Dean Runyan Associates

# IRVINE, CALIFORNIA
## *VISITOR IMPACTS, 2005-2014P*

May 2015

destination Irvine
center of Orange County–CA

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# VISITOR IMPACTS, 2005-2014P

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# IRVINE VISITOR IMPACTS, 2005-2014P

This study, prepared for Destination Irvine, documents the economic significance of the travel industry in the City of Irvine from 2005 through 2014 (preliminary). The report also provides estimates of visitor volume and average visitor spending, and a brief analysis of visitor air travel to John Wayne airport. The estimates are comparable to the county, regional and state travel impacts prepared by Dean Runyan Associates for the California Travel and Tourism Commission[1]. In interpreting the findings, it should be noted that:

- The monetary estimates in this report are expressed in *current* dollars. There is no adjustment for inflation.
- The economic impact measurements represent only direct economic impacts generated by travel spending. Secondary effects related to the additional spending of businesses and employees from travel-generated income are not included.
- The employment estimates in this report are estimates of the total number of full and part-time number of jobs directly generated by travel spending, rather than the number of individuals employed. Both payroll and self-employment are included in these estimates.
- The estimates of visitor volume for Irvine are based on the visitor spending estimates prepared by Dean Runyan Associates and visitor survey data for Anaheim/Orange County. Because this survey does not measure the trip characteristics of Irvine visitors specifically, the average spending and volume estimates should be interpreted accordingly.[2]
- In general, small area estimates such as these will be less reliable than estimates for larger geographic areas because of data limitations. However, these estimates of visitor impacts are consistent with other data sources that describe the resident population and economy of Irvine.[3]
- The current and prior estimates in this report were also affected by some data and methodological revisions in the county travel impact model. The Irvine revisions were not substantial.

[1] California Travel Impacts, 1992-2014p (April 2015). Prepared by Dean Runyan Associates for the California Travel and Tourism Commission.

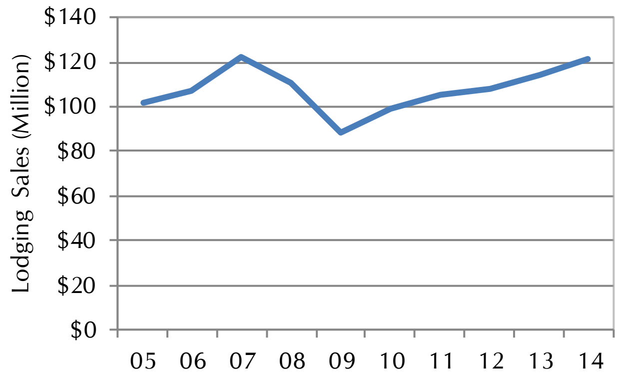
[2] The survey data was provided by TNS TravelsAmerica. Some adjustments in the trips characteristics were made by Dean Runyan Associates. See page 4.

[3] The visitor impact estimates were evaluated with respect to the 2007 and 2012 Economic Censuses for Irvine, zip code level County Business Patterns reported by the U.S. Census Bureau, and the American Community Survey for Irvine, also prepared by the U.S. Census Bureau.

## IRVINE TRAVEL TRENDS AND ECONOMIC IMPACTS

Lodging sales in Irvine increased by 5.9 percent from 2013 to 2014, an identical rate of increase as the preceding year. Virtually all of the increase in lodging sales during the past three years was attributable to higher room rates.[4]

**Irvine Lodging Sales, 2005 to 2014**




Source: Irvine City Clerk's Office of Records and Information. Lodging sales were derived from tax receipts divided by the 8 percent tax rate.

The annual change in visitor spending (0.5 percent) was less than lodging sales due to the fact that the latter was driven primarily by increased room rates rather than room demand. Earnings and employment have been essentially flat over the past three years. The 4.3 percent increase in local tax receipts reflects the growth in lodging tax receipts. The $29.3 million in local and state tax revenue is equivalent to approximately $350 for each Irvine household.[5]

**Irvine Visitor Trends, 2005-2014p**

(Monetary Values in Millions)

| | | | | Tax Receipts | | |
|---|---|---|---|---|---|---|
| | Spending | Earnings | Employment | Local | State | Total |
| 2005 | $459 | $157 | 5,350 | $10.6 | $14.2 | $24.8 |
| 2006 | $464 | $161 | 5,260 | $11.0 | $14.3 | $25.3 |
| 2007 | $508 | $179 | 5,590 | $12.4 | $15.5 | $27.9 |
| 2008 | $481 | $171 | 5,310 | $11.4 | $14.9 | $26.3 |
| 2009 | $432 | $157 | 4,950 | $9.5 | $15.1 | $24.6 |
| 2010 | $482 | $170 | 5,220 | $10.6 | $17.4 | $28.0 |
| 2011 | $505 | $177 | 5,340 | $11.2 | $17.2 | $28.4 |
| 2012 | $513 | $190 | 5,460 | $11.5 | $16.5 | $28.0 |
| 2013 | $520 | $187 | 5,470 | $12.0 | $17.0 | $29.0 |
| 2014p | $522 | $192 | 5,480 | $12.5 | $16.7 | $29.3 |
| Average Annual Percentage Change | | | | | | |
| 13-14p | 0.5 | 2.6 | 0.2 | 4.3 | -1.7 | 0.8 |
| 05-14p | 1.4 | 2.2 | 0.3 | 1.8 | 1.8 | 1.8 |

[4] STR report prepared for the Irvine Chamber of Commerce by STR, Inc.

[5] Local tax receipts do not include the 2 percent self-imposed assessment tax implemented by hoteliers. The 2 percent assessment generated an additional $2.4 million in the 2014 calendar year.

## Irvine Visitor Impacts, 2006-2014p

| | 2006 | 2008 | 2010 | 2011 | 2012 | 2013 | 2014p |
|---|---|---|---|---|---|---|---|
| **Visitor Spending by Type of Traveler Accommodation ($Million)** | | | | | | | |
| Hotel, Motel | 292 | 297 | 286 | 299 | 303 | 309 | 313 |
| Private Home* | 42 | 46 | 52 | 54 | 56 | 57 | 57 |
| Day | 130 | 137 | 144 | 151 | 154 | 154 | 152 |
| Total Visitor Spending | 464 | 481 | 482 | 505 | 513 | 520 | 522 |
| **Visitor Spending by Type of Commodity Purchased ($Million)** | | | | | | | |
| Accommodations | 117 | 122 | 108 | 115 | 118 | 125 | 133 |
| Food & Beverage Services | 121 | 128 | 138 | 142 | 144 | 145 | 144 |
| Arts, Entertainment & Recreation | 103 | 103 | 105 | 108 | 110 | 110 | 110 |
| Retail | 88 | 89 | 93 | 96 | 96 | 96 | 96 |
| Local Transportation** | 35 | 39 | 38 | 44 | 44 | 43 | 40 |
| Total Visitor Spending | 464 | 481 | 482 | 505 | 513 | 520 | 522 |
| **Industry Earnings Generated by Vistor Spending ($Million)** | | | | | | | |
| Accommodation & Food Services | 95 | 102 | 102 | 107 | 112 | 110 | 114 |
| Arts, Entertainment & Recreation | 50 | 53 | 52 | 53 | 61 | 61 | 62 |
| Retail (incl. Gas Service) | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Local Transportation | 4 | 4 | 4 | 4 | 5 | 5 | 5 |
| Total Earnings | 161 | 171 | 170 | 177 | 190 | 187 | 192 |
| **Industry Employment Generated by Visitor Spending** | | | | | | | |
| Accommodation & Food Services | 3,240 | 3,230 | 3,220 | 3,290 | 3,300 | 3,300 | 3,330 |
| Arts, Entertainment & Recreation | 1,530 | 1,590 | 1,530 | 1,560 | 1,670 | 1,670 | 1,660 |
| Retail (incl. Gas Service) | 380 | 370 | 350 | 370 | 370 | 370 | 360 |
| Local Transportation | 110 | 120 | 120 | 130 | 130 | 130 | 130 |
| Total Employment | 5,260 | 5,310 | 5,220 | 5,340 | 5,460 | 5,470 | 5,480 |
| **Tax Revenue Generated by Visitor Spending ($Million)** | | | | | | | |
| Local*** | 11.0 | 11.4 | 10.6 | 11.2 | 11.5 | 12.0 | 12.5 |
| State**** | 14.3 | 14.9 | 17.4 | 17.2 | 16.5 | 17.0 | 16.7 |
| Total Local & State Tax Revenue | 25.3 | 26.3 | 28.0 | 28.4 | 28.0 | 29.0 | 29.3 |

*The Private Home category primarily reflects an estimate of the spending of visitors who are guests in the private homes of friends and relatives. A small number of visitors staying in owned second homes are also included.
**Local transportation includes motor fuel, parking and taxi service. Spending on motor fuel is included in the retail industry category for earnings and employment.
***Local taxes include lodging and sales taxes. The 2 percent self-imposed assessment tax implemented by hoteliers is not included. The revenue from the 2 percent tax generated an additional $2.4 million in the 2014 calendar year.
****State taxes include sales, income and motor fuel taxes.

## OVERNIGHT VISITOR VOLUME AND AVERAGE VISITOR SPENDING

The estimates of visitor volume for Irvine are based on the visitor spending estimates prepared by Dean Runyan Associates and visitor survey data for Anaheim/Orange County.[6] The values for party size were reduced by a factor of 0.75 to reflect the judgment that Irvine has relatively more business travel than Orange County as a whole. The value for length of stay was similarly reduced by a factor of 0.75 to reflect the fact that visitors to Orange County visit multiple destinations – the length of stay at destinations within the county will be lower than that for the county as a whole.

Note that whereas the number of nights spent by private home guests is only slightly below that of those who stayed in paid accommodations, the economic impact of private home visitors (previous page) is considerably lower because of the difference in average daily expenditures.

**Overnight Visitor Volume to Irvine, 2012-2014p**

| | Person-Nights (000) | | | Party-Nights (000) | | |
|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014p | 2012 | 2013 | 2014p |
| Hotel, Motel | 1,810 | 1,820 | 1,790 | 820 | 830 | 810 |
| Private Home | 1,550 | 1,600 | 1,600 | 640 | 670 | 670 |
| All Overnight | 3,360 | 3,410 | 3,390 | 1,470 | 1,490 | 1,480 |

| | Person-Trips (000) | | | Party-Trips (000) | | |
|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014p | 2012 | 2013 | 2014p |
| Hotel, Motel | 670 | 670 | 660 | 300 | 310 | 300 |
| Private Home | 340 | 350 | 350 | 140 | 140 | 150 |
| All Overnight | 1,010 | 1,020 | 1,010 | 440 | 450 | 450 |

**Average Expenditures for Overnight Visitors to Irvine, 2014p**

| | Travel Party | | Person | | Party | Length of |
|---|---|---|---|---|---|---|
| | Day | Trip | Day | Trip | Size | Stay (nights) |
| Hotel, Motel | $385 | $1,040 | $175 | $473 | 2.2 | 2.7 |
| Private Home | $88 | $405 | $37 | $169 | 2.4 | 4.6 |
| All Overnight | $250 | $829 | $109 | $366 | 2.3 | 3.3 |

[6] For example, the total spending of visitors that stayed in Hotels/Motels ($313 million in 2014, page 3) divided by the number Hotel/Motel travel party nights (810,000) equals average daily spending of $385 per party.

## Visitor Air Travel to John Wayne Airport

The table below shows the nature of passenger air traffic to the major Los Angeles metropolitan area airports on domestic flights. John Wayne airport (SNA) represented almost 13.5 percent of all passenger arrivals in 2014, and 17.7 percent of all visitor arrivals. The focus of the following analysis is on the origin of visitor arrivals. Visitors include passengers with a round trip itinerary that initiated their flight at another airport (not SNA). The visitor estimates also include a portion of one-way tickets.[7]

**Thousands of Arrivals at Los Angeles Metropolitan Area Airports, 2014**

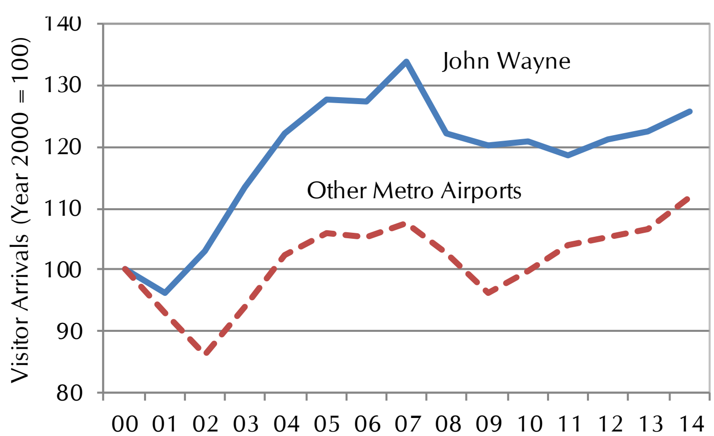
Domestic Flights only

| | | Round Trip Itinerary | | | | | |
|---|---|---|---|---|---|---|---|
| Airport | City | Visitor | Resident | One-Way | Other | Connect. | Total |
| LAX | Los Angeles | 637 | 660 | 457 | 40 | 487 | 2,281 |
| SNA | Santa Ana | 185 | 156 | 90 | 10 | 18 | 459 |
| BUR | Burbank | 67 | 84 | 48 | 4 | 7 | 209 |
| ONT | Ontario | 63 | 85 | 48 | 3 | 7 | 207 |
| LGB | Long Beach | 54 | 64 | 35 | 2 | 12 | 167 |
| PSP | Indio/Palm Springs | 41 | 14 | 18 | 2 | 5 | 79 |
| | Metro Total | 1,047 | 1,064 | 696 | 61 | 536 | 3,403 |
| SNA Pct. of Metro Total | | 17.7% | 14.6% | 13.0% | 15.8% | 3.4% | 13.5% |

Source: U.S. Department of Transportation Origin and Destination Survey. This survey is a 10 percent sample of all ticket itineraries of reporting carriers. The estimates shown in this report were prepared by Dean Runyan Associates. All of the following graphs are based upon this data.

**Annual Change in Visitor Air Arrivals**

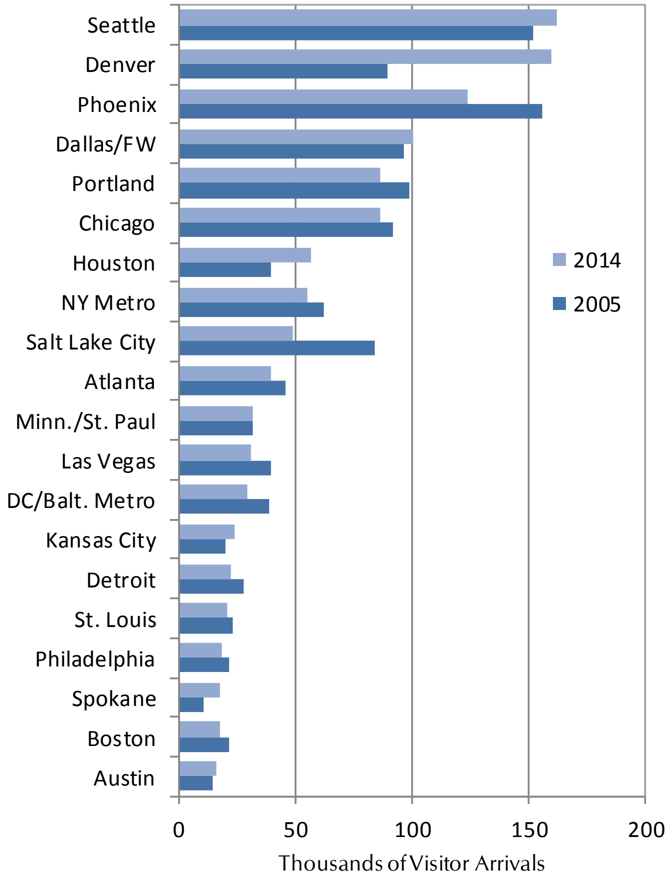
Year 2000 = 100




The graph to the left compares the annual change in visitor air traffic to John Wayne airport with all other LA metro airports. There were 2.2 million visitor arrivals to John Wayne in 2014, an increase of 2.7 percent over the preceding year.

[7] The portion of one-way arrivals is based on the visitor share of arrivals with round-trip itineraries.

## John Wayne Airport Origin Markets




The bar chart to the left displays the top twenty non-California origin markets to John Wayne airport. These origins comprise over two-thirds of all visitor arrivals from outside of the state. This chart is based on the accompanying data table.

| | Visitors (000) | | | |
|---|---|---|---|---|
| Origin | 2005 | 2014 | *Change | **Share |
| Seattle | 152 | 162 | 0.8% | 7.3% |
| Denver | 90 | 160 | 7.5% | 7.2% |
| Phoenix | 156 | 124 | -2.8% | 5.6% |
| Dallas/FW | 97 | 101 | 0.5% | 4.5% |
| Portland | 99 | 86 | -1.7% | 3.9% |
| Chicago | 92 | 86 | -0.8% | 3.9% |
| Houston | 39 | 57 | 4.7% | 2.6% |
| NY Metro | 62 | 55 | -1.4% | 2.5% |
| Salt Lake City | 84 | 49 | -6.6% | 2.2% |
| Atlanta | 46 | 40 | -1.7% | 1.8% |
| Minn./St. Paul | 32 | 32 | -0.1% | 1.4% |
| Las Vegas | 40 | 31 | -3.0% | 1.4% |
| DC/Balt. Metro | 39 | 29 | -3.5% | 1.3% |
| Kansas City | 20 | 24 | 2.3% | 1.1% |
| Detroit | 28 | 23 | -2.5% | 1.0% |
| St. Louis | 23 | 21 | -1.2% | 0.9% |
| Philadelphia | 21 | 19 | -1.6% | 0.8% |
| Spokane | 11 | 18 | 6.2% | 0.8% |
| Boston | 22 | 18 | -2.8% | 0.8% |
| Austin | 14 | 16 | 1.3% | 0.7% |
| SF Metro | 450 | 459 | 0.3% | 20.7% |
| Sacramento | 151 | 143 | -0.7% | 6.5% |
| Balance | 484 | 467 | -0.4% | 21.0% |
| Total | 2,253 | 2,221 | -0.2% | 100.0% |

*Change refers to the average annual percentage change from 2005 to 2014.

**Share refers to the percentage of all visitor arrivals to John Wayne airport during 2014.

Source: U.S. Department of Transportation Origin and Destination Survey.

## Appendices

*Appendix A. Regional Travel Impact Model (RTIM) Methodology*

*Appendix B: Travel Impact Industries Matched to 2007 NAICS*

## REGIONAL TRAVEL IMPACT MODEL (RTIM)
## TRAVEL IMPACT ESTIMATION PROCEDURES

### TRAVEL SPENDING

**Hotel, Motel, B&B**. Spending on commercial accommodations by hotel and motel guests is estimated from transient lodging tax collections at the city/county jurisdictional level. Spending by hotel and motel guests in other business categories, such as food and transportation, is estimated using spending distributions reported in the visitor survey data. The spending distribution shows how travelers divide their spending between lodging and other purchases.

**Private Home**. Spending by private home guests is determined from visitor survey data estimating the number of visitors staying as guests of friends and relatives in relation to the number of resident households at the destination.

**Day Travel**. The share of day visits as a percentage of total travel is estimated from visitor survey data and applied to average daily spending estimates to produce day visitor spending.

### RELATED TRAVEL IMPACTS

Spending by travelers generates jobs, payroll, and state and local tax revenue.

**Earnings** generated directly from traveler expenditures are estimated from a payroll-to-receipts ratio obtained from the 2007 Economic Census and earnings estimates from the Bureau of Economic Analysis.

**Employment** in each business category is calculated from wage data supplied by the U.S. Department of Labor and earnings estimates from the Bureau of Economic Analysis.

**Local Taxes** consist of local room taxes and sales taxes

**State Taxes** consist of sales taxes, income taxes and motor fuel taxes.

## TRAVEL IMPACT INDUSTRIES MATCHED TO 2007 NAICS

| TRAVEL IMPACT INDUSTRY | NAICS INDUSTRIES* (code) |
|---|---|
| Accommodation & Food Services | |
| | Accommodation (721) |
| | Food Services and Drinking Places (722) |
| | Residential Property Managers (531311) |
| Arts, Entertainment & Recreation | |
| | Performing Arts, Spectator Sports (711) |
| | Museums (712) |
| | Amusement, Gambling (713) |
| | Scenic and Sightseeing Transportation (487) |
| | Miscellaneous Industries (see note**) |
| Retail | |
| | Food & Beverage Stores (445) |
| | Gasoline Stations (447) |
| | Clothing and Clothing Accessories Stores (448) |
| | Sporting Goods, Hobby, Book, and Music Stores (451) |
| | General Merchandise Stores (452) |
| | Miscellaneous Store Retailers (453) |
| Ground Transportation | |
| | Interurban and rural bus transportation (4852) |
| | Taxi and Limousine Service (4853) |
| | Charter Bus Industry (4855) |
| | Passenger Car Rental (532111) |
| | Parking Lots and Garages (812930) |

Notes: *Government enterprises (e.g., park systems) are included in this classification.
**Includes parts of industries in other sectors (e.g., accommodation, charter bus).
A more detailed description of these industries can be found at http://www.ntis.gov/naics.