

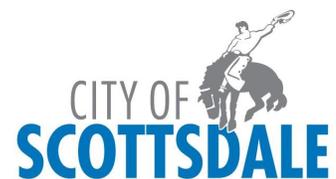
Scottsdale

Tourism Study - Visitor Statistics



APPLIED ECONOMICS

September 2022
Tourism and Events Department



Scottsdale Visitor Statistics

September 2022

Scottsdale City Council

David D. Ortega

Mayor

Kathy Littlefield

Tom Durham, Vice-Mayor

Linda Milhaven

Betty Janik

Tammy Caputi

Solange Whitehead

Jim Thompson

City Manager

An annual publication of:

The City of Scottsdale

Tourism and Events Department

Phone: (480) 312-4013

www.scottsdaleaz.gov/tourism

sgeiogamah@scottsdaleaz.gov

Last updated: September 6, 2022

Table of Contents

Study: Introduction	4
Executive Summary	5
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 an annual update of this third-party analysis of the impacts of tourism on the city's economy.

The information contained in this study is primarily based on a domestic visitor survey for Scottsdale conducted by Longwoods International, as well as tax collection figures, budget data and other information from the City of Scottsdale. The study also includes impacts related to international visitors based on data from Tourism Economics. These figures are believed to be accurate and reasonable in the context of this analysis.



EXECUTIVE SUMMARY

- ◆ Scottsdale hosted an estimated 4.3 million domestic overnight visitors, 1.0 million international overnight visitors and 4.4 million domestic day trip visitors in 2021. This is up from 3.4 million domestic overnight visitors, 0.9 million international overnight visitors and 3.9 million domestic day trip visitors in 2020 but still below pre-pandemic levels in 2019.
- ◆ Scottsdale visitors created an annual economic impact of \$2.5 billion in the city through their local spending.
- ◆ A typical domestic overnight traveler to Scottsdale spends approximately \$272 and a typical day trip visitor spends \$67, according to the 2021 Travel USA Visitor Profile for Scottsdale by Compass Longwoods International. Overnight visitors stay an average of 2.8 nights in Scottsdale (down from 3.3 in 2020), and have an average party size of 3.0 people.
- ◆ The top ten activities and experiences for Scottsdale visitors are (in order): shopping, sightseeing, hiking or backpacking, swimming, attending a celebration, night clubs, business meetings, visiting historic sites and landmarks, visiting state or national parks and casinos.
- ◆ About 83 percent of domestic overnight visitors stay in a resort, hotel or motel in Scottsdale. The average occupancy rate for market area hotels in 2021 was 57.6 percent, up from 40.7 in 2020, but still below pre-pandemic levels of 70.8 percent in 2019.
- ◆ Tourists have a significant impact on tax revenues to the city. Privilege tax collections attributable to domestic and international visitors in 2021/22 are estimated at \$54.5 million, including bed taxes. This is less than 1 percent below 2019 pre-pandemic levels, although overall sales tax collections for the city are up 33 percent from 2019/20 levels. An additional \$1.4 million per year in estimated taxes were generated by employees in the hospitality industry living in Scottsdale.
- ◆ Scottsdale received a fiscal return of about \$1.41 from visitors in 2021, meaning that for every \$1 of municipal service costs attributable to visitors, the city received \$1.41 in revenues.

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 2021 at 12,769. 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 a 2021 average occupancy rate of 57.6 percent, the total number of occupied room nights in Scottsdale was 2.7 million.

FIGURE 1 HOTEL INVENTORY AND OCCUPIED ROOMS					
	Available Rooms	Days	Available Room Nights	2020 Occupancy	Occupied Room Nights
Scottsdale	12,769	365	4,660,685	57.6%	2,684,555

Source: Smith Travel Research, December 2021.

Figure 2 shows the total number of domestic visitors to Scottsdale based on survey data from Compass Longwoods International. Compass Longwoods sends out a quarterly survey that is emailed to a random cross-section of individuals who are invited to participate. For the 2021 travel year, survey results represented about 325,000 trips nationally, including 1,148 trips to Scottsdale. For analysis, data are weighted on key demographic characteristics to correct for any differences between the sample and the U.S. population. The survey methodology employed by Compass Longwoods International is believed to yield statistically significant results for the estimated number of annual visitors to Scottsdale.

Compass Longwoods International projected a total of 8.7 million domestic visitors to Scottsdale in 2021, compared to 7.3 million in 2020 during the pandemic, and 9.3 million prior to the pandemic in 2019. This included 4.3 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 3.6 million stayed in hotels, motels and resorts and the remaining 0.7 million stayed with friends or in other accommodations. The average length of stay for domestic overnight visitors to Scottsdale was 4.9 nights, compared to a national average of 3.9 nights. Of the 4.9 total nights, an average of 2.8 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, only total visitor estimates. Total international travelers to Scottsdale in 2021 were estimated at 1.0 million, up from 0.9 million in 2020, but still well below 2019 levels at 1.7 million, due largely to international travel restrictions during the pandemic.

**FIGURE 2
TOTAL NUMBER OF VISITORS IN SCOTTSDALE IN 2021**

	Overnight Visitors		Day Trip Visitors	Total
	Hotel/Motel	Other or Unknown Accommodations		
Domestic	3,569,000 41%	731,000 8%	4,400,000 51%	8,700,000 100%
International	na	na	na	1,010,700 100%
Total	na	na	na	9,710,700 100%

Source: Compass Longwoods International, 2021 Travel USA Visitor Profile for Scottsdale, June 2022; Tourism Economics international visitor estimates for 2021.

Visitor Spending Patterns

Figure 3 details visitor spending patterns by type of spending and by category of visitor. The amount of spending per person per day for domestic visitors is based on the Compass Longwoods International Survey and is 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 - 45 percent
- Food and Beverage - 22 percent
- Retail - 13 percent
- Local Transportation - 10 percent
- Recreation/Entertainment – 10 percent

All total, overnight domestic visitors typically spent an estimated \$272 per person per trip, which is still below the pre-pandemic level of \$303 in 2019. Day trip visitors spent an estimated \$67 per person per day, compared to \$73 in 2019, according to estimates from Compass 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	\$122	45%	\$0	0%	\$524,600,000	\$0	\$524,600,000
Food & Beverage	\$61	22%	\$26	39%	\$262,300,000	\$114,400,000	\$376,700,000
Retail	\$34	13%	\$21	31%	\$146,200,000	\$92,400,000	\$238,600,000
Local Transportation	\$27	10%	\$8	12%	\$116,100,000	\$35,200,000	\$151,300,000
Entertainment	\$28	10%	\$12	18%	\$120,400,000	\$52,800,000	\$173,200,000
Total	\$272		\$67		\$1,169,600,000	\$294,800,000	\$1,464,400,000

Source: Compass Longwoods International, 2021 Travel USA Visitor Profile for Scottsdale, June 2022.

**FIGURE 3B
INTERNATIONAL VISITOR SPENDING PATTERNS IN SCOTTSDALE**

	Total Scottsdale Spending*	Percent
Lodging	\$56,725,000	25%
Food & Beverage	\$47,649,000	21%
Retail	\$93,029,000	41%
Local Transportation	\$4,538,000	2%
Recreation/ Entertainment	\$9,076,000	4%
Health Care	\$15,883,000	7%
Total	\$226,900,000	100%

Source: Tourism Economics international visitor estimates for 2021; VisaVue, 2022.

*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 these 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 indirect impacts created by other local businesses in Scottsdale and their employees.

In total, domestic visitors to Scottsdale spent an estimated \$1.46 billion in the city in 2021. This spending forms the basis for the economic 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 \$1.46 billion in domestic visitor spending resulted in an estimated annual economic impact of \$2.19 billion in Scottsdale in 2021 **(Figure 4A)**. This level of spending supports more than 21,000 jobs at local retail, restaurant, transportation and entertainment establishments and their suppliers, and more than \$817.9 million in payroll or labor income.

**FIGURE 4A
ECONOMIC IMPACTS OF DOMESTIC TOURISM IN SCOTTSDALE**

	Direct Impacts			Total Impacts		
	Visitor Spending	Jobs	Income	Output	Jobs	Income
Lodging	\$524,600,000	4,550	\$181,632,586	\$759,456,276	6,081	\$263,980,660
Food & Beverage	\$376,700,000	5,269	\$156,507,499	\$565,846,987	6,434	\$220,975,463
Retail	\$238,600,000	4,498	\$121,673,449	\$377,755,603	5,339	\$166,132,293
Local Transportation	\$151,300,000	637	\$37,995,502	\$208,952,728	998	\$58,399,466
Recreation/ Entertainment	\$173,200,000	1,778	\$76,242,508	\$277,196,639	2,406	\$108,456,542
Total	\$1,464,400,000	16,732	\$574,051,546	\$2,189,208,231	21,258	\$817,944,423

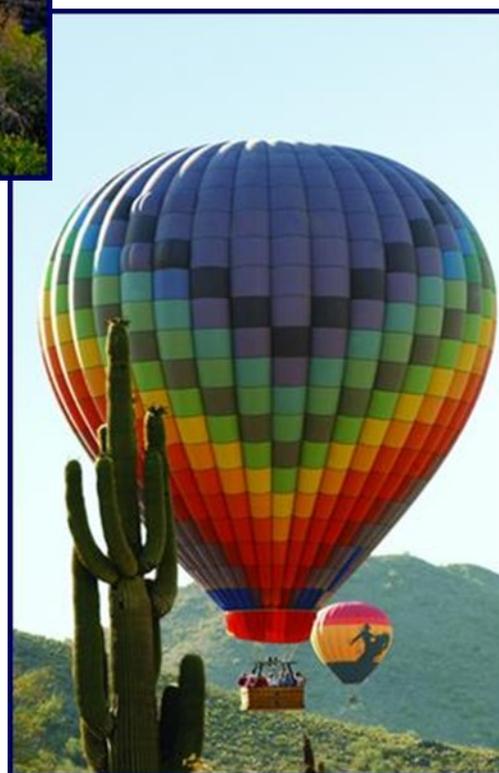
International visitors to Scottsdale spent an estimated \$226.9 million in the city in 2021. Industry-specific multipliers were applied to each category of visitor spending. All total, the \$226.9 million in international visitor spending resulted in an estimated annual economic impact of \$346.5 million in Scottsdale in 2021 **(Figure 4B)**. This level of spending supports close to 3,900 jobs at local retail, restaurant, transportation, entertainment and health care establishments, and nearly \$141.0 million in annual payroll or labor income.

**FIGURE 4B
ECONOMIC IMPACTS OF INTERNATIONAL TOURISM IN SCOTTSDALE**

	Direct Impacts			Total Impacts		
	Visitor Spending	Jobs	Income	Output	Jobs	Income
Lodging	\$56,725,000	492	\$19,639,932	\$82,120,010	658	\$28,544,230
Food & Beverage	\$47,649,000	666	\$19,796,724	\$71,574,311	814	\$27,951,314
Retail	\$93,029,000	1,754	\$47,439,896	\$147,285,105	2,082	\$64,774,187
Local Transportation	\$4,538,000	19	\$1,139,614	\$6,267,201	30	\$1,751,598
Recreation/ Entertainment	\$9,076,000	93	\$3,995,248	\$14,525,616	126	\$5,683,323
Healthcare	\$15,883,000	126	\$9,306,775	\$24,691,659	181	\$12,287,352
Total	\$226,900,000	3,150	\$101,318,190	\$346,463,903	3,890	\$140,992,004

The 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 labor 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 remains an integral part of the economic base in the City of Scottsdale, even during the pandemic, generating more than \$2.5 billion in total economic activity in the city's private sector in 2021 (see total output in Figures 4A and 4B). The tourism industry is also a significant source of revenue for the City of Scottsdale.

Visitors generate a sizeable 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 those total tax collections to estimated collections from visitors.

The collections attributable to visitors shown in **Figure 5** are calculated using total Scottsdale visitor 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 international visitors.

Overall, about 11 percent of actual sales tax collections in the city in 2020/21 can be attributed to visitors along with 77 percent of bed tax collections (see Figure 5). Visitors generated an estimated \$54.5 million in tax revenues to the City of Scottsdale in 2021/22. Property taxes collected from hotels and resorts are an additional tourism revenue source and were not used in estimating visitor fiscal contributions.

There are additional sales tax revenues generated by hospitality industry employees living in Scottsdale. Based on the results of the economic impact analysis, direct labor income in Scottsdale is estimated at \$958.9 million in 2021/22 (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 24 percent of these people who work in Scottsdale also live in Scottsdale. Applying that percentage to the labor 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 \$1.4 million in additional annual sales tax revenues to the city.

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

**FIGURE 5
TAX REVENUES FROM VISITOR EXPENDITURES**

	Total 2021/22 Collections*	2021/22 Collections Attributable to Visitors	Percent of Tax Collections Attributable to Visitors	2021/22 Collections Attributable to Hospitality Employees
Hotels/Motels	\$18,836,341	\$10,173,188	54%	\$0
Restaurants	\$27,715,493	\$6,312,191	23%	\$153,174
Department Stores	\$21,063,205	\$1,741,052	8%	\$93,606
Misc. Retail	\$64,272,217	\$3,772,280	6%	\$232,597
Other Taxable	\$30,635,189	\$3,189,830	10%	\$8,510
Rental	\$37,329,565	\$2,727,165	7%	\$295,002
Food Stores	\$16,480,721	\$1,113,916	7%	\$235,434
Construction	\$22,090,608	\$0	0%	\$0
Utilities	\$8,701,105	\$435,055	5%	\$207,068
Automotive	\$35,122,718	\$290,175	1%	\$215,578
Subtotal	\$282,247,162	\$29,754,854	11%	\$1,440,971
Bed Tax	\$32,170,522	\$24,706,313	77%	\$0
Total	\$314,417,684	\$54,461,166	17%	\$1,440,971

*Actual 2021/22 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 2021/22 Collections Attributable to Visitors by Total 2021/22 Collections.



Visitor Fiscal Costs

In addition to generating revenues to the city, visitors also create demand for certain 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
2021 VISITOR/RESIDENT SERVICE DAYS**

	Number	Duration of Stay	Total Person Days	Percent of Total
Residents	243,528	365	88,887,720	84%
Overnight Visitors	5,310,700	2.8	14,869,960	14%
Day Visitors	4,400,000	0.5	2,200,000	2%
Total	9,954,228		105,957,680	100%

Source: AZ Department of Administration, July 2021 Population Estimates; Compass Longwoods International, 2021 Travel USA Visitor Profile for Scottsdale, June 2022; Tourism Economics international visitor estimates, 2022.

Municipal expenditures are allocated based on the number of person-days that are spent in the city 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 2.8 days per year based on their average length of stay. These percentages are applied to total operating expenditures from the General Fund for the relevant city departments.

In 2021/22, the City of Scottsdale spent an estimated \$245.3 million on services to residents and visitors through the General Fund, up from \$188.2 million in the previous year. Based on the allocation of costs, about \$39.5 million of this total can be allocated to overnight and day trip visitors to the city **(Figure 7)**. This amount of spending on visitors is more than last year because of the overall increase in expenditures by the city. Compared to 2020, the number of visitors was up, but the average length of stay for visitors declined, resulting in slightly lower total person days (see Figure 6) than in the previous year.

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

	Percent of Total	General Fund Expenditures*	Resident Share	Visitor Share
Residents	84%		\$205,797,418	
Overnight Visitors	14%			\$34,427,696
Day Visitors	2%			\$5,093,553
Total	100%	\$245,318,667	\$205,797,418	\$39,521,249

* FY 2021/22 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 \$1.7 billion for 2021 and created an annual economic impact of \$2.5 billion in revenues to local businesses even during a year when tourism remained below pre-pandemic levels. As a result of these direct expenditures, visitors and supported hospitality employees generated an estimated \$54.5 million in sales and bed taxes to the City of Scottsdale. This represents 17 percent of total sales and bed tax collections by the city. Although visitor spending increased 44 percent over 2020, overall sales tax collections increased 27 percent, so the visitor share of total collections increased only slightly.

In 2021/22, the City spent an estimated \$39.5 million in operating costs to support visitors through the provision of various municipal services. However, the amount of annual tax revenues generated by visitors exceeds the operating costs for municipal services attributed to visitors by \$16.4 million, resulting in a cost benefit ratio of 1.41. This ratio is slightly higher than last year because the number of visitor service days decreased while the amount of visitor tax revenues increased, although these changes were partially offset by the overall increase general fund expenditures in 2021/22.

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 McDowell Sonoran 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 larger region.

