via their websites and social media platforms. In 2014, we tracked 13.6 million marketing impressions valued conservatively at \$108,000 (\$8 per 1,000 impressions). We also valued the 2014 streamed games at \$54,028 and FC Tucson's event marketing value at \$56,000. The total media value reported was \$218,828.

Based on increased Tucson marketing activity by the teams, MLS and FC Tucson, we increased the marketing/media value received by Tucson to \$350,000. The level of team promotion in 2016 was equal to and possibly larger than last year, and the number of streamed games grew. Additionally, Visit Tucson spent \$10,000 marketing MLS Preseason in Tucson in metro Phoenix.

2016 Total Media Value: \$350,000

MLS Preseason in Tucson Revenue to Pima County

FC Tucson will pay Pima County \$62,681 for 2016 MLS Preseason in Tucson facility rental and service fees at Kino Sports Complex. Information from FC Tucson would indicate this amount also includes revenue sharing on attendance and sponsorship. Per the Pima County Stadium District, the concessions amount is pending while final catering spending is determined.

2016 MLS Preseason Revenue to Pima County: \$62,681 + possible catering adjustment

Total Value: \$934,511

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Revenue to Kino Sports Complex

2016 MLS Preseason

\$62,681 – concessions amount pending final catering numbers

2015 MLS Preseason

\$57,352 facility use rental

\$16,367 concessions, including alcohol

\$73,899 – Total

Recommended Payment

Based on a review of the teams' length of stay in metro Tucson, whether they stayed in resorts or hotels within unincorporated Pima County, and marketing performance, it is recommended that Visit Tucson, with full reimbursement from Pima County, pay Major League Soccer \$130,000, per the contract among Pima County, MLS, FC Tucson and Visit Tucson. Details follow:

<u>Team</u>	<u>2 Weeks PC Resort/Hotel</u>	<u>Preseason Tucson Marketing</u>	<u>Recommended Payment by FC Tucson</u>
Houston Dynamo (Loews & Westin)	20 nights	yes	\$20,000
New England Revolution (Westin)	14 nights	yes	\$20,000
Portland Timbers (*Starr Pass)	15 nights	yes	\$20,000
San Jose Earthquakes (*Starr Pass)	9 nights	yes	\$15,000
Seattle Sounders (Lodge Ventana)	13 nights	yes	\$20,000
Sporting Kansas City (Westin)	15 nights	yes	\$20,000
Vancouver Whitecaps (Loews)	9 nights	yes	<u>\$15,000</u>
Total:			\$130,000

*Teams staying at Starr Pass included in payments since Pima County receives revenue from resort's operations.

Return on Investment

Pima County is being asked to invest \$130,000 in 2016 MLS Preseason in Tucson, down from \$185,000 in 2015. Visit Tucson and Oro Valley will pay MLS \$40,000 and \$5,000, respectively. The total cash investment in MLS, should Pima County agree to a \$130,000 payment, will be \$175,000. Additionally, Visit Tucson spent \$10,000 marketing MLS Preseason in Tucson in metro Phoenix.

Visit Tucson's \$40,000 will go to: Seattle Sounders (\$20,000); Portland Timbers (\$10,000); and Sporting Kansas City (\$10,000). Oro Valley's \$5,000 will go to the Columbus Crew.

\$584,511-County resort revenue + MLS revenue share / \$130,000 Pima County investment = \$4.50 ROI

\$1,233,231-Total MLS direct spending + MLS revenue share / \$185,000 Pima County-Visit Tucson-Oro Valley cash investment = \$6.67 ROI

\$1,583,231-MLS direct spending + media value + MLS revenue share / \$185,000 cash investment = \$8.56 ROI

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Next Year

It is recommended that Pima County consider proceeding with a new, multi-year agreement with FC Tucson in 2017 to bring Major League Soccer teams to Kino Sports Complex and resorts in unincorporated Pima County. Based on the increasing number of participating teams, however, and the high occupancy in county resorts during the first two weeks of February, some of this business was pushed to resorts in Tucson and Oro Valley.

While it would be appropriate for Tucson and Oro Valley to invest in MLS commensurate to the benefits they receive from that activity, neither has budgeted for MLS activities in their draft 2016-17 budgets.

Ongoing opportunities to grow the return on investment for Pima County and our region include:

Multiple-year commitments from teams: FC Tucson is continuing its work to secure multiple-year commitments from teams, which would allow the teams and Visit Tucson to market MLS Preseason in Tucson to their fans well in advance of the event.

More marketing: FC Tucson took the lead this year in working with MLS teams to market MLS Preseason in Tucson. The earlier the teams are secured, the more possibilities there are to market this event to fans in the team markets.

Open training sessions: FC Tucson added open training sessions to the 2016 MLS Preseason in Tucson and these are expected to continue in 2017 due to their success this year. Selected players and officials from the participating teams were available for autographs, videos and photos. These open training sessions engage the community and visitors in professional soccer.

Increase the number of professional soccer fields & locker rooms at Kino Sports Complex:

Reconditioning to MLS standards the two soccer fields located near Kino Stadium's main parking lot would provide additional capacity for the growing number of teams participating in MLS Preseason in Tucson. Adding locker-room facilities will be necessary, as well, to accommodate these teams.

The estimated cost for upgrading soccer fields 11 and 12 on the south side of Kino Sports Complex is \$650,000, per the Pima County Stadium District. Enhancements include field upgrades (turf, soil, drainage and irrigation), permanent restroom facilities, potable water source and drinking fountains, ensuring ADA accessibility, installing electrical power pedestals, goal posts, fencing and signage.

Thank you for your consideration of this 2016 recap and recommendations for next year.