



Chapters 48-49

Tourism as Economic Development: The Real Economic Impacts of Tourism

Every US state puts out an annual report about the number of visitors to the state, what they spent, their length of stay, and so on. Other than the ability to glean bits of information from these materials, they can be of little use to a community where tourism is operating at a completely different scope and scale.

In many locations, visitors arrive, pay for a hotel and admissions to attractions and activities, eat in restaurants, and shop in local stores, yet these parties of 2, 3, or 4 are mostly invisible. We know there are people from out of town in the community at any given point, but unlike manufacturing which can document the number of products shipped every day, there is virtually no way to count each and every visitor.

Various economic impact models to calculate this information have been developed by consulting organizations, but no one model is totally accepted as a national model and applied across the board. The lack of a consistent model accounts for the fact that return on investment figures calculated for tourism programs range all the way from \$3 or less, to \$50 or more, for every promotional dollar spent. The most realistic figure appears to be the \$11 return on investment for every dollar spent on tourism promotion, stated by Travel Oregon.

A Typical Large County Summary

Because hotel tax is collected and paid out by counties, many organizations report their economic impact numbers on a countywide basis. Cuyahoga County, which encompasses the City of Cleveland, reports 17.9 million visitors arrived in 2022, an increase of 12% from 2021. They spent \$6.4 Billion while visiting, a 19% increase over the previous year. The economic impact of this visitor spending was placed at \$10.6 Billion, \$4 Billion more than actual visitor spending, because the figures incorporate what are referred to as “indirect” and

“induced” spending. Using this type of extrapolated increase is where explaining the economic impact of visitors can get risky when non-believers are able to say, “it’s just a bunch of mumbo jumbo.”

Likewise, the employment numbers stated at 69,184 individuals employed by tourism and travel also included direct, indirect, and induced jobs. Local officials who are already skeptical of value of tourism may not be convinced with numbers that include “indirect and induced.” Perhaps it is easier to state that all the economic activity that direct visitor spending makes possible increases the economic impact value of those transactions by about 40%.



The Cuyahoga County report further concludes that the economic activities including visitor-supported spending, jobs, and business sales generated \$1.5 Billion in taxes representing an average savings of \$1,330 per household on their state and local taxes. The revenues that derive from visitor transactions at businesses serving visitors, enable the staff to shop at the local grocery store using their pay. However, that visitor spending is being counted by the grocery store in the tax revenues they deliver to the County.

In essence, these equations appear to be “double dipping” to a public not knowledgeable or trusting of economic models. It would likely be more effective to state the actual tax revenues that were generated by the direct visitor spending, because those are the revenues the County will be able to use to support additional community services or other beneficial projects.

City of Virginia Beach

Moving now to a smaller city, but still one with a population of 457,672, the City of Virginia Beach welcomed 13.6 million visitors in 2022. The \$2.4 billion that visitors spent was calculated as generating \$3.7 billion in economic impact. This level is right around the same percentage of increase that was calculated by the Cuyahoga County, when indirect and induced numbers were included. Visitor spending sustained 32,704 jobs or 19% of all jobs in the city. In addition, tourism spending contributed \$324 million in state and local tax revenues offsetting local annual taxes by \$1,754 per Virginia Beach household.

42% of the visitor spending was expended on food and beverage, 28% on lodging that included both hotels and short-term rentals. Transportation and recreational activities each claimed 11%, and retail, 9% of total spending. While day visitors accounted for 60% of arrivals, the 40% who stayed overnight averaged four nights in the city.



City of San Jose, California

The City of San José's Office of Economic Development and Cultural Affairs revealed that Santa Clara County's nonprofit arts and culture industry generated \$384.5 million in economic activity in 2022, including \$292 million spent in the City of San José itself. These numbers are based on arts and cultural audiences who typically spent \$43.88 per person, per event in San José, in addition to the cost of admission. 23.7% of the arts and culture attendees were from outside Santa Clara County spent an average of \$65.69 per event in addition to admission.

What is Realistic in Smaller Communities?

The following examples illustrate that visitor spending in small communities is viewed in several different ways and varies widely from place to place. The results are dependent on the effectiveness of tourism promotion, the success of events, and many other factors. But, as the examples in both large and small areas illustrate, it is possible to deliver economic development through tourism in towns and communities of all sizes.

Hillsborough County North Carolina

Hillsborough County calculated that a continuous annual cycle of visitor promotion generated an increase of more than 20% in food and beverage tax revenues from \$263,276 to \$318,286 annually over a five-year period.



The county also calculated there were 109,743 non-resident attendees at arts and cultural events who spent an average of \$16.88 above the cost of event admissions, delivering a total of \$1,852,462. These expenditures were spent on meals and refreshments in local restaurants and bars, on gifts from local shops, ground transportation, filling up the gas tank, one night of overnight lodging, and other miscellaneous purchases.

The \$5 admission fee for the event added another \$548,715 to the local economy, bringing the total up over \$2M added to the visitor economy just from the arts events. Based on the above, local restaurants received more than \$1M in revenue from the spending of these visitors from out of town they would not have enjoyed otherwise.

Otero County, New Mexico

Otero County, New Mexico reports that visitors spent \$228.6M in the county, generating just at \$19M in state and local taxes, that funded the starting salaries of 349 teachers.

Somerset County, New Jersey

Somerset County, New Jersey related visitors spent \$207 on accommodations, \$243 on shopping, \$190 on recreation and entertainment, \$337 on food and beverage, and \$143 on transportation, on average per trip.

Lincoln County, Tennessee

Fayetteville/Lincoln County Tennessee reports that visitors spent \$22.77M in their county within a year, which delivered \$740,000 in local tax revenues, and supported 140 jobs.

Dillsboro, North Carolina

Tiny Dillsboro, North Carolina, population 249 reported that tourism dropped unemployment in the region from 8% to 3.7% with 65% of the visitors to the summer Art and Music Festival, the Juried Pottery Festival, and the University Mountain Heritage Festival, indicating the town was their main destination. One third of the average 3.6 person traveling parties stayed in Dillsboro.



Tourism Sustains Small Businesses

Perhaps the main advantage visitors deliver to small communities is the spending they deliver to the small businesses that line the streets in communities of all sizes.

Rather than in large corporations, economic development is grounded in small businesses, the 99.9% or close to all of America's 34 million businesses. Eight out of 10 of these businesses have no employees, while 16% have between one and 20. Only 650,000 organizations in the entire US have more than 20 employees.

There is an average of 60 small businesses per 1,000 residents in towns throughout the US, that fill a town with 3,000 residents with 180 small businesses. In cities, there are clusters of these small businesses organized into what we refer to as "neighborhoods," the equivalent of a small community, located every so often in large metropolitan areas. These are the businesses visitors patronize.

Programs that proactively assist these businesses to solve problems that could cause them to close or move away, are the most important thing that can be done to maintain a visitor economy. Messages that promote the community as a good place to locate, and live, must first focus on a message to visit. No business owner is going to relocate a business until they have found the community is a satisfactory place to live. Yet, these new businesses are needed to grow the visitor economy.

Tourism Creates Jobs

One of the first questions local officials being asked to support expanding tourism ask is, “ what level of job creation can we expect visitor spending to generate?”

Even in view of the priority of economic development offices to publicize the number of jobs they are responsible for generating, proving job numbers for tourism that everyone can agree on has been challenging. It stands to reason that people in the community are working in jobs serving visitors. Workers staff and manage hotels and restaurants, serve visitors at attractions, and in local retail stores, and hold otherwise obvious jobs in tourism.



There have been many attempts to clarify the true number of jobs generated by tourism programs, yet there is no one single figure used in the United States. This is mainly because pay scales vary so widely from coast to coast and for example, not all restaurant jobs, can be attributed to tourism.

Conventional thinking has been that tourism jobs are only low paying and marginal, and some are only seasonal. In fact, these types of workers are needed to serve visitors, yet the tourism industry generates a wide range of job opportunities in hospitality, entertainment, transportation, and retail. Every new business, hotel, restaurant, shop, or service business has a manager and sometimes an assistant manager, in addition to front line staff.

If these businesses do not have their own financial management personnel, they use the services of local providers, who can increase their own staff in response to more demand. Plus, tourism jobs are both “starter” jobs that reduce local unemployment, and higher paying professional positions. Interestingly, research reveals that more individuals in starter jobs in the tourism industry successfully pursue college degrees than in any other industry. The jobs both pay the bills and allow the flexibility needed to pursue classes, serving as a springboard to greater things.

US Travel indicates every \$100,000 in visitor spending generates one new job. Research based on numbers analyzed from various US congressional districts summarized that 100 new traveling parties would create the equivalent of one new job and 1,000 new parties the equivalent of 10 new jobs.



Using the Travel Oregon number of \$249 per person per day visitor spending and an average traveling party size of 2.1 spending 3 days in a community, results in a total of \$156,870 in visitor spending. Comparing that figure to the US Travel number, 100 new traveling parties created the equivalent of 1.5 new jobs and 1,000 new parties, the equivalent of 15 new jobs.

Quad Cities stated that 8,618 people were employed in the visitor economy industry while Tybee Island, Georgia indicated visitor spending supported 1,902 jobs on the island, and many more off-island. The State of Georgia calculated that 484,00 people are employed in tourism within 159 counties, an average of 3,044 tourism supported jobs per county. Tri-Valley, California indicated that visitor spending supported 7,396 jobs.



One of the clearest statements about the value of tourism was issued by New York State, where a side-by-side graph clearly illustrates that the unemployment rate in New York State was 5.3% in 2015 with jobs in tourism included. It would have been 13.2% if the tourism jobs were eliminated.

Research by Tourism Economics revealed that visitor spending also spurs faster growth in a region as well. According to their study, locations with a higher concentration of visitor industries grew faster than other areas, and a 10% increase in travel and tourism employment tended to be followed by a 1.5% increase in broader employment.

At the conclusion of compiling the above information on an annual basis, it will be very important to develop a very succinct, visually attractive presentation and distribute it widely.

Be prepared to answer all questions about how the information was generated. Communicate interactively with all interested parties and ask for support. Keep an eye out for a change in attitudes as the information sinks in. Make sure tourism continues to deliver and watch it grow. Keep delivering the message that tourism is economic development, over and over again.

The Vast and Varied Other Economic Impacts of Tourism

Few things have gained consensus in the world of economic development, yet it appears that the highest priority of most economic development professionals is increasing the quality of life in their community. That is precisely what tourism delivers.

Even though local officials in many places may be aware of, or even witnessing the economic activity generated by the small businesses in a community, there may still be many who have not grasped the concept that attracting visitors proactively contributes to exactly what they want to achieve.

They must be made aware that it's possible to chart a path to generate economic development through tourism which touches upon virtually every primary goal of economic development.

Tourism does in fact, increase the number of jobs at both starter and higher levels. Plus, tourism can and often does spark that much needed downtown revitalization. It delivers stronger support for the arts and diversifies the tax base, making economic development more inclusive. And it delivers these things

in far less time than it takes to plan and build a major infrastructural project or recruit a large manufacturing corporation.

Taking Credit for All Tourism Delivers

Despite all that, it still appears that one of the most critical issues is convincing the “powers that be” that tourism is serious economic development and not just “the fun stuff.” Doing so will certainly elevate the perception of tourism. And in many locations that just means taking credit for what actually happens.

The additional vast and varied, just as viable results that tourism delivers, are most often overlooked when assessing the value of the tourism program, because they are not normally tracked and quantified as part of tourism reporting. Doing so dramatically increases the value of the tourism program and justifies the funds invested in it.



Diversification of Income

As new businesses move in and others are started, tourism works to diversify the local economy, which reduces the vulnerability to economic downturns, and reliance on a sole industry. It also spreads the wealth around. For example, in Joplin, Missouri, noted for its location on Route 66, a strong arts community works to attract additional visitor markets, as does Meridian, Mississippi, which has two major arts facilities to attract visitors from the surrounding region to first rate performances. New arts venues attract more arts locations and are often accompanied by more restaurants and boutiques. All these, and other added new businesses and economic activities, add up to a more diversified community tax base. As the starting place for new reporting, illustrate the new revenue spread of the more diversified tax base.

Attracting New Residents to Counter Depopulation

Research indicates one third of new residents who move to a region first arrive as visitors. New businesses also come with new residents in tow. This presents the opportunity for communities with a history of depopulation to change the population trend line. Illustrate population changes as the trend line changes from negative to positive.



Enhanced Community Services

The increased tax revenues that visitors deliver can be reinvested to improve local services and/or add more amenities for residents. Or they can be mandated to make the community a more attractive place to live, increase services and support of the disadvantaged, improve education, expand health care services and public safety, or all the above, depending on community priorities. These possibilities are a win-win for everyone. Illustrate what expanded tax revenues have provided in increased community impact.

Quality of Life Enhancement

Virtually everything developed and constructed for visitors also contributes to a higher quality of life for residents. Improved amenities, more entertainment options, more shops, and physical improvements to the community's downtown, are all byproducts of a thriving tourism program.

A new or improved heritage museum presents the opportunity for residents to learn more about their own heritage, and new entertainment venues provide higher levels of entertainment programming for visitors and locals alike. An upgraded trail provides exercise opportunities for both, as do other outdoor recreation improvements built on a community wide basis. Illustrate all improvements, new offerings, upgraded offerings, and other positive changes. They are all a result of tourism increases.



Historic Building Restoration

In many communities, especially those with historic downtowns, increased visitors most often mean that historic buildings are restored or renovated, while retaining their historic character, due to the understanding that is what visitors will respond to. Think of all the restaurants located in historic structures with exposed brick walls and ceiling superstructures that have been pressed into productive use because relocating businesses wanted a location on Main Street.

A report out of North Carolina titled *Small Towns, Big Ideas* relates stories of small towns that began revitalization with very limited resources. In some cases, in these tiny towns, the restoration of only one historic building that transformed it into an artisan center, or a collection of antique dealers that decided to band together in a new restored location, started it all. That was all there was available initially to attract visitors to town.

The upgrade was soon joined by a new restaurant or cafe, and so it progressed. At the same time, bringing these buildings up to speed leads to higher property values, a more attractive downtown, and commerce where there was none. Other communities start with restoration of a theater, or development of a craft brewery as a spearhead to attract visitors to their town. Quantify and illustrate the number of these projects, new tenants, facade restorations and improvements, and other similar activities, and the dollars spent. They are also products of the tourism effort.

Infrastructure Improvement and Development

The new mayor of a small town said recently, “we need to clean up the gateway to town,” since no community should say to visitors “we value your visit and want you to leave your money behind,” and then have them drive into town on potholed roads with unkempt roadsides and other visual blight.

At some point a plan to improve community gateways, roads, public spaces, and new placemaking projects will deliver a better impression for visitors as they arrive, and at the same time elevate community pride. Many states have grants available for these improvements and welcome the impetus on the part of a local community to spearhead getting the work done. Quantify the value and illustrate all community improvements.

Additional Real Estate Development

Visitors who bring their businesses and other residents who move to enjoy small town life, need places to live, increasing the demand for residential real estate. Value and illustrate all additional residential development to house new residents who arrive due to increased tourism.

Heritage and Cultural Preservation

An increase in visitors often also provides the opportunity to expand offerings and events that promote, preserve, and celebrate local heritage, culture, and traditions. All are important to maintain a cohesive cultural fabric for generations to come, while also strengthening community identity and pride. Illustrate the number of new offerings, festivals, and events, plus any specific cultural preservation activities such as new storytelling or other culturally focused activities that have occurred (such as new programs at local churches focused on heritage) as well as counting the number of visitors who attended.



Support for Arts and Culture

When visitors explore art galleries, visit museums, and participate in art center activities, they boost revenues for existing artisans, that likely work to attract additional creative types who want to join a thriving arts scene. Verify these new arts revenues with the various locations and add them to the tally.

Promotion of Local Products

Tourism also drives demand for local goods, produce, wines, brews, crafts, and more, supporting local artisans, and producers. Gather information from the producers themselves about increases in sales that are attributable to visitors and add that total to the benefits tourism delivers.



Preserving Land and Family Land Ownership

Farm-based visitor experiences, referred to in the industry as “agri-tourism,” help preserve farmland and keep ownership of the land in the hands of farmers. Illustrate the number of acres involved and verify the value of the protected and preserved acreage.

Increased Recreational Opportunities and Conservation

As tourism increases, communities often increase the number outdoor recreational opportunities for visitors, which in turn increases the acreage of preserved landscapes and protected natural areas, while providing new outdoor recreation resources for residents. Track and illustrate these developments as they occur, the natural environments that are preserved in the process, and the new opportunities that come online.

Other Economic Benefits of Outdoor Recreation

Interestingly the availability of outdoor recreation delivers additional benefits to areas where these environments are located. Some of the visitors who value the quality of outdoor recreational facilities in a particular area purchase a second home. In fact, there are studies that indicate the availability of outdoor recreation can make the difference between gaining or losing population, particularly in rural counties.

Plus, new residents moving into locations with high quality recreation assets generally have higher incomes, than new residents moving into locations without the resources. The presence of outdoor recreational assets and amenities such as trails are also related to higher property values, especially when the trails provide convenient opportunities for physical activity and safe corridors for walking or cycling. Adjacency to trails added an approximate 2% price premium

in a San Antonio, Texas, neighborhood. Where the trails were surrounded with a larger green space, the premium went up to 5%.

In New Castle County, Delaware, homes near bike paths commanded a 4% price premium. And in Methow Valley, Washington, homes within one-quarter mile of trails benefit from a 10% price premium. Homes located along a trail in Austin, Texas, enjoy a price premium ranging from 6% to 20% depending on views of the green space surrounding the trail, and whether they had direct neighborhood access.



Scenic Byways and Routes, Proven Economic Drivers

During Covid, Americans were looking for smaller locations with no crowds, just to get out of the house, or rural areas where they could relax, away from the hustle of larger urban areas. This fed into road trips to small towns, small cities, and rural communities which are generally not located on interstate highways. More and more, visitors began choosing alternative routes to enable slowing down and enjoying the scenic landscapes along the way.

A study conducted by Ford Motor Company revealed that 54% of drivers prefer to take the scenic route when they are on the road. Approximately 69 million Americans can be considered scenic road aficionados, particularly attracted scenic roadways with to cultural and heritage experiences along the route. Contrary to the assumption that scenic road trips are only taken by those with limited incomes, road trips increase as household incomes increase. Regions with scenic byways and scenic roads clearly understand they serve as economic generators.

To get a better view of actual visitor spending on scenic byways and scenic routes, National Travel Center identified a collection of economic impact studies regarding scenic byways, beginning with the 2009-2010 University of Minnesota Center for Tourism study of two Minnesota Scenic Byways. Colorado's Scenic Byways Economic Impact Study revealed an average of \$313,000 per mile, per Byway, per year, in visitor spending along Colorado Byways.



Using that figure as a benchmark, multiple studies revealed visitor spending ranging from \$41,140 per mile along Florida Byways, to a whopping \$2,396,514 of visitor spending per mile on the Blue Ridge Parkway, which delivers a total of \$1.1 Billion in annual visitor spending to the region it passes through. Replete with historic towns and historic attractions, the Journey Through Hallowed Ground which travels between Gettysburg, Pennsylvania and Charlottesville, Virginia, generates \$3,521,300 per mile per year.

Taking these heavy hitters out of the equation, visitor spending averaged \$447,095 per mile, per byway, per year. A subset of the shorter roads taken together averaged \$305,303 per mile annually. Unlike the Minnesota studies, NTC only used direct traveler spending and did not include indirect spending or induced spending in these equations.

The results led to the conclusion that well promoted Byways and scenic roads that feature heritage and cultural locations along the roadway can generate on average between \$250,000 and \$450,000 in visitors spending per mile, per byway, per year.

Selected studies also translated visitor spending into job creation. For example, the 29-county byway region of North Carolina and Virginia surrounding the Blue Ridge Parkway realized \$1.5 billion in total business sales, sustaining approximately 9,300 jobs, and an increase of \$251.7 million in labor earnings.

Within the four-county region of Oklahoma and the Cherokee Nation, the Cherokee Hills Scenic Byway generated \$85.3 million in total business sales and created 924 jobs, an increase of \$30.2 million in earnings.

The 15-county region in Maryland, Pennsylvania, and Virginia which the Journey Through Hallowed Ground National Scenic Byway passes through realized \$1.06 billion in total business sales sustaining more than 6,500 jobs.

The Beartooth Highway All American Road in Wyoming and Montana, segmented visitors into four groups: Road Tourers, Active Outdoors, Passive Viewers, and Knowledge Seekers. The Knowledge Seekers defined as “visiting a historical site and visiting interpretive sites” spent 35% more than Passive Viewers: scenic drivers who engage in wildlife watching and nature photography. Road Tourers and Active Outdoors were somewhere in between, yet both had lower spending than Knowledge Seekers.

A study of scenic road travelers in Virginia revealed that they spent on average 38.6% more than other leisure travelers. In Oregon, where “touring” is the number one activity pursued by visitors to the state, per person visitor spending of \$249 per day and an average trip length of 4.3 days for a party of 2 resulted in average trip spending of \$2,141. Economic drivers indeed.

National Travel Center was founded a decade ago to do something meaningful in the tourism industry. Today, as a Delaware Benefit Corporation, we believe we are doing so across the country, assisting communities of all sizes to attract more visitors to increase economic development and improve quality of life.

National Travel Center
433 North Charlotte Street
Lancaster, PA 17603
717-617-2051
www.nationaltravelcenter.org

