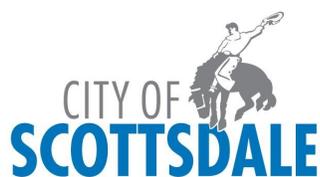


# Scottsdale Tourism Study - Visitor Statistics



September 2018  
Tourism and Events Department



APPLIED ECONOMICS

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## Scottsdale Visitor Statistics

September 2018

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## Introduction

The purpose of the Scottsdale Tourism Study is to provide assistance, through industry data and analysis, to entities evaluating tourism, retail or hospitality opportunities in the City of Scottsdale, and to provide elected officials, city management and the public with information on local tourism and hospitality impacts. The City of Scottsdale contracted with Applied Economics to provide this third party analysis of the impacts of tourism on the city's economy.

The information contained in this study is based on a domestic visitor survey data for Scottsdale provided by Longwoods International, as well as tax collection figures, budget data and other information from the City of Scottsdale. These figures are believed to be accurate and reasonable in the context of this analysis.



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## Executive Summary

- ◆ Scottsdale hosted an estimated 4.5 million overnight visitors and 4.4 million day trip visitors in 2017.
- ◆ These visitors, through their local spending, created an annual economic impact of \$2.4 billion in the City of Scottsdale.
- ◆ A typical overnight traveler to Scottsdale spends approximately \$279 and a typical day trip visitor spends \$68, according to the *Scottsdale 2017 Visitor Research* by Longwoods International. Overnight visitors stay an average of 4.0 nights in Scottsdale and have an average party size of 2.6 people.
- ◆ The top ten activities for Scottsdale visitors are (in order): shopping, dining, swimming, visiting historic sites and parks, night clubs, hiking, museums, golf, casinos and breweries.
- ◆ The total number of visitor-nights spent in hotels in Scottsdale in 2017 was 3.1 million. An additional 1.4 million visitors stayed overnight in Scottsdale in other types of accommodations.
- ◆ About 69 percent of overnight visitors stay in a resort, hotel or motel in Scottsdale. The average occupancy rate for market area hotels in 2017 was 68.3 percent, up from 68.1 percent in 2016 and 67.7 in 2015.
- ◆ Tourists have a tremendous impact on tax revenues to the city. Privilege tax collections attributable to visitors in FY 2017/18 are estimated at \$43.9 million, including bed taxes. An additional \$1.8 million per year in taxes are generated by employees in the hospitality industry living in Scottsdale.
- ◆ Scottsdale received a fiscal return of about \$1.25 from visitors, meaning that for every \$1 of municipal service costs attributable to visitors, they received \$1.25 in revenues.

# Domestic Visitors to Scottsdale

This section provides estimates of the number of visitors by type to Scottsdale. It also includes information on hotel inventory and available room nights.

## Number of Visitors

**Figure 1** presents the total inventory of hotel rooms available in the City of Scottsdale in 2017. The number of available room nights represents the number of hotel rooms times 365 days. The number of room nights is then multiplied by the occupancy rate to determine the total number of occupied room nights. Based on 2017 average occupancy of 68.3 percent, the total number of occupied room nights in Scottsdale was 2.2 million.

FIGURE 1 HOTEL INVENTORY AND OCCUPIED ROOMS					
	Available Rooms	Days	Available Room Nights	2017 Occupancy	Occupied Room Nights
Scottsdale	8,875	365	3,239,375	68.3%	2,212,493

Source: City of Scottsdale Lodging Statistics, August 2018; STR Destination Report, May 2018.

**Figure 2** shows the total number of visitors to Scottsdale based on survey data from Longwoods International. Longwoods International sends out a quarterly survey that is emailed to a random cross-section of individuals who are invited to participate. For the 2017 travel year, survey results represented 329,470 trips nationally including 1,197 trips to Scottsdale. For analysis, data were weighted on key demographic characteristics to correct for any differences between the sample and the U.S. population. The survey methodology employed by Longwoods International is believed to yield statistically significant results for the estimated number of annual visitors to Scottsdale.

Longwoods International projected a total of 8.9 million U.S. visitors to Scottsdale in 2017, up from 8.8 million in 2016. This included 4.5 million domestic overnight visitors and 4.4 million day trip visitors. Day trips are a journey of more than 50 miles that are not part of a normal routine and do not involve an overnight stay. Of the total domestic overnight visitors, an estimated 3.1 million stayed in hotels, motels and resorts and the remaining 1.4 million stayed with friends or in other accommodations. The average length of stay for domestic overnight visitors to Scottsdale was 5.2 nights, compared to a national average of 3.7 nights. Of the 5.2 total, 4.0 nights were spent in Scottsdale.

**FIGURE 2  
TOTAL NUMBER OF U.S. VISITORS IN SCOTTSDALE**

<b>Overnight Visitors</b>				
	<b>Hotel/Motel</b>	<b>Other Accommodations</b>	<b>Day Trip Visitors</b>	<b>Total</b>
2017	3,105,000	1,395,000	4,400,000	8,900,000
	35%	16%	49%	100%

Source: Longwoods International, 2017 Scottsdale Visitor Research

### Visitor Spending Patterns

**Figure 3** details visitor spending patterns by type of spending and by category of visitor. The total dollar amounts per person per day are based on the Longwoods International Survey and are consistent with local sales tax collection data.

Scottsdale overnight visitors staying in paid lodging allocated their expenditures in the following manner:

- Lodging - 41 percent
- Food and Beverage - 27 percent
- Retail - 13 percent
- Local Transportation - 8 percent
- Recreation/Entertainment – 11 percent

All total, overnight domestic visitors typically spent \$279 per person per trip, up from \$272 in 2016. Day trip visitors spent an estimated \$68 per person per day, up from \$66 in 2016, according to estimates from Longwoods International.

**FIGURE 3  
U.S. VISITOR SPENDING PATTERNS IN SCOTTSDALE**

	<b>Per Person Per Day Trip Spending</b>				<b>Total Scottsdale Spending</b>		
	<b>Overnight</b>		<b>Day Trip</b>		<b>Overnight</b>	<b>Day Trip</b>	<b>Total</b>
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>			
Lodging	\$115	41%	\$0	0%	\$517,500,000	\$0	\$517,500,000
Food & Beverage	\$75	27%	\$28	41%	\$337,500,000	\$123,200,000	\$460,700,000
Retail	\$35	13%	\$20	29%	\$157,500,000	\$88,000,000	\$245,500,000
Local Transportation	\$23	8%	\$7	10%	\$103,500,000	\$30,800,000	\$134,300,000
Recreation/Entertainment	\$31	11%	\$13	19%	\$139,500,000	\$57,200,000	\$196,700,000
<b>Total</b>	<b>\$279</b>		<b>\$68</b>		\$1,255,500,000	\$299,200,000	\$1,554,700,000

Source: Longwoods International, 2017 Scottsdale Visitor Research, July 2018.

## Domestic Visitor Economic Impacts

Economic impacts measure the effects of economic stimuli or expenditures in the local economy. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in Scottsdale that benefit from this economic stimuli. Direct impacts include actual visitor spending at hotels, restaurants, shops, etc. Indirect impacts include the jobs and payroll supported by supplier purchases made by these hotels, restaurants and shops as well as the household purchases made by their employees. The total impact includes both the direct impacts of visitor spending and the secondary or indirect impacts created by other local businesses and their employees.

In total, visitors to Scottsdale spent an estimated \$1.55 billion in the city in 2017. This spending forms the basis for the visitor impacts. Industry-specific multipliers were applied to each category of visitor spending. As a result of the multiplier effect, the indirect impacts of this spending are spread to local suppliers and other local businesses. All total, the \$1.55 billion in visitor spending resulted in an estimated economic impact of \$2.38 billion per year in Scottsdale in 2017 (**Figure 4**). This level of spending supports over 27,000 jobs at local retail, restaurant, transportation and entertainment establishments and over \$948.0 million in payroll.

**FIGURE 4**  
**ECONOMIC IMPACTS OF U.S. TOURISM IN SCOTTSDALE**

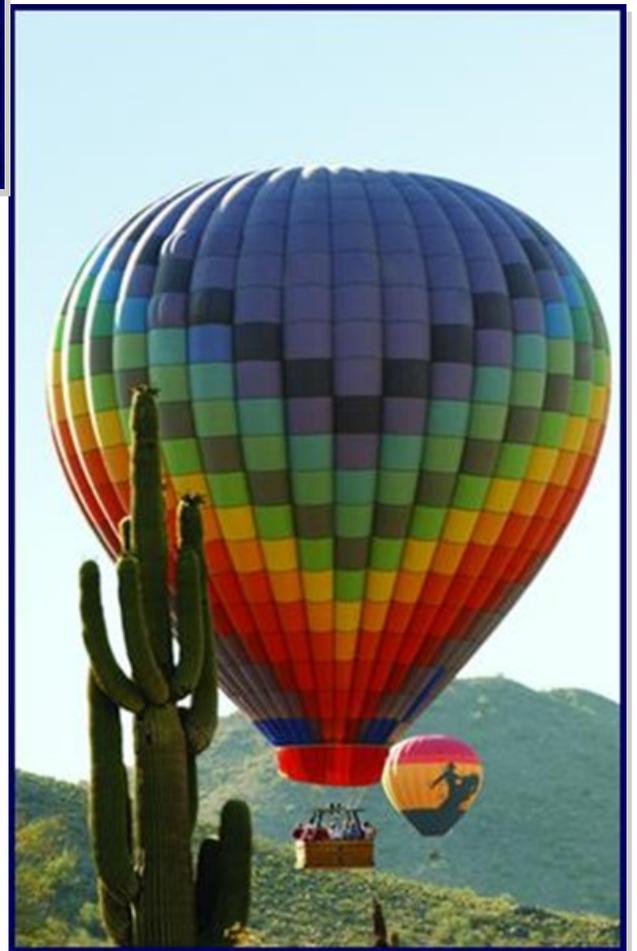
	Direct Impacts			Total Impacts		
	Visitor Spending	Jobs	Income	Output	Jobs	Income
Lodging	\$517,500,000	4,532	\$163,291,628	\$756,210,354	6,319	\$249,553,580
Food & Beverage	\$460,700,000	9,019	\$224,726,425	\$710,750,421	10,764	\$310,098,291
Retail	\$245,500,000	4,847	\$155,263,110	\$384,594,854	5,853	\$202,403,777
Local Transportation	\$134,300,000	582	\$30,302,897	\$192,957,971	984	\$50,500,500
Recreation/ Entertainment	\$196,700,000	2,326	\$92,900,498	\$331,287,223	3,262	\$135,460,136
<b>Total</b>	<b>\$1,554,700,000</b>	<b>21,306</b>	<b>\$666,484,558</b>	<b>\$2,375,800,824</b>	<b>27,182</b>	<b>\$948,016,284</b>

The secondary or indirect impacts of visitor spending are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multipliers used in this analysis are from IMPLAN, a nationally recognized vendor of economic impact software, and are specific to the City of Scottsdale. The multiplier effects translate an increase in spending into a corresponding increase in jobs and personal income. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.<sup>1</sup>

<sup>1</sup> IMPLAN software is used to create extremely detailed social accounting matrices and multiplier models of local economies. IMPLAN is used by more than 1,000 public and private institutions and is well respected within the academic community as a tool for creating local economic multipliers.

The output multiplier for U.S. tourism spending in Scottsdale is 1.53; meaning that for every dollar that is spent by domestic visitors in Scottsdale, an additional \$0.53 is created in sales to other local businesses that support the hospitality industry.<sup>2</sup>

<sup>2</sup>The output multiplier of 1.53 can be calculated by dividing total output (shown in Figure 4) by direct output. This multiplier represents the combined impacts of the five different industry-specific multipliers used in the economic impact calculations.



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## Visitors Fiscal Contributions

The tourism industry is an integral part of the economic base in the City of Scottsdale, generating close to \$2.4 billion in total economic activity in the city's private sector in 2017. The tourism industry is also one of the most significant sources of revenue for the City of Scottsdale.

The visitor industry generates a substantial portion of the city's sales and bed tax revenues. Bed taxes are paid directly on room sales, while sales taxes apply to spending at restaurants, hotels, retailers, entertainment and recreation venues as well as car rentals. This section of the report looks at actual tax collections by type for the City of Scottsdale and compares total collections to estimated collections from domestic visitors.

The collections attributable to domestic visitors shown in **Figure 5** are calculated based on estimated visitor spending by type in Figure 3 (last column) times the 1.65 percent local sales tax rate. The hotel/motel category includes the 1.65 percent sales tax on hotel room sales. For food and beverage spending, 85 percent of the spending is allocated to the restaurant category while 15 percent are allocated to food stores. For retail spending by visitors, 65 percent is allocated to miscellaneous retail, 30 percent to department stores and 5 percent to auto purchases. Sales taxes on admissions and fees for entertainment and recreation are included in the "other taxable" category. Sales taxes on local transportation spending (car rentals) are included in the rental category.

Overall, about 14 percent of sales tax collections in the city are attributed to visitors along with 90 percent of bed tax collections. Visitors generated an estimated \$43.9 million in tax revenues to the City of Scottsdale in FY 2017/18, up from \$41.9 million in FY 2016/17. Property taxes collected from hotels and resorts are an additional tourism revenue source and were not used in calculating visitor fiscal contributions.

There are additional revenues generated by hospitality industry employees living in Scottsdale. Based on the results of the economic impact analysis, direct personal income in Scottsdale is estimated at \$666.5 million in FY 2017/18 (see Figure 4). This represents payroll to workers at hotels, restaurants, shops, entertainment and recreation venues, etc. Based on Maricopa County Rideshare data, an estimated 33 percent of these people who work in Scottsdale also live in Scottsdale. Applying that percentage to the personal income figure and distributing that spending based on typical household spending patterns, hospitality employees living in Scottsdale spend about 50 percent of their income on taxable goods.<sup>3</sup> This in turn generates about \$1.8 million in additional annual sales tax revenues to the city.

<sup>3</sup> Percent of income spent on taxable goods based on Bureau of Labor Statistics, Consumer Expenditure Survey.

**FIGURE 5  
DIRECT REVENUES FROM VISITOR EXPENDITURES**

	<b>Total FY 2017/18 Collections*</b>	<b>Percent of Tax Attributable to Visitors</b>	<b>FY 2017/18 Collections Attributable to Visitors</b>	<b>2017/18 Collections Attributable to Hospitality Employees</b>
Hotels/Motels	\$11,092,996	77%	\$8,538,750	\$0
Restaurants	\$17,313,813	37%	\$6,461,318	\$195,966
Department Stores	\$16,051,948	8%	\$1,215,225	\$119,757
Misc. Retail	\$33,443,438	8%	\$2,632,988	\$297,579
Other Taxable	\$15,314,775	21%	\$3,245,550	\$10,887
Rental	\$27,345,456	8%	\$2,215,950	\$377,417
Food Stores	\$12,303,071	9%	\$1,140,233	\$301,208
Construction	\$16,249,497	0%	\$0	\$0
Utilities	\$7,893,694	5%	\$394,685	\$264,918
Automotive	\$26,506,806	1%	\$202,538	\$275,805
<b>Subtotal</b>	<b>\$183,515,494</b>	<b>14%</b>	<b>\$26,047,235</b>	<b>\$1,843,536</b>
Bed Tax	\$19,824,995	90%	\$17,853,750	\$0
<b>Total</b>	<b>\$203,340,489</b>	<b>22%</b>	<b>\$43,900,985</b>	<b>\$1,843,536</b>

\*Actual FY 2017/18 Collections excluding license fees, penalties and interest.

Note: Collections attributable to visitors are based on visitor spending by type from Figure 3. Percent Tax Attributable to Visitors is calculated by dividing FY 2017/18 Collections Attributable to Visitors by Total FY 2017/18 Collections.



## Domestic Visitors Fiscal Costs

In addition to generating revenues to the city, visitors also generate some costs for municipal services. The most significant costs incurred by the City as a result of the hospitality industry are captured in the City's General Fund including police and fire protection, parks and recreation, tourism and events, etc. For this study, these operating expenses have been allocated between residents, overnight visitors and day trip visitors and do not include costs associated with international visitors (**Figure 6**).

**FIGURE 6**  
**2017 VISITOR/RESIDENT SERVICE DAYS**

	Number	Duration of Stay	Total Person Days	Percent of Total
Residents	242,540	365	88,527,100	81%
Overnight Visitors	4,500,000	4	18,000,000	17%
Day Visitors	4,400,000	0.5	2,200,000	2%
<b>Total</b>	<b>9,142,540</b>		<b>108,727,100</b>	<b>100%</b>

Source: Arizona Department of Administration, 2017 Population Estimates; Longwoods International, 2017 Scottsdale Visitor Research, July 2018.

Municipal expenditures are allocated based on the number of person-days that are spent in the community by each group and assume that each person uses services on an equal per day basis. For example, Scottsdale residents require services 365 days per year, while visitors to Scottsdale demand services (on average) for 4 days per year. These percentages are applied to total operating expenditures from the General Fund for the relevant city departments.

In FY 2017/18, the City of Scottsdale spent an estimated \$196.4 million on services to residents and visitors through the General Fund. Based on the allocation of costs, about \$36.5 million of this total can be allocated to overnight and day trip visitors to the city (**Figure 7**).

**FIGURE 7**  
**MUNICIPAL OPERATING COSTS ATTRIBUTABLE TO VISITORS**

	Percent of Total	General Fund Expenditures*	Resident Share	Visitor Share
Residents	81%		\$159,928,627	
Overnight Visitors	17%			\$32,517,899
Day Visitors	2%			\$3,974,410
<b>Total</b>	<b>100%</b>	<b>\$196,420,936</b>	<b>\$159,928,627</b>	<b>\$36,492,309</b>

\* FY 2017/18 City of Scottsdale approved General Fund budget for direct service departments including Police, Fire, Community and Economic Development, Public Works (excluding Facilities Management), and Community Service (excluding Human Services and Library).

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## Cost Benefit Results

Scottsdale visitors make a significant contribution to the community's economy. Direct expenditures by domestic visitors in Scottsdale totaled an estimated \$1.6 billion for 2017 and created an annual economic impact of \$2.4 billion in revenues to local businesses. As a result of these direct expenditures, visitors and hospitality employees generated an estimated \$45.7 million in sales and bed taxes to the City of Scottsdale. This represents 22 percent of total sales and bed tax collections by the city.

In FY 2017/18, the City also spent \$36.5 million in operating costs to support visitors through the provision of various services. However, the amount of annual tax revenues generated by visitors exceeds the operating costs for municipal services attributed to visitors by \$9.3 million. This resulted in a cost benefit ratio of 1.25.

These calculations take a broad overall view of bed and sales tax collections in order to draw assumptions related to the fiscal contribution of visitors, in comparison to city expenditures related to visitors. Portions of total bed tax collections are allocated toward the city's general fund to offset expenditures related to services to visitors. There are also portions of visitor-related sales tax collections that are allocated to non-General Fund operating expenditures such as Preserve land acquisitions and transportation.

The hospitality industry is a net generator of revenues for the community. Per Figures 4 and 5, visitors not only create positive net fiscal impacts for the city, but also support thousands of jobs and payroll at local businesses, creating significant benefits to the city and the region.

