

Development Driven by Data

City of Huntington Beach Tourism Sales Tax Impact



“Development Driven by Data”

In 2014, HdL Companies expanded its services to provide strategic planning and consulting services to assist local governments with economic development planning and analysis through HdL ECONsolutions, which offers a variety of products and services for customized solutions based on a client’s budget needs and specific project requirements.

The ECONsolutions staff has over 50 years of local economic development and community development experience in California. ECONsolutions offers up-to-date data capability, an online GIS platform with state-of-the-art software for market analytics and the ability to leverage HdL’s extensive databases systems. ECONsolutions can engage in projects of every size ranging from data analysis to comprehensive studies to advisory support and to public/private collaboration.

HdL has the largest privately held sales tax database in the State of California with sales tax data for more than 99% of the state’s businesses. The firm’s proprietary sales tax/software system affords numerous opportunities to prepare economic development reports. Additionally, ECONsolutions has significant experience in retail, logistics, healthcare, and hotel development, along with possessing a strong understanding of these sectors within the California marketplace.

Introduction

Given its strategic location in Orange County and the many amenities it offers (world-renowned public beaches, great weather, numerous recreation opportunities, quality shopping possibilities and diverse restaurant choices) - tourism and visitors to Huntington Beach from 'Non-Residents' produces a very positive economic impact for the City of Huntington Beach.

This study will look at the tourism industry and visitors to Huntington Beach, and in particular the estimated direct and indirect sales tax revenue to Huntington Beach from spending at local restaurants, bars, retail stores and gas stations/convenience stores by non-residents visiting the City of Huntington Beach.

Specific Objectives Include:

- ❖ Examine visitor trends that benefit Huntington Beach.
- ❖ Analyze direct sales tax revenue from visitors (restaurants, food & drug, general consumer goods, fuel/convenience stores, etc.)
- ❖ Tourism Indirect Impact (multiplier effect)
- ❖ Spending Percentage of Sales Tax Revenue for Huntington Beach estimated from tourism/visitors.



Tourism Benefits

It is important to understand how tourism can be defined – which is traveling to a place that is different than your home city for leisure or business purposes. It is travelling for a purpose (day visit to the beach, vacation or business purpose) and for a stay which is not very long or permanent in nature.

Tourism is important for the benefits it brings and due to its role as a commercial activity, it creates demand and growth for many other business sectors. Tourism can play an important role in economic development. The tourism industry goes beyond being an attractive destination, to be an important economic growth contributor.

Huntington Beach Tourism - Overview

Huntington Beach - known as 'Surf City', is the 4th largest city by population in Orange County and its population of just over 200,000 makes it the 23rd largest city in California. Huntington Beach presents a strategic location in Orange County, with proximity to regional destinations such as Disneyland, Knotts Berry Farm, Angels Stadium of Anaheim and the Honda Center. Huntington Beach offers nearly 2,500 hotel rooms on 23 properties, which is 4.4% of the hotel room inventory in Orange County. Huntington Beach also presents numerous opportunities for vacation rentals, timeshares and Airbnb's.

Huntington Beach offers many key attractions including its five public beaches, Huntington Beach Pier, the International Surfing Museum, the Huntington Beach Art Center and numerous retail shopping opportunities, restaurants and drinking places. Whether it is a day trip to the beach, a family vacation to or a business trip to Orange County, Huntington Beach is well situated to welcome all tourists and visitors.

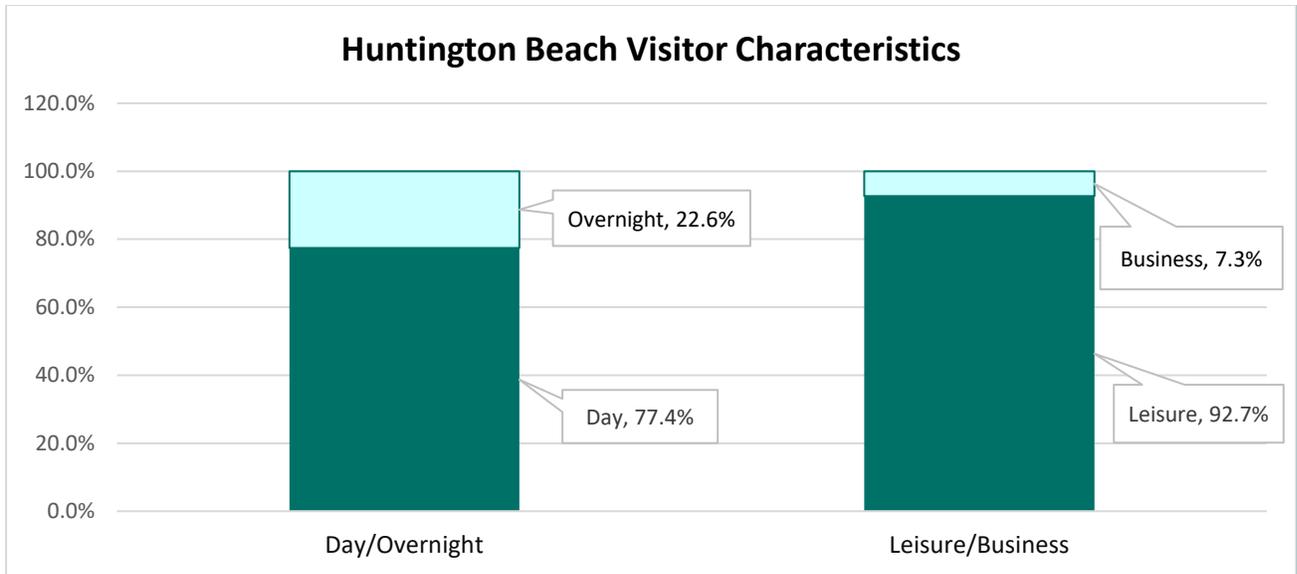
According to a Dean Runyan Associates report for 'Visit California' in 2017, Orange County generated approximately \$4.873 Billion in tourism & visitor spending, which was 7.5% of the total taxable sales (\$64.551 Billion) for Orange County in 2017. Orange County placed 2nd of all California Counties to Los Angeles County's \$9.712 Billion in tourism & visitor spending in 2017.

According to a report for Visit Huntington Beach by Tourism Economics from September 2019, there were some key findings to consider about the impact of visitor spending in Huntington Beach.

- In 2018, Huntington Beach visitor volume and spending expanded 7.0% and 13.3% respectively from the previous year of 2017.
- Since 2012, visitor spending growth in Huntington Beach has outpaced the overall growth rate of the State of California and Orange County.
- In 2018, an estimated 3.74 million visitors to Huntington Beach spent \$565 million in HB, as compared to \$498.6 million in 2017 and \$448.8 million in 2016, as well as \$343.8 million back in 2013.
- Majority of the visitors to Huntington Beach are day trips (77.4%) versus overnight stays (22.6%).
- The dominant reason to visit Huntington Beach is for leisure (92.7%) compared to business purposes (7.3%).

Huntington Beach Visitor Volume and Spending						
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Visitor Volume(mils)	3.04	3.18	3.22	3.34	3.5	3.74
% Change	1.5	4.6	1.4	3.6	4.9	7
Visitor Spending (\$mils)*	343.8	381.1	409	448.8	498.6	565
% Change	7.2	10.8	7.3	9.7	11.1	13.3

Sources: Lauren Schlau Consulting, CIC Research, Tourism Economics



Sources: Lauren Schlau Consulting, CIC Research, Tourism Economics

According to the Tourism Economics report in 2019, an estimated 2.9 million or 77.4% of the visitors came to Huntington Beach for the day, while nearly 850,000 visitors or 22.6% stayed overnight. In 2018, the visitors to Huntington Beach spent \$234.0 million on food & beverage purchases and \$107.8 million at local retailers or gas stations. Please note that some of the food purchases are not taxable.

Huntington Beach Visitor Spending			
US\$ Millions			
	2016	2017	2018
Lodging	\$114.6	\$130.9	\$153.4
Food and Beverage	\$183.3	\$205.6	\$234.0
Retail	\$96.5	\$99.8	\$107.8
Recreation	\$17.0	\$21.0	\$23.9
Local Transportation	\$17.4	\$19.5	\$21.8
Vistor Spending Total	\$428.8	\$476.8	\$540.9

Sources: Lauren Schlau Consulting, CIC Research, Tourism Economics

Direct and Indirect Tourism Impacts

Tourism has direct and indirect impacts on local economies. Direct Impacts represent the revenue generated by activities that directly deal with tourism such as hotels, restaurants, bars, retailers, recreation and other activities that cater to the tourist or visitor. For Indirect Impacts a multiplier is applied to the direct spending to obtain the expanded economic impact (indirect impact) of dollars spent in a local economy by employees whose incomes are driven by tourism. For the purposes of this report, HdL ECONsolutions is using a conservative multiplier of 1.4.

Sales Tax Revenue from Tourism

The following represents analysis comparing the direct sales tax revenue for Huntington Beach realized from visitors for calendar years 2016, 2017 and 2018, plus an estimate for 2019.

Direct Sales Tax Revenue For Huntington Beach					
US\$ Millions					
<u>Year</u>	<u>Sales from Food /Beverages and Retail/Fuel</u>	<u>Taxable Sales</u>	<u>HB 1% Share</u>	<u>Total HB Sales Tax Revenue</u>	<u>Percentage of Sales Tax Revenue from Tourism</u>
2016	\$279.80	\$246.20	\$2.46	\$37.70	6.5%
2017	\$305.40	\$268.80	\$2.69	\$39.39	6.8%
2018	\$341.80	\$300.00	\$3.00	\$40.27	7.5%
2019	N/A	\$293.00	\$2.93	\$41.85	7.0%

Source: HdL companies

Below is a table illustrating the sales tax revenue when applying the multiplier for indirect impacts.

Direct & Indirect Sales Tax Revenue for Huntington Beach					
US\$ Millions					
<u>Year</u>	<u>Direct Sales Tax Revenue</u>	<u>Economic Multiplier</u>	<u>Indirect Revenue</u>	<u>Total Sales Tax Revenue</u>	<u>Percentage of Sales Tax Revenue from Tourism</u>
2016	\$2.46	1.4	\$0.98	\$3.44	9.1%
2017	\$2.69	1.4	\$1.08	\$3.77	9.6%
2018	\$3.00	1.4	\$1.02	\$4.20	10.4%
2019	\$2.93	1.4	\$1.17	\$4.10	9.8%

Source: HdL companies

Conclusion

Tourism impacts economies through two ways - direct and indirect impacts. Direct impacts are those that occur as a direct result of tourism activities i.e. tourist spending, and taxes paid by tourist. Indirect impacts occur from households benefitting from the tourism sector, i.e. tourism employees paying taxes or spending money on local goods and services.

Tourism and visitor spending have a nice and positive impact on the economy for Huntington Beach in terms of sales tax revenue.

Sales Tax Revenue from Tourism			
	Annual Direct ST Revenue	Annual Indirect ST Revenue	Total Annual Sales Tax Revenue
2016	\$2.46 million	\$0.98 million	\$3.44 million
2017	\$2.69 million	\$1.08 million	\$3.77 million
2018	\$3.00 million	\$1.02 million	\$4.20 million
2019	\$2.93 million	\$1.17 million	\$4.10 million

Source: HdL Companies

The percentage of sales tax revenue Huntington Beach realized from tourism and visitors to the city (from both direct and indirect impacts) has ranged from 9.1% to 10.4% in the past four calendar years (2016-2019).