



UC SANTA BARBARA
Economic Forecast Project

COVID-19 Impacts on Local Tourism, Hospitality, and Business Lending



UC SANTA BARBARA
Economic Forecast Project

Peter Rupert

Executive Director

UC Santa Barbara
Economic Forecast Project

intro

- goals
 - save lives and livelihoods (not a tradeoff)
 - provide information
 - open communication channels
 - virus-safe strategies for opening

lineup

- Lynn Fitzgibbons
- Kathy Janega-Dykes
- Sherry Villanueva
- George Leis
- Roger Gilbert

state of the world

- how little we know
 - understanding the Coronavirus and COVID-19
 - understanding the economics
- making decisions from “best guesses”

the science



“The flu has a mortality rate of 0.1%. This has a mortality rate of *ten times* that.”
— Anthony Fauci

the science

THE WALL STREET JOURNAL.

“An epidemic seed on January 1st implies that by March 9 about six million people in the U.S. would have been infected. As of March 23...there were 499 Covid-19 deaths in the U.S....that's a mortality rate of 0.01%.”

Dr. Jay Bhattacharya, MD, PhD, Stanford University
Professor of Medicine

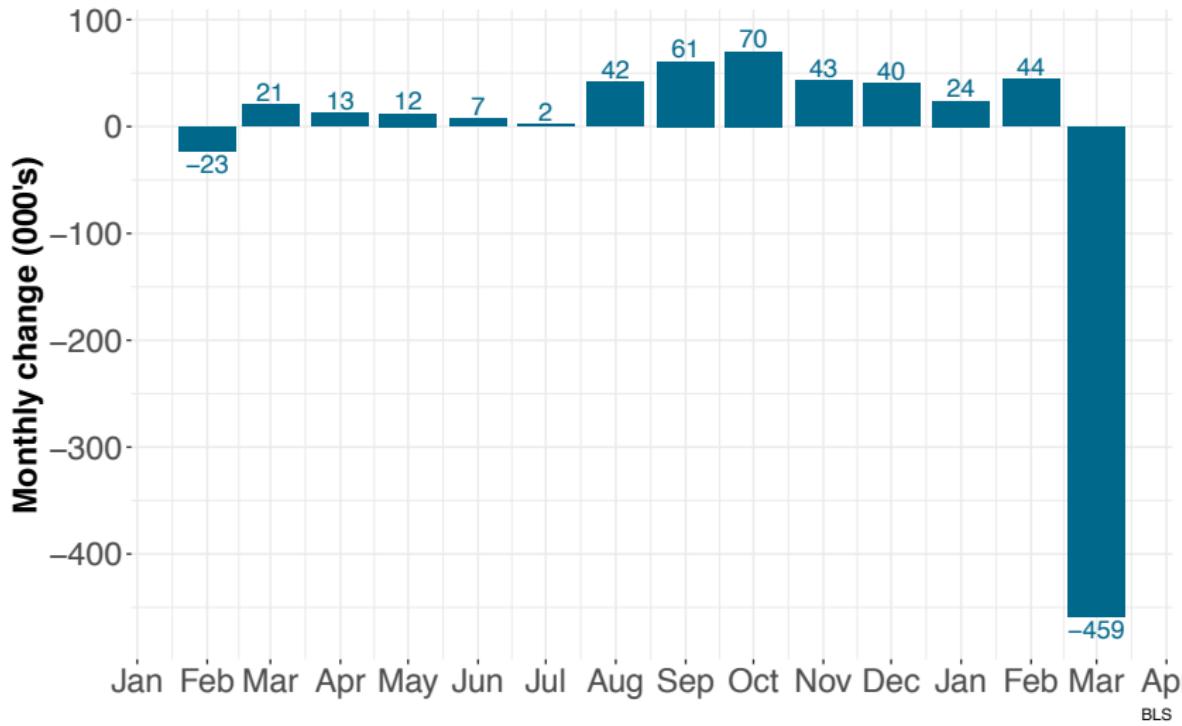
Senior Fellow at the Freeman Spogli Institute for International Studies
Senior Fellow at the Stanford Institute for Economic Policy Research
Professor by Courtesy of Economics

Director of the Program on Medical Outcomes
Director of the Center on the Demography and Economics of Health and Aging

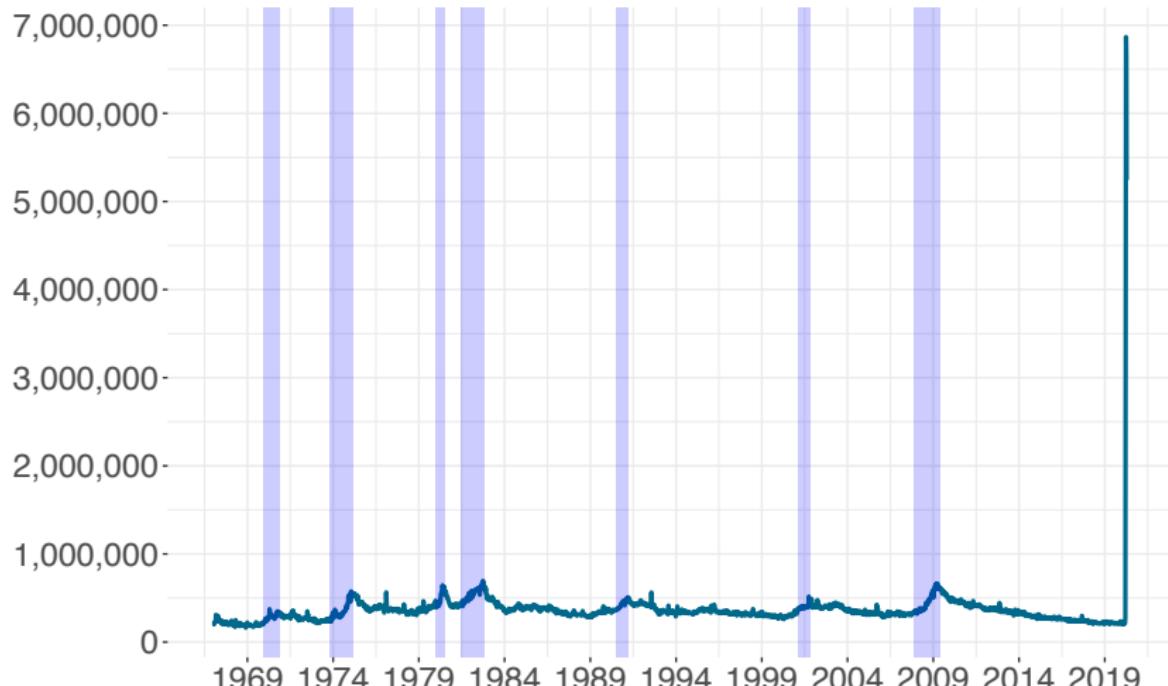
the economics

- forecasts are all over the map
 - Economic Policy Institute: 19.8M lost jobs
 - St. Louis Fed: 47M lost jobs
 - btw, estimated unemployment rate: 10%-40%
 - as of Feb. 1, 2020: 5.8M unemployed
- already have seen unprecedented effects
- some industries hit harder than others

Leisure and Hospitality Employment Change

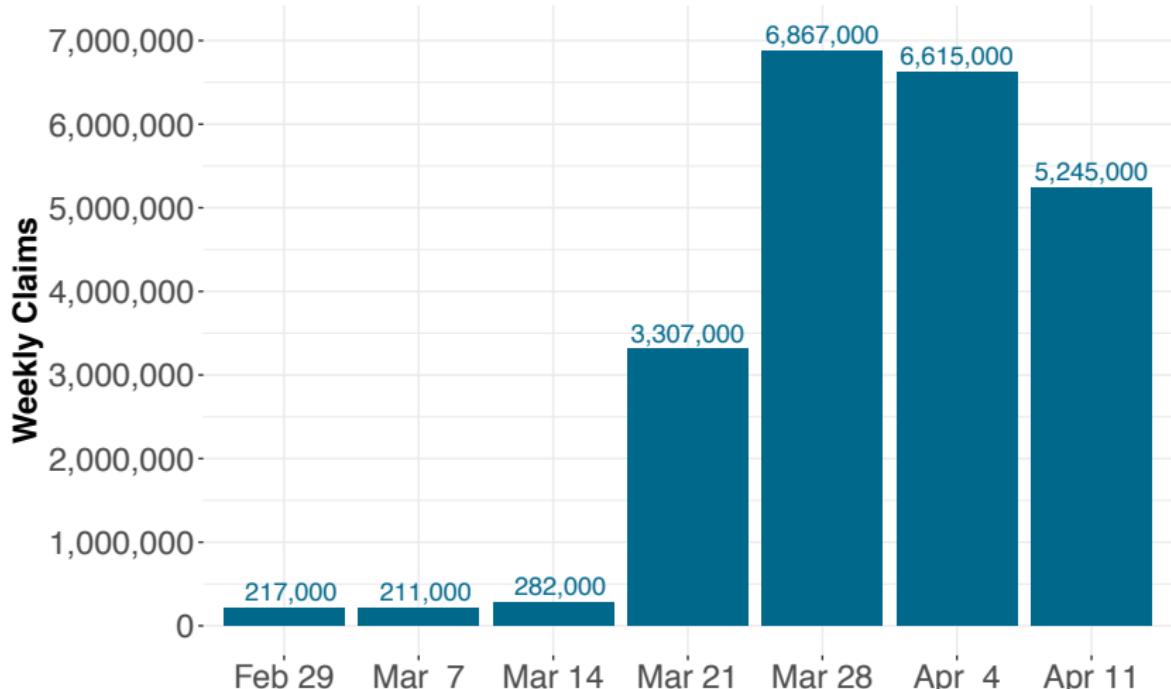


Initial Claims



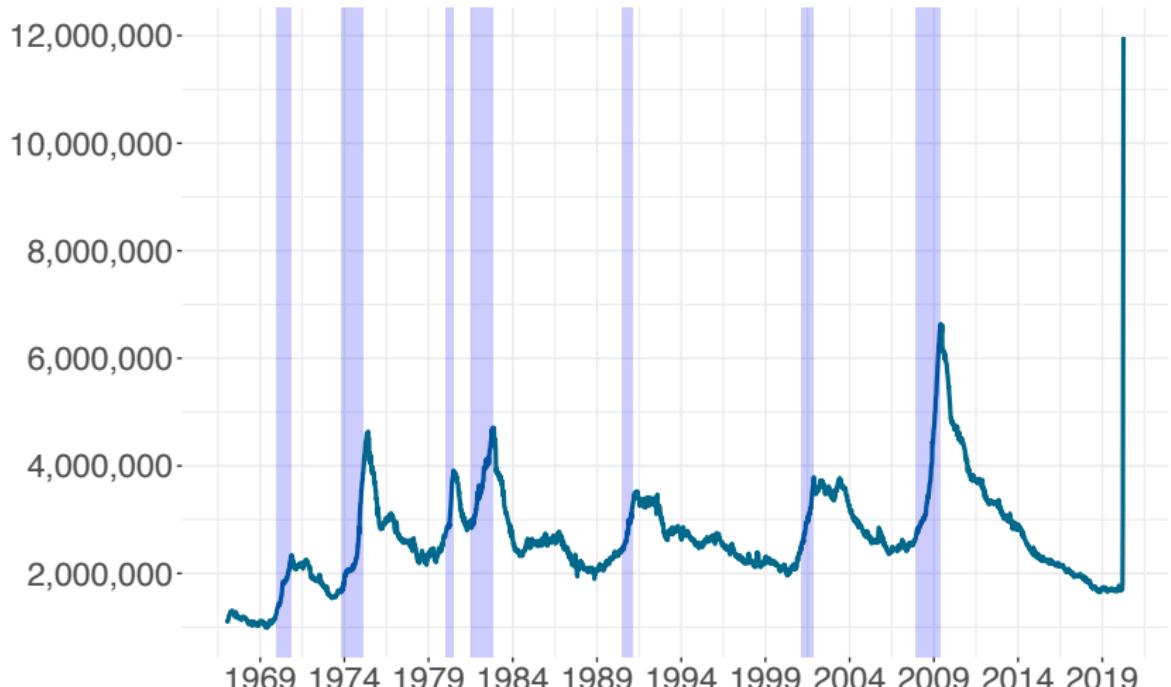
Source: BLS

Initial Claims



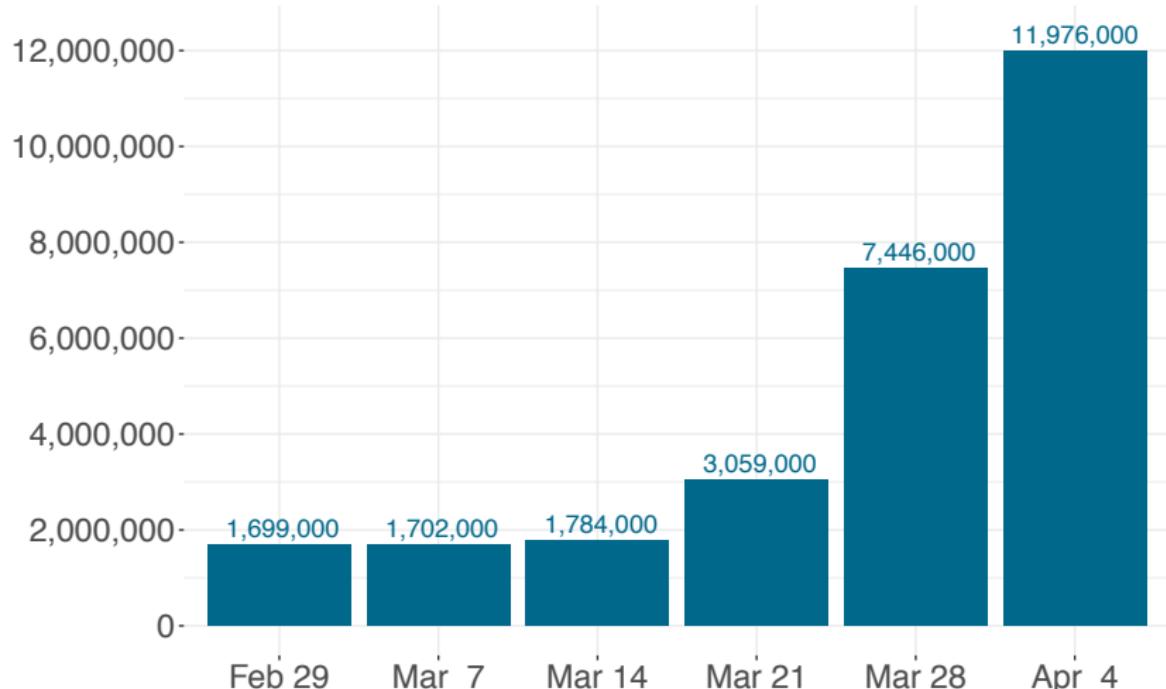
Source: Department of Labor

Continued Claims



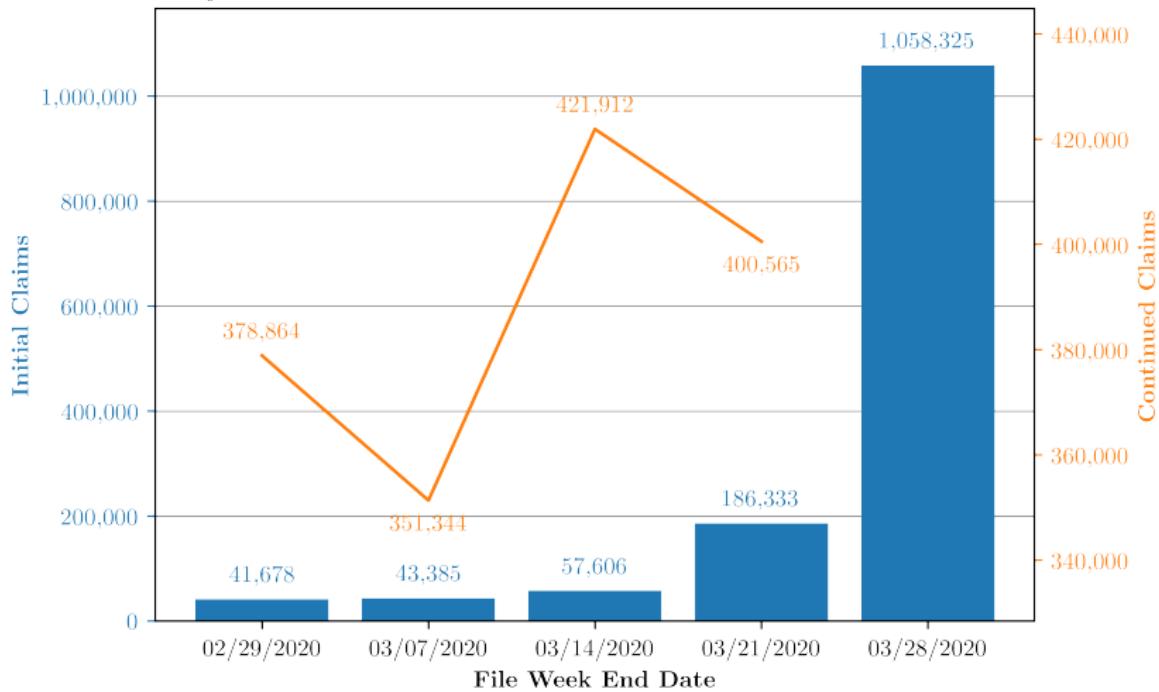
Source: BLS

Continued Claims



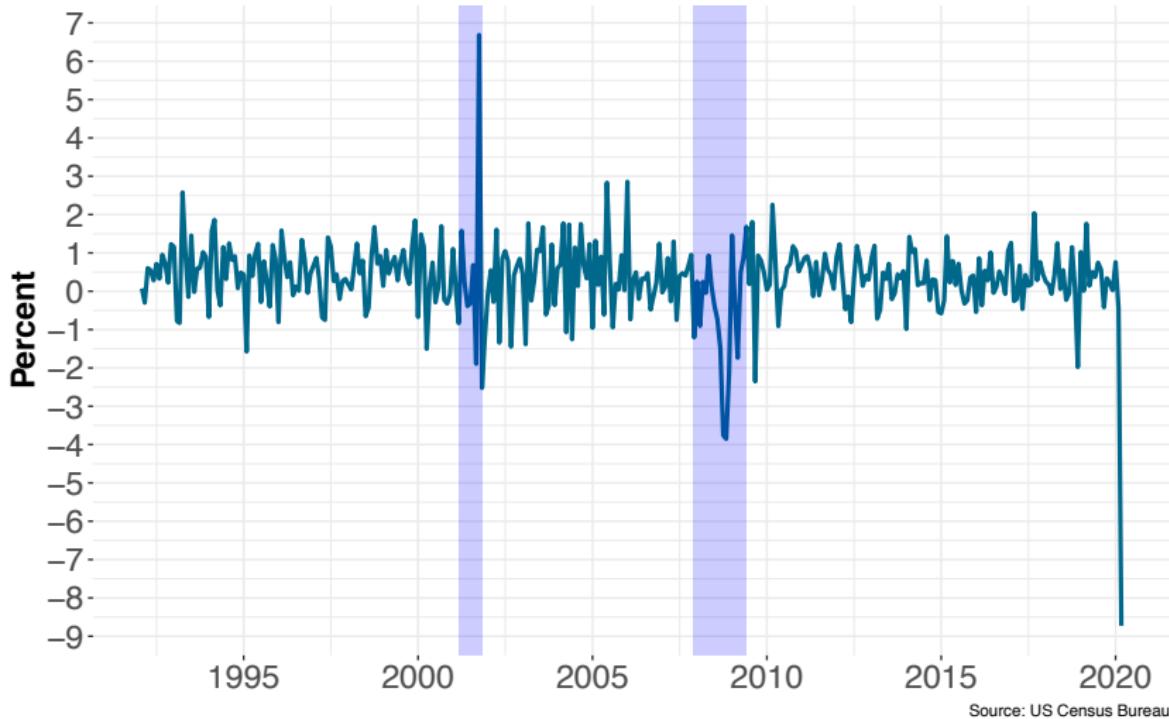
Source: Department of Labor

Unemployment Insurance Claims California



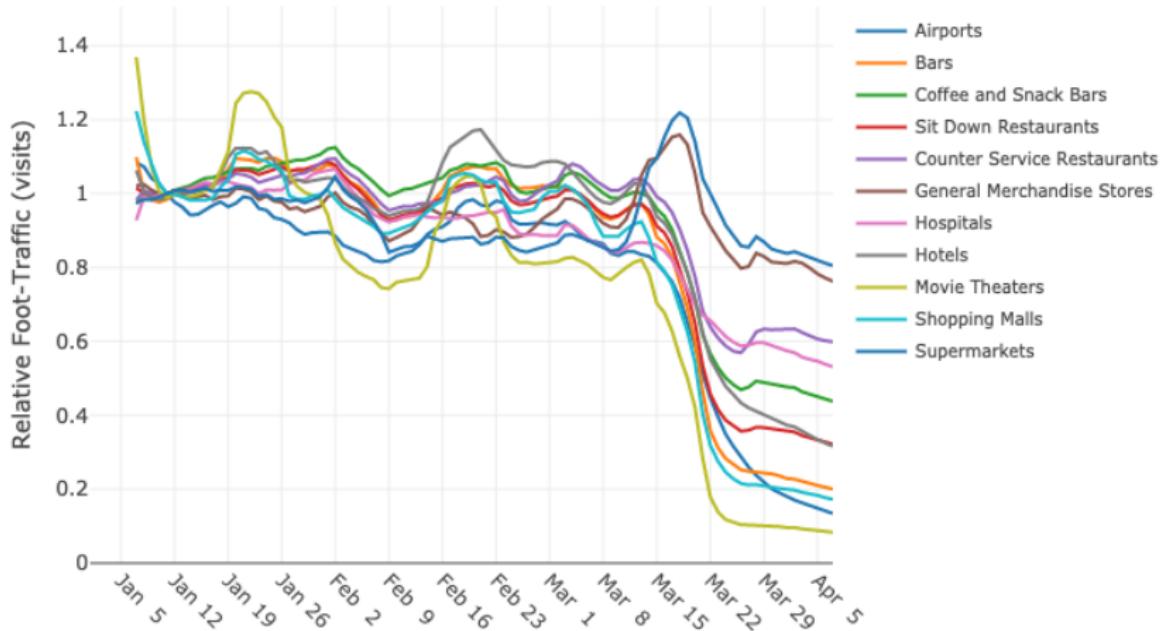
Source: Office of Unemployment Insurance, Department of Labor

Advance Retail Sales, Percent Change



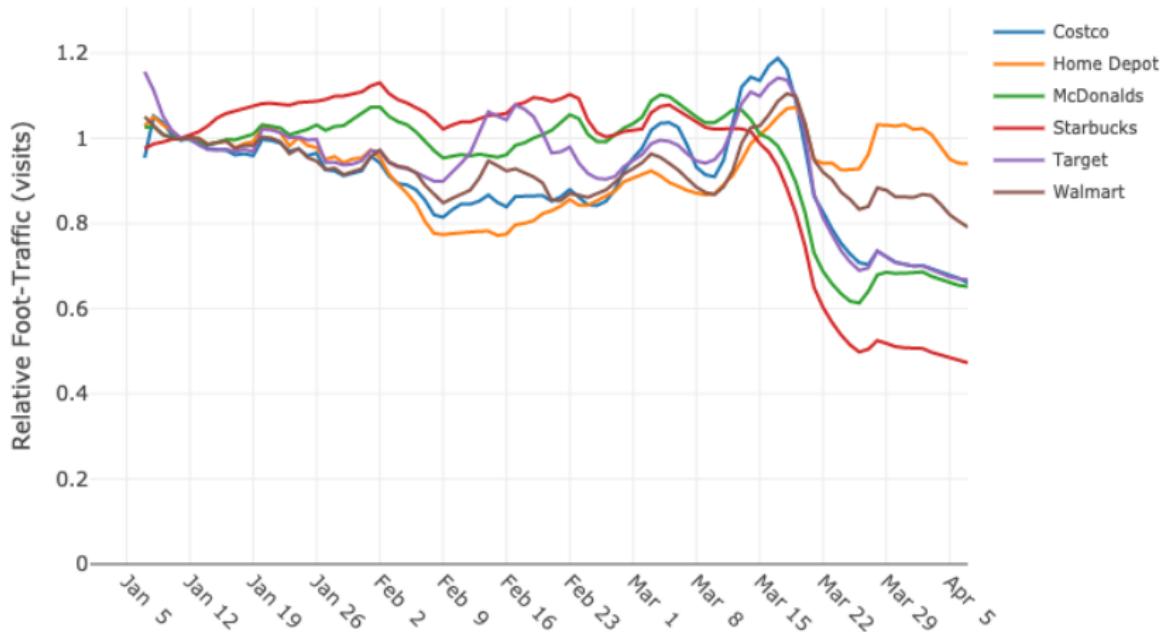
hard hit industries

foot traffic from smart phones: SAFEGRAPH



hard hit brands

foot traffic from smart phones: SAFEGRAPH



locally hard hit

- leisure and hospitality
- retail

Employment by Sector and Projected Losses

	<i>Private</i>	<i>L&H</i>	<i>Retail</i>	<i>Private Loss</i>	<i>L&H Loss</i>	<i>Retail Loss</i>
<i>California</i>	14,817,100	2,033,200	1,657,600	2,276,965	164,951	133,131
<i>Santa Barbara</i>	149,400	28,300	18,700	22,958	10,904	7,205
<i>San Luis Obispo</i>	96,400	19,900	13,900	14,813	7,667	5,355
<i>Ventura</i>	264,100	37,900	37,300	40,584	14,602	14,371

Parameters: Reference Month = **Feb 2020**
Projected Aggregate Losses = **19.80M (EPI)**
Prviate vs. LHR Share Weight = **0.5**

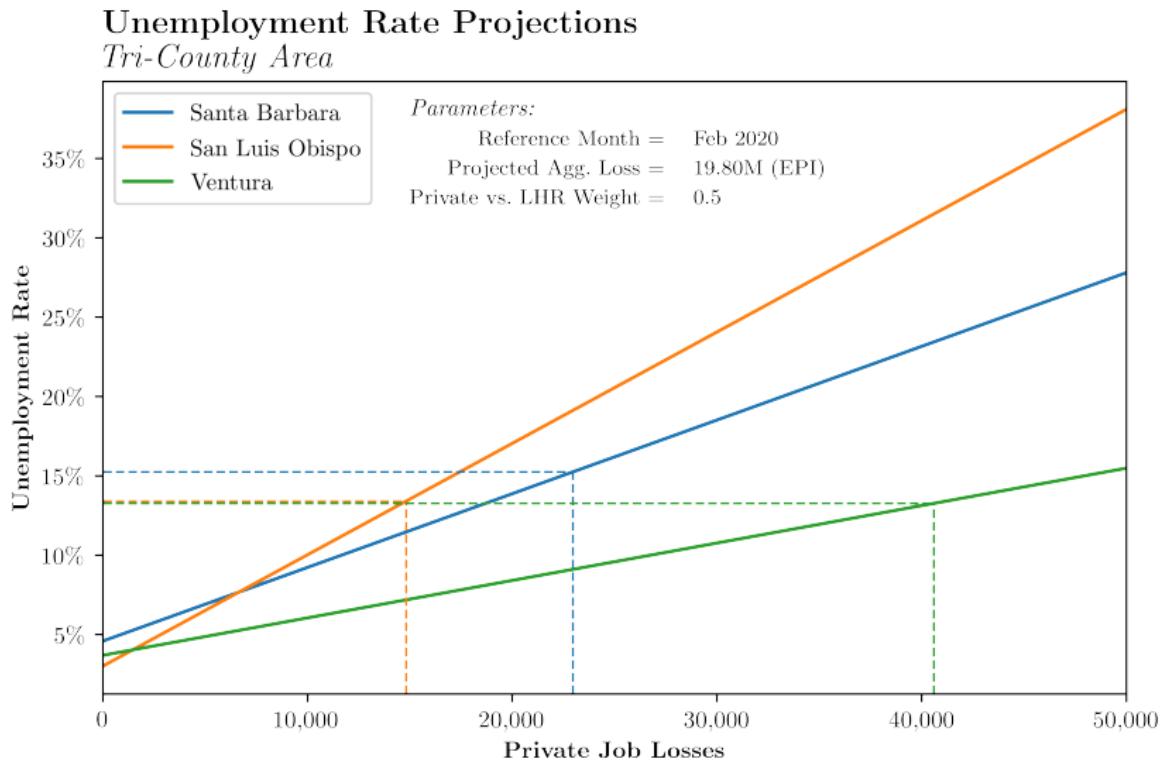
Source: Economic Forecast Project
Employment by Sector and Projected Losses

	<i>Private</i>	<i>L&H</i>	<i>Retail</i>	<i>Private Loss</i>	<i>L&H Loss</i>	<i>Retail Loss</i>
<i>California</i>	14,817,100	2,033,200	1,657,600	5,404,917	391,552	316,018
<i>Santa Barbara</i>	149,400	28,300	18,700	54,497	25,883	17,103
<i>San Luis Obispo</i>	96,400	19,900	13,900	35,164	18,200	12,712
<i>Ventura</i>	264,100	37,900	37,300	96,337	34,663	34,114

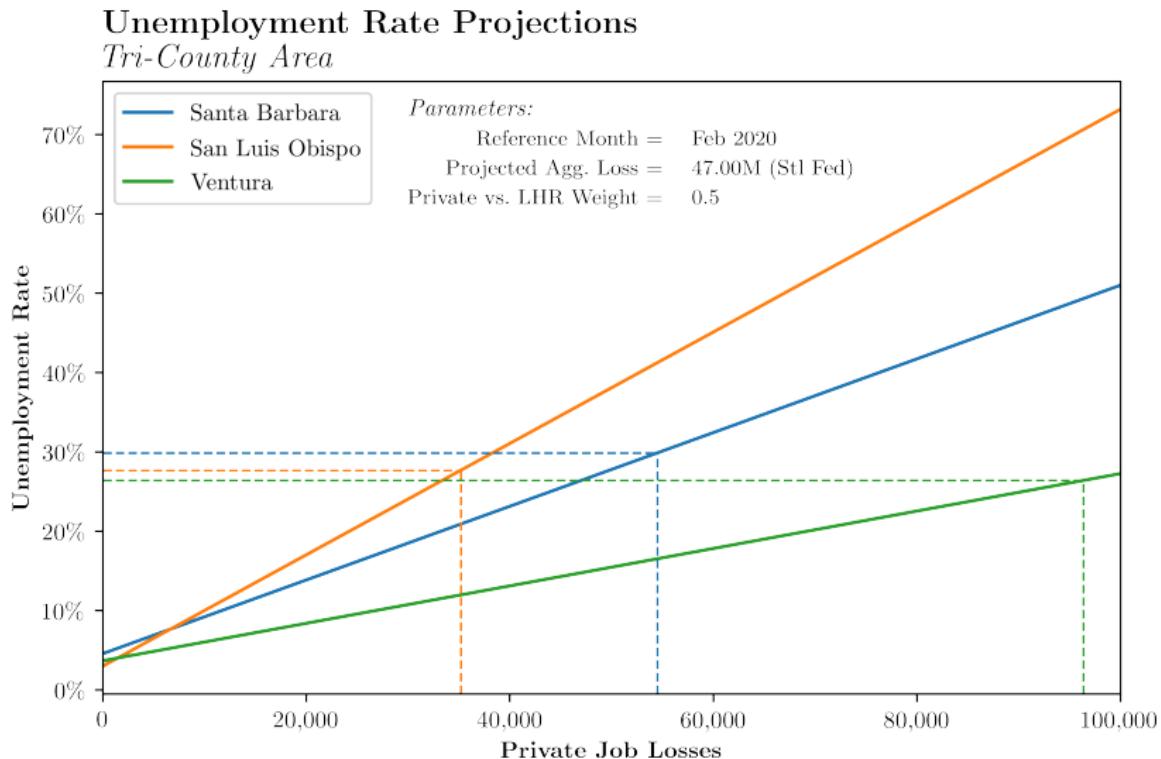
Parameters: Reference Month = **Feb 2020**
Projected Aggregate Losses = **47.00M (Stl Fed)**
Prviate vs. LHR Share Weight = **0.5**

Source: Economic Forecast Project

- Feb. 2020: 7,900 unemployed, 3.7% unemp. rate



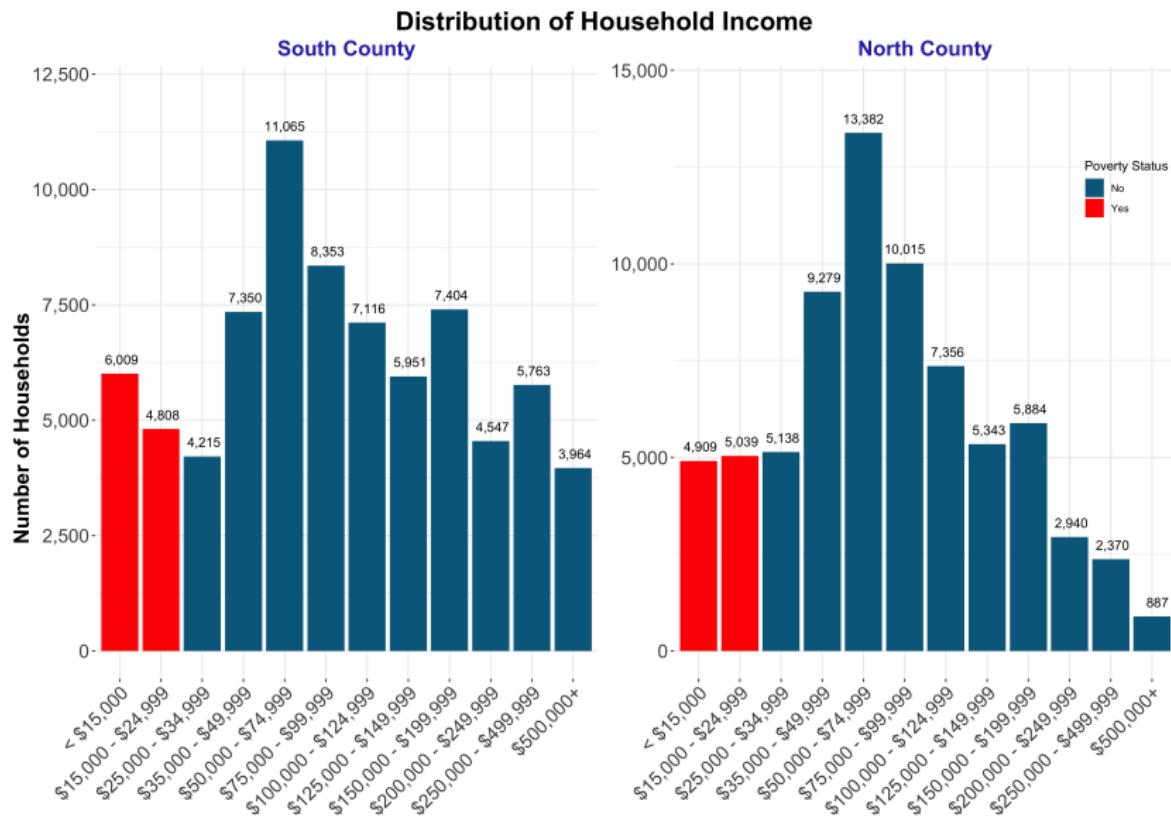
- Feb. 2020: 7,900 unemployed, 3.7% unemp. rate



Source: Economic Forecast Project

who's at risk?

- since many in the service sector
- lower income



Source: Spotlight

resources

- Dr. Jay Bhattacharya
- virus spread: graphical
- pandemic warning: bush (2005)
- unemployment projections: St. Louis Fed
- foot traffic: SAFEGRAPH
- MLB study

Thank You



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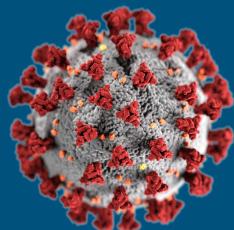
Lynn N. Fitzgibbons, MD

Infectious Disease Specialist

Cottage Hospital



SARS-CoV2 Virus & COVID-19 Disease



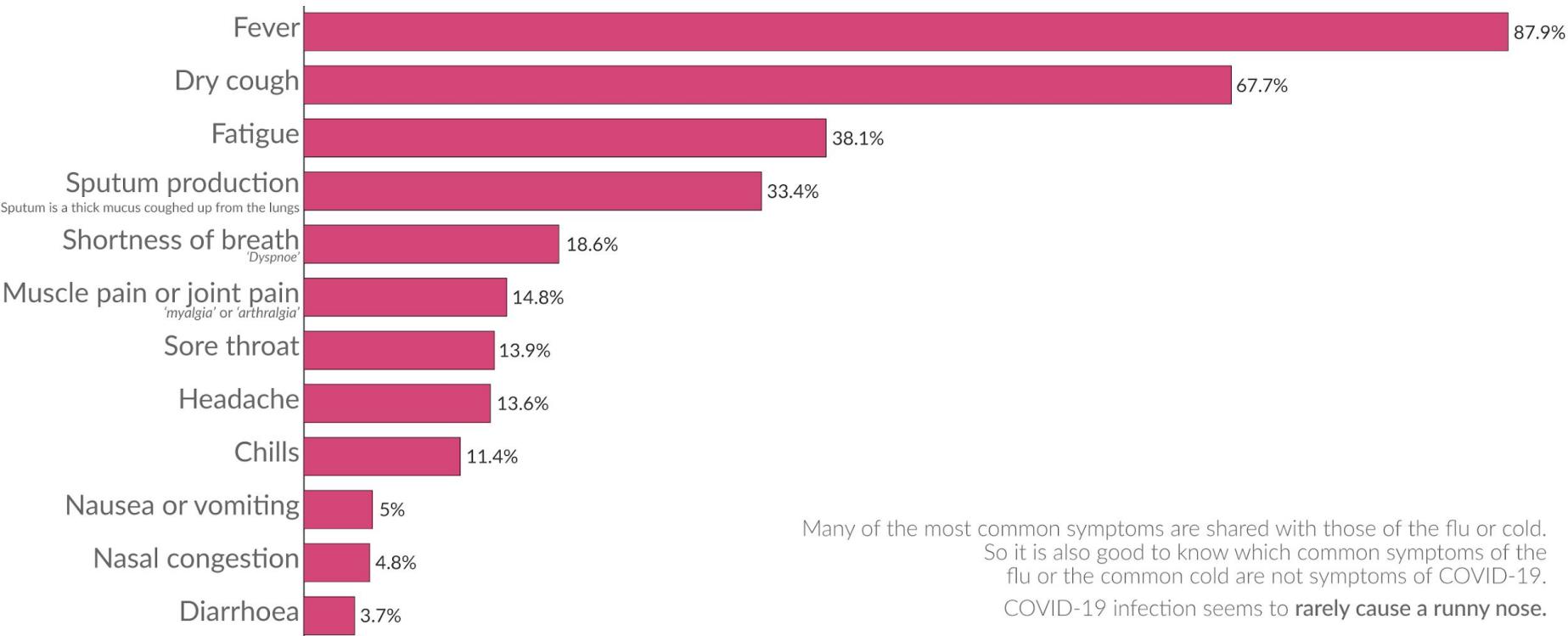
Lynn N. Fitzgibbons MD.
Chair, Infectious Diseases Division,
Cottage Health



The symptoms of coronavirus disease [COVID-19]

The most common signs and symptoms of 55,924 laboratory confirmed cases of COVID-19.

Reported from China in the period up to February 22, 2020



Many of the most common symptoms are shared with those of the flu or cold.
So it is also good to know which common symptoms of the
flu or the common cold are not symptoms of COVID-19.

COVID-19 infection seems to rarely cause a runny nose.

Data source: World Health Organization (2020). Report of the WHO-China Joint Mission on Coronavirus Disease 2019 (COVID-19). Symptoms in fewer than 1% are not shown.

OurWorldInData.org – Research and data to make progress against the world's largest problems.

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Many Potential Treatments

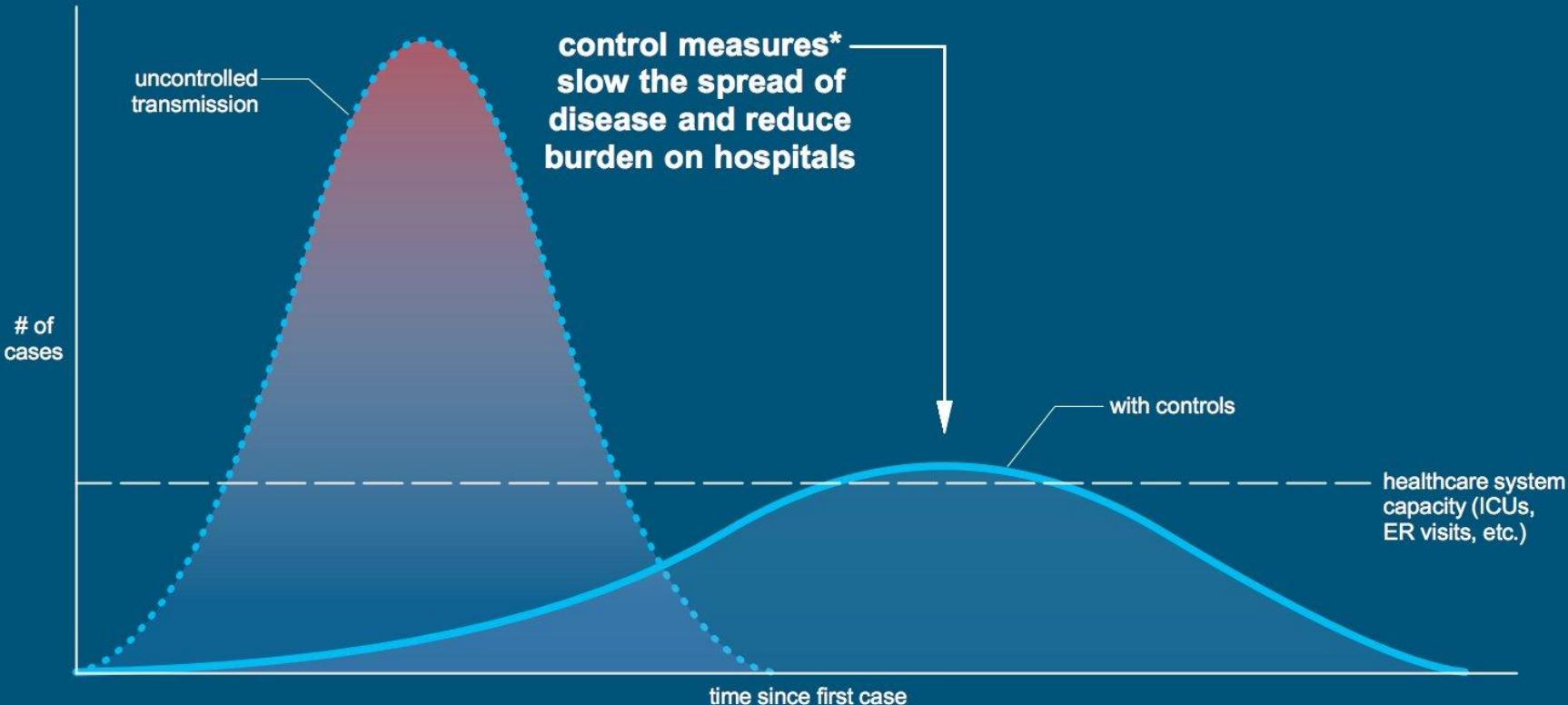
- Remdesivir (Gilead) is being investigated in six clinical trials
- An older HIV combination medication, lopinavir/ritonavir (Kaletra) has been described in case reports and is being evaluated in larger clinical trials
- Hydroxychloroquine, an older anti-malaria medication and treatment for RA, SLE
- Tocilizumab blocks IL6 and decreases the immune reaction, perhaps decreasing the “cytokine storm” in some patients
- Convalescent Plasma

No treatment yet clearly shown to be beneficial in high quality clinical trials

What factors impact mortality for a viral infection with no known treatment?

- Consider Ebola...
- During the outbreak in West Africa,
 - The case fatality rate was 50-90% in West Africa
 - 27 patients with Ebola virus disease were treated in the United States or Europe, where they received aggressive supportive care and 82% survived (case fatality rate of 18%)
- In the absence of proven infection-specific treatment, critical and supportive care are the greatest determinants of mortality

LOWER AND DELAY THE EPIDEMIC PEAK

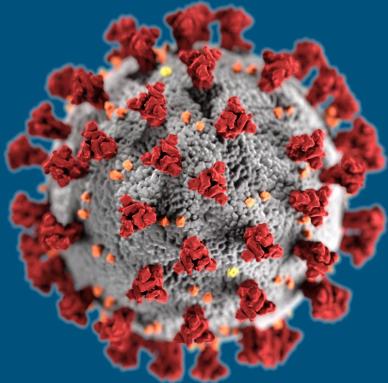


* control measures may include handwashing, teleworking, limiting large gatherings, minimizing travel, etc.

CC BY 2.0 Esther Kim @K_thos
Carl T. Bergstrom @CT_Bergstrom

Expected Recovery

Those with mild illness recover
in ~2 weeks and those who
recover from severe disease
do so in 3-6 weeks



Testing

PCR testing

- Looks for the viral nucleic acid, to confirm “the virus is there, now”
- Different parts of the body have different amounts of virus at different times in a person’s illness, and this can impact PCR results
- A positive PCR may indicate

Serology

- Antibodies as an indication that a patient “recognizes” an infection
- Sometimes if antibodies are present, a person may be immune to that infection (not always)
- Some antibodies recognize several related but different infections

Challenges in Relaxing Social Distancing

Rebound of infection is inevitable in a non-immune population when social connection and interactions restart, and it would be ideal if this occurred in slow, measured step-wise manner

Organizations can prepare for returning to operations with best infection control practices to help prevent future interruptions in return towards full capacity

Our healthcare systems are far better prepared to handle low magnitude rebounds in cases than they were at early stages of the pandemic

Advances in vaccine development and serologic testing will likely slowly start to help with population-level control in the next stage of this pandemic

Thank you



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Kathy Janega-Dykes

President and CEO

Visit Santa Barbara

A wide-angle photograph of a coastal landscape at sunset. A steep, rocky cliff on the left is silhouetted against the bright sky. A single palm tree stands prominently on the cliff's edge. The ocean in the foreground has gentle waves. In the background, a range of mountains is visible under a sky filled with warm, golden clouds.

SANTA BARBARA TOURISM INDUSTRY COVID-19 UPDATE

April 16, 2020



WHAT TOURISM MEANS TO SANTA BARBARA



7.2 Million

Visitors to the Santa Barbara South Coast



\$430.22

Average spend per day



\$56 Million

in tax revenues



13,482

Tourism-supported jobs

\$1,031

Tax benefit per
South Coast home



\$1.9 Billion

in total visitor-related spending

Source: Visit Santa Barbara 2016/17 Santa Barbara South Coast Visitor Profile & Tourism Economic Impact Study, Destination Analysts

TOTAL TRAVEL INDUSTRY IMPACT

PROJECTED DOWNTURNS OF THE U.S. TRAVEL INDUSTRY IN 2020
AS A RESULT OF THE CORONAVIRUS:



MORE THAN **7X** THE IMPACT OF 9/11

Updated March 24, 2020

Source: Tourism Economics



CALIFORNIA LOSSES



86%

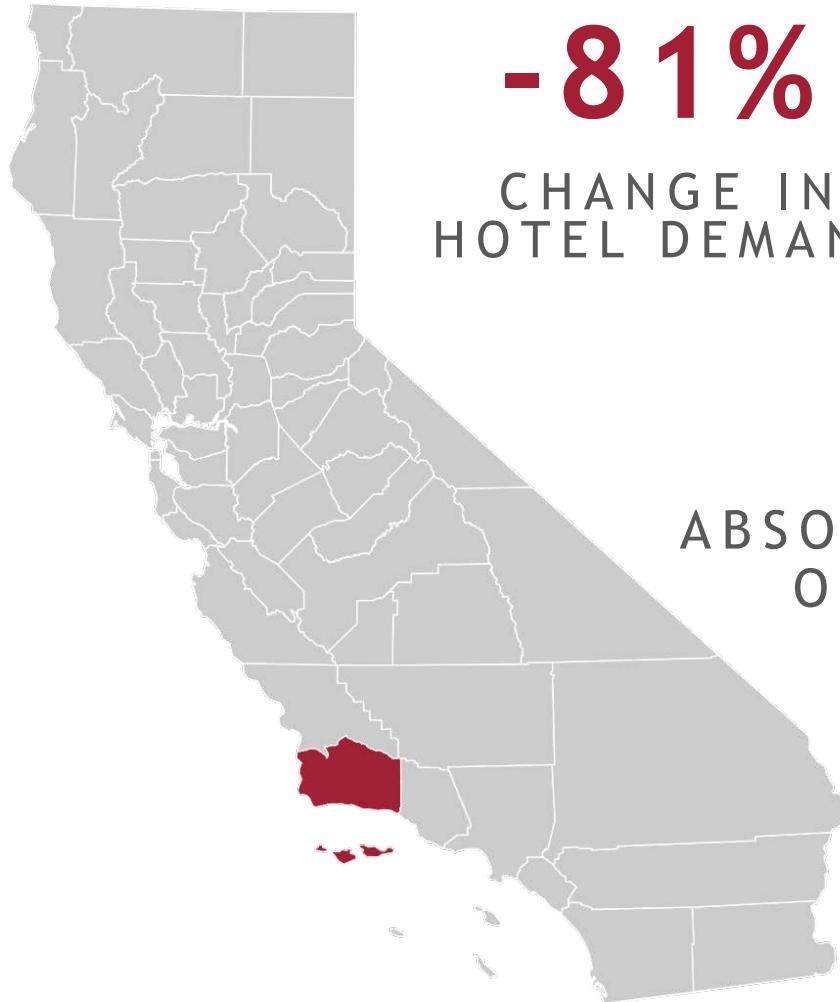
TRAVEL SPENDING LOSS
COMPARED TO 2019

\$9.1 BILLION

TOTAL TRAVEL
SPENDING LOSS



SANTA BARBARA SOUTH COAST TOURISM IMPACT



-81%

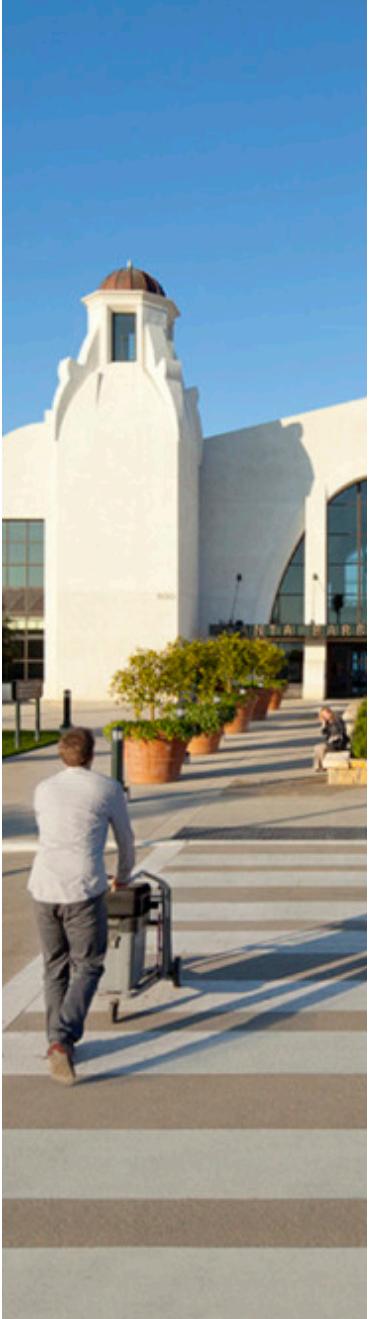
CHANGE IN
HOTEL DEMAND

15%

ABSOLUTE HOTEL
OCCUPANCY

-47%

CHANGE IN
HOTEL RATES



SANTA BARBARA AIRPORT IMPACT

- Service is still scheduled from Seattle, Portland, San Francisco, Los Angeles, Phoenix, Salt Lake City and Dallas
- TSA screenings are down nationwide -90%
- Santa Barbara Municipal Airport reports that passenger volume is off significantly



DELTA

UNITED

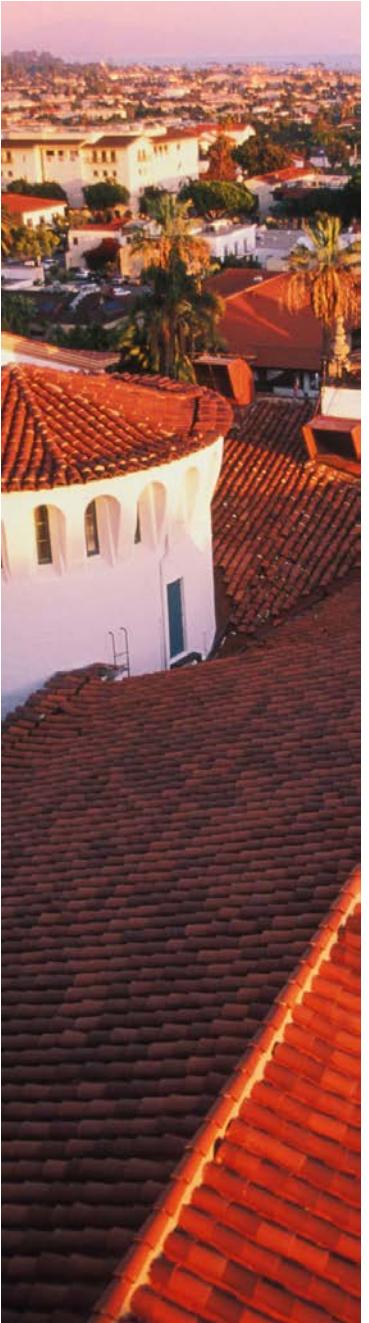


American
Airlines



Alaska
AIRLINES

FRONTIER



VISIT SANTA BARBARA IMPACT

- Two-thirds of budget came from hotel-generated revenues; one-third came from local government grants
- Our marketing and operating budgets have been impacted
- We've significantly cut operational costs, including staff layoffs and decreases to staff wages, as well as marketing program costs

An aerial photograph of a coastal city during sunset. The image shows a large marina filled with many sailboats and yachts, a long pier extending into the ocean, a sandy beach, and a mix of residential and commercial buildings. A major highway runs along the coastline. The warm sunlight creates a golden glow over the water and buildings.

RECOVERY PROSPECTS



TRAVELER SENTIMENT

32%

TRAVELERS CANCELLING
VACATIONS ALTOGETHER

70%

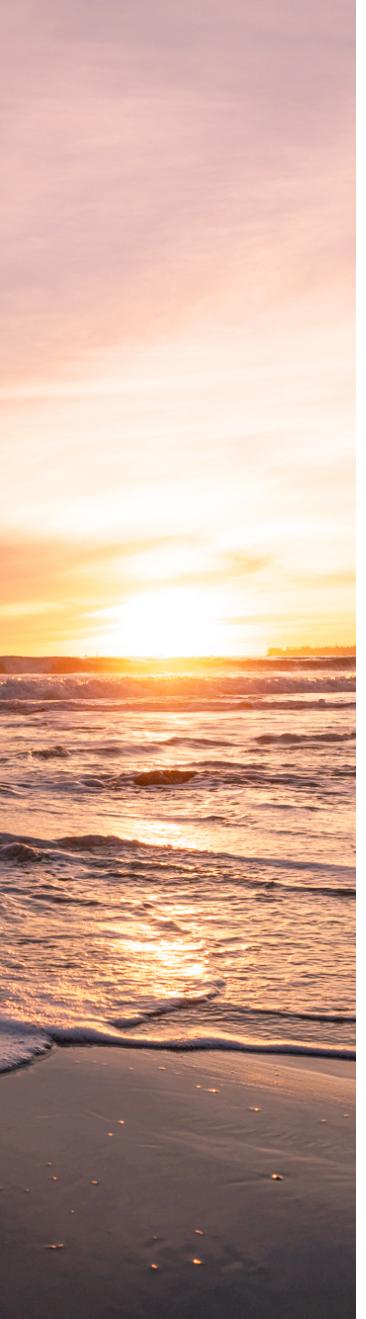
POSTPONED TRIPS HAVE
NOT BEEN RESCHEDULED

5 IN 10

CONSIDERING THE
SWITCH TO STAYCATION

7 IN 10

AMERICANS MISS
TRAVELING



NEW TRAVEL PATTERNS

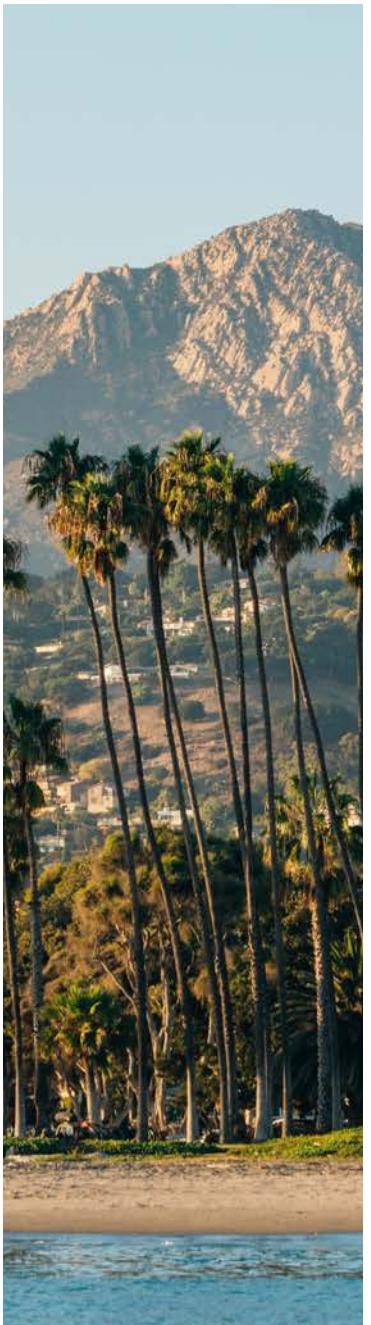
- Staycations
- Regional vacations
- Travelers opting for road trips over flights





SANTA BARBARA'S ADVANTAGE

- Recent surveys indicate there will be pent-up demand for travel
- Santa Barbara's appeal is unique among destinations in California
- Once restrictions are lifted, our region will be particularly well positioned to attract drive-market visitors, such as LA residents, who initially will be interested in getaways closer to home



VISIT SANTA BARBARA'S PLAN

- Our social media channels and website are being used to promote ways that locals can support area businesses and attractions
- We created guides to online shopping, delivery and curbside pickup services, virtual tours and online activities offered by local businesses
- On the business side, we launched a new webinar series to bring key research and intelligence to our members and community leaders



IMMEDIATE STEPS

- Support restaurants offering dine-out options and retailers with online portals
- Buy gift certificates for hotels and businesses for future staycations and excursions for friends and relatives

A wide-angle photograph of a coastal landscape at sunset. A massive, rugged cliff face on the left is silhouetted against a bright sky. Sunbeams radiate from behind the cliff, illuminating the sand and water below. The ocean waves gently wash onto a sandy beach. In the distance, a range of mountains is visible under a sky filled with soft, warm orange and yellow hues.

THANK YOU

VISIT
SANTA BARBARA



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Sherry Villanueva

Founder and Managing Partner

ACME Hospitality

- ▶ Acme owns eight food/beverage concepts in Santa Barbara with annual sales totaling more than \$17,000,000 and 350 employees
 - ▶ 345 furloughed 3/17/20 due to COVID-19
- ▶ Local, independent restaurants are the backbone of our communities, tourism, and redevelopment in every corner of the US
- ▶ There are 941 restaurants in Santa Barbara County directly employing more than 18,095 people
 - ▶ 8.7% of total all industry employment

- ▶ The total wages for restaurant workers in the County are \$103,822,726 which feeds back in to our local economy
- ▶ The restaurant industry also indirectly employs tens of thousands more workers up and down the food supply and delivery chain—from growers, packers, fisherman, linen services, delivery people—who depend on the continued revenue of restaurants to stay in business
- ▶ 50% of all tourism and hospitality jobs in the Santa Barbara South Coast are in restaurants

- ▶ Each travel party spends \$130 per day on restaurants and dining, slightly more than hotel spending
 - ▶ this breaks down to \$50 per visitor, per day, the highest category of expenditure
- ▶ 71.7% of visitors dined in restaurants at some point during their trip (this includes visiting friends and family, and day trips) making it the most popular visitor activity
- ▶ In California, it's estimated that 30% of the state's restaurants could permanently close because of the crisis, according to the California Restaurant Association

Support Programs / Challenges

Paycheck Protection Program from CARES Act

- ▶ loan restrictions are not compatible with restaurant operations—employees are required to be rehired when governments continue to mandate closures or impose restrictions

EIDL from SBA

- ▶ low cap placed on loans and difficulty with access due to high demand

Foundation and individual grants

- ▶ difficult to come by as most have shutdown submissions due to high demand



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UC SANTA BARBARA
Economic Forecast Project

George Leis

President and COO

Montecito Bank & Trust



UC SANTA BARBARA
Economic Forecast Project



UC SANTA BARBARA
Economic Forecast Project

Roger Gilbert

Manager, Government Guaranteed Lending

Montecito Bank & Trust



SBA Relief Programs

Economic Injury Disaster Relief Program (EIDL)



3.75% for Small Businesses



2.75% for Non-Profits

Up to 30 Year Term

Up to \$10,000 Advance (Forgivable)

Loan Amount Up To \$2 Million

For more information visit SBA.gov



Paycheck Protection Program (PPP)



Through Banks and Other Lenders

1% for Two Years

Payments Deferred for Six Months

Loan Amount Up To \$10 Million



PPP Applications

April 3rd – Small Business and Sole Proprietorships

- Includes certain Non-Profits
- 500 or less employees for most types of business

April 10th – Independent Contractors and Self-Employed

Many of the normal requirements have been suspended.



PPP Loan Request Calculation

Average Monthly Payroll x 2 ½
Add EIDL Loan (less \$10,000 advance)



\$100,000 Cap
Uses of Proceeds
8-Week Period
Forgiveness



Current Status of Programs



Questions

