The Scottsdale/Paradise Valley Tourism Study —
Part II: Visitor Statistics

August 2013

Economic Development Department

Part II: Visitor Statistics

August 2013

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I. STUDY OVERVIEW

Part I: Lodging Statistics

Part I of the Scottsdale/Paradise Valley Tourism Study analyzes trends relating to the lodging industry in the Scottsdale/Paradise Valley tourist market area. The study looks specifically at trends in local transient occupancy tax (bed tax) collection, room inventory, average room rates, occupancy rates, and other factors relating to lodging trends. The Lodging Statistics study is designed to provide necessary data relating to the lodging industry for developers, local hoteliers, tourism marketing representatives, financing agencies, and others with an interest in hospitality industry trends.

The Scottsdale/Paradise Valley Tourism Study, Part I: Lodging Statistics report is prepared annually and is available at no charge from the City of Scottsdale Economic Development Department, or http://www.scottsdaleaz.gov/economics.

Part II: Visitor Statistics

Part II of the Tourism Study analyzes trends relating to tourists themselves. It examines the total number of tourists, their spending patterns and socio-demographic profiles, and the overall economic impact of the tourism industry in the study area. The Visitor Statistics study is designed to provide data that gives a profile of the type of tourist that comes to the area, and to evaluate the economic impact tourism has on the community.

The Scottsdale/Paradise Valley Tourism Study, Part II: Visitor Statistics report is prepared once a year, and is available at no charge from the City of Scottsdale Economic Development Department, or http://www.scottsdaleaz.gov/economics.

The Economic Development Department welcomes your input and suggestions for changes and additions in future issues of this publication, and is pleased to grant permission to use excerpts from this material when credit is given to the City of Scottsdale.

While information in this report is deemed accurate, no guarantees are made or implied. Users should rely on their own research and conclusions regarding the conditions and viability of the overall economic impact of the Scottsdale tourism industry.

II. THE SCOTTSDALE/PARADISE VALLEY TOURISM STUDY

Introduction

The purpose of *The Scottsdale/Paradise Valley Tourism Study: Parts I and II* is to provide assistance, through collected industry data, to entities evaluating tourism, retail, or hospitality opportunities in the study area; to provide market information to tourism, retail, and hospitality operations located in the study area; and to provide information to elected officials, city management, and the general public regarding the tourism and hospitality markets.

Study Limitations

The information contained in this study is based on tax collection figures, previous studies, local estimates based on Metro area figures, and other data sources. The City believes these figures provide the best available data.

Definition of Terms

Throughout this study, the following terms will be used in describing visitor statistics:

Areas

Scottsdale – Within the corporate limits of the City of Scottsdale
Paradise Valley – Within the corporate limits of the Town of Paradise Valley
Other Market Areas– Within the Scottsdale/Paradise Valley market area; including portions of East Phoenix, North Tempe, Carefree, Cave Creek, Fountain Hills, and the Salt River Pima Maricopa Indian Community (SRPMIC). (see *Map 1,* p. 9)

Visitors

Hotel Visitor – Visitor occupying a transient lodging room in the market area
Day Visitor – Visitor not staying overnight in the market area

III. EXECUTIVE SUMMARY

- Scottsdale hosted an estimated 8.9 million visitors in 2012, with an economic impact of a little over $3.39 billion.

- The City of Scottsdale was visited by nearly 7.78 million day visitors in 2012.

- The typical overnight leisure traveler to Scottsdale is 58 years old with a median household income of $96,300 according to Behavior Research Center's 2012 City of Scottsdale Visitor Inquiry Study.

- Tourists to the Scottsdale area have a tremendous impact on revenue for the City. Privilege tax collections attributable to visitors for FY12/13 totaled an estimated $35 million.

- The top ten activities participated in by Scottsdale visitors are (in order):dining, shopping, visiting downtown Scottsdale, day trips, Native American arts & culture, Western culture & attractions, outdoor desert activities, nightlife, golf, spa/rejuvenation, & overnight trips to other locations in Arizona.

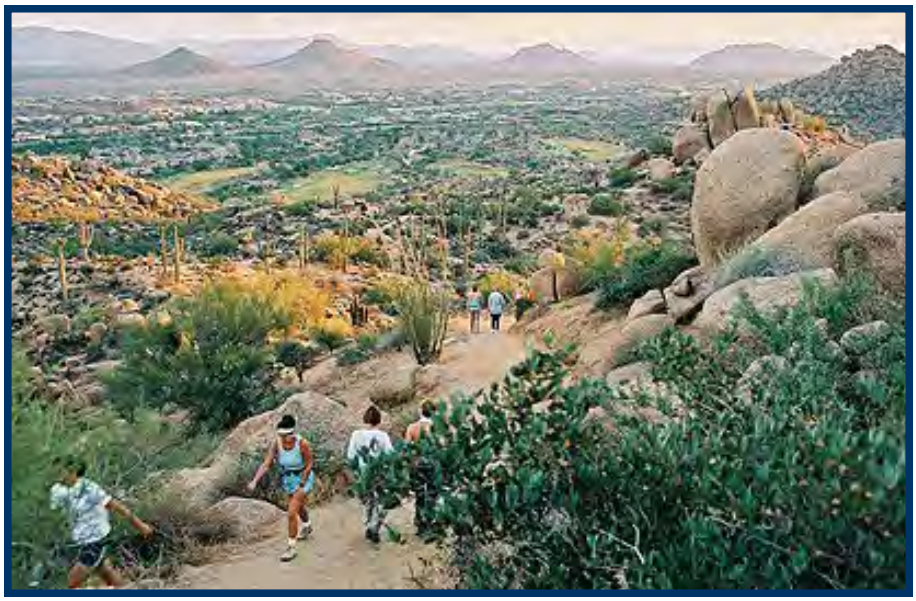
- The total number of visitor-nights spent in Scottsdale/Paradise Valley market area hotels in 2012 was 6.77 million.

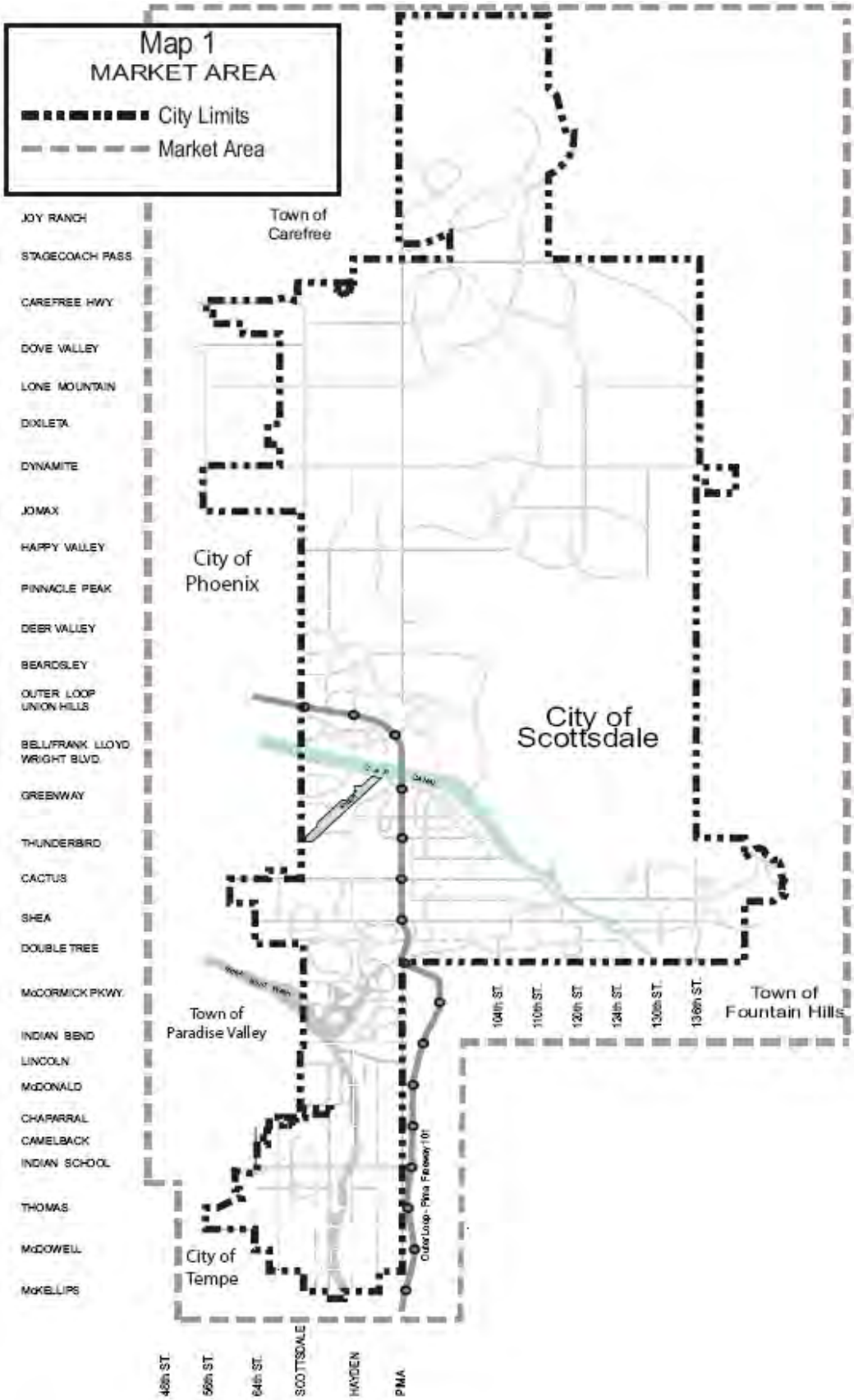
- The average room rate for market area hotels in 2012 was $145.65, and occupancy was 61.5 percent.

- Scottsdale received a fiscal return of about $1.39 from visitors for every $1 spent in operating costs in 2012/13. This is slightly lower than last years fiscal return.

IV. THE SCOTTSDALE/PARADISE VALLEY MARKET AREA

The market area map (p. 9) shows the boundaries of the Scottsdale/Paradise Valley market area. This area contains all of the City of Scottsdale and the Town of Paradise Valley; portions of the cities of Phoenix and Tempe; and parts of the towns of Carefree, Cave Creek, Fountain Hills, and SRPMIC.




Map 1
MARKET AREA
City Limits
Market Area
JOY RANCH
STAGECOACH PASS
CAREFREE HWY
DOVE VALLEY
LONE MOUNTAIN
DIXILETA
DYNAMITE
JOMAX
HAPPY VALLEY
PINNACLE PEAK
DEER VALLEY
BEARDSLEY
OUTER LOOP
UNION HILLS
BELL/FRANK LLOYD WRIGHT BLVD
GREENWAY
THUNDERBIRD
CACTUS
SHEA
DOUBLE TREE
McCORMICK PKWY
INDIAN BEND
LINCOLN
McDONALD
CHAPARRAL
CAMELBACK
INDIAN SCHOOL
THOMAS
McDOWELL
McKELLIPS
Town of Carefree
City of Phoenix
City of Scottsdale
Town of Paradise Valley
City of Tempe
Town of Fountain Hills
104th ST.
110th ST.
120th ST.
124th ST.
130th ST.
136th ST.
48th ST.
56th ST.
64th ST.
SCOTTSDALE
HAYDEN
PIMA
Outer Loop - Pima Freeway 101

V. ATTRIBUTES OF THE SCOTTSDALE TOURISM MARKET

Scottsdale Tourism Industry

The hospitality industry, represented by premier desert resorts and specialty shopping, has characterized Scottsdale's lifestyle for decades. The Scottsdale tourism industry has not shown significant growth in the past few years, but it still remains a vital component of Scottsdale overall economic health.

The evolution of the lodging industry in Scottsdale has paralleled that of the Southwest. In the early days of Scottsdale's hospitality industry, dude ranches and health spas flourished. In the 1960's, the local art industry and specialty shopping districts blossomed as the resort hotel industry expanded. This ultimately gave way to the full service, amenity-laden, recreation properties that have made the resort business in Scottsdale unique, attractive, and successful.

Today, Scottsdale is an internationally recognized tourism destination community widely known for its spectacular golf courses, recreational amenities, climate, five-star resorts, emerging Downtown with its urban "boutique" hotels, exciting nightlife scene, numerous events and attractions, the Sonoran desert, world-class restaurants, and art galleries. All of these factors contribute to positioning the Scottsdale market to emerge strongly as the current economic conditions continue to improve.

Did you know?

In a 2012 survey, 96% of all visitors surveyed rated their Scottsdale experience as excellent or good!

VI. VISITORS TO THE SCOTTSDALE / PARADISE VALLEY MARKET AREA

The methodology used to determine the impacts of the estimated number of visitors to the City of Scottsdale is as follows: the total number of visitors and visitor-nights by category are determined, the respective expenditure patterns and values appropriate to each visitor category are applied and aggregated, and then the total value of visitor economic impact is determined.

Number of Visitors

Table 1-A (p. 12) presents the total occupied hotel room-nights for the Scottsdale/Paradise Valley market area in 2012. The total number of available rooms in each of the three sub-areas (the City of Scottsdale, the Town of Paradise Valley, and the additional properties considered to be part of the Scottsdale/Paradise Valley market area) is multiplied by 365 in order to determine the number of available room-nights. The number of room-nights is then multiplied by the occupancy rate to determine the total number of occupied room-nights. Based on the 2012 average occupancy of 61.5 percent, the total number of occupied room-nights in 2012 was 3,761,752.

Table 1-B (p. 12) shows the total number of visitors to the market area. To determine the total number of visitors, the total number of occupied room-nights is multiplied by the average number of persons per room, providing a figure for total visitor nights (one visitor night equals one person staying one night). The figure for total visitor nights is then divided by the average length of stay. The Behavior Research Center's *2012 City of Scottsdale Visitor Inquiry Study* reports the median length of stay for Scottsdale hotel guests in 2012 was 5.9 days.

Using these calculations, the total number of hotel visitors in the Scottsdale/Paradise Valley market area in 2012 was 1,147,653.

Table 2-A (p. 13) shows the total number of visitors in the Scottsdale/PV market area in 2012. The "day visitor" category is difficult to determine because there is no accurate way to measure this group. The number of visitors to the metro Phoenix area in 2012 was approximately 16.7 million. The total number of hotel visitors to the Scottsdale/PV market area (1.14 million) was subtracted from this number and a capture ratio of 50 percent was applied to the balance (using the Behavior Research Center's 2000 "Metropolitan Arizona Visitor Study" findings that 63 percent of metro Phoenix visitors frequent Scottsdale/PV; and discounting 20 percent of that to eliminate those visitors who went only to Paradise Valley (50%), making the number of estimated Scottsdale day visitors to be almost 7.78 million in 2012. The 63 percent capture ratio is considered the best data available.

Table 2-B (p. 13) shows the total number of overall visitor-nights for 2012 in the Scottsdale/Paradise Valley market area.

Table 1-A 2012 Hotel Room-Nights *Scottsdale/Paradise Valley Market Area*					
	Number of Rooms Available*	x	**Days**	=	**Available Room-Nights**
Scottsdale	9,378	x	365	=	3,422,970
Paradise Valley	1,863	x	365	=	679,995
Other Market Area Properties	5,517	x	365	=	2,013,705
TOTAL	16,758	x	365	=	**6,116,670**
	Available Room-Nights	x	**2012 Occupancy**	=	**Occupied Room-Nights**
Scottsdale	3,422,970	x	61.5%	=	2,105,127
Paradise Valley	679,995	x	61.5%	=	418,197
Other Market Area Properties	2,013,705	x	61.5%	=	1,238,429
TOTAL	**6,116,670**	**x**	**61.5%**	**=**	**3,761,752**

Source: City of Scottsdale, Economic Development Department; Smith Travel Research

*Scottsdale/Paradise Valley "Tourism Study, Part 1: Lodging Statistics"

Table 1-B 2012 Number of Hotel Visitors/Visitor Nights					
	Occupied Room Nights	x	**Persons per Room****	=	**Total Visitor Nights**
Hotel Visitors					
Scottsdale	2,105,127	x	1.8	=	3,789,228
Paradise Valley	418,197	x	1.8	=	752,754
Other Market Area Properties	1,238,429	x	1.8	=	2,229,171
Total Visitor Nights	**3,761,752**	x	1.8	=	**6,771,154**
	Total Visitor Nights	/	**Average Length of Stay***	=	**Total Hotel Visitors**
Hotel Visitors					
Scottsdale	3,789,228	/	5.9	=	642,242
Paradise Valley	752,754	/	5.9	=	127,586
Other Market Area Properties	2,229,171	/	5.9	=	377,826
Total Hotel Visitors:	6,771,154	/	5.9	=	**1,147,653**

Source: City of Scottsdale, Economic Development Department

* Visitor Inquiry Study August 2012 Behavior Research Center

** Historical and conservative number City of Scottsdale, EDD

Table 2-A Total Number of Market Area Visitors				
Year	**Hotel Visitors**	**Day Visitors***	**Total Visitors**	**% Change**
2003	1,216,846	6,108,638	7,325,484	2.9%
2004	1,249,492	6,049,732	7,299,224	-0.4%
2005	1,304,968	6,122,295	7,427,263	1.8%
2006*	1,299,233	6,928,416	8,227,649	10.8%
2007	1,243,405	7,107,053	8,350,458	1.5%
2008	1,183,146	6,894,877	8,078,023	-3.3%
2009	1,024,467	6,487,767	7,512,234	-7.0%
2010	1,133,254	7,483,407	8,616,661	14.7%
2011	1,068,075	8,165,963	9,234,038	7.2%
2012	1,147,653	7,776,173	8,923,826	-3.4%

***Note**= "Day Visitors" calculation is based on regional overnight visitation from the Arizona Office of Tourism.

Source: City of Scottsdale, Economic Development Department; Arizona Office of Tourism

Table 2-B Total Number of Market Area Visitor Nights		
Year	**Total Hotel Visitor Nights***	**% Change**
2003	6,327,599	6.8%
2004	6,479,357	2.4%
2005	6,785,820	4.7%
2006	7,015,856	3.4%
2007	6,714,389	-4.3%
2008	6,507,302	-3.1%
2009	5,941,910	-8.7%
2010	6,572,875	10.6%
2011	6,728,875	2.4%
2012	6,771,154	0.6%

*Refer to Table 1-B

Source: City of Scottsdale, Economic Development Department

Visitor Spending Patterns

Table 3 (p. 15) details visitor spending patterns by category and type of visitor. The total dollar amounts spent per person per day are based on bed tax and sales tax revenues, and on previous research. This data has been updated and modified for Scottsdale based on local tax collection data.

Scottsdale visitors staying in hotels allocated their expenditures in the following manner: lodging 34 percent, food and beverage 28 percent, retail 16 percent, local transportation 9 percent, and entertainment 13 percent. Additionally, estimates were made as to what portion of each of these categories was *actually spent* in the City of Scottsdale, in order to determine total expenditures in Scottsdale.

Table 3 also provides estimates of daily spending by hotel guests and day visitors. These figures are based on previous research and estimates that take into consideration existing conditions in Scottsdale and the types of visitors typically attracted to Scottsdale. Hotel guest spending per person per day in 2012 was $237.99, while the average day visitor spent $47.10 per day.

Did you know?

The total direct and indirect spending by visitors in Scottsdale in 2012 was approximately $3.39 billion.

Table 3 2012 Visitor Spending in Scottsdale *Scottsdale/Paradise Valley Market Area*		
	Scottsdale Hotel Visitor	**Scottsdale Day Visitor**
Total Spent per Person per Day	$237.99	$47.10
Lodging		
% of Total Spent	34%	-
$ Spent	$80.92	-
% spent in Scts.	100%	-
$ spent in Scts.	$80.92	-
Food & Beverage		
% of Total Spent	28%	46%
$ Spent	$66.64	$21.67
% spent in Scts.	89%	100%
$ spent in Scts.	$59.31	$21.67
Retail Goods		
% of Total Spent	16%	42%
$ Spent	$38.08	$19.78
% spent in Scts.	83%	100%
$ spent in Scts.	$31.61	$19.78
Local Transportation		
% of Total Spent	9%	4%
$ Spent	$21.42	$1.88
% spent in Scts.	50%	100%
$ spent in Scts.	$10.71	$1.88
Entertainment/ Attractions		
% of Total Spent	13%	8%
$ Spent	$30.94	$3.77
% spent in Scts.	75%	100%
$ spent in Scts.	$23.20	$3.77
TOTALS		
% of Total Spent	100%	100%
$ Spent	$237.99	$47.10
% spent in Scts.	86%	100%
$ spent in Scts.	$205.74	$47.10

Source: City of Scottsdale, Economic Development Department; Percentages and dollar amounts Behavior Research Center

Total Visitor Expenditures

Table 4 (p. 17) summarizes total visitor expenditures in Scottsdale in 2012. The daily expenditure rate per person from *Table 3* is multiplied by the percentage of those expenditures that are actually made in the City of Scottsdale. The figure is then multiplied by the total number of visitor nights, from *Table 2*, to determine the total expenditures made by Scottsdale visitors.

The total estimated direct expenditures by visitors in the City of Scottsdale in 2012 amounted to over $1.35 billion. By applying a multiplier of 1.5 in additional indirect expenditures, the total direct and indirect spending by visitors in Scottsdale in 2012 was over $3.39 billion.

Did you know?

The visitor industry provides an estimated $35 million (approximately 22 percent) of total privilege tax collections

Table 4 2012 Total Visitor Expenditures *Scottsdale/Paradise Valley Market Area*					
	Daily Expenditure Rate/ Person	**x**	**Total Visitor Nights or Day Visitors**	**=**	**Total Market Area Expenditures**
Scottsdale					
Hotel Visitor	$237.99	x	3,789,228	=	$901,798,322
Day Visitor	$47.10	x	7,776,173	=	$366,257,748
Paradise Valley Hotel Visitor	$237.99	x	752,754	=	$179,148,035
Other Market Area Hotel Visitor	$237.99	x	2,229,171	=	$530,520,510
TOTAL	-				**$1,977,724,615**
	Total Market Area Expenditures	**x**	**% Spent in Scottsdale****	**=**	**Total Direct/Indirect Spending in Scottsdale**
Scottsdale					
Hotel Visitor	$901,798,322	x	86.0%	=	$775,546,557
Day Visitor	$366,257,748	x	100.0%	=	$366,257,748
Paradise Valley Hotel Visitor	$179,148,035	x	37.0%	=	$66,284,773
Other Market Area Hotel Visitor	$530,520,510	x	28.0%	=	$148,545,743
			Direct Expenditures	=	**$1,356,634,821**
			Indirect Expenditures*	=	**$2,034,952,231**
			TOTAL	=	***$3,391,587,052***

Source: City of Scottsdale, Economic Development Department

*Using a multiplier of 1.5 (Indirect expenditures = Direct expenditures x 1.5)

** Economic Development estimates and historical numbers

VII. TOURISM IMPACTS ON SCOTTSDALE

The tourism industry is an integral part of economic activity in the City of Scottsdale, generating over $3.39 billion in total economic activity within the community in 2012. The tourism industry is one of the most significant sources of revenue for the City of Scottsdale's operations.

Visitor Fiscal Contributions

The visitor industry is a substantial revenue source for the City of Scottsdale's operations, primarily through bed tax and sales tax. Bed taxes are paid directly on room rates. With sales tax, visitor expenditures are directly related in a variety of areas, including hotels, restaurants, miscellaneous retail, rentals, and automotive.

This section looks at the actual collections by the City of Scottsdale and assigns the proportions directly ascribed to visitors.

Table 5 (p. 19) provides a breakdown of all the sales taxes paid in FY12/13 by major category and total bed tax paid. By applying an estimate for each of these categories as to the percentage of the tax received from visitors, total privilege tax collections attributable to the visitor industry is determined. The percentages are estimated based on comparison of increases in sales tax revenues during peak season versus off-season.

Visitor Fiscal Contributions (Cont.)

The visitor industry provides an estimated $35 million (approximately 22 percent) of total privilege tax collections. Additionally, secondary revenue sources can be attributed to the visitor (property tax, fees for services, etc.); however, these amounts are not considered to be significant.

Table 5 Direct Revenues from Visitor Expenditures *City of Scottsdale*			
Privilege Tax Industry Sectors	**2012/13 Total Privilege & Use Tax Collections**	**% Tax Attributable to Visitors**	**2012/13 Collections Attributable to Visitors**
Hotels/Motels	$7,435,437	94%	$6,989,311
Restaurants	$13,230,332	27%	$3,572,190
Department Stores	$15,114,977	14%	$2,116,097
Misc. Retail	$23,629,963	14%	$3,308,195
Other Taxable	$11,299,950	12%	$1,355,994
Rental	$20,669,279	10%	$2,066,928
Food Stores	$10,644,942	5%	$532,247
Construction	$14,651,843	0%	$0
Utilities	$7,245,946	5%	$362,297
Fees/Penalties/Interest	$2,208,434	0%	$0
Auto Related	$17,980,155	5%	$899,008
SUBTOTAL	$144,111,258	15%	$21,202,266
Bed Tax	$13,808,908	100%	$13,808,908
GRAND TOTAL	**$157,920,166**	**22%**	**$35,011,174**

Source: City of Scottsdale, Economic Development Department

Fiscal Costs Related to Visitors

Once the fiscal contributions have been determined, the next step is measuring the direct and indirect costs borne by the City of Scottsdale as a result of the visitors.

The most significant costs incurred by the City as a result of the visitor industry are the operating expenses from the City's General Fund, including police and fire protection, parks and recreation, infrastructure, maintenance, etc. For this study, these operating expenses have been allocated among the various resident/visitor sub-groups to determine the annual municipal costs attributable to visitors.

Table 6 uses an allocation formula, based on the number of individual "person-days" spent by each group in the community (residents, hotel visitors, and day visitors), and assumes each person in the community uses City services on an equal basis. For example, Scottsdale residents demand services 365 days per year, while visitors to Scottsdale demand services (on average) 5.9 days per year. These percentages are then applied to the municipal operating costs of the General Fund, as shown in *Table 7* (p. 21). In FY12/13, the City of Scottsdale spent an estimate of $218 million on these services. Based on the allocation of costs, just over $25 million of Scottsdale's municipal operating costs were used to serve its annual visitor population.

Table 6
2012 Visitor/Resident Duration of Stay
City of Scottsdale

	Number	x	Duration of Stay (Days)	=	Total Person-Days	Percent of Total
Residents	223,514	x	365	=	81,582,610	88.4%
Hotel Visitors	1,147,653	x	5.9	=	6,771,154	7.3%
Day Visitors	7,776,173	x	0.5	=	3,888,087	4.2%
Total	9,147,340		-		92,241,850	100%

Source: City of Scottsdale, Economic Development Department; AZ Department of Commerce

Table 7 Municipal Operating Costs Attributable to Visitors *City of Scottsdale: 2012/2013*				
	% of Total*	**Resident Share**	**Visitor Share**	**Total*** **
Resident	88.5%	$193,218,588	-	-
Hotel Visitor	7.3%	-	$15,937,804	-
Day Visitor	4.2%	-	$9,169,696	-
Total	100%	$193,218,588	$25,107,500	**$218,326,088**

Source: City of Scottsdale, Economic Development Department

*Refer to Table 6

**FY 2012/13 General Fund adopted budget for direct public service City departments (i.e., Public Safety, Community Service, and Municipal Service) totaled $218,326,088.

***Resident Share plus Visitor Share

Cost/Benefit Analysis

Scottsdale visitors make a significant contribution to the community's economy. Even with the difficult economic environment that strongly affected tourism worldwide, direct expenditures by visitors to Scottsdale totaled an estimated $1.35 billion for 2012 (refer to *Table 4*). Using a 1.5 multiplier, the total economic contribution (direct and indirect expenditures) of visitors to the community is approximately $3.39 billion.

Sales tax and bed tax payments by Scottsdale visitors in FY12/13 amounted to about $35 million. These are actual dollars that go into the City treasury. Visitor sales tax and bed tax represented approximately 22 percent of Scottsdale's total sales, and use taxes.

In FY12/13, the City of Scottsdale spent an estimated $25,107,500 million in operation costs to support its visitors (refer to *Table 7*). The cost of supporting market area visitors is substantially less than the tax revenues received by the market area from visitors (refer to *Table 5*). In fact, it is estimated that the Scottsdale treasury received around $10 million more than it expended in support of visitors, resulting in a benefit/cost ratio of $35,011,174 to $25,107,500 or 1.39:1.

The Scottsdale visitor is a cost-effective addition to the community because for every $1 the City spends in operating costs to serve its annual visitor population, it receives $1.39 in return. Historically, this ratio has been significantly higher.