

Fountain Hills Tourism Industry Economic and Fiscal Impact 2022



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Prepared for:



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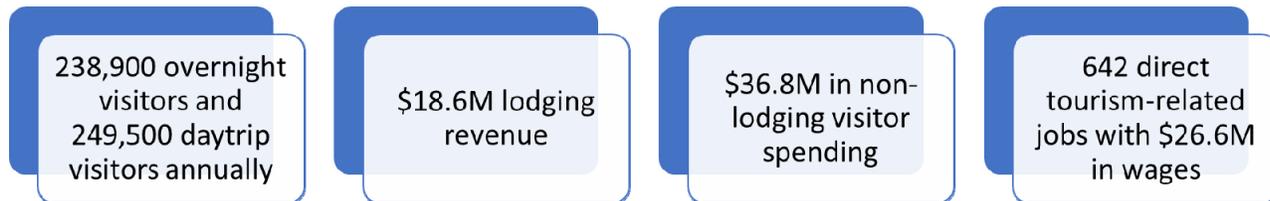
Executive Summary

Tourism is one of the largest economic contributions to Arizona and its local communities. The Town of Fountain Hills is a tourist destination that offers the benefits of Arizona’s sunny climate with outdoor recreational adventures, scheduled special events, golf courses, hiking trails and other attractive visitor amenities. The town has four hotels with a total of 320 rooms. In addition, an estimated 11.8% of the Town’s housing units are used for seasonal, recreational or occasional use. This report estimates the impact of the Fountain Hills tourism industry along with the ripple effects throughout the economy.



The following tables summarize the impacts in terms of jobs, wages and output (economic impact) along with the resulting government revenues (fiscal impact). The results capture 2022 visitation and associated spending at major events and festivals hosted in Fountain Hills throughout the calendar year as well as hospitality and tourism-based businesses and industries permanently located in Fountain Hills.

Direct Economic Benefits



Fountain Hills attracted an estimated 238,900 overnight visitors and 249,500-day trip visitors in 2022. The hotels and vacation rentals generated about \$18.6 million in lodging revenue and the tourists spent an estimated \$36.8 million (excluding lodging). The tourism-related businesses (including the impact from visitor spending) generated an estimated 642 direct jobs with \$26.6 million in wages.

Total Economic Impacts

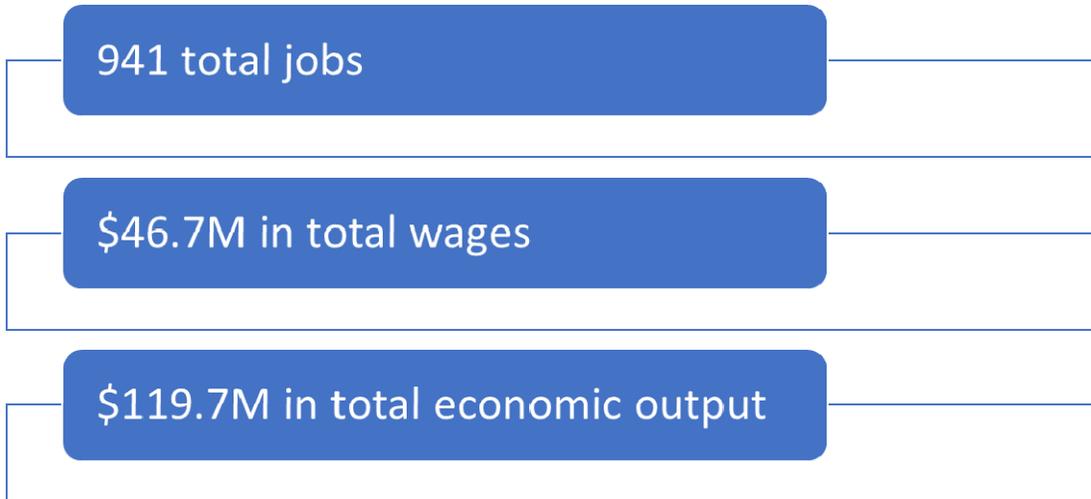
Economic impact analysis examines the economic implications (multiplier effects) of direct activity. These multiplier effects include additional indirect and induced impacts that are generated by the demand for direct goods and services and include additional employment, wages and economic output. For this study, both the annual operations of tourism-based businesses along with the visitors’ spending that occurred were calculated. Visitor spending



was categorized as lodging, retail, restaurant & bar, entertainment, and transportation. Using Implan multipliers, each category was run through the input/output model and aggregated to generate a total economic impact.

Using accepted economic multipliers, the direct, indirect and induced economic output was \$119.7 million. This represents 941 total jobs with wages of \$46.7 million.

Total Economic Impact Summary -



Fiscal (Revenue) Impacts

Fiscal impact analysis studies the public revenues associated with a particular economic activity. For this study, the revenues generated for the State of Arizona, Maricopa County and the Town



of Fountain Hills are calculated. Both primary (direct taxes generated by the company or tourist spending) and secondary revenues (taxes flow from the wages of those direct, indirect and induced employees who are supported by the company or tourism) are calculated. For example, the visitors will generate “primary” revenues from spending on retail, restaurants, hotels and entertainment. The employees supported by tourism would spend part of their salaries on local goods and

services. These employees would also contribute to revenues collected by the State and that are ultimately shared with local counties and cities.



Arizona received an estimated \$3.9 million in revenue from Fountain Hills tourism business operations and visitor impacts. The fiscal impact on Maricopa County is estimated to have been \$1.3 million. The Town of Fountain Hills received similar revenues for a total of \$2.6 million in 2022.

In total, including both primary and secondary revenues, the tourism inspired by Fountain Hills events and tourism-based industries generated an estimated \$7.8 million in revenues for the State, County and Town of Fountain Hills in 2022.

Taxing Category	Annual Revenue
State of Arizona	\$3,928,900
Maricopa County	\$1,277,900
Town of Fountain Hills	<u>\$2,556,400</u>
TOTAL	\$7,763,300



1.0 Introduction

1.1 Purpose of Study

Elliott D. Pollack & Company was retained to perform an economic and fiscal impact analysis of the Town of Fountain Hills Tourism Industry. The results capture 2022 visitation and associated spending at major events and festivals hosted in Fountain Hills throughout the calendar year as well as hospitality and tourism-based businesses and industries permanently located in Fountain Hills.

Fountain Hills attracted an estimated 238,900 overnight visitors and 249,500-day trip visitors in 2022. The hotels and vacation rentals generated about \$18.6 million in lodging revenue and the tourists spent an estimated \$36.8 million (excluding lodging). This impact study includes the impacts of this spending along with the ripple effects throughout Maricopa County, and specifically the Town of Fountain Hills. The following impacts are generated:

1. Tourism Based Business – the impact of the direct jobs at the tourism-based business along with the impact of annual operating activities generated.
2. Tourism Spending – the impact of the visitation created by the tourism-based industries and annual festivals including the influx of attendees and vendors.

The analysis was designed to estimate the impact on the economy and governmental revenues generated from each of the above categories. While dollar figures are expressed in current dollars, the results from year to year would vary based on attendance and tourism generated each year.

1.2 Economic & Fiscal Impact Definition

Economic impact analysis examines the regional implications of an activity in terms of three basic measures: output, earnings and job creation. Fiscal impact analysis, on the other hand, evaluates the public revenues and costs created by a particular activity. In fiscal impact analysis, the primary revenue sources of a town, county or state government are analyzed to determine how the activity may financially affect them.

1.3 Limiting Conditions

This study prepared by Elliott D. Pollack & Company is subject to the following considerations and limiting conditions.

- It is our understanding that this study is for the client's due diligence and other planning purposes. Neither our report, nor its contents, nor any of our work were intended to be included and, therefore, may not be referred to or quoted in whole



or in part, in any registration statement, prospectus, public filing, private offering memorandum, or loan agreement without our prior written approval.

- The reported results represent the considered judgment of Elliott D. Pollack & Company based on the facts, analyses and methodologies described in the report.
- Except as specifically stated to the contrary, this study will not give consideration to the following matters to the extent they exist: (i) matters of a legal nature, including issues of legal title and compliance with federal, state and local laws and ordinances; and (ii) environmental and engineering issues and the costs associated with their correction. The user of this study will be responsible for making his/her own determination about the impact, if any, of these matters.
- This study is intended to be read and used as a whole and not in parts.
- Estimates of operations for tourism-related businesses were based on data provided by the Town as well as surveys of local businesses. Data has been reviewed and verified to determine its reasonableness and applicability to the study.
- This economic and fiscal impact study evaluated the “gross impacts” of auction activities. The term “gross impacts” as used in this study refers to the total revenue, jobs and economic output that have been generated by operations and tourism. The study does not take into account the possible reduction in spending for other retail goods or entertainment events due to the impact of tourists. In addition, the study does not consider the costs to local governments associated with providing services to the events. Such analysis is beyond the scope of this study.
- The analysis is based on the current tax structure and rates imposed by the State, Maricopa County and the Town of Fountain Hills. Changes in those rates would alter the findings of this study.
- All dollar amounts are stated in current dollars and, unless indicated, do not take into account the effects of inflation. While dollar figures are expressed in current dollars, the results from year to year would vary based on attendance at the events each year.
- Our analysis is based on currently available information and estimates and assumptions. Such estimates and assumptions are subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved going forward. The assumptions disclosed in this study are those that are believed to be significant to the estimates of results.



2.0 Assumptions & Methodology

The following section outlines the assumptions used in the analysis along with the methodology of the economic and fiscal impact analysis. The results of the analysis are provided in the subsequent sections.

2.1 Analysis Assumptions

The inputs of this analysis were based on information gathered regarding tourism-based businesses along with foot traffic data generated by Placer.ai during annual events held in the Town of Fountain Hills. Additional assumptions were extracted from the Arizona Office of Tourism and the Scottsdale 2022 Visitor Report produced by Longwoods Travel USA. The analysis uses basic economic fundamentals regarding impact analysis such as using the Consumer Expenditure Survey to determine spending patterns of employees based on their respective wages and Census survey results used for calculating the percentage of employees that live within the county, city or town in which they work. All values are expressed in current dollars.

According to the 2020 decennial Census, the Town of Fountain Hills had a population of 23,820 and there were 13,883 housing units. Of these total housing units, an estimated 2,401 units were vacant. Additional survey information provides details on these vacant units that allows us to understand the number of estimated winter visitors. That is, an estimated 1,639 vacant units are used for seasonal, recreational or occasional use. This represents about 11.8% of total units.

Town of Fountain Hills Housing Units by Use	
Total Units	13,883
Occupied Units	11,482
Vacant Units	2,401
For rent	265
Rented, not occupied	82
For sale only	190
Sold, not occupied	97
For seasonal, recreational, or occasional use	1,639
Other vacant	128

*Source: 2020 Decennial Census



The Town of Fountain Hills is home to four golf courses, four resorts/hotels, and a handful of adventure travel businesses along with numerous restaurants and retail establishments that visitors frequent.

Fountain Hills Tourism Impact Tourism Based Businesses	
<u>Hotels</u>	
	<u>Rooms</u>
ADERO Scottsdale	177
Fountain Park Hotel	58
Comfort Inn Mayo Clinic	48
Inn at Eagle Mountain	37
Total rooms	320
<u>Golf Resorts</u>	
	<u>Golfers</u>
FireRock County Club	36,000
Eagle Mountain Golf Club	54,000
Sunridge Canyon Golf Club	28,600
Desert Canyon Golf Club	42,000
Total golfers	160,600
<u>Other Tourism Based Businesses</u>	
Bike Rentals/Off Road Adventures	
McDowell Mountain Cycles	
Fountain Hills Bikes	
Desert Dog Offroad Adventures	
Source: EDPCo; Town of Fountain Hills	

Using Placer.ai data, information was gathered regarding estimated visitation to ten Fountain Hills events held on an annual basis. The following table provides totals during the event along with estimates for local (Fountain Hills residents), regional (within 25 miles) and out-of-state visitors.

In total, there were an estimated 190,684 attendees at the ten events hosted in Fountain Hills in 2022. This data would include vendors and workers. The regional visitors are assumed to visit as a day trip while many of the “out-of-state” visitors would stay in the local hotels and available vacation rentals. However, the Town is limited for each of the events in terms of the number of available beds. Thus, some of these overnight visitors are assumed to stay in nearby Scottsdale or elsewhere in the Valley.



Fountain Hills Events								
Event	Dates	Visitation	Local		Regional		Out of State	
			Visitors	% Total	Visitors	% Total	Visitors	% Total
Concours in the Hills	2/12	18,317	5,349	29.2%	9,464	51.7%	3,504	19.1%
Fountain Festival of Fine Arts & Crafts - Feb	2/25 - 2/27	36,959	10,190	27.6%	15,700	42.5%	11,069	30.0%
Irish Fountain Festival	3/12	12,007	4,426	36.9%	4,558	38.0%	3,023	25.2%
Dark Sky Festival	3/26	8,483	3,772	44.5%	1,890	22.3%	2,821	33.3%
Music Festival	4/1 - 4/2	18,544	8,597	46.4%	5,433	29.3%	4,514	24.3%
4th of July Fest	7/1	16,014	5,565	34.8%	9,056	56.6%	1,393	8.7%
Car Show	9/10	16,940	3,124	18.4%	11,057	65.3%	2,760	16.3%
Oktoberfest1/	9/24 - 9/25	15,058	6,315	41.9%	5,383	35.8%	3,359	22.3%
Fountain Festival of Fine Arts & Crafts - Nov	11/11 - 11/13	35,306	9,949	28.2%	18,352	52.0%	7,005	19.8%
Turkey Trot	11/25	13,056	5,062	38.8%	2,660	20.4%	5,335	40.9%
Grand Total		190,684	62,348	32.7%	83,553	43.8%	44,782	23.5%

1/ 2021 visitation due to inclement weather in 2022
 Source: Town of Fountain Hills; Placer.ai

The four hotels in the Town of Fountain Hills have a total of 320 rooms. According to Smith Travel Research, the average annual occupancy rate in 2022 was 53.3% and the average daily room rate was \$171.80, for total estimated revenues of \$10.7 million.

Vacation rentals in the Town are more difficult to track. While new data is becoming available, this report relied on initial releases of the number of local homes that offer vacation rentals, research from internet booking sites as well as revenue data from the Town of Fountain Hills. In total, given the applied assumptions, the 349 units offer 994 bedrooms and generated \$7.9 million in revenue.

Fountain Hills Tourism Impact Hotels and Vacation Rentals Assumptions	
<u>Fountain Hills Hotels</u>	
Total number of rooms	320
Average annual occupancy	53.3%
Average daily rate	\$171.8
Persons per room	2.2
Estimated revenue	\$10,695,000
<u>Fountain Hills Vacation Rentals</u>	
Total units	349
Total rooms	994
Total number of pillows	1,988
Estimated revenue	\$7,930,000
Source: EDPCo; Town of Fountain Hills; Smith Travel Research	

In total, given the assumptions outlined above, Fountain Hills hosted an estimated 238,900 overnight visitors. This overnight visitor figure is based on the available hotel and vacation rental estimates. In terms of day trips to Fountain Hills, the figure is estimated based on the data regarding local events, information regarding the number of golfers and data on other



adventure-based businesses. In total, there were an estimated 249,500-day trip visitors in 2022.

Total lodging revenues for this analysis were estimated at \$18.6 million in 2022. For non-lodging visitor spending, an average of \$150 in spending per person per day for overnight visitors and \$67 per day for day trip visitors was used. This equates to a total of \$36.8 million in non-lodging visitor spending that occurred in the Town of Fountain Hills in 2022. This figure uses a 25% spending leakage rate outside of the Town. Estimates for these visitors that ventured (or stayed) outside of the Town are also provided in the following table.

Fountain Hills Tourism Impact Visitor Spending Assumptions	
Annual overnight visitors	238,900
Annual daytrip visitors	249,500
Overnight visitor spending per day	\$150
Daytrip visitor spending per day	\$67
<u>Spending Estimates</u>	
Fountain Hills lodging revenues	\$18,625,364
Fountain Hills non-lodging visitor spending	\$36,820,205
Total lodging throughout Greater Phoenix	\$21,368,941
Total visitor spending throughout Greater Phoen	\$46,617,525
Source: EDP Co; Longwoods Travel; Arizona Office of Tourism; Smith Travel Research	

Total spending estimates are further broken down into spending categories in order to run the economic and fiscal impact of the spending. The categories include lodging, food & beverage, entertainment, in-town transportation and retail.



Fountain Hills Tourism Impact Visitor Spending Assumptions Percent of Total Spending		
Spending by Category	Overnight Visitors	Daytrip Visitors
Lodging	35.8%	N/A
Food & Beverage	25.7%	39.0%
Entertainment	11.7%	18.0%
Transportation	11.7%	12.0%
Retail	15.2%	31.0%
Total	100.0%	100.0%

Source: EDP Co.; Longwoods Travel

2.2 Economic Impact Methodology

Economic impact analysis examines the economic implications of an activity in terms of output, earnings and employment. For this study, the analysis focused on tourism-based businesses and the impact of ten hosted events.

The different types of economic impacts are known as direct, indirect and induced, according to the manner in which the impacts are generated. For instance, direct employment consists of permanent jobs held by employees in the tourism industry. Indirect employment is those jobs created by businesses that provide goods and services essential to the operation of the company or tourism industry. These businesses range from manufacturers (who make goods) to wholesalers (who deliver goods) to janitorial firms (who clean the buildings). Finally, the spending of the wages and salaries of the direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy, throughout the metropolitan area. These secondary effects are captured in the analysis conducted in this study.

Multipliers have been developed to estimate the indirect and induced impacts of various direct economic activities. The Implan Group developed the multipliers used in this study. The economic impact is categorized into three types of impacts:

- (1) **Employment Impact** – the total wage and salary and self employed jobs in a region. Jobs include both part-time and full-time workers.
- (2) **Earnings Impact** – the personal income, earnings or wages, of the direct, indirect and induced employees. Earnings include total wage and salary payments as well as benefits of health and life insurance, retirement payments and any other non-cash compensation.



- (3) **Economic Output** – also referred to economic activity, relates to the gross receipts for goods or services generated by the company’s operations.

Economic impacts are by their nature regional in character. Such impacts are best illustrated when not assigned to a specific Town or locality, although clearly the primary impact of job creation would be on the Town where the activity is located.

2.3 Fiscal Impact Methodology

Fiscal impact analysis studies the public revenues associated with a particular economic activity. The primary revenue sources of local, county and state governments (i.e. taxes) are analyzed to determine how an activity may affect the various jurisdictions. This study will evaluate the impact on State and local government revenues.

The fiscal impact figures cited in this report have been generated from information provided by a variety of sources including the U.S. Bureau of the Census; the U.S. Department of Labor; the Internal Revenue Service; the State of Arizona; the Arizona Tax Research Association; and the U.S. Consumer Expenditure Survey. Elliott D. Pollack and Company has relied upon the data gathered and information provided by the Town of Fountain Hills. Unless otherwise stated, all dollar values are expressed in current dollars.

Fiscal impacts are categorized by type in this study, similar to economic impact analysis. The major sources of revenue generation in this report are related to the estimated visitor spending outlined in the assumptions. The tourists visiting for the events and visiting the tourism-based businesses will generate “primary” revenues from spending on retail, restaurants, hotels and entertainment. The employees supported by tourism would spend part of their salaries on local goods and services. These employees would also contribute to revenues collected by the State and that are ultimately shared with local counties and cities.

The following is a description of the applicable revenue sources that will be considered for this analysis. These taxes are the major revenue sources and exclude certain taxes (such as corporate income tax) that would create additional impact. Thus, revenue estimates can be considered conservative.

- **Sales Tax**
The State (5.6%), Maricopa County (0.7%), and Town of Fountain Hills (2.9%) charge transaction privilege tax on goods such as retail items, utility use and rental property. For this report, these tax rates are applied to taxable supplies, taxable spending as well as to the spending of direct, indirect and induced employees. Based on data from the U.S. Consumer Expenditure Survey, the projected extent of retail spending and resulting sales tax receipts was calculated.



- Bed Tax
The State (5.5%), Maricopa County (1.77%) and Town of Fountain Hills (6.9%) charge sales tax on hotel and motel revenues. This tax is levied on the room revenue estimates generated by the visitors to the Greater Phoenix area.
- Property Taxes
Local businesses in Fountain Hills property taxes on real property. In addition, employees supported by tourism and operations will pay property taxes on the homes they occupy. In order to estimate property taxes, the assessed value full cash value of a typical housing unit was calculated.
- State Unemployment Tax
Unemployment insurance tax for employees is 2.7% on the first \$7,000 of earned income. This factor is applied to the projected wages and earnings of direct and indirect employees.
- State Shared Revenues
Each Town in Arizona receives a portion of State revenues from four different sources - State sales tax (see description above), State income tax, vehicle license tax and highway user tax. The formulas for allocating these revenues are primarily based on population. Counties also share in the revenue sources of the State, with the exception of income tax.

State Income Tax

The State of Arizona collects taxes on personal income. The tax rate used in the analysis averages about 1.6% for earnings. These percentages are based on the most recently available income tax data from the State and the projected wage levels of jobs created by the operations and tourism impact. This tax is applied to the wages and earnings of direct and indirect employment. Portions of this tax are redistributed through revenue sharing to cities throughout Arizona based on population.

HURF Taxes

The State of Arizona collects specific taxes for the Highway User Revenue Fund (HURF). Both the registration fees and the motor vehicle fuel tax (gas tax) are considered in this analysis. The motor vehicle fuel tax is \$0.18 per gallon and is calculated based on a vehicle traveling 12,000 miles per year at 20 miles per gallon. These factors are applied to the projected direct and indirect employee count. Portions of these taxes are distributed to cities and counties throughout Arizona based on a formula that includes population and the origin of gasoline sales.

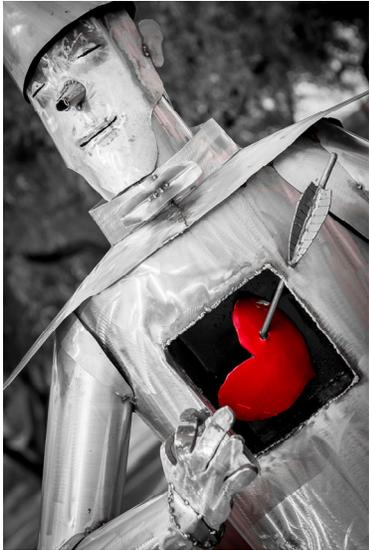


Vehicle License Tax

The vehicle license tax is a personal property tax placed on vehicles at the time of annual registration. This factor is applied to the projected direct, indirect and induced employee count. The average tax used in this analysis is \$325 and portions of the total collections are distributed to the Highway User Revenue Fund. The remaining funds are shared between cities and counties in accordance with population-based formulas.

The above tax categories represent the largest sources of revenues that would be generated to Town, County and State governments. This analysis considers gross tax collections and does not differentiate among dedicated purposes or uses of such gross tax collections.





3.0 Impacts of the Fountain Hills Tourism Industry

The Town of Fountain Hills is home to four resorts/hotels, four golf courses, a number of adventure-based businesses and 10 annual weekend events that bring visitors to the Town. These tourists inject new dollars into the economy and create a large economic and fiscal impact on the State, Maricopa County and the Town of Fountain Hills from their tourist-type activities. These activities include staying at hotels, eating at local restaurants, and shopping at local stores. The following tables provide the economic and fiscal impacts of the tourism-based businesses and annual festivals and events in the Town of Fountain Hills.

3.1 Economic Impact of the Fountain Hills Tourism Industry

The spending of Fountain Hills visitors throughout the region generates an estimated 642 direct jobs in the local economy with wages of \$26.6 million. Indirect and induced impacts include an additional 299 jobs with total wages of \$20.1 million. This equates to a total impact of 941 jobs created with wages of \$46.7 million and total annual economic output of \$119.7 million. Economic impacts are region-wide to include the impacts of suppliers and secondary impacts of employees through Greater Phoenix.

Fountain Hills Tourism Impact Summary of Economic Impact (2023 Dollars)			
	Jobs	Wages (\$ mil)	Output (\$ mil)
Direct	642	\$26.6	\$60.1
Indirect	117	\$8.5	\$24.8
Induced	182	\$11.6	\$34.9
Total	941	\$46.7	\$119.7

Source: Implan; Elliott D. Pollack & Company; Fountain Hills; AOT; STR



3.2 Fiscal Impact of the Fountain Hills Tourism Industry

Primary revenues generated at tourism-based businesses and from visitor spending include the direct sales and bed tax as well as car rental tax (State and County) and property taxes (County, special districts and school district).



For the State of Arizona, the Fountain Hills tourism industry generated an estimated \$3.9 million in tax revenue in 2022. This includes \$2.4 million in primary revenues and \$1.5 million in secondary revenues generated by tourism-related employees.

Fountain Hills Tourism Impact State of Arizona (2023 Dollars)	
<u>Primary Revenues</u>	
Sales	\$1,426,800
Bed Tax	\$790,400
Car Rental	\$201,600
Total Primary Impact	\$2,418,800
<u>Secondary Revenues</u>	
Employee spending sales tax	\$527,800
Personal Income Tax	\$579,800
Unemployment tax	\$177,800
VLT	\$137,700
HURF	\$87,200
Secondary impact from employees	\$1,510,300
Total Impact	\$3,929,100

Sources: Elliott D. Pollack & Company; Town of Fountain Hills; ATRA; Implan

Maricopa County collected an estimated total of \$1.3 million during 2022 from the Fountain Hills Tourism Industry. This includes \$816,200 from primary (direct) revenues and \$461,700 in secondary revenues generated by the spending of employees supported by the tourism industry.



Fountain Hills Tourism Impact Maricopa County (2023 Dollars)	
<u>Primary Revenues</u>	
Sales Tax	\$232,800
Bed Tax	\$378,300
Property Tax*	\$172,200
Car Rental Tax	\$32,900
Total Primary Impact	\$816,200
<u>Secondary Revenues</u>	
Employee spending sales tax	\$108,400
Residents property tax	\$343,000
State shared revenue	\$10,300
Total Secondary impact from employees	\$461,700
Total Impact	\$1,277,900

*Includes special districts

Sources: Elliott D. Pollack & Company; Town of Fountain Hills; ATRA; Implan

The Town of Fountain Hills revenues generated from the tourism industry include \$903,600 from sales taxes, \$1.3 million in estimated lodging tax and \$176,800 in property taxes for the school and sanitation districts. An additional \$190,800 in secondary revenues from tourism-related employee spending was calculated. In total, the Town of Fountain Hills collected an estimated \$2.6 million during 2022 from the Fountain Hills Tourism Industry.

Fountain Hills Tourism Impact Fountain Hills (2023 Dollars)	
<u>Primary Revenues</u>	
Sales Tax	\$903,600
Lodging Tax	\$1,285,200
Property Tax*	\$176,800
Total Primary Impact	\$2,365,600
Employee spending sales tax	\$140,900
Residents property tax	\$48,300
State shared revenue	\$1,600
Total Secondary impact from employees	\$190,800
Total Impact	\$2,556,400

*Includes local school district tax and sanitation district

Sources: Elliott D. Pollack & Company; Town of Fountain Hills; ATRA; Implan

