

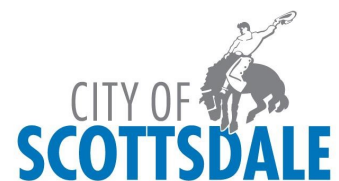
Scottsdale

Tourism Study - Visitor Statistics



APPLIED ECONOMICS

September 2024
Tourism and Events Department



Scottsdale Visitor Statistics

September 2024

Scottsdale City Council

David D. Ortega

Mayor

Tammy Caputi

Kathy Littlefield

Tom Durham

Barry Graham, Vice Mayor

Betty Janik

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

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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 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 4.8 million domestic overnight visitors, 1.5 million international overnight visitors and 4.9 million domestic day trip visitors in 2023. The annual number of international visitors increased by 380,000, and the number of domestic day trip visitors increased by 100,000 over 2022. International visitation is still below 2019 pre-pandemic levels, but it continues to increase year over year.
- ◆ In 2023, visitors to Scottsdale created an annual economic impact of \$3.5 billion through their local spending, directly and indirectly supporting more than 34,000 local jobs in the hospitality industry and related supplier industries.
- ◆ A typical domestic overnight traveler to Scottsdale spends approximately \$323 per trip, and a typical day trip visitor spends \$74, according to the 2023 Travel USA Visitor Profile for Scottsdale by Compass Longwoods International. Overnight visitors stay an average of 3.0 nights in Scottsdale, and have an average party size of 2.8 people. Both the length of stay and party size decreased somewhat compared to 2022.
- ◆ The top ten activities and experiences for Scottsdale visitors are (in order): shopping, sightseeing, attending a celebration, night clubs, historic sites and landmarks, museums, swimming, hiking or backpacking, attending a professional or college sports event and casinos.
- ◆ About 87 percent of domestic overnight visitors stay in a resort, hotel or motel in Scottsdale, up from 80 percent in 2022. The average occupancy rate for market area hotels in 2023 was 65 percent, the same as in 2022.
- ◆ Tourists have a significant impact on tax revenues to the city. Estimated privilege tax collections attributable to domestic and international visitors in 2023/24 are \$73.8 million, including bed taxes. Estimated visitor tax levels are 5 percent over 2022/23 levels, although inflation has contributed to the increase. In addition, employees in the hospitality industry living in Scottsdale generated \$1.9 million in estimated sales taxes in 2023.
- ◆ Scottsdale received a fiscal return of about \$1.44 from visitors in 2023, meaning that for every \$1 of municipal service costs attributable to visitors, the city received \$1.44 in revenues.

Visitors to Scottsdale

This section provides estimates of the number of visitors by type, estimated spending by type, and the economic impacts of that spending on the local economy

Number of Visitors

Figure 1 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 2023 travel year, survey results represented about 244,400 trips nationally, including 1,043 trips to Scottsdale. Survey data are weighted using 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 domestic visitors to Scottsdale.

Compass Longwoods International projected 9.7 million domestic visitors to Scottsdale in 2023, compared to 9.6 million in 2022, and 9.3 million prior to the pandemic in 2019. The 2023 estimate includes 4.8 million domestic overnight visitors and 4.9 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 4.2 million stayed in hotels, motels and resorts and the remaining 0.6 million stayed with friends or in other accommodations. The average length of stay for domestic overnight visitors to Scottsdale was 5.1 nights, compared to a national average of 3.8 nights. Of the 5.1 total nights, visitors spent an average of 3.0 nights 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. An estimated 1.5 million international travelers visited Scottsdale in 2023, up from 1.2 million in 2022, but still less than 2019 pre-pandemic levels of 1.7 million.

| FIGURE 1 TOTAL NUMBER OF VISITORS IN SCOTTSDALE IN 2023 | | | | |
|--|--------------------|---------------------------------|-------------------|--------------------|
| | Overnight Visitors | | | Total |
| | Hotel/Motel | Other or Unknown Accommodations | Day Trip Visitors | |
| Domestic | 4,176,000 43% | 624,000 6% | 4,900,000 51% | 9,700,000 100% |
| International | na | na | na | 1,543,900 100% |
| Total | na | na | na | 11,243,900 100% |

Source: Compass Longwoods International, 2023 Travel USA Visitor Profile for Scottsdale, June 2024; Tourism Economics international visitor estimates for 2023.

Visitor Spending Patterns

Figure 2 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 - 46 percent
- ◆ Food and Beverage - 22 percent
- ◆ Retail - 11 percent
- ◆ Local Transportation - 10 percent
- ◆ Recreation/Entertainment – 10 percent

All total, overnight domestic visitors typically spent an estimated \$323 per person per trip, up from \$311 in 2022, although this figure is not adjusted for inflation. Day trip visitors spent an estimated \$74 per person per day, compared to \$72 in 2022, according to estimates from Compass Longwoods International (**Figure 2A**). This results in total domestic visitor spending of \$1.9 billion in Scottsdale in 2023.

International visitors spent an estimated \$419.1 million in Scottsdale in 2023, according to Tourism Economics. 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 2B**). 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 the percentage of spending by type can be applied to total international spending.

FIGURE 2A
DOMESTIC VISITOR SPENDING PATTERNS IN SCOTTSDALE

| | Per Person Per Trip Spending | | | | Total Scottsdale Spending | | |
|----------------------|------------------------------|-----|-------------|-----|---------------------------|----------------------|------------------------|
| | Overnight | | Day Trip | | Overnight | Day Trip | Total |
| | Amt | Pct | Amt | Pct | | | |
| Lodging | \$150 | 46% | \$0 | 0% | \$720,000,000 | \$0 | \$720,000,000 |
| Food & Beverage | \$70 | 22% | \$29 | 39% | \$336,000,000 | \$142,100,000 | \$478,100,000 |
| Retail | \$37 | 11% | \$19 | 26% | \$177,600,000 | \$93,100,000 | \$270,700,000 |
| Local Transportation | \$33 | 10% | \$11 | 15% | \$158,400,000 | \$53,900,000 | \$212,300,000 |
| Entertainment | \$33 | 10% | \$15 | 20% | \$158,400,000 | \$73,500,000 | \$231,900,000 |
| Total | \$323 | | \$74 | | \$1,550,400,000 | \$362,600,000 | \$1,913,000,000 |

Source: Compass Longwoods International, 2023 Travel USA Visitor Profile for Scottsdale, June 2024.

| FIGURE 2B INTERNATIONAL VISITOR SPENDING PATTERNS IN SCOTTSDALE | | |
|--|-------------------------------|-------------|
| | Total Scottsdale Spending* | Percent |
| Lodging | \$104,775,000 | 25% |
| Food & Beverage | \$88,011,000 | 21% |
| Retail | \$171,831,000 | 41% |
| Local Transportation | \$8,382,000 | 2% |
| Recreation/ Entertainment | \$16,764,000 | 4% |
| Health Care | \$29,337,000 | 7% |
| Total | \$419,100,000 | 100% |

Source: Tourism Economics international visitor estimates for 2023; VisaVue, 2023.

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



In total, domestic visitors to Scottsdale spent an estimated \$1.91 billion in the city in 2023. 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 impacts of this spending are spread to local suppliers and other local businesses. All total, the \$1.91 billion in domestic visitor spending resulted in an estimated annual output impact of \$2.85 billion in Scottsdale in 2023 (**Figure 3A**). This level of spending supports more than 27,000 jobs at local retail, restaurant, transportation and entertainment establishments and their suppliers, and close to \$1.06 billion in annual payroll or labor income.

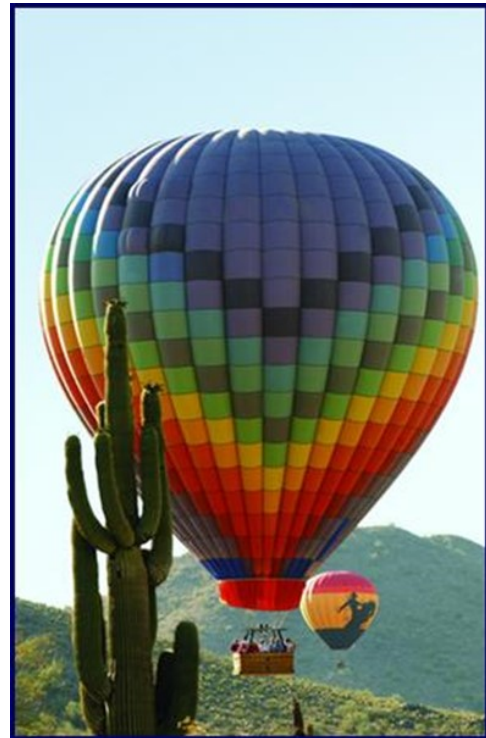
| FIGURE 3A ECONOMIC IMPACTS OF DOMESTIC TOURISM IN SCOTTSDALE | | | | | | |
|---|------------------------|---------------|----------------------|------------------------|---------------|------------------------|
| | Direct Impacts | | | Total Impacts | | |
| | Visitor Spending | Jobs | Income | Output | Jobs | Income |
| Lodging | \$720,000,000 | 6,245 | \$249,286,050 | \$1,042,334,195 | 8,346 | \$362,306,662 |
| Food & Beverage | \$478,100,000 | 6,687 | \$198,636,144 | \$718,161,519 | 8,166 | \$280,457,575 |
| Retail | \$270,700,000 | 5,103 | \$138,042,761 | \$428,576,872 | 6,057 | \$188,482,866 |
| Local Transportation | \$212,300,000 | 893 | \$53,314,244 | \$293,196,722 | 1,400 | \$81,944,525 |
| Recreation/ Entertainment | \$231,900,000 | 2,381 | \$102,082,203 | \$371,142,613 | 3,222 | \$145,214,041 |
| Total | \$1,913,000,000 | 21,310 | \$741,361,403 | \$2,853,411,921 | 27,191 | \$1,058,405,670 |

International visitors to Scottsdale spent an estimated \$419.1 million in the city in 2023. Industry-specific multipliers were applied to each category of visitor spending. All total, the \$419.1 million in international visitor spending resulted in an estimated annual output impact of \$639.9 million in Scottsdale in 2023 (**Figure 3B**). This level of spending supports close to 7,200 jobs at local retail, restaurant, transportation, entertainment and health care establishments, and an estimated \$260.4 million in annual payroll or labor income.

| FIGURE 3B ECONOMIC IMPACTS OF INTERNATIONAL TOURISM IN SCOTTSDALE | | | | | | |
|--|----------------------|--------------|----------------------|----------------------|--------------|----------------------|
| | Direct Impacts | | | Total Impacts | | |
| | Visitor Spending | Jobs | Income | Output | Jobs | Income |
| Lodging | \$104,775,000 | 909 | \$36,276,314 | \$151,681,341 | 1,215 | \$52,723,167 |
| Food & Beverage | \$88,011,000 | 1,231 | \$36,565,919 | \$132,202,705 | 1,503 | \$51,628,010 |
| Retail | \$171,831,000 | 3,239 | \$87,624,771 | \$272,045,780 | 3,845 | \$119,642,406 |
| Local Transportation | \$8,382,000 | 35 | \$2,104,946 | \$11,575,953 | 55 | \$3,235,323 |
| Recreation/ Entertainment | \$16,764,000 | 172 | \$7,379,500 | \$26,829,818 | 233 | \$10,497,491 |
| Healthcare | \$29,337,000 | 233 | \$17,190,257 | \$45,607,203 | 334 | \$22,695,589 |
| Total | \$419,100,000 | 5,819 | \$187,141,707 | \$639,942,801 | 7,184 | \$260,421,987 |

The differences between direct and total 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 3A and 3B) 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 generating \$3.5 billion in total economic activity in the city's private sector in 2023 (see total output in Figures 3A and 3B). The tourism industry is also a significant source of tax revenue for the City of Scottsdale.

Visitors generate a sizeable portion of the city's sales and bed tax revenues. Bed taxes are applied to room sales, while sales taxes apply to restaurants, hotels, retailers, entertainment and recreation venues and car rentals. This section of the report looks at actual tax collections by type for the City of Scottsdale and compares total sales tax collections to estimated collections from visitors.

The collections attributable to visitors shown in **Figure 4** are calculated using total Scottsdale visitor spending by type in Figures 3A and 3B multiplied by 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 14 percent of total sales tax collections in the city in 2023/24 can be attributed to visitors along with 95 percent of bed tax collections (see Figure 4). Visitors generated an estimated \$73.8 million in tax revenues to the City of Scottsdale in 2023/24, up 5% from 2022/23. Property taxes collected from hotels and resorts are an additional tourism revenue source and were not included in visitor fiscal contributions.

There are also 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 \$1.3 billion in 2023 (see Figure 3A and 3B). This represents payroll to workers at hotels, restaurants, shops, entertainment and recreation venues, etc. Based on Maricopa County Rideshare data, an estimated 22 percent of these hospitality employees that work in Scottsdale also live in Scottsdale. Applying that percentage to the labor income figure and distributing spending based on typical household spending patterns, hospitality employees living in Scottsdale in 2023 spent about 47 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.

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

**FIGURE 4
TAX REVENUES FROM VISITOR EXPENDITURES**

| | Total 2023/24 Collections* | 2023/24 Collections Attributable to Visitors | Percent of Tax Collections Attributable to Visitors | 2023/24 Collections Attributable to Hospitality Employees |
|-------------------|---------------------------------------|---|--|--|
| Hotels/Motels | \$17,899,605 | \$14,433,563 | 81% | \$0 |
| Restaurants | \$30,044,207 | \$8,420,901 | 28% | \$178,737 |
| Department Stores | \$20,181,471 | \$2,323,288 | 12% | \$103,667 |
| Misc. Retail | \$66,495,674 | \$5,033,790 | 8% | \$368,198 |
| Other Taxable | \$32,953,629 | \$4,351,620 | 13% | \$10,724 |
| Rentals | \$40,578,595 | \$3,861,935 | 10% | \$425,394 |
| Food Stores | \$17,161,905 | \$1,486,041 | 9% | \$332,451 |
| Construction | \$31,502,255 | \$0 | 0% | \$0 |
| Utilities | \$9,309,431 | \$465,472 | 5% | \$289,554 |
| Automotive | \$35,427,963 | \$387,215 | 1% | \$189,461 |
| Subtotal | \$301,554,735 | \$40,763,825 | 14% | \$1,898,187 |
| Bed Tax | \$34,664,925 | \$32,991,000 | 95% | \$0 |
| Total | \$336,219,660 | \$73,754,825 | 22% | \$1,898,187 |

*Actual 2023/24 Collections excluding license fees, penalties and interest.

Note: Collections attributable to visitors are based on visitor spending by type from Figure 2. Percent Tax Attributable to Visitors is calculated by dividing 2023/24 Collections Attributable to Visitors by Total 2023/24 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 visitors 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 expenditures have been allocated between residents, overnight visitors and day trip visitors (**Figure 5**).

| FIGURE 5 2023 VISITOR/RESIDENT SERVICE DAYS | | | | |
|--|-------------------|-------------------------|--------------------------|-------------------------|
| | Number | Duration of Stay | Total Person Days | Percent of Total |
| Residents | 248,542 | 365 | 90,717,830 | 81% |
| Overnight Visitors | 6,343,900 | 3.0 | 19,031,700 | 17% |
| Day Visitors | 4,900,000 | 0.5 | 2,450,000 | 2% |
| Total | 11,492,442 | | 112,199,530 | 100% |

Source: AZ Department of Administration, July 2023 Population Estimates; Compass Longwoods International, 2023 Travel USA Visitor Profile for Scottsdale, June 2024; Tourism Economics international visitor estimates, 2024.

Municipal expenditures are allocated based on the number of person-days spent in the city by each group and assume that each person uses services equally on a per day basis. For example, Scottsdale residents require services 365 days per year, while visitors to Scottsdale demand services (on average) for 3.0 days per year based on their average length of stay. These percentages are applied to total General Fund operating expenditures for the relevant city departments.

In 2023/24, the City of Scottsdale spent an estimated \$273.5 million on services to residents and visitors through the General Fund. Based on the allocation of costs, about \$52.4 million of this total can be attributed to overnight and day trip visitors to the city (**Figure 6**). Total General Fund expenditures increased 11% year over year, while the visitor share of expenditures increased 8%.

| FIGURE 6 MUNICIPAL OPERATING COSTS ATTRIBUTABLE TO VISITORS | | | | |
|--|-------------------------|-----------------------------------|-----------------------|----------------------|
| | Percent of Total | General Fund Expenditures* | Resident Share | Visitor Share |
| Residents | 81% | | \$221,172,390 | |
| Overnight Visitors | 17% | | | \$46,399,771 |
| Day Visitors | 2% | | | \$5,973,163 |
| Total | 100% | \$273,545,324 | \$221,172,390 | \$52,372,934 |

* FY 2023/24 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 city’s economy. Direct spending by domestic and international visitors in Scottsdale totaled an estimated \$2.3 billion for 2023 and created an annual economic impact of \$3.5 billion in gross sales at local businesses. Visitors and hospitality employees generated a combined total of \$75.7 million in sales and bed taxes to the City of Scottsdale in 2023, representing 22 percent of total sales and bed tax collections. Visitor spending (taxable and nontaxable) increased 9 percent from 2022 to 2023, and overall sales tax collections from visitors increased 5 percent. The visitor share of total collections increased from 21 percent in 2022 to 22 percent in 2023.

In 2023/24, the City spent an estimated \$52.4 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 \$23.3 million, resulting in a cost benefit ratio of 1.44. This ratio is slightly lower than last year because general fund expenditures increased while the number of visitor days decreased due to the shorter length of stay.

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 3 and 4, 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 for the city and the larger region.

