



City Council Economic Development Subcommittee

MINUTES (DRAFT)

Conference Room A

City Hall, 501 Primrose Road – Burlingame, California
Wednesday, April 8, 2020 – 8:15 a.m.

ATTENDANCE

Members Present: Vice Mayor Ann O'Brien Keighran, Councilmember Ricardo Ortiz

Members Absent: None

Staff Present: City Manager (CM) Lisa Goldman, Community Development Director (CDD) Kevin Gardiner, Economic Development Specialist (EDS) Joseph Sanfilippo, Finance Director (FD) Carol Augustine

Members of the Public Present: John Hutar (San Mateo County/Silicon Valley Convention and Visitors' Bureau), Fattah Aydin (Embassy Suites), Lisa Kershner (Marriott), Jennifer Chen (San Mateo Economic Development), Mike McKee (DoubleTree)

READ AND APPROVE MINUTES FROM JANUARY, FEBRUARY AND MARCH MEETINGS

Approved.

DISCUSSION ITEMS

Discussion of COVID-19 Impacts on Tourism Industry

- Mr. Hutar estimated 0% occupancy for April, May, and June, 60% in July, and 70% by the end of the year, with an overall 50% decline in revenues for 2020. Occupancy rates are currently in the teens or single digits throughout the region. He noted that Burlingame (and flights to SFO) are heavily dependent on New York, Los Angeles, and Chicago for corporate travel; during this crisis, there is essentially zero demand. He also mentioned that travel sentiment is likely to be low for several months after the shelter-in-place orders are lifted, which may further exacerbate revenue declines.
- Mr. Aydin confirmed that the occupancy rates for his hotel dropped over 80%, along with an 87% decrease in revenue. He does not foresee more business until Q3 or Q4 2020. He is unsure if Embassy Suites will suspend operations.
- Mr. McKee reported his hotel is at about 25% occupancy due to crew-based demand, and as such, does not envision suspending operations. He also anticipates an uptick in demand in Q4 2020.
- Ms. Kershner explained that the SFO Marriott closed March 31 with more than 250 layoffs for hourly employees and an additional 30 furloughs of managerial staff. She is hopeful for business in August and beyond, as there seems to be an interest in postponing conferences rather than cancelling. She is unsure if the Marriott will reopen for the summer months, but anticipates less than 10% occupancy if so. She noted that their hotel is also heavily dependent on airlines and crew stays, noting that one crew can net nearly \$3-5 million for a hotel.

- Ms. Kershner is concerned that Burlingame will lose its competitive advantage of proximity to the airport as rates drop in major nearby metros (San Francisco, Oakland, San Jose, etc.) Mr. Hutar agreed and noted that in times of similar crises (SARS, wars, etc.), demand often moved to San Francisco as this “drive market” lowered its rates. He also noted that consumer sentiment is moving towards individual cars over public transit due to health concerns, which may also exacerbate airfare declines. However, there is a general hope that because this economic spiral was so rapid, pent-up demand will lead to increased business once “normal” is established, compared to the long-term spiral of the Great Recession.
- Councilmember Ortiz inquired why Burlingame will lose its competitive advantage. Mr. Hutar explained that downtown San Francisco becomes more attractive while it is affordable because of name recognition. Ms. Kershner noted that she anticipates a drop in meeting and conference revenues due to skepticism about having large gatherings. Mr. Aydin noted the Burlingame market typically has about 20% occupancy from crews for \$200/night. This is a huge boon for marketing to other sectors, but losing the advantage to San Francisco could disrupt this market.
- Mr. Hutar inquired when the shelter-in-place order is expected to be lifted. CM Goldman explained that the County Health Officer is modeling for COVID-19 and speculating a peak around April 14, but there is not an expected date for a downward trend. She noted that the County has formed a long-range planning group and hired a consultant to help navigate on the other side of the crisis, but also speculates that these plans may be an iterative process rather than immediate recovery. She mentioned that there is currently sufficient medical capacity in the Bay Area, but there is general speculation that the lockdown may extend past May 3rd.
- There was a discussion about transient occupancy tax (TOT) collection in San Francisco as there is a belief that some hotels are not charging TOT on crew nights, which reduces Burlingame’s competitive edge. Mr. McKee hopes to delay TOT payments as long as possible due to cash flow issues during the crisis. FD Augustine confirmed that the ordinance allows for deferral, and she will draft a letter to send to hotels deferring TOT collection through June. She does request that TOT revenues are reported, even if they are not collected, so the City is able to gauge the amount of money that will be arriving in later months.
- Mr. Hutar mentioned that the shuttle to Broadway and Downtown has been suspended. He suggested a robust marketing campaign when business resumes, both to market Burlingame hotels as well as the major commercial districts. He hopes that there can be a push for local companies (particularly tech companies) to “meet local” and use Burlingame facilities for meetings, as he saw in Detroit during the Great Recession.
- Mr. Hutar said he hopes to tap into corporate travel sentiment with Oculus (upon their arrival) and mentioned that corporate travel is essential for revenue streams. CDD Gardiner noted that construction has slowed for the Oculus project due to the shelter-in-place order and expects a one to two month delay. CM Goldman also noted that Topgolf is still coming along but is similarly delayed.
- Ms. Kershner applauded the potential of the Bay Trail and surrounding nature amenities, but she hopes to see a restoration of some dilapidated buildings nearby. Vice Mayor O’Brien

urged hotels to market Downtown Burlingame and mentioned that the City could tour with concierges after business opens.

- Mr. Hutar inquired if there are further suggestions for marketing Burlingame. EDS Sanfilippo mentioned the DBID and Broadway BID are working on a joint brochure; Vice Mayor O'Brien suggested coordinating this project with the Chamber of Commerce. Ms. Kershner suggested digital marketing would be better for accessibility and modernity.
- Mr. Aydin mentioned a hospital had been looking for rooms in the market but they have chosen AirBnB, instead of available hotel space. He is following up to determine why this decision was made and noted that short-term rentals are a perpetual threat. CM Goldman noted San Mateo County is renting rooms as well.

Future Agenda Topics

- Vice Mayor O'Brien suggested changing the May meeting to small business owners, because she is curious to see how people will handle recovery going forward or what will happen if the shelter-in-place is extended. EDS Sanfilippo will forward a request to the BIDs and Chamber. Councilmember Ortiz agreed that automobile dealers should be postponed to a later month.

Miscellaneous Discussion

- Mr. Hutar suggested looking into tech employers in the City for a Subcommittee meeting, especially to gauge their interest in corporate events. CDD Gardiner noted Oculus has meeting space available, but the demand for overnight stays is unknown. Ms. Kershner requested any contact information from tech companies be forwarded to the hotels, as appropriate.
- The Subcommittee members approved an amendment to the Façade Improvement Program application for Pilates ProWorks, increasing the requested amount from \$9,461 to \$10,000.

Action Items

- EDS Sanfilippo will inquire about San Francisco, Oakland, and San Jose's TOT collection. He will contact Broadway BID and Downtown BID to gauge their progress on a new joint marketing piece. He will also notify the Chamber and the two BIDs of the Subcommittee's intention to meet with small businesses at the May 13 Subcommittee meeting. He will identify tech companies in Burlingame to gauge their interest in a Subcommittee meeting, and, if appropriate, forward their information to hoteliers.

FUTURE AGENDA TOPICS

- May 13, 2020- Meeting with Small Business Owners to Discuss COVID-19 Impacts

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

Meeting adjourned at 9:20 a.m.

Respectfully submitted,

Joseph Sanfilippo
Economic Development Specialist