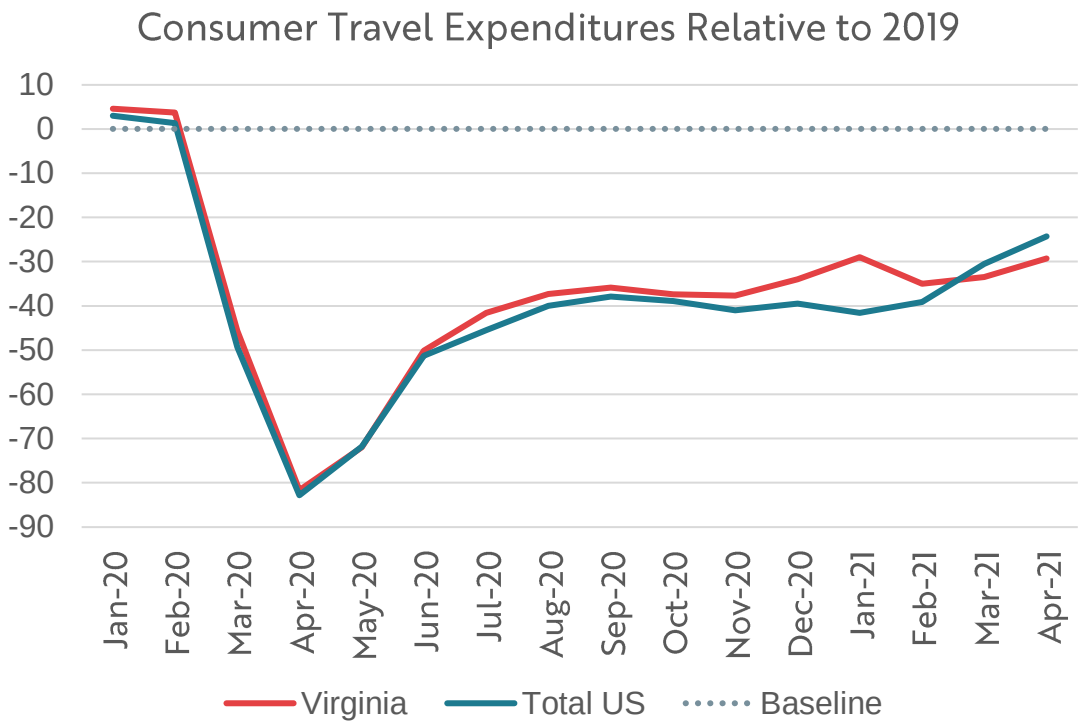
AMERICAN RESCUE PLAN ACT OF 2021: VIRGINIA TOURISM RECOVERY BRIEFING

June 15, 2021

TRAVEL EXPENDITURES ARE CURRENTLY 30% LESS THAN THE PRE-PANDEMIC 2019 BASELINE

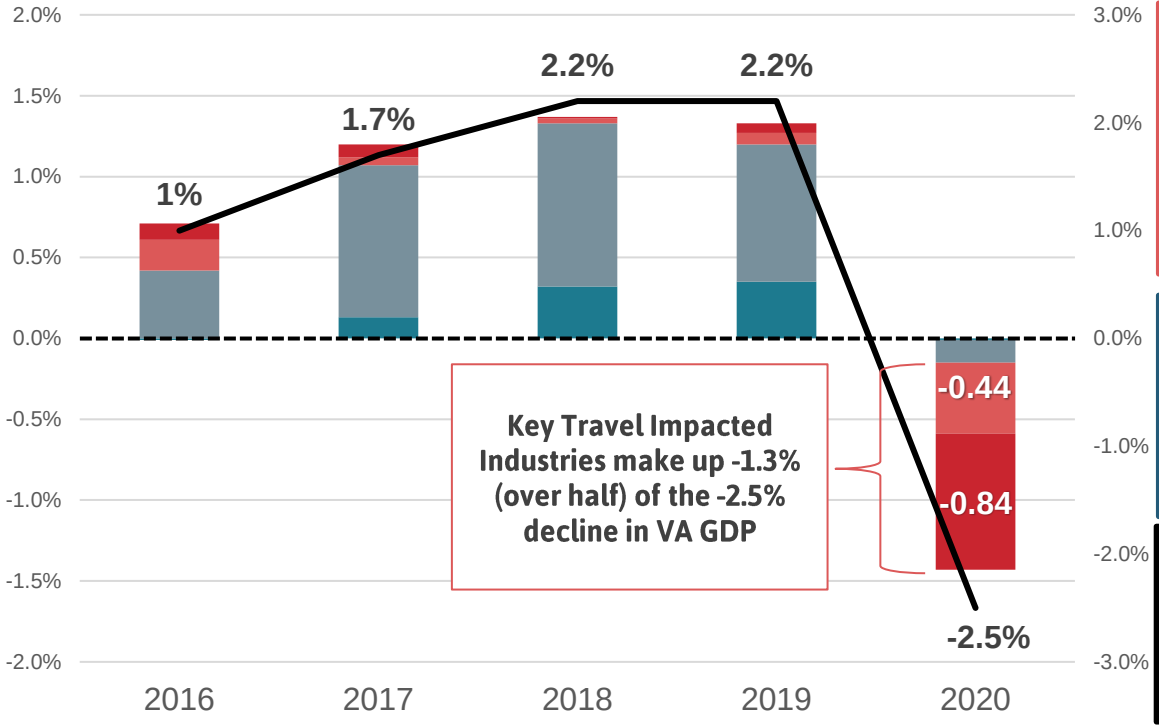


- US Travel Association & Tourism Economics modeled expenditures have our "run-rate" about 30% lower than 2019
- While this estimate is at a statewide level, the regional impact is much more disparate
- Outdoor localities such as Virginia Beach and areas servicing Shenandoah National Park have been impacted relatively less than Northern Virginia – where destinations are predominantly indoor, event-based, and more exposed to air travel

Source: Tourism Economics modeled Travel Spending by state, accessed via US Travel Association Travel Spending change vs. 2019 Baseline, as of March 2021

OVER HALF OF VIRGINIA'S 2020 DECLINE IN ECONOMIC GROWTH IS DRIVEN BY NEGATIVE IMPACTS TO LEISURE & HOSPITALITY and STATE & LOCAL GOVERNMENT

Contribution to Economic Growth in Virginia by Industry: 2016 - 2020



Entertainment, Recreation, Accomodation, and Food Services

State & Local Government

- Reduced travel has negatively shocked the Leisure & Hospitality industries
- Impact has flowed through to Local Government via reduced tax revenue

Professional & Business Services

Finance & Real Estate

- White collar industries have been less disrupted by the pandemic

Total VA GDP (right axis)

- Negative Leisure & Hospitality and Government impacts make up about half of the decline in Virginia GDP

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Source: US Bureau of Economic Analysis – GDP by State, Preliminary 2020 Estimates, Contributions to percent change in real GDP Accessed April 28, 2021

KEY TRAVEL IMPACTED INDUSTRIES HAVE CARRIED THE BURDEN OF VIRGINIA's JOB LOSSES

- Our key sectors represent about **1 out of every 5 Virginia jobs – but they are responsible for about 3 out of every 5 jobs lost**
- Leisure & Hospitality is by far the most impacted industry grouping in terms of absolute employment and percent change
- Leisure & Hospitality accounts for ***only 10.3% of payrolls, but 45.4% of losses***
- Local Government is the second most impacted VEC Division with 14.6% of Nonfarm Virginia job losses

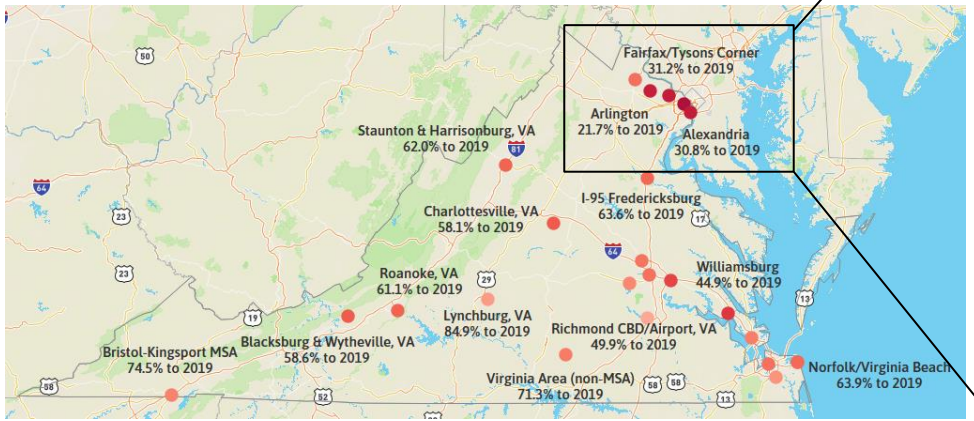
Employment Category	Number Employed in January 2020	Number Lost as of April 2021	Share of Total Nonfarm in January 2020	Share of Total Losses as of April 2021
Total Virginia Nonfarm Jobs	4,089,100	-199,400	-	-
Goods Producing	458,500	-8,700	11.2%	4.3%
Professional & Business Services	776,100	-8,900	19.0%	4.5%
Leisure & Hospitality	421,400	**-90,600**	**10.3%**	**45.4%**
Local Government	389,500	**-29,100**	**9.5%**	**14.6%**

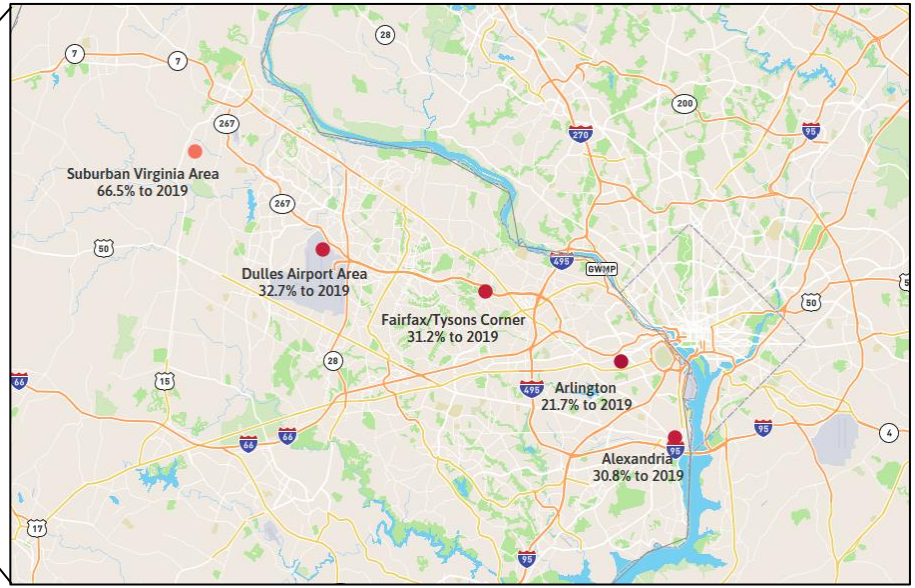
Source: Virginia Employment Commission via St. Louis Federal Reserve Economic Database – accessed June 1, 2021 with data through April 2021

USING THE HOTEL MARKET AS A REGIONAL INDICATOR, THE RECOVERY HAS BEEN PIECEMEAL ACROSS VIRGINIA

Index to 2019 Baseline of Hotel Revenue Gap

April YTD 2021 vs. April YTD 2019





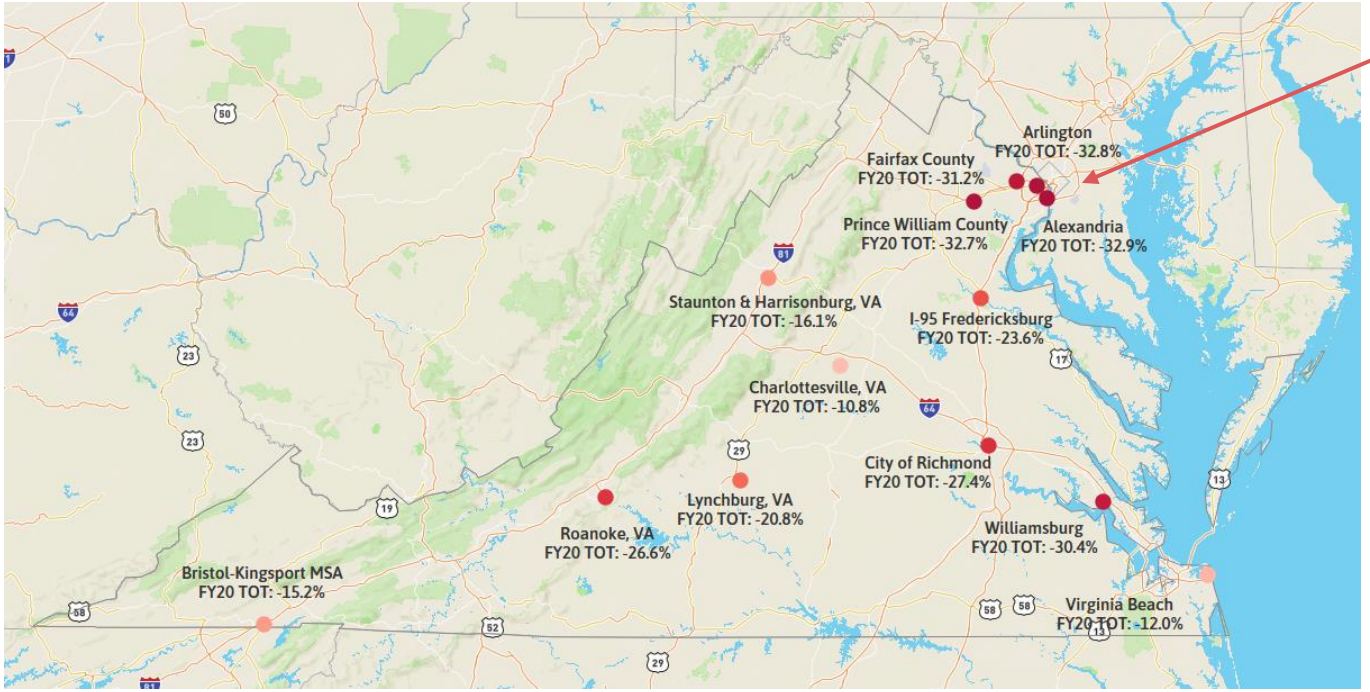
Index is Hotel RevPAR (Revenue Per Available Room) for YTD April 2021 vs. 2019
Data provided by Smith Travel Research, a division of CoStar

Example: Arlington Index of 21.7% means that **current RevPAR level of $35.52 is only 21.7% of the 2019 level of $163.48**

Northern Virginia has been severely impacted due to reliance on weekday business travel & event-based business

AS A RESULT, ALL LOCAL HOTEL TAX COLLECTIONS HAVE BEEN SIGNIFICANTLY NEGATIVELY IMPACTED – ERODING RESOURCES AVAILABLE FOR LOCAL DMOs TO RESPOND

Transient Occupancy Tax by Locality – FY2019 vs. FY2020
Data for FY2020 only contains pandemic impact for last 4 months of FY2020

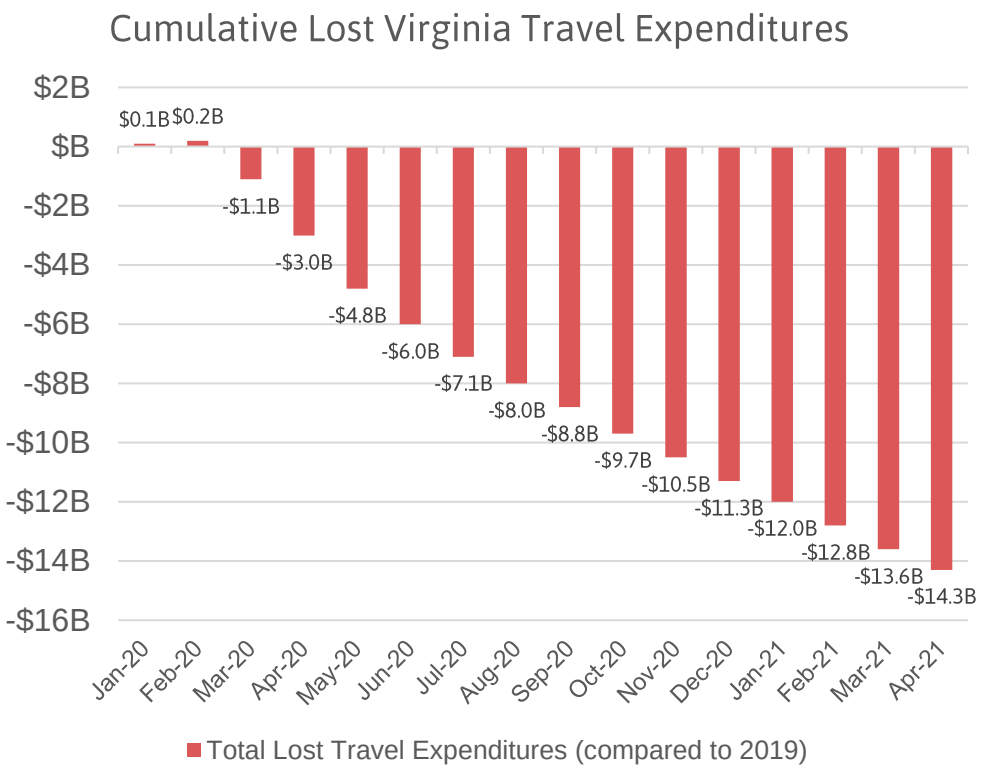


Transient Occupancy Tax revenues are down about 30-33% in Northern VA

- Many of these revenue vehicles fund local DMOs
- In March/April/May/June alone, Transient Occupancy Tax collections were **down as much as 70% vs the same months in FY19**
- This view is undercounting the revenue impact – especially in Northern VA, as Occupancy patterns have not changed significantly from the worst of the pandemic

IN SUMMARY, VIRGINIA'S HOLE OF LOST TRAVEL EXPENDITURES IS GETTING DEEPER

We have seen how reduced travel expenditures are significantly impacting the Leisure & Hospitality Industry and Local Governments across the Commonwealth through job losses and reduced tax revenues



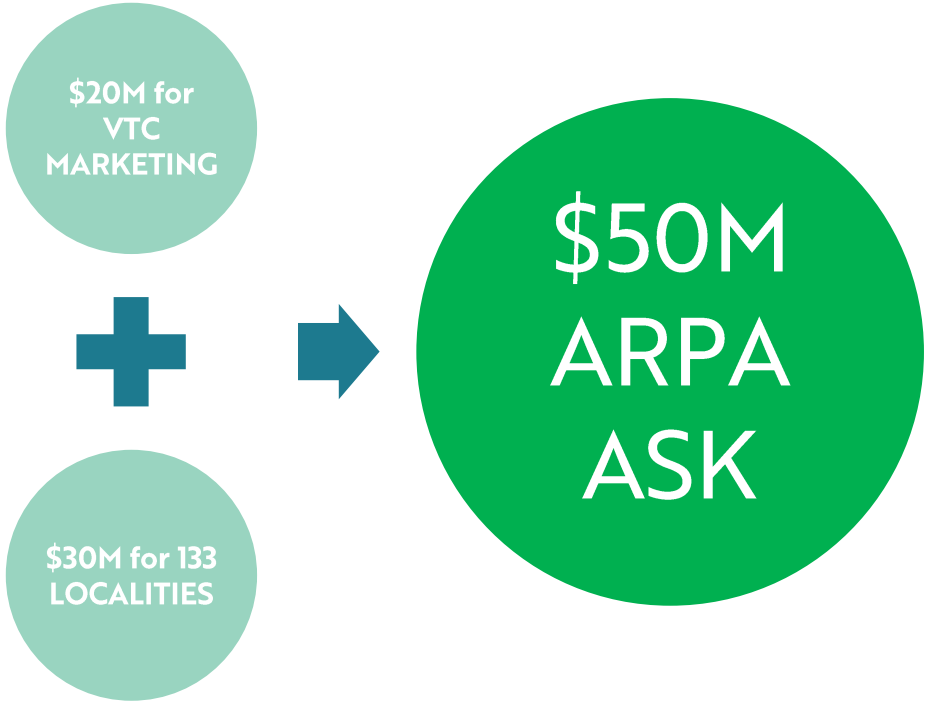
THE $50M IN RECOVERY FUNDS WILL BE ALLOCATED BETWEEN VTC AND VIRGINIA'S 133 LOCALITIES

VTC Funds to support:

- Doubling of Broadcast Reach to 13M Households and Tripling of Digital Reach to 47.5M Households
- Extend time in market from 12 weeks to 15-24 weeks
- Outdoor recreation marketing grants
- Meeting excess demand for Marketing Leverage Program
- Sports Marketing Incentives
- Meetings Marketing Incentives

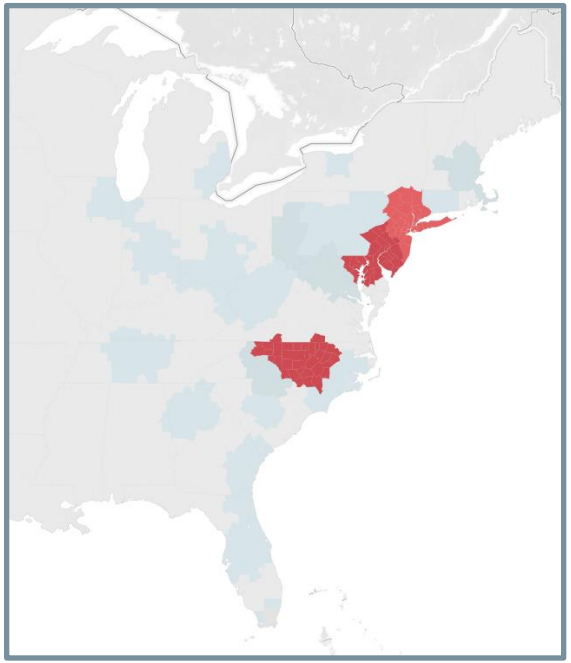
Locality Funds to support:

- Reimbursed local marketing expenses to support safe travel
- Shoring-up of DMO resources lost due to reduced tax revenues
- DMO Marketing expenses directly caused by COVID-19 (PPE or COVID-response materials)
- Funds are awarded based on locality providing proof of lost revenue

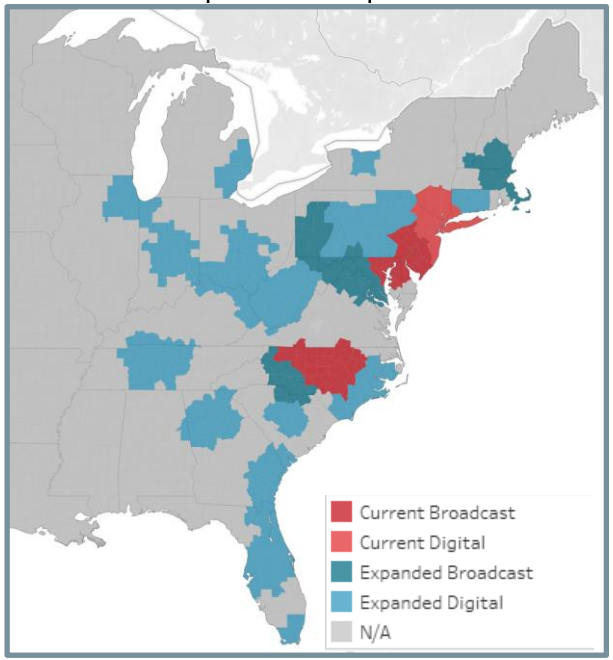


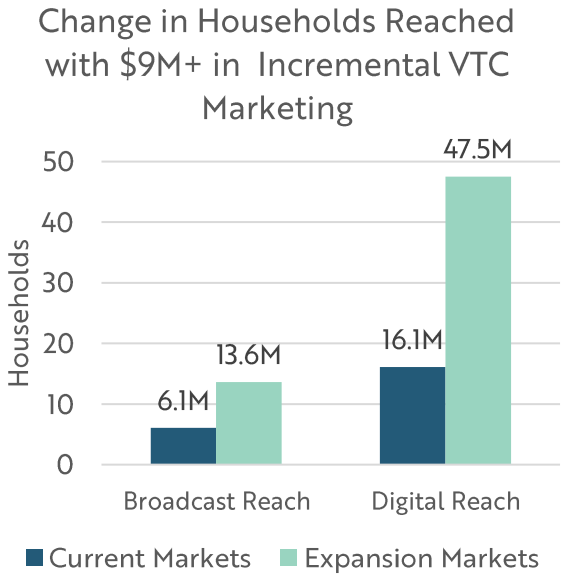
AN INCREMENTAL $9M IN VTC MARKETING OVER 2 YEARS DOUBLES VIRGINIA'S BROADCAST REACH, AND TRIPLES DIGITAL REACH

Current Footprint



Expanded Footprint

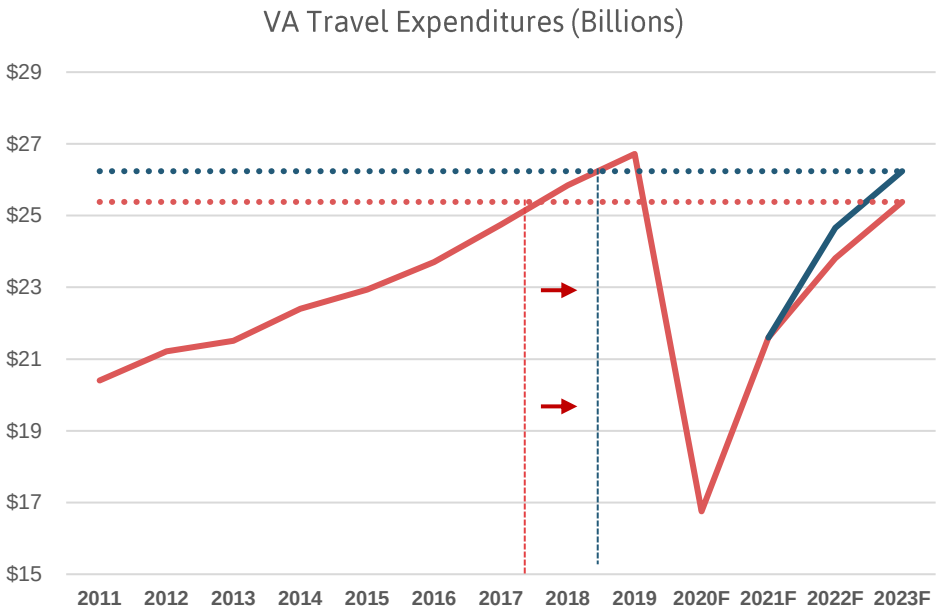


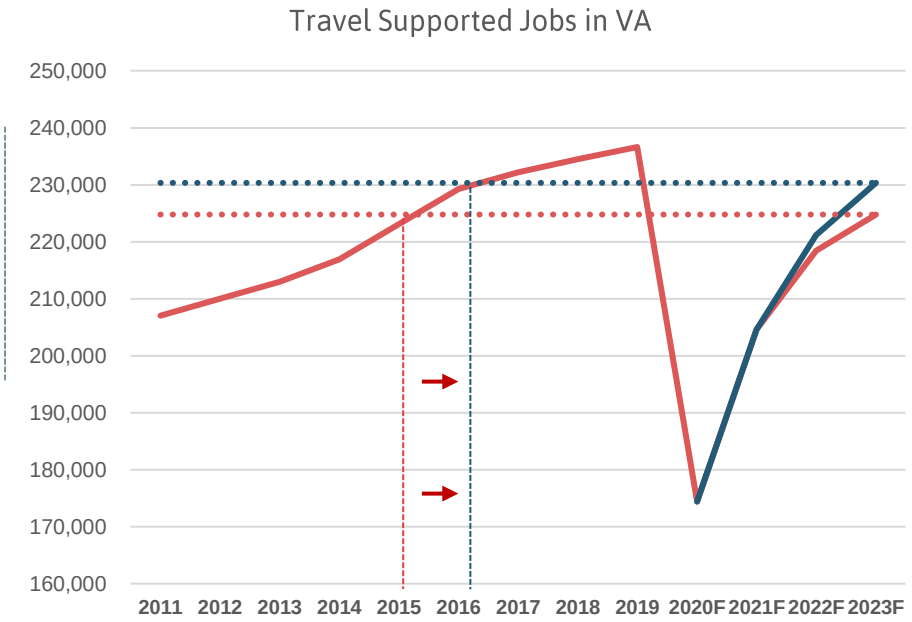


	Base	Expanded
TV Markets	4	8
Digital Markets	6	35
Weeks in Market	9	18
Spend	$2.25M	+$9M

+9M over two years in VTC Marketing

ADDITIONAL VTC MARKETING BRINGS TRAVEL EXPENDITURES FROM 2016 to 2017 LEVELS, and TRAVEL SUPPORTED JOBS FROM 2014 to 2015 LEVELS in 2023





Net Marketing Impact:
- +$850M Additional Traveler Spending in 2022 and 2023

Forecast
Forecast + Marketing Impact
Timeline with Marketing
Timeline Without Marketing

Net Marketing Impact:
- +5500 Additional jobs by 2023

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Estimates arrived at by extrapolating incremental spending from most recent 2020 VTC Marketing Campaign; holding Awareness, Travel Party Spending, Length of Stay, and Incremental Travel due to advertising constant – and then placing those results into latest COVID-19 Tourism Economics forecast on Virginia's Recovery