

Executive Summary: *Tourism-Related Benefits in Traverse City's Economy*

Commissioned by:



TraverseCity
Tourism

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I. Executive Summary

PURPOSE

Tourism is a major contributor to the economy in the Traverse City area. The industry generates billions in spending at local businesses and employs thousands of local residents. The Traverse City Tourism Corporation (TCTC) is charged with further developing tourism across the region, and as part of this effort they have commissioned this economic impact study. This report presents the findings of the study, providing the TCTC and other stakeholders with a measuring stick by which continued programs and investments can be evaluated.¹

APPROACH

In order to complete our analysis, we took the following steps:

1. Met with TCTC staff to define the Traverse City area and gather data and information on major events that draw tourists and hotel room bookings. The Traverse City area consists of all of Grand Traverse County, parts of Antrim County, and much of the other surrounding areas.
2. Gathered visitor spending information and employment and sales data on tourism-related industries in the Traverse City area.
3. Estimated the total number of visitors to the Traverse City area in 2012, along with their average daily spending.
4. Calculated the net economic impact of tourism in the Traverse City area in terms of jobs, earnings, output, and gross domestic product.

We define “net economic impact” as the economic activity directly or indirectly created by tourism in the Traverse City area. We also only consider spending and jobs related to tourism activity in the area.

For narrative detailing our approach and methodology, see “Methodology and Data” on page A-1.

OVERVIEW OF FINDINGS

Our analysis shows that:

1. The Traverse City region features a range of events, festivals, businesses, and area amenities that draw tourists into the area.

1. The Traverse City region is uniquely situated to offer events for tourists in all four seasons. With its location on Lake Michigan and the Grand Traverse Bay, Traverse City offers many outdoor activities in the summer such as sailing, kayaking, golfing, and scuba diving. The Sleeping Bear Dunes are also nearby, offering hiking and outdoor recreation for families and other visitors. Winter

1. The Traverse City Tourism Corporation was known as the Traverse City Convention & Visitors Bureau (TCCVB) until the fall of 2013. We use these names interchangeably in this report.

activities include skiing, snowboarding, and snowmobiling, with opportunities to break from the outdoors in local cuisine and culture.

2. Traverse City hosts many annual events, including the National Cherry Festival, the Traverse City Film Festival, Horse Shows by the Bay, arts and music, wine, and comedy festivals. These festivals occur in different times of the year, bringing in tourists year-round.
3. Traverse City is a leader in culinary and beverage culture, recognized as one of the nation's top five foodie towns.² The area is also home to wineries, distilleries, and breweries, earning the title as one of America's three newest Emerging Beer Towns.³ These culinary characteristics bring in tourists, and allow them to enjoy the fine local food and drinks of the area.

II. In 2012, over 3.3 million visitor trips were made to the Traverse City area resulting in \$1.18 billion in total spending at local businesses.

1. In 2012, approximately 1.3 million visitor parties came to the Traverse City area. There were an average of 2.5 visitors in each visitor party. Each visitor party stayed in the area an average of three days. This results in almost 10 million visitor days in the Traverse City area.
2. Because each visitor party stayed an average of three days per trip in the Traverse City area, the 10 million visitor days translates to approximately 3.3 million visitor trips to the area.
3. Of the 3.3 million visitor trips to the Traverse City area, 760,000 were visitors who stayed in hotels and the remaining 2.6 million were either visiting for the day or staying with friends and relatives.
4. Hotel visitor parties and other visitor parties spend different amounts at local businesses. The average spending for an overnight hotel visitor party was \$428 per night. This includes \$128 for a hotel room, \$125 at local restaurants and bars, and \$135 on shopping and other area activities.
5. Visitor parties that did not stay at hotels spent about \$255 per day—\$50 of this on accommodations, \$100 on food and beverages and \$90 on non-food retail and other activities in the area. Table 1 below shows average daily spending for visitor groups in the Traverse City area.

2. *Modest Living* awarded listed Traverse City among its Five Top Foodie Towns for two years in a row, and *Bon Appetit* listed it as one of America's Top Five Foodie towns.

3. The title was awarded by *Draft* magazine.

TABLE 1. Average Daily Visitor Spending per Party in the Traverse City Area

Spending Category	Hotel Visitors	All Other Visitors
Accommodations ^a	\$128	\$50
Food and Beverages	\$125	\$100
Entertainment & Recreation	\$65	\$45
Shopping and Retail	\$70	\$45
Vehicle Rental	\$20	\$15
Visitor Transportation (other)	<u>\$20</u>	<u>\$0</u>
Average Total Daily Spending per Party	\$428	\$255

Source: Anderson Economic Group, LLC

- a. For hotel visitors, accommodations is the spending on hotels; for non-hotel visitors, we assume that some parties stay in local RV parks or campgrounds, and that some stay in seasonal homes or with friends and family.

III. Tourism was responsible for creating and maintaining nearly 12,000 jobs across the Traverse City region in 2012.

1. Because tourism is responsible for a significant share of spending in the Greater Traverse City area, it also supports many jobs. Tourism directly supports 7,656 jobs at area businesses.
2. Not only does tourism *directly* support employment in the local area, but tourism spending has multiplier effects that help to create and maintain jobs in other industries as well. In 2012, tourism spending indirectly supported an additional 4,068 jobs in the Traverse City area.
3. Jobs created and maintained both directly and indirectly by tourism represented 29.4% of all employment in the Traverse City area in 2012.

IV. Tourism activity generated more than \$1.23 billion in economic activity for the Traverse City area.

1. Tourists in Traverse City spent \$1.18 billion at local businesses. Of this total, some \$794.6 million was recirculated in the local economy, thus creating additional economic impact.⁴ The multiplier effect of this spending resulted in more than \$1.23 billion in economic impact, including \$288 million in additional income and earnings for workers in Traverse City in 2012.

4. Some of the spending occurring in Traverse City leaves the area immediately due to leakage from transportation of goods and wholesale trade. Table 5 on page 11 details the proportion of spending by industry that leaves the Traverse City area immediately.

V. Visitor spending in the Traverse City region in 2012 contributed almost \$67 million in sales tax revenue to the State of Michigan.

1. Of the \$1.2 billion in sales at local businesses in Traverse City, \$1.1 billion is taxable under Michigan's sales and use tax. With Michigan's sales and use tax rate at 6%, tourism spending in the Traverse City area contributed almost \$67 million to the State of Michigan in sales tax revenue. This tax revenue is then allocated back to local communities through state revenue sharing.
2. Property taxes are also collected from businesses supported by tourism. These taxes are spent locally to support infrastructure and other local amenities for all Traverse City residents. Without tourism-supported businesses, the area may need to have higher tax rates in order to support the same level of public service.

**ABOUT ANDERSON
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Anderson Economic Group, LLC offers research and consulting in economics, finance, market analysis, and public policy. Since AEG's founding in 1996, the company has helped clients including universities, state and local governments, non-profit organizations, and private and public companies. AEG has completed economic impact studies for clients located throughout the United States. For more information on the report's authors, please see "About AEG" on page B-1.