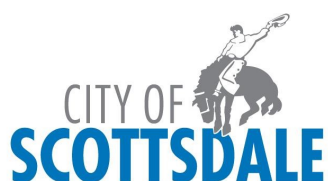
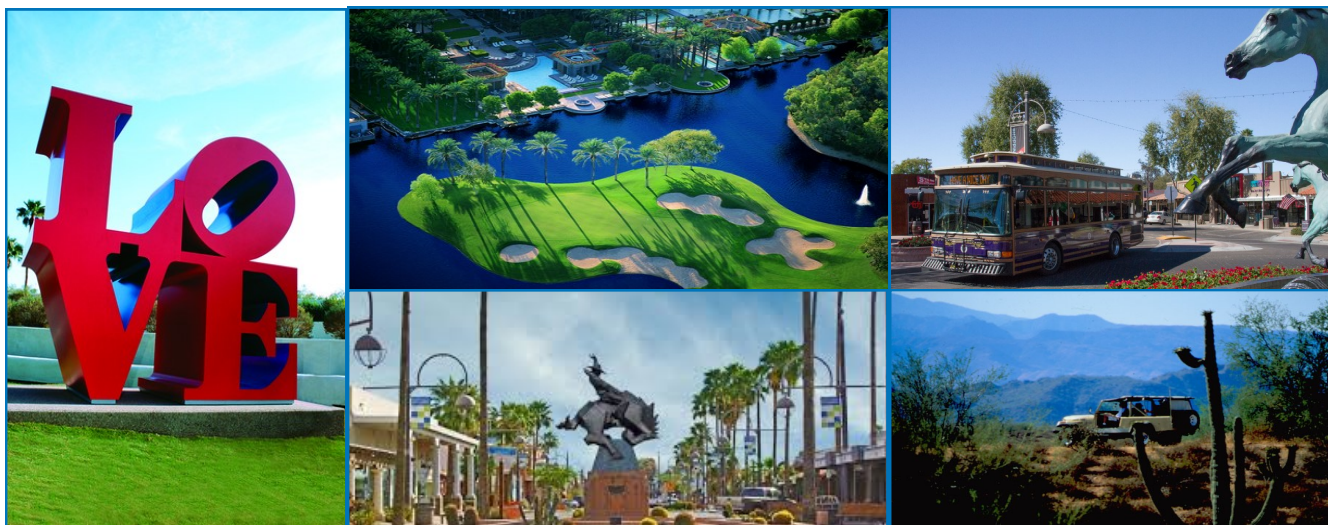


Scottsdale

Tourism Study - Visitor Statistics



October 2019
Tourism and Events Department



APPLIED ECONOMICS

Scottsdale Visitor Statistics

October 2019

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Table of Contents

Study: Introduction	4
Executive Summary	5
Domestic Visitors to Scottsdale	6
Visitor Spending Patterns	7
Visitor Economic Impacts	8
Visitor Fiscal Contributions	11
Visitor Fiscal Costs	13
Cost Benefit Results	14

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. This year's study also includes the addition of international visitors based on estimates provided by Tourism Economics. These figures are believed to be accurate and reasonable in the context of this analysis.



EXECUTIVE SUMMARY

- ◆ Scottsdale hosted an estimated 4.6 million domestic overnight visitors, 1.7 million international overnight visitors and 4.5 million domestic day trip visitors in 2018.
- ◆ These visitors, through their local spending, created an annual economic impact of \$3.1 billion in the City of Scottsdale.
- ◆ A typical domestic overnight traveler to Scottsdale spends approximately \$290 and a typical day trip visitor spends \$70, according to the Scottsdale 2018 Overnight and Day Visitation Report by Longwoods International. Overnight visitors stay an average of 3.9 nights in Scottsdale and have an average party size of 2.6 people.
- ◆ The top ten activities for Scottsdale visitors are (in order): shopping, upscale dining, night clubs, visiting historic sites and landmarks, swimming, visiting state parks, museums, casinos, hiking and golf.
- ◆ About 68 percent of domestic overnight visitors stay in a resort, hotel or motel in Scottsdale. The average occupancy rate for market area hotels in 2018 was 70.0 percent, up from 68.3 percent in 2017.
- ◆ Tourists have a tremendous impact on tax revenues to the city. Privilege tax collections attributable to domestic and international visitors in 2018/19 are estimated at \$57.7 million, including bed taxes. An additional \$1.9 million per year in taxes are generated by employees in the hospitality industry living in Scottsdale.
- ◆ Scottsdale received a fiscal return of about \$1.27 from visitors, meaning that for every \$1 of municipal service costs attributable to visitors, they received \$1.27 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 2018. 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 2018 average occupancy of 70.0 percent, the total number of occupied room nights in Scottsdale was 2.3 million.

FIGURE 1 HOTEL INVENTORY AND OCCUPIED ROOMS					
	Available Rooms	Days	Available Room Nights	2017 Occupancy	Occupied Room Nights
Scottsdale	8,825	365	3,221,125	70.0%	2,254,788

Source: City of Scottsdale Lodging Statistics, July 2019; STR Destination Report, December 2018.

Figure 2 shows the total number of domestic visitors to Scottsdale based on survey data from Longwoods International. Longwoods sends out a quarterly survey that is emailed to a random cross-section of individuals who are invited to participate. For the 2018 travel year, survey results represented 329,599 trips nationally including 1,101 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 9.1 million U.S. visitors to Scottsdale in 2018, up from 8.9 million in 2017. This included 4.6 million domestic overnight visitors and 4.5 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 1.5 million stayed with friends or in other accommodations. The average length of stay for domestic overnight visitors to Scottsdale was 5.6 nights, compared to a national average of 3.8 nights. Of the 5.6 total, 3.9 nights were spent in Scottsdale.

The number of international overnight visitors is based on estimates from Tourism Economics. Although Canada and Mexico are the primary sources of international visitors to Scottsdale, Tourism Economics does not have lodging estimates available for these two markets. International travelers to Scottsdale in 2018 were estimated at 1.7 million.

FIGURE 2
TOTAL NUMBER OF VISITORS IN SCOTTSDALE IN 2018

	Overnight Visitors		Day Trip Visitors	Total
	Hotel/Motel	Other or Unknown Accommodations		
Domestic	3,128,000 34%	1,472,000 16%	4,488,000 49%	9,088,000 100%
International	na	na	na	1,701,000 100%
Total	na	na	na	10,789,000 100%

Source: Longwoods International, 2018 Overnight and Day Visitation Report for Scottsdale, June 2019;
Tourism Economics international visitor estimates, 2019.

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 for domestic visitors are based on the Longwoods International Survey and are consistent with local sales tax collection data. The spending for international visitors from Tourism Economics is based on VisaVue data.

Scottsdale domestic overnight visitors staying in paid lodging allocated expenditures as follows:

- Lodging - 41 percent
- Food and Beverage - 27 percent
- Retail - 12 percent
- Local Transportation - 8 percent
- Recreation/Entertainment – 11 percent

All total, overnight domestic visitors typically spent an estimated \$290 per person per trip, up from \$279 in 2017. Day trip visitors spent an estimated \$70 per person per day, up from \$68 in 2017, according to estimates from Longwoods International (**Figure 3A**).

For international visitors, the distribution of spending is more heavily weighted toward retail than for domestic visitors, although the percent of spending on lodging is lower based on the data from VisaVue (**Figure 3B**). Given the limited data that is available from VisaVue on hotel nights, it is not possible to estimate per person per day spending for international visitors, although total spending by type can be used to estimate the impacts of international visitors to the city.

FIGURE 3A
DOMESTIC VISITOR SPENDING PATTERNS IN SCOTTSDALE

	Per Person Per Day Spending				Total Scottsdale Spending		
	Overnight		Day Trip		Overnight	Day Trip	Total
	Amt	Pct	Amt	Pct			
Lodging	\$120	41%	\$0	0%	\$552,000,000	\$0	\$552,000,000
Food & Beverage	\$79	27%	\$29	41%	\$363,400,000	\$130,152,000	\$493,552,000
Retail	\$36	12%	\$20	29%	\$165,600,000	\$89,760,000	\$255,360,000
Local Transportation	\$23	8%	\$7	10%	\$105,800,000	\$31,416,000	\$137,216,000
Entertainment	\$32	11%	\$14	20%	\$147,200,000	\$62,832,000	\$210,032,000
Total	\$290		\$70		\$1,334,000,000	\$314,160,000	\$1,648,160,000

Source: Longwoods International, 2018 Overnight and Day Visitation Report for Scottsdale, June 2019.

FIGURE 3B
INTERNATIONAL VISITOR SPENDING PATTERNS IN SCOTTSDALE

	Total Scottsdale Spending*	Percent
Lodging	\$110,975,000	25%
Food & Beverage	\$93,219,000	21%
Retail	\$181,999,000	41%
Local Transportation	\$8,878,000	2%
Recreation/ Entertainment	\$17,756,000	4%
Health Care	\$31,073,000	7%
Total	\$443,900,000	100%

Source: VisaVue, 2019.

*Excludes on-line purchases.

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, domestic visitors to Scottsdale spent an estimated \$1.65 billion in the city in 2018. 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 \$1.65 billion in domestic visitor spending resulted in an estimated economic impact of \$2.47 billion per year in Scottsdale in 2018 (**Figure 4A**). This level of spending supports over 27,000 jobs at local retail, restaurant, transportation and entertainment establishments and over \$1.00 billion in payroll.

FIGURE 4A
ECONOMIC IMPACTS OF DOMESTIC TOURISM IN SCOTTSDALE

	Direct Impacts			Total Impacts		
	Visitor Spending	Jobs	Income	Output	Jobs	Income
Lodging	\$552,000,000	4,631	\$183,183,960	\$786,246,168	6,322	\$268,615,896
Food & Beverage	\$493,552,000	9,293	\$249,273,867	\$751,021,298	11,009	\$337,709,501
Retail	\$255,360,000	4,501	\$158,680,704	\$387,442,917	5,420	\$203,587,037
Local Transportation	\$137,216,000	548	\$30,731,033	\$191,743,717	908	\$49,676,171
Recreation/ Entertainment	\$210,032,000	2,467	\$97,796,360	\$348,746,794	3,402	\$142,201,956
Total	\$1,648,160,000	21,440	\$719,665,923	\$2,465,200,894	27,062	\$1,001,790,561

International visitors to Scottsdale spent an estimated \$443.9 million in the city in 2018. Industry-specific multipliers were applied to each category of visitor spending. All total, the \$443.9 million in international visitor spending resulted in an estimated economic impact of \$664.7 million per year in Scottsdale in 2018 (**Figure 4B**). This level of spending supports close to 8,000 jobs at local retail, restaurant, transportation, entertainment and health care establishments and over \$300.8 million in annual payroll.

FIGURE 4B
ECONOMIC IMPACTS OF INTERNATIONAL TOURISM IN SCOTTSDALE

	Direct Impacts			Total Impacts		
	Visitor Spending	Jobs	Income	Output	Jobs	Income
Lodging	\$110,975,000	931	\$36,827,609	\$158,068,240	1,271	\$54,002,987
Food & Beverage	\$93,219,000	1,755	\$47,081,281	\$141,848,183	2,079	\$63,784,448
Retail	\$181,999,000	3,208	\$113,094,179	\$276,136,527	3,863	\$145,099,613
Local Transportation	\$8,878,000	35	\$1,988,326	\$12,405,993	59	\$3,214,093
Recreation/ Entertainment	\$17,756,000	209	\$8,267,655	\$29,482,879	288	\$12,021,682
Healthcare	\$31,073,000	244	\$17,234,322	\$46,790,949	352	\$22,702,924
Total	\$443,900,000	6,382	\$224,493,371	\$664,732,771	7,912	\$300,825,748

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. ¹

The output multiplier for tourism spending in Scottsdale is 1.50, meaning that for every dollar that is spent by domestic and international visitors in Scottsdale, an additional \$0.50 is created in sales to other local businesses that support the hospitality industry. ²



¹ 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.

² The output multiplier of 1.50 can be calculated by dividing total output for domestic and international visitors (shown in Figures 4A and 4B) by direct output. This multiplier represents the combined impacts of the five different industry-specific multipliers used in the economic impact calculations.

Visitor Fiscal Contributions

The tourism industry is an integral part of the economic base in the City of Scottsdale, generating over \$3.1 billion in total economic activity in the city's private sector in 2018 (see total output in Figures 4A and 4B). 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 visitors.

The collections attributable to visitors shown in **Figure 5** are calculated based on total Scottsdale spending by type in Figures 3A and 3B times the 1.75 percent local sales tax rate. The hotel/motel category includes the 1.75 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. There are no sales taxes on health care spending by visitors.

Overall, about 18 percent of sales tax collections in the city are attributed to visitors along with 99 percent of bed tax collections (see Figure 5). Visitors generated an estimated \$57.7 million in tax revenues to the City of Scottsdale in 2018/19, up from \$43.9 million in 2017/18. 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 \$944.2 million in 2018/19 (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 23 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.³ This in turn generates about \$1.9 million in additional annual sales tax revenues to the city.

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

FIGURE 5
TAX REVENUES FROM VISITOR EXPENDITURES

	Total 2018/19 Collections*	2018/19 Collections Attributable to Visitors	Percent of Tax Collections Attributable to Visitors	2018/19 Collections Attributable to Hospitality Employees
Hotels/Motels	\$12,235,450	\$10,853,992	89%	\$0
Restaurants	\$19,168,232	\$8,728,219	46%	\$205,213
Department Stores	\$15,881,738	\$2,296,135	14%	\$125,408
Misc. Retail	\$35,882,162	\$4,974,959	14%	\$311,620
Other Taxable	\$18,174,392	\$3,986,290	22%	\$11,401
Rental	\$29,206,587	\$2,556,645	9%	\$395,225
Food Stores	\$13,414,175	\$1,540,274	11%	\$315,420
Construction	\$17,136,025	\$0	0%	\$0
Utilities	\$7,403,591	\$370,180	5%	\$277,418
Automotive	\$29,487,977	\$382,689	1%	\$288,818
Subtotal	\$197,990,329	\$35,689,382	18%	\$1,930,523
Bed Tax	\$22,259,988	\$21,975,178	99%	\$0
Total	\$220,250,317	\$57,664,559	26%	\$1,930,523

*Actual 2018/19 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 2018/19 Collections Attributable to Visitors by Total 2018/19 Collections.



Visitor 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 .(Figure 6).

FIGURE 6
2018 VISITOR/RESIDENT SERVICE DAYS

	Number	Duration of Stay	Total Person Days	Percent of Total
Residents	245,417	365	89,577,205	77%
Overnight Visitors	6,301,000	3.9	24,573,900	21%
Day Visitors	4,488,000	0.5	2,244,000	2%
Total	11,034,417		116,395,105	100%

Source: AZ Department of Administration, 2018 Population Estimates; Longwoods International, 2018 Overnight and Day Visitation Report for Scottsdale, June 2019; Tourism Economics international visitor estimates, 2019.

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 2018/19, the City of Scottsdale spent an estimated \$203.5 million on services to residents and visitors through the General Fund. Based on the allocation of costs, about \$46.9 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	77%		\$156,621,956	
Overnight Visitors	21%			\$42,966,425
Day Visitors	2%			\$3,923,539
Total	100%	\$203,511,921	\$156,621,956	\$46,889,965

* FY 2018/19 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).

Cost Benefit Results

Scottsdale visitors make a significant contribution to the community's economy. Direct spending by domestic and international visitors in Scottsdale totaled an estimated \$2.1 billion for 2018 and created an annual economic impact of \$3.1 billion in revenues to local businesses. As a result of these direct expenditures, visitors and hospitality employees generated an estimated \$59.6 million in sales and bed taxes to the City of Scottsdale. This represents 26 percent of total sales and bed tax collections by the city.

In 2018/19, the City also spent \$46.9 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 \$12.7 million. This resulted in a cost benefit ratio of 1.27. This ratio is somewhat higher than last year due to the inclusion of international visitors in this year's impact analysis.

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.

