

2019

# Economic Impacts of Tourism in Marana, AZ

*A detailed analysis of the economic and revenue impacts created by visitor spending in Marana, Arizona in 2018/19*

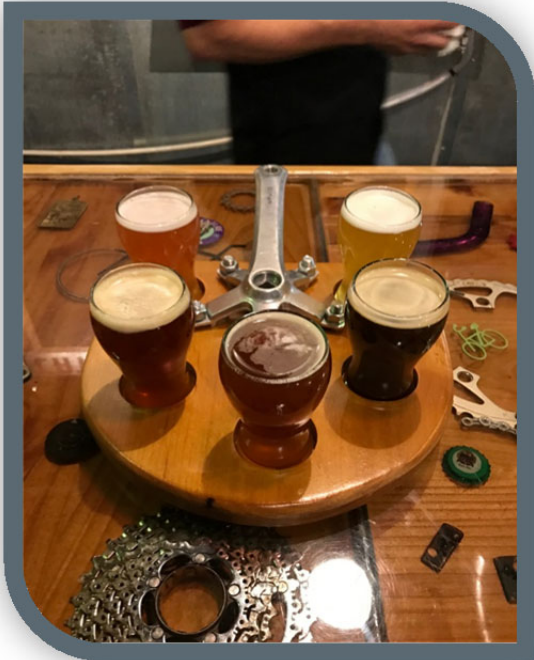


# Introduction

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The purpose of this study is to provide elected officials, town management and the public with information on the impact of local tourism in Marana. This analysis will support the strategic plan that the town is preparing for tourism development. Marana has a vibrant tourism economy with offering a broad range of activities and accommodations for domestic and international visitors.

The information in this study is based on hotel inventory data for Marana along with occupancy rates, room rates and other visitor data prepared by Smith Travel Research, Adara and the Arizona Office of Tourism. Primary research was conducted by Applied Economics on short-term rentals.



## Executive Summary

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- The Town of Marana hosted an estimated 394,000 overnight visitors and more than 33,000 day trip visitors in 2018.
- Marana Regional Airport was the source of the more than 33,000 day trip visitors on private and corporate planes in 2018.
- There are a number of additional day trip visitors from sources other than the airport, such as day trip visitors from Sonora Mexico, that are not included here due to lack of current data. The Arizona Office of Tourism is planning to conduct a study of visitors from Mexico in the near future that will provide additional information.
- These visitors, through their local spending, created an annual economic impact of \$142.6 million in the Town of Marana.
- A typical overnight traveler to Marana spends approximately \$241 and a typical day trip visitor spends \$73, according to the *Tucson and Southern Arizona 2017 Data Review* from the Arizona Office of Tourism and Longwoods International.
- The top ten activities for visitors are (in order): shopping, visiting state and national parks, fine dining, visiting historic sites, hiking, museums, swimming, night clubs, casinos and art galleries.
- The total number of visitors staying in hotels in Marana in 2018 is estimated at 217,000. An additional 177,000 visitors stayed overnight in Marana in other types of accommodations.
- About 51 percent of visitors stay in a resort, hotel or motel in Marana. The average occupancy rate for market area hotels in 2018 was 63.7 percent, up from 60.2 percent in 2017. The average daily room rate for Marana in 2018 was \$117.
- Visitor spending creates jobs and also generates significant tax revenues to the town. Privilege tax collections attributable to visitors in 2018 are estimated at \$4.2 million, including bed taxes. An additional \$75,000 in taxes is generated each year by employees in the hospitality industry living in Marana.



## Visitors to Marana

This section provides estimates of the number of visitors by type to Marana. It also includes information on hotel inventory and available room nights.

### Visitor Volume and Accommodations

**Figure 1** presents the current inventory of hotel rooms available in the Town of Marana, including the Hampton Inn & Suites that opened in January of 2019. The number of available room nights represents the number of hotel rooms multiplied by 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 63.7 percent, the total number of occupied room nights in Marana was 274,000.

Several of the hotels close to Interstate 10 were impacted by construction on the Ina Road off-ramp in 2018, and the Ritz Carlton Dove Mountain was closed for renovations over the summer, so it is likely that occupancy rates in 2019 will increase.

FIGURE 1 HOTEL INVENTORY AND OCCUPIED ROOM NIGHTS					
Property	Available Rooms	Days	Available Room Nights	2018 Est. Occupancy	Occupied Room Nights
Ritz Carlton Dove Mountain	253	275	69,575	63.7%	44,319
Red Roof Inn	133	365	48,545	63.7%	30,923
InTown Suites Extended Stay	121	365	44,165	63.7%	28,133
Motel 6	119	365	43,435	63.7%	27,668
Hampton Inn & Suites at Marana Center	101	365	36,865	63.7%	23,483
Holiday Inn Express	83	365	30,295	63.7%	19,298
Travelodge	69	365	25,185	63.7%	16,043
Super 8 Marana	67	365	24,455	63.7%	15,578
Comfort Inn & Suites	65	365	23,725	63.7%	15,113
La Quinta Inn & Suites	65	365	23,725	63.7%	15,113
Days Inn & Suites	61	365	22,265	63.7%	14,183
Best Western Plus Gold Poppy Inn	60	365	21,900	63.7%	13,950
Mira Vista	44	365	16,060	63.7%	10,230
<b>Total</b>	<b>1,241</b>	<b>365</b>	<b>430,195</b>	<b>63.7%</b>	<b>274,034</b>

Source: Town of Marana Hotel Survey, 2019; Smith Travel Research, Marana Hotel Trend Report 2013-2019, June 2019.

**Figure 2** shows the estimated number of visitors to Marana by type. Note that this count represents the total number of visitors, many of whom stayed multiple nights in Marana. The number of visitors in hotels and motels is estimated at 217,000 using occupied room nights times 1.9 visitors per party and an average stay of 2.4 nights.<sup>1</sup>

<sup>1</sup> Adara, Hotel Booking Data for Marana.

About 51 percent of all visitors to Southern Arizona stay in hotels or motels, with the remainder staying in other accommodations. This results in an estimated 177,500 additional overnight visitors to Marana that stay in short term rentals or other accommodations such as second homes, staying with friends or in recreational vehicles. The average length of stay for overnight visitors to the town is 2.4 nights.



The information on day trip visitors is taken from the Marana Regional Airport Impact study conducted by Applied Economics in 2018 and only includes day trip visitors who arrived by private or corporate plane. There are undoubtedly a significant number of additional day trip visitors, both domestic and international, that travel to Marana by car. Sufficient data is not available at this time to estimate these additional day trip visitors, although they would increase the economic impacts proportionally.



**FIGURE 2**  
**TOTAL NUMBER OF VISITORS TO MARANA IN 2018**

	Overnight Visitors			Day Trip Visitors*	Total Visitors
	Hotel/Motel	Short Term Rentals	Other Accomodations		
2018	216,944	24,273	153,227	33,480	427,923
	51%	6%	36%	8%	100%

Sources: Adara, Hotel Booking Data for Marana, 2017; Smith Travel Research Marana Hotel Trend Report 2013-2019, June 2019; Longwoods International, Tucson and Southern Region 2017 Year End Data Review; AirBnB.com and HomeStay.com; Applied Economics, Economic Impacts of the Marana Regional Airport, November 2018.

\* Day trip visitors only include those arriving at the Marana Regional Airport. Data is not available on the significant number of additional domestic and international day trip visitors arriving by other modes.

## 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 are based on the Longwoods International data for Southern Arizona and are consistent with local sales tax collection data. Overnight visitor spending is allocated as follows:



- Lodging - 26 percent
- Food and Beverage - 28 percent
- Retail - 17 percent
- Local Transportation - 17 percent
- Recreation/Entertainment – 12 percent

All total, overnight visitors typically spent \$241 per person per day and day trip visitors spent an estimated \$73 per person per day. The Longwoods data is adjusted for the average daily room rate in Marana of \$117 from Smith Travel Research. The spending patterns also incorporate assumptions about the capture rate of visitor spending in Marana. While some of the lodging in Marana includes destination resorts, it is likely that visitors in limited service hotels and motels may make expenditures outside of Marana in other parts of the metro area. The capture rate for non-lodging expenditures in Figure 3 is adjusted to reflect spending in other parts of the metro area.

**FIGURE 3  
VISITOR SPENDING PATTERNS IN MARANA**

	Per Person Per Day Spending				Marana Capture Rate	Total Marana Spending
	Overnight Visitors		Day Trip Visitors			
	Amt	Pct	Amt	Pct		
Lodging	\$62	26%	\$0	0%	100%	\$35,795,476
Food & Beverage	\$68	28%	\$25	35%	75%	\$30,367,226
Retail	\$40	17%	\$13	17%	75%	\$17,789,418
Local Transportation	\$42	17%	\$23	31%	50%	\$12,920,643
Entertainment	\$29	12%	\$12	17%	75%	\$12,999,275
<b>Total</b>	<b>\$241</b>	<b>100%</b>	<b>\$73</b>	<b>100%</b>	<b>na</b>	<b>\$109,872,039</b>

Source: Longwoods International, Tucson and Southern Region 2017 Year End Data Review and 2018 Visitor Profile.

## Economic Impacts of Visitors

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 Marana 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, visitors to Marana spent an estimated \$109.9 million in the town in 2018. This spending forms the basis for the visitor impacts. Industry-specific multipliers are applied to each category of visitor spending. As a result of the multiplier effect, the indirect impacts of visitor spending are spread to local suppliers and other local businesses. All total, the \$109.9 million in visitor spending in 2018 generated an estimated economic impact of \$142.6 million in Marana alone with additional impacts elsewhere in the region (**Figure 4**). This level of spending supports over 2,000 jobs at local retail, restaurant, transportation and entertainment establishments and close to \$54.1 million in annual payroll. The town invests \$304,000 per year in its tourism program, so every public dollar invested in tourism marketing creates a return of \$470 in private industry sales based on an annual economic impact of \$142.6 million.

**FIGURE 4**  
**ECONOMIC IMPACTS OF TOURISM IN MARANA**

	Direct Impacts			Total Impacts		
	Visitor Spending	Jobs	Labor Income	Output	Jobs	Labor Income
Lodging	\$35,795,476	344	\$10,462,982	\$45,995,612	413	\$13,464,755
Food & Beverage	\$30,367,226	638	\$13,628,113	\$39,276,910	695	\$15,937,206
Retail	\$17,789,418	450	\$9,248,932	\$24,195,406	491	\$10,912,207
Local Transportation	\$12,920,643	193	\$5,160,750	\$17,159,415	223	\$6,408,148
Recreation/ Entertainment	\$12,999,275	159	\$5,883,563	\$15,936,695	198	\$7,334,152
<b>Total</b>	<b>\$109,872,039</b>	<b>1,784</b>	<b>\$44,384,340</b>	<b>\$142,564,038</b>	<b>2,020</b>	<b>\$54,056,468</b>

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 Town of Marana in that they reflect the specific industries that are present in the town's economic base that can serve as suppliers to the hospitality industry and its employees.

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.<sup>2</sup>

The output multiplier for tourism spending in Marana is 1.30; meaning that for every dollar that is spent by visitors in Marana, an additional \$0.30 is created in sales to other local businesses that support the hospitality industry.<sup>3</sup>



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<sup>2</sup> IMPLAN software is used to create detailed social accounting matrices and input-output models of local economies. IMPLAN is used by more than 1,000 public and private institutions and is an industry standard for creating local economic multipliers.

<sup>3</sup> The output multiplier of 1.30 can be calculated by dividing total output (shown in Figure 4) 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

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The tourism industry is an integral part of the economic base in the Town of Marana, generating \$142.6 million in total economic activity in the private sector in 2018. The tourism industry is also a significant source of tax revenues for the town.

Visitors generate about \$4.2 million per year in sales and bed tax revenues for the town. 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 looks at actual tax collections by type for the Town of Marana using data from the Arizona Department of Revenue, and compares total collections to estimated collections from visitors.

The collections attributable to visitors shown in **Figure 5** are based on estimated visitor spending by type in Figure 3 multiplied by the local sales tax rate. The local sales tax rate changed from 2.5 percent to 2.0 percent in January 2019, and so this analysis uses a blended rate to match actual collections for FY18.



The hotel/motel category includes the 2.5 percent sales tax on hotel room sales. Sales taxes on short term rentals are included in the rental category. Bed taxes at 6 percent are listed at the bottom of the table. The analysis also includes estimated telecommunications expenditures by hotels at \$250 per room per year, which is taxed at a rate of 4.5 percent. Sales taxes on local transportation spending are not included since a sizeable portion of that spending that is for fuel that is not subject to local taxes.

Overall, about 6 percent of sales tax collections in the town are attributed to visitors along with 96 percent of bed tax collections. Visitors generated an estimated \$4.2 million in tax revenues to the Town of Marana in 2018. Total tax collections in Marana from visitors as well as residents and businesses are up about 13 percent over the past two years.

There are additional revenues generated by hospitality industry employees living in Marana. Based on the results of the economic impact analysis, direct labor income in Marana is estimated at \$44.4 million (see Figure 4). This represents payroll to workers at hotels, restaurants, shops, entertainment and recreation venues, etc. Based on Census Longitudinal Employer Household Survey data, an estimated 16 percent of these people who work in Marana also live in Marana. Applying that percentage to the labor income figure and distributing that spending based on typical household spending patterns, hospitality employees living in Marana spend about 50 percent of their income on taxable goods.<sup>4</sup> This in turn generates about \$75,000 in additional annual sales tax revenues to the town.

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<sup>4</sup> Percent of income spent on taxable goods based on Bureau of Labor Statistics, Consumer Expenditure Survey.

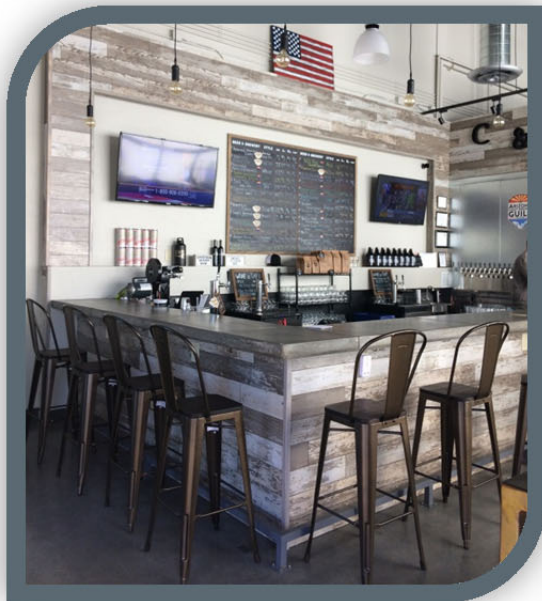
**FIGURE 5  
TAX REVENUES FROM VISITOR EXPENDITURES IN MARANA**

	<b>Actual 2018/19 Collections*</b>	<b>Percent of Tax Attributable to Visitors</b>	<b>Collections Attributable to Visitors</b>	<b>Collections Attributable to Hospitality Employees</b>
Hotels/Motels	\$755,980	96%	\$724,355	\$0
Restaurants	\$3,530,618	19%	\$683,263	\$9,587
Retail Stores	\$16,653,575	2%	\$400,262	\$33,910
Other Taxable	\$4,362,297	0%	\$0	\$533
Rental	\$2,078,150	4%	\$81,044	\$18,464
Construction	\$10,453,799	0%	\$0	\$0
Communications	\$558,840	2%	\$13,961	\$12,960
Amusement	\$489,427	60%	\$292,484	\$0
Use Tax and Other	\$827,018	0%	\$0	\$0
<b>Subtotal</b>	<b>\$39,709,705</b>	<b>6%</b>	<b>\$2,195,368</b>	<b>\$75,453</b>
Bed Tax	\$2,115,160	96%	\$2,040,342	\$0
<b>Total</b>	<b>\$41,824,865</b>	<b>10%</b>	<b>\$4,235,710</b>	<b>\$75,453</b>

Source: Arizona Department of Revenue City Collections through June 2019; Applied Economics, 2019.

\*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.



## Summary

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Marana has a sizeable inventory of hotels and resorts and offers a wide range of activities and attractions for visitors ranging from outdoor recreation such as hiking, biking and horseback riding; to historical cultural sites, local craft beer and gastronomy tours. The Tucson Premium Outlets are located in Marana and attract a large number of visitors to shop at more than 70 designer outlet stores. The town has also been designated as a UNESCO World City of Gastronomy with fine restaurants, bars and breweries offering locally sourced ingredients.

Marana has also been effective a leveraging attractions throughout the Greater Tucson region to attract both domestic and international visitors, creating significant economic and revenue benefits for the community. Visitors are not only an important source of tax revenues for the community, but visitor spending also supports thousands of jobs and payroll at local businesses, creating significant economic benefits to Marana and the larger region.

