

SAN ANTONIO

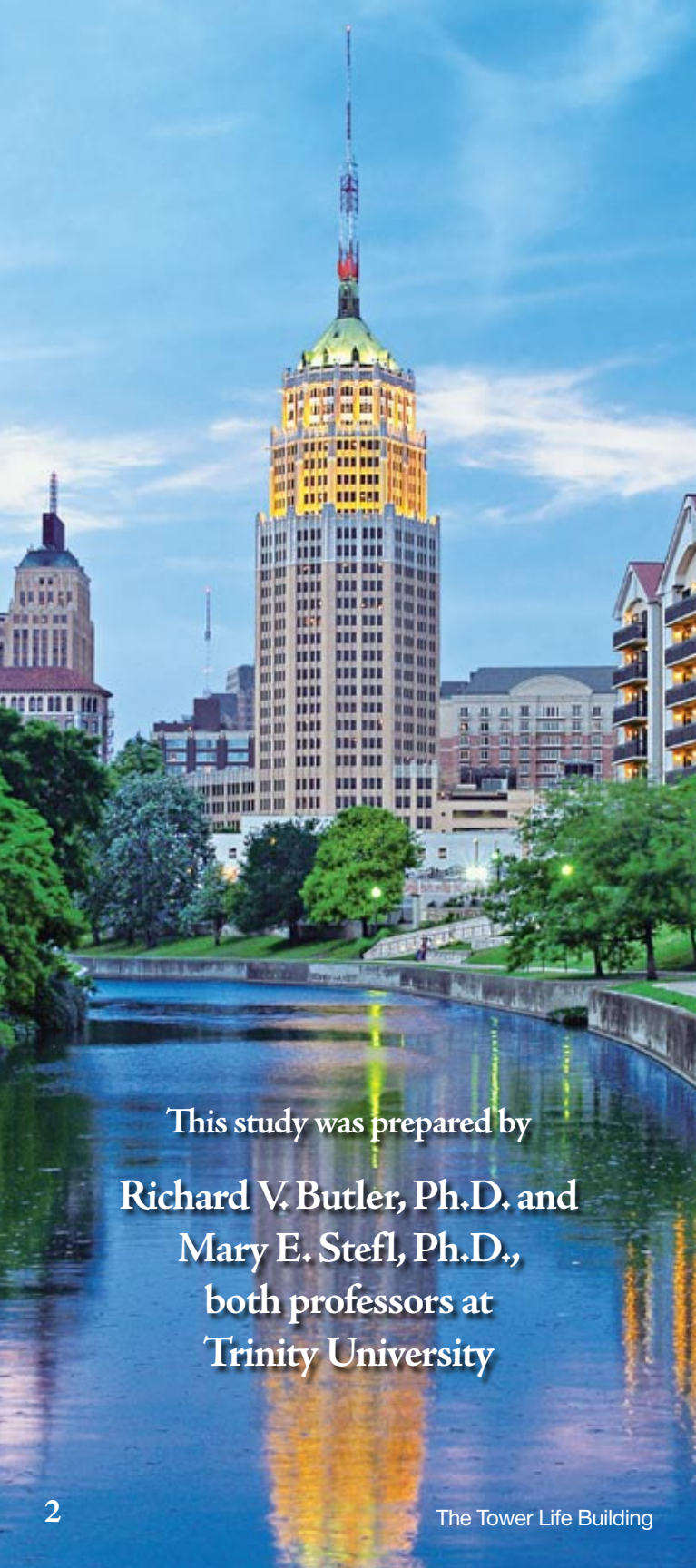


The ECONOMIC IMPACT of San Antonio's HOSPITALITY INDUSTRY

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SAN ANTONIO AREA TOURISM COUNCIL



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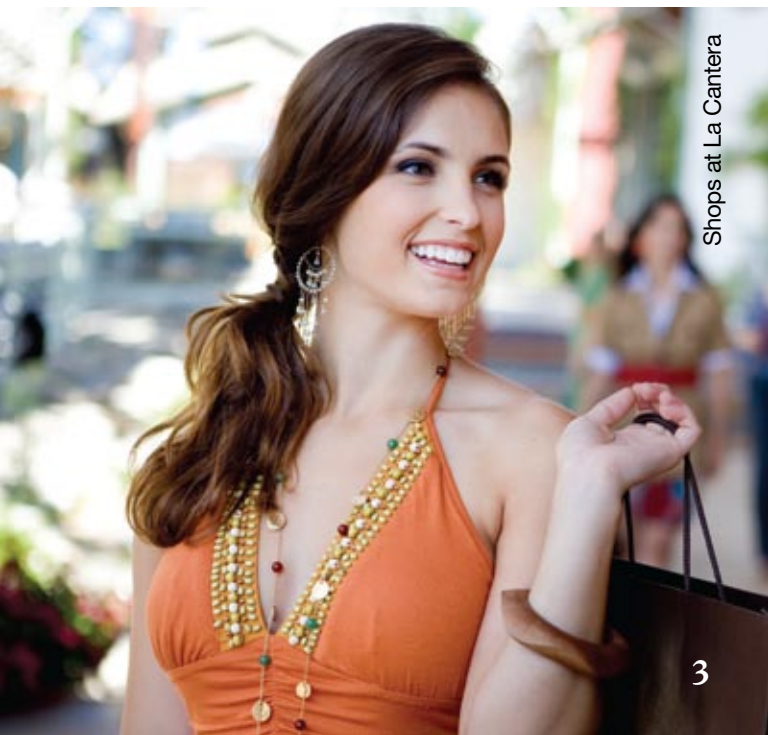
The River Walk



Highlights

- ★ In 2008, the economic impact of San Antonio's Hospitality Industry was **\$11 billion**.
- ★ The Hospitality Industry contributed some **\$153.4 million** in taxes and fees to the city of San Antonio, and more than **\$286 million** to all local governments combined.
- ★ In 2008, the industry employed **106,311**. This is 1 out of every 8 workers in the San Antonio metropolitan area.
- ★ From 1998 to 2008, the economic impact of the Hospitality Industry increased by more than 70%.

Shops at La Cantera







The Alamodome

Introduction

San Antonio has long been a favorite of meeting professionals and visitors from around the world. These visitors, and the Hospitality Industry they support, produce a number of economic benefits for the city:

- The industry provides a **large number of both part-time and full-time jobs** in dozens of occupations, including culinary, customer service, administration, finance, maintenance, marketing and human resources.
- Visitor spending **impacts virtually every corner of the local economy** – sports, food service, transportation, cultural events, healthcare and much more.
- The presence of so many visitors helps promote a **vibrant and diverse cultural and social atmosphere** that is attractive to San Antonio residents and visitors alike. Many of the amenities and attractions that San Antonians take for granted are available to them only because these attractions are also supported by millions of visitors.
- Because **visitors bring new dollars to San Antonio**, their spending has a multiplier effect. Each dollar of visitor spending generates approximately one additional dollar of income for San Antonio as the effects of this spending work their way through the local economy.

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FYI

San Antonio's attractions and hotels spent more than \$55 million on expansion, renovation and improvements in 2008 and well over \$120 million in 2009, supporting thousands of jobs in the local construction industry and its related trades.

SOURCE: SAHLA AND TOURISM COUNCIL MEMBERS SURVEY



The River Walk is one of the state's top tourist attractions. \$72.1 million of improvement to the Museum Reach (the segment of the river north of downtown) have nearly doubled the length of the River Walk while adding a number of unique art installations along the river.

SOURCE: SAN ANTONIO RIVER AUTHORITY



Introduction

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For the purposes of this report, the Hospitality Industry has been defined to include only those businesses that derive a significant portion of their sales from out-of-town visitors. Whether they come to San Antonio on a vacation, to attend a convention, or for business, these visitors patronize local companies that provide transportation and travel arrangements, lodging, recreational activities, and food and beverage services. Of course, the full economic impact of these businesses also includes their sales to local customers. A complete description of the industries included in this study can be found in the Technical Notes section.

The economic impact analyses are based on data obtained from the Texas Workforce Commission (TWC). Following the same methodology used in the The Chamber's previous Economic Impact Studies, the current work is based on TWC's quarterly wage and employment data aggregated along the lines of business defined by the North American Industrial Classification System (NAICS). Details of the methodology are provided in the Technical Notes section.

San Antonio Botanical Gardens



The Hospitality Industry In 2008

A Mecca for Visitors

Each year, millions of leisure visitors come to San Antonio to shop, play and enjoy the city's unique history and culture. In 2008, the city hosted over 20 million leisure visitors. More than half of these visitors (11.1 million) were overnight visitors.

San Antonio is one of the top convention cities in the country. In 2008, some 5 million business visitors came to the area for conventions and other business purposes. The 2008 opening of the new convention center hotel means that the city can now host more and larger conventions and meetings than in the past.

Overall Economic Impact: \$11 Billion

The Hospitality Industry's economic impact in 2008 was \$11 billion. For reasons described in the Technical Notes section of this report, this estimate is conservative. The true economic impact is no doubt considerably greater.

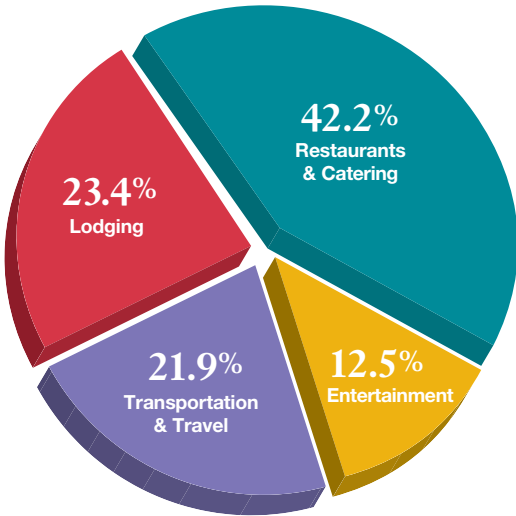
The businesses that make up the Hospitality Industry fall into four sectors: Transportation and Travel Arrangements, Lodging and other traveler accommodations, Restaurants and other eating and drinking establishments, and Entertainment and recreation activities, ranging from golfing establishments to cultural events to amusement parks and spectator sports.



Henry B. Gonzalez
Convention Center



The Economic Impact of the Hospitality Industry in 2008



The Restaurants and Catering sector made the largest contribution to the local economy, accounting for 42.2% of the total economic impact, or \$4.6 billion. The vast majority of this large impact was due to full-service or limited-service restaurants and eating places (\$1.9 billion and \$2.2 billion respectively), with the remainder coming from catering services and drinking establishments.

The Transportation and Lodging sectors contributed 21.9% and 23.4% respectively to the overall economic impact. Entertainment of various types comprised the remaining 12.5% of the industry's \$11 billion economic impact in 2008.

Annual Payroll: \$1.99 Billion

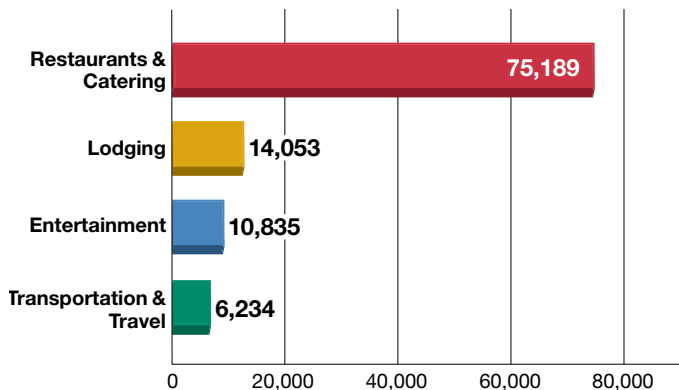
The Hospitality Industry's annual payroll was \$1.99 billion in 2008. It should be noted that these figures reflect only direct wage payments. Total compensation, including benefits and gratuities, would be significantly higher.



Total Employment: 106,311

During 2008, the Hospitality Industry provided an average of 106,311 jobs. Over 70% of these positions were in the labor-intensive Restaurants and Catering sector, including many part-time positions. (The TWC data does not distinguish between part-time and full-time employees). The Transportation and Travel Arrangement sector employed the smallest number of workers (6,234 or just about 6% of the total).

Number of Employees by Sector Hospitality Industry 2008



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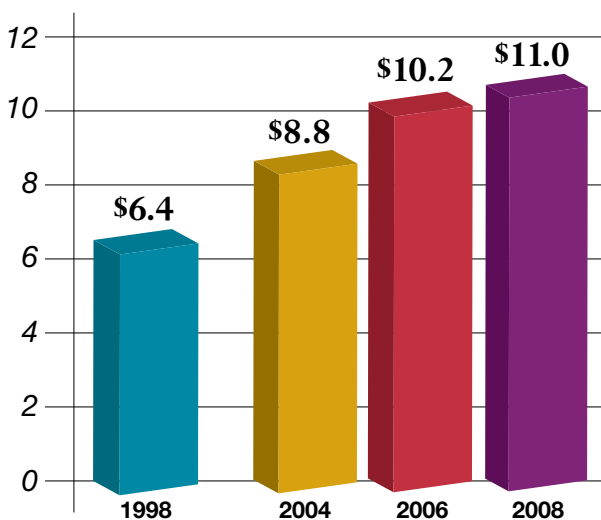
The Convention Center hosted more than 300 events in 2008 with an estimated attendance of 724,000, generating rental revenues of \$4.3 million and \$17.7 million in catering sales. Convention delegates spent more than \$416 million in San Antonio.

SOURCE: CONVENTION CENTER

The Hospitality Industry Over Time

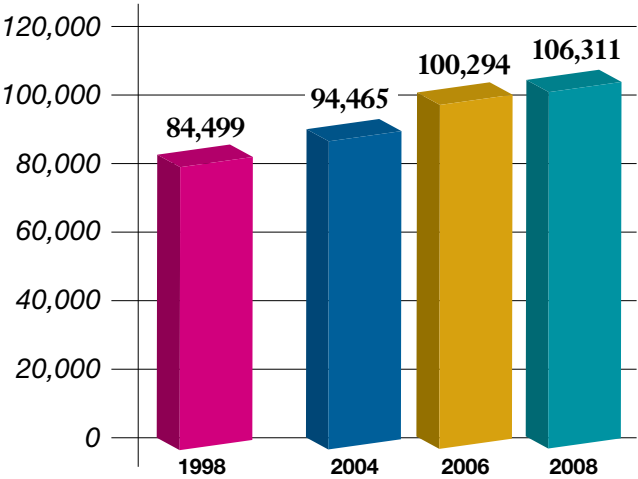
In the past ten years, the Hospitality Industry's economic impact has grown substantially, from \$6.4 billion in 1998 to \$11 billion in 2008. While the growth over the past two years has been a modest 8%, the longer term trend reflects a vibrant and dynamic industry.

Hospitality Industry Economic Impact (Billions)



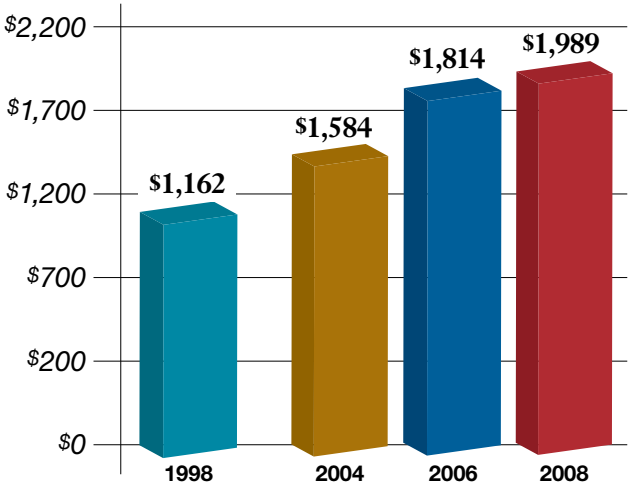
The number of employees in the industry has also grown, as the graph indicates. Employment increased 26% over the decade.

Hospitality Industry Employment



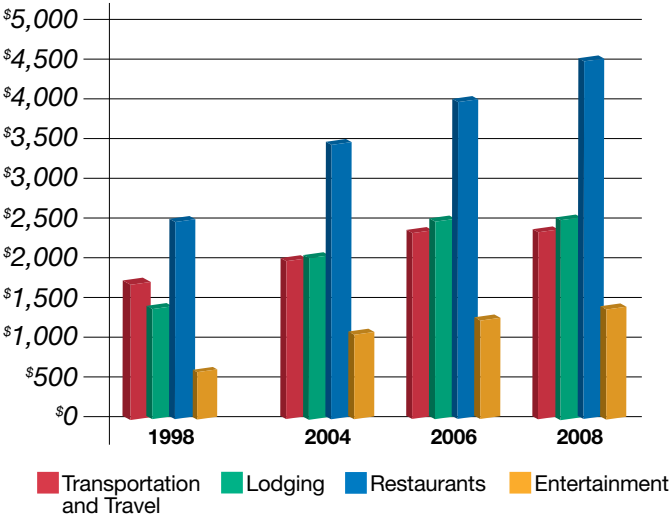
Total wages in the industry have grown much more briskly. They increased by 71% in the ten-year period between 1998 and 2008.

Hospitality Industry Annual Payroll (millions)



Over the past ten years, all of the industry's major sectors experienced growth. The Restaurant sector has remained the dominant sector throughout the decade, and the influence of Lodging has increased over time. The impact of Entertainment increased dramatically from 1998 to 2004 (growing by 70%), but has experienced more modest growth since then.

Economic Impact of the Industry's Sectors Over Time (millions)





Brackenridge Park Golf Course



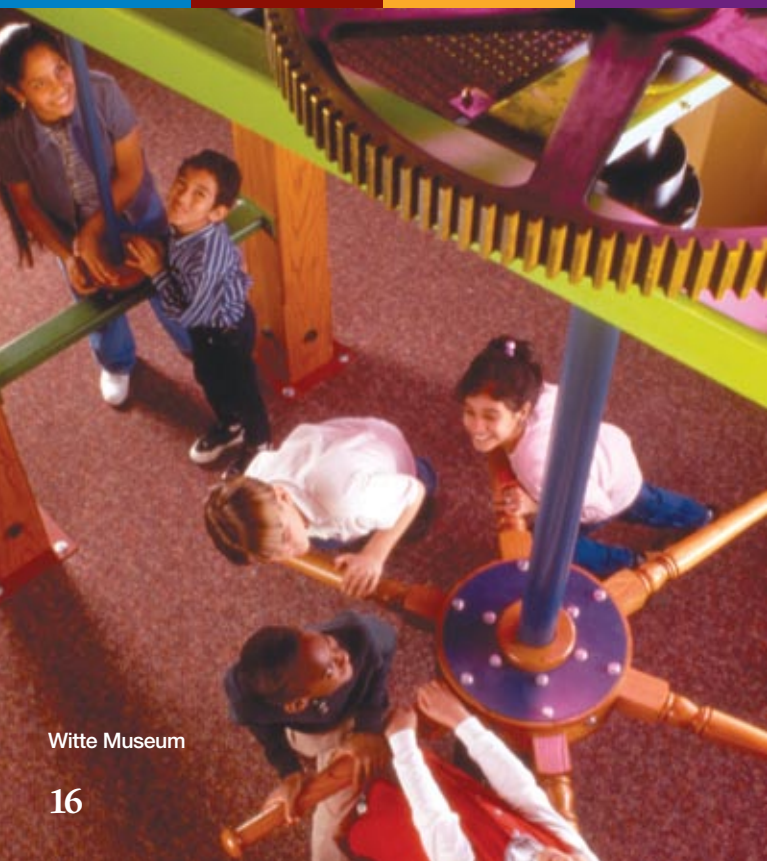
River Walk Dining



The Museo Alameda

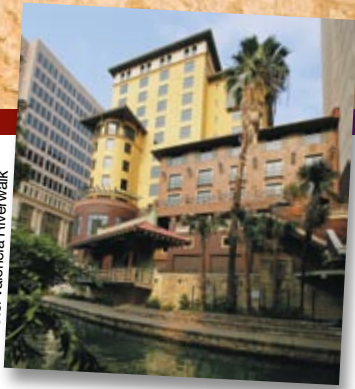


SeaWorld San Antonio



Witte Museum

Hotel Valencia Riverwalk



Financial Contribution To Local Government

The Hospitality Industry is a major contributor of tax and other revenues to local governments. A complete accounting of these contributions is beyond the scope of this study, but an examination of the major revenue streams for the City of San Antonio shows the extent to which local government depends upon the Hospitality Industry for financial support.

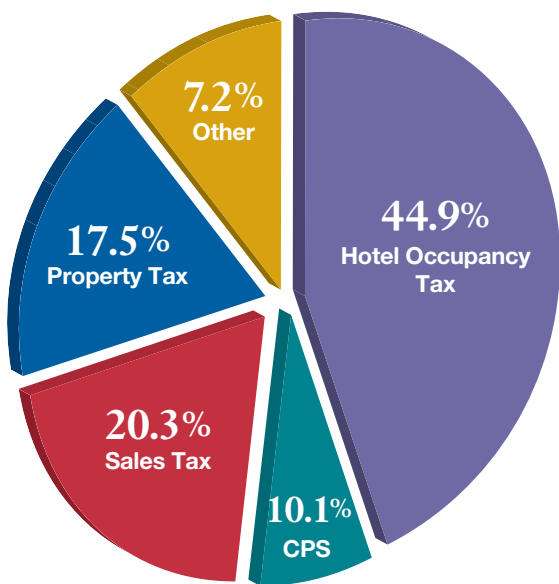
The bottom line for the City is impressive, as the Hospitality Industry provided revenues of \$153.4 million in 2008. This is equivalent to 18% of the City's adopted General Fund expenditure budget of \$852.5 million for the 2007-08 fiscal year.

These revenues come from a variety of sources. The largest share (\$68.9 million) comes from the Hotel Occupancy Tax (HOT). Of this sum, regular hotel occupancy taxes accounted for \$53.7 million; additional revenues of more than \$15 million were generated by the 2% tax designated for the convention center expansion project. Property taxes on the real and personal property of Hospitality Industry businesses accounted for \$26.9 million in city revenues. City sales taxes paid on purchases at businesses in the Hospitality Industry contributed another \$31.1 million. These businesses bought \$111 million worth of electricity and natural gas from CPS Energy; since 14% of CPS revenues are paid to the City in lieu of taxes, the City received \$15.5 million from these payments. Smaller amounts of revenue (\$11 million in all) were received from river cruise concessions and taxes on alcoholic beverages sold in restaurants and bars.

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Contributions to City Revenue \$153.4 Million in 2008



The City of San Antonio is not the only local government entity that depends on revenues from the Hospitality Industry. The industry pays sales, property and hotel occupancy taxes to other municipalities. In addition, Bexar County collects property and hotel occupancy taxes, while school districts, the Alamo Community College District, the University Health System and the San Antonio River Authority all levy property taxes paid by Hospitality Industry businesses. These businesses also collect sales taxes to support VIA Metropolitan Transit and the Advanced Transportation District.



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These are not small sums. The County collected \$13.7 million in hotel occupancy taxes in 2008. Property taxes on just those hospitality-related businesses located within the San Antonio city limits contributed \$63.2 million to local school districts, \$15.5 million to Bexar County and another \$19.6 million to the other taxing entities. VIA and ATD sales tax revenues from Hospitality Industry businesses within the San Antonio city limits totaled \$21 million. This total of \$133 million does not include the sales and property taxes paid to entities outside the City limits.

The government revenues itemized above add up to approximately \$286.4 million. Since this estimate excludes some property, sales and hotel taxes paid by hospitality-related businesses outside the San Antonio city limits, the full contribution of the industry to local government is in fact significantly greater than this estimate.

These revenues help reduce the taxes paid by those who live in the San Antonio metropolitan area. Without the tax payments from the hospitality industry, the city, county and state would either have to reduce services or find additional resources to balance their respective budgets.

FYI

The Alamodome has hosted many high-profile events, including multiple NCAA Men's & Women's Final Fours, the Valero Alamo Bowl, the San Antonio Rock & Roll Marathon and the Notre Dame - Washington State football game, that would not have come to San Antonio without the Alamodome. These events attract thousands of out-of-town visitors.

SOURCE: ALAMODOME BUDGET



The River Walk

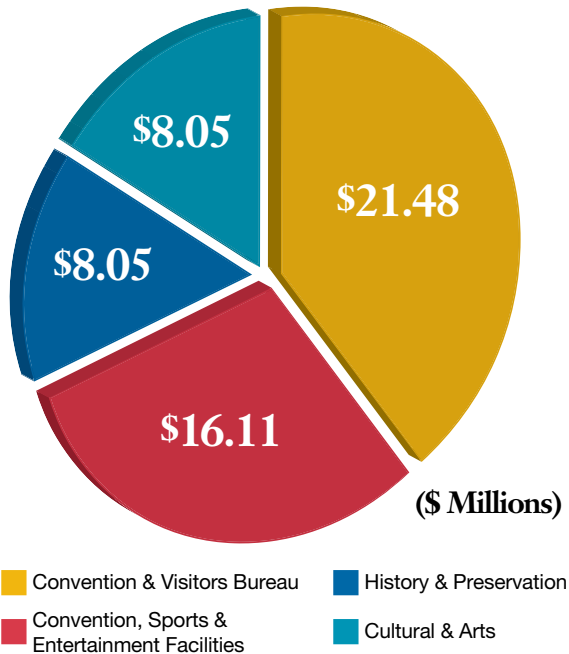


Visitor Taxes Improve The Quality Of Life For San Antonio Residents

The **Hotel Occupancy Tax** helps to support services that both visitors and San Antonio residents enjoy. By state law, the proceeds of the Hotel Occupancy Tax can be spent on activities that promote the convention, tourism and hotel industries.

The City of San Antonio's 7% tax supports both direct services for visitors and the cultural environment enjoyed by visitors and residents alike. In 2008 historic preservation and cultural/arts programs alone benefited from \$16.1 million contributed by taxes on lodging.

7% Hotel Occupancy Tax Appropriations \$53.7 Million in 2008



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FYI

More than 25,000 runners participated in the inaugural San Antonio Rock 'n' Roll Marathon, while some 59,000 spectators lined the 26.1-mile race route. The event brought the city \$1.4 million in new tax revenues.

SOURCE: SAN ANTONIO CONVENTION AND VISITORS BUREAU

Bexar County also levies visitor taxes, consisting of a 5% tax on short-term auto rentals and a 1.75% hotel occupancy tax. In 2008, Bexar County voters approved extending these taxes for 25 years to provide more than \$400 million for a host of community enhancements that will serve both residents and visitors for decades to come. These include

- ♦ **Cultural Arts Improvements** (Conversion of Municipal Auditorium into the new Performing Arts Center, renovation of the Alameda Theater and facilities for the Dolph Briscoe Museum)
- ♦ **San Antonio River Improvements** (north and south)
- ♦ **Morgan's Wonderland**, a park that is the "first of its kind" in the United States with over 21.5 acres dedicated to outdoor recreation for people with mental and physical disabilities.
- ♦ **Community Arenas** (Freeman Coliseum and AT&T Center improvements)
- ♦ Dozens of **soccer fields** in locations across the County
- ♦ **Baseball facilities** (McAllister Park Little League, SE Skyline Pony League Complex, Missions Baseball Academy)
- ♦ **University sports facilities** (UTSA Sports Complex, St. Mary's Sports Complex)
- ♦ **Other sports facilities** (National Swim Center, Fencing Center, Wheatley Heights Sports Complex, Mission Concepcion Athletic Complex)





Alamotion Dance Troupe



Japanese Tea Garden



Technical Notes

Information Sources for the Economic Impact Estimates

As noted in the introduction, the primary information source for The Chamber's Economic Impact Studies is the Texas Workforce Commission's (TWC) Covered Employment and Wages database, which provides data on payroll and employment for the San Antonio Metropolitan Statistical Area aggregated into lines of business defined by the North American Industrial Classification System (NAICS) coding framework. This data is compiled from employers' unemployment insurance reports to the state. It represents essentially a 100% sample of all the businesses in each NAICS code.

The specific industry codes used in this study are listed at the end of the Technical Notes section. The process of deciding which NAICS codes to include required some judgment. To be consistent with The Chamber's other economic impact studies, the study includes only those industries that derive a significant portion of their sales from out-of-town visitors, whether they are tourists, conventioners or business visitors. These businesses, not surprisingly, are concentrated in the lodging, eating and drinking, transportation and entertainment sectors. Clearly, San Antonio's visitors patronize many other businesses, from department stores to gas stations. This spending would have to be included in an estimate of the overall impact of visitors on the San Antonio economy. But since this study is focused not on the impact of visitors but on the impact of the industry that serves visitors, the estimates presented here refer to the hospitality industry alone.

Since many of our visitors use air transportation to get here, it is entirely appropriate to include commercial air travel as part of the local Hospitality Industry. In fact, air travel provides some \$1.4 billion of the industry's \$11.0 billion economic impact. However, users of this study should be aware that passenger air service is also included in The Chamber's economic impact study of the Aerospace Industry. This overlap is unavoidable since the commercial air travel sector is legitimately a part of both industries.

Since the TWC is constantly revising its historical data in the interest of greater accuracy, the data for 2006 and earlier years used in this study reflect many small changes from the data upon which the previous Hospitality Industry Economic Impact Studies were based. The figures in this report are based upon the latest release of the TWC data, so they represent the most accurate measure now available of the industry and its subsectors in those earlier years.

The limitations of the TWC database make this estimate inherently conservative. For example, it is not possible to include the operations of the convention center even though these operations clearly are part of the services San Antonio provides to visitors. Since the convention center is operated by the City, its employees are not reported separately to the TWC; they are part of one figure that includes firefighters, sanitation workers and the City Manager. We also have been unable to include the taxicab industry. Since the vast majority of cab drivers are now independent contractors, and since the TWC collects data only from businesses that have employees, the share of the workforce in this industry represented in the TWC data is but a tiny one. This version of the study does

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include parking lots and parking garages since a recent study verified that a substantial portion (33%) of the revenue generated by this segment is attributable to visitors.

The TWC provides employment and salary information for each quarter of the calendar year. The employment figures for the four quarters in each year were averaged to obtain a representative employment level, and payroll figures were computed by summing the wages reported for each of the four quarters.

Translating payroll information to economic impact involves two transformations. First, total sales for each subsector are estimated from payroll using the ratio of sales to payroll from the Economic Census for the corresponding industry category in the San Antonio MSA. (For the 1998 estimates, these ratios were taken from the 1997 Economic Census; estimates for the more recent years are based upon the data from the 2002 Economic Census.) These ratios are specific to each NAICS code, and ranged (in 2002) from 2.05 for spectator sports to a high of 11.69 for independent artists, writers and producers. These conversion factors simply translate the TWC's payroll data into the estimated amount of final sales in each subsector.

The second transformation is necessary because visitors' spending is an export of the San Antonio economy. When local businesses generate "export" sales, new spending comes into the San Antonio area. This spending generates a "multiplier" effect as the recipients of that spending use it to purchase other goods and services in the local economy. These individuals and businesses in turn have new income to spend on local goods and services. In short, revenues from export sales circulate in the economy, magnifying their original impact. To estimate the total economic impact of an export industry, it is customary to use an economic impact multiplier. This study employs the widely-used industry-specific multipliers from the U.S. Department of Commerce's RIMS II model for San Antonio; these figures range from 1.7611 to 2.4845 for the hospitality industry sectors present in our region. The study captures only the multiplier effects of visitor spending at businesses in the hospitality industry. Since visitors also patronize department stores, health care facilities, etc., the full multiplier impact of visitor spending on the local economy is markedly greater than the amounts included here.

Note that the multiplier can properly be applied only to export sales. This is especially important when estimating the impact of the hospitality industry, since all of these businesses serve local residents as well as visitors. To estimate the proportion of each subsector's sales that are visitor-related, we have used estimated percentages of total spending due to visitors from a definitive study by the U.S. Department of Commerce's Bureau of Economic Analysis. Since San Antonio is one of the nation's premier tourism and convention destinations, the percentages cited in this study are almost certainly lower than the actual shares of visitor spending in these sectors of the local economy. For this reason, the estimates of economic impact presented here are without a doubt quite conservative.

Information Sources for the Estimates of Financial Contributions to Local Government

Total revenues received in fiscal year 2008:

*Hotel occupancy taxes, river cruise fees, liquor taxes: Finance Department, City of San Antonio.
City General Fund Budget: Fiscal Year 2008 Adopted Budget, City of San Antonio website.*

Estimates of fiscal year 2008 revenues for the Hospitality Industry NAICS codes only:

CPS revenues: City Public Service.

Sales taxes: Texas State Comptroller's Office.

Property taxes: Finance Department, City of San Antonio.

NAICS Codes For The Hospitality Industry

Transportation and Travel Arrangements

48111	Scheduled air transportation
48521	Interurban and rural bus transportation
48551	Charter buses
48599	Other ground passenger transportation
48711	Scenic and sightseeing transportation
48811	Airport operations
53211	Passenger car rental and leasing
56152	Tour operators
56159	Other travel arrangement services
81293	Parking lots and garages

Lodging

7211	Hotels, motels, etc.
7212	RV parks and recreational camps

Restaurants, etc.

7221	Full service restaurants
7222	Limited-service eating places
7223	Special food services
7224	Drinking places

Entertainment

51213	Motion picture exhibition
7111	Performing arts companies
71121	Spectator sports
7113	Promoters of performing arts
7115	Independent artists, writers and performers
7121	Museums, historical sites, zoos, etc.
71311	Amusement and theme parks
71312	Amusement arcades
71391	Golf courses and country clubs
71399	Other amusement and recreation

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Websites where report is also available as pdf:
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