

Economic Impact Overview: Triple Crown

5/29/15

Yampa Valley Data Partners



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Executive Summary

Yampa Valley Data Partners, a nonprofit 501(c)3 organization, provides unbiased, accurate, timely and relevant data to governments, businesses and nonprofits in the Northwest Colorado region. Our mission is to strengthen our communities by providing this data as a foundational piece to facilitate discussion, collaboration and the best possible decision making.

This assessment of the **direct** and **indirect** economic impacts of Triple Crown includes the following estimates:

- Triple Crown visitors bring about \$8.5 million in taxable dollars directly into the Steamboat Springs economy annually, based on summer 2014 figures. This amount equals roughly 6.5% of the approximately \$131 million in taxable dollars that the city reported for the June-July-August period in 2014.
- It's estimated that 43% of this \$8.5 million is spent on Lodging and 27% is spent on Food and Beverage.
- In terms of money directly spent by Triple Crown visitors, Triple Crown generates approximately \$340,000 in sales-tax revenue for the city. This amount equals roughly 6.5% of the approximately \$5.23 million in sales-tax dollars that the city reported for the June-July-August period in 2014.
- When various additional direct and indirect impacts also are considered, Triple Crown generates approximately \$404,773 in sales-tax revenue for the city. This amount equals roughly 7.7% of the approximately \$5.23 million in sales-tax dollars that the city reported for the June-July-August period in 2014.
- Triple Crown also generates direct- and indirect-impact sales-tax revenues for the state (\$287,050), Routt County (\$98,983), the Local Marketing District (\$73,100), Steamboat schools (\$50,597), the lodging-tax fund (\$36,550) and the local air-service support program (\$25,298).
- It's estimated that 81.4 full-time equivalent jobs or FTEs are directly supported by Triple Crown, with another 4.8 FTEs supported by associated indirect spending, for a total of 86.2 FTEs.
- The 86.2 FTEs directly and indirectly supported by Triple Crown are predominantly in the Accommodations, Food Service, Retail, Entertainment and Recreation industry sectors. Aggregated annualized wage for these jobs is estimated to average \$25,632. Average annual wage in Routt County as a whole is estimated to be \$41,964.

Introduction

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This assessment estimates the **direct** and **indirect** economic impacts of Triple Crown in terms household Income by industry sector; job gains on a Full-Time Equivalent (FTE) basis; sales taxes generated by industry sector; and sales-tax collections by taxing entity. Economic impacts of Triple Crown are estimated using the following steps:

- Total estimated spending by Triple Crown visitors
- Visitor spending by category
- Tax revenue by spending category and tax funds
- Impact on local household income due to visitor spending and local vendor support
- Job creation
- Estimate of local spending and sales tax collections due to local household spending
- Estimated indirect impact by industry sector of households' local spending
- Aggregation of sales tax collections by taxing entity from visitors and locals

These steps comprise an economic impact model developed by Yampa Valley Data Partners and represent our organization's best effort to account for direct and indirect economic impacts to the community without understating or overstating any of these impacts. In a couple of the steps, 100% local spending was assumed, rather than figuring in a leakage factor. Reasoning behind this is noted in the individual step where it occurs, and there is no instance in which the lack of this leakage calculation significantly alters overall "big picture" results of this economic impact assessment.

Data sources utilized include the U.S. Bureau of Labor Statistics (BLS), the Colorado Department of Labor and Employment, BizStats, City of Steamboat Springs financial reports, research by RRC Associates, and chamber lodging data.

Step 1 - Total estimated spending

Direct total spending associated with Triple Crown visitors in the summer of 2014 is estimated to have been \$8.5 million.

Lodging data and summer 2014 research conducted in Steamboat Springs by RRC Associates, a Boulder-based firm that has conducted numerous studies in Steamboat and other Colorado towns and resort areas, were utilized to come up with this initial overall dollar amount.

Estimated amount	Methodology
\$8.5 million	16,200 guests x daily per-person expenditure of \$104.39. Spending per guest for 5 days/nights is \$521.95. At 16,200 guests, total is \$8,455,590.

Step 2 – Spending by category

This step takes the overall dollar value from Step 1 and divides the amount into primary spending categories.

Category	Percentage	Amount	Methodology
Lodging	43%	\$3,655,000	Spending per category as identified in 2014 RRC summer research
Food and Drink	27%	\$2,295,000	
Retail	14%	\$1,190,000	
Recreation, Entertainment & Misc.	16%	\$1,360,000	
Total	100%	\$8,500,000	

Step 3 – Tax revenue by spending category and tax fund

Amounts from Step 2 are looked at here in terms of taxes raised per spending category and revenues realized by each taxing entity.

Triple Crown generated approximately \$340,000 in sales-tax revenue for the city in 2014. This amount equals roughly 6.5% of the approximately \$5.23 million in sales-tax dollars that the city reported for the June-July-August 2014 period.

As shown in the table of 2014 figures below, Triple Crown also generates estimated sales-tax revenues for the state (\$246,500), Routt County (\$85,000), the Local Marketing District (\$73,100), Steamboat schools (\$42,500), the lodging-tax fund (\$36,550) and the air-service support program (\$21,250).

	Colorado	Routt	City	RE2 School	LMD	Lodging	Airline	Total
Tax Rate	2.9%	1.0%	4.0%	0.5%	2.0%	1.0%	0.25%	
Lodging	\$105,995	\$36,550	\$146,200	\$18,275	\$73,100	\$36,550	\$9,138	\$425,808
Food/Drink	\$66,555	\$22,950	\$91,800	\$11,475	N/A	N/A	\$ 5,738	\$198,518
Retail	\$34,510	\$11,900	\$47,600	\$5,950	N/A	N/A	\$2,975	\$102,935
Rec., Ent., Misc.	\$39,440	\$13,600	\$54,400	\$6,800	N/A	N/A	\$3,400	\$117,640
Total	\$246,500	\$85,000	\$340,000	\$42,500	\$73,100	\$36,550	\$21,250	\$844,900

Note that the above numbers are initial direct-impact amounts. The tax-collecting entity totals will increase by an overall total of 15.6% when additional impacts are aggregated into the tax-collection figures in Step 8B (page 10).

Step 4 – Direct impact on household income due to visitor spending and support services by local vendors

This steps looks at direct impacts on local household income in terms of direct visitor spending and wages paid by local vendors to local workers.

Selling, General & Administrative (SG&A) customary to the Lodging, Food Services, Retail and Entertainment industries were factored into the calculations to arrive at figures representing vendor usage.

Category of Visitor Support Businesses	Dollar Value of Spending	Visitor Support Businesses Pct. Allocated to SG&A*	Visitor Support Businesses Pct. Spent with Vendors Locally	Est. value spent with local vendors by visitor support businesses	Visitor Support Businesses Pct. Direct Wages/Salary	Est. Direct Wage/Salary Dollar Value of Visitor Support Businesses	Pct. Wage/Salary of Local Vendors	Est. Local Vendor Wage/Salary Dollar Value	Visitor Support Businesses + Local Vendor Wage/Salary Dollar Value
Lodging	\$ 3,655,000	26.4%	100%	\$ 964,920	18.5%	\$ 676,175	50.0%	\$ 482,460	\$ 1,158,635
Food Services	\$ 2,295,000	13.6%	100%	\$ 312,120	17.5%	\$ 401,625	50.0%	\$ 156,060	\$ 557,685
Retail	\$ 1,190,000	7.3%	100%	\$ 86,871	6.3%	\$ 74,375	50.0%	\$ 43,436	\$ 117,811
Entertainment/Other	\$ 1,360,000	26.5%	100%	\$ 360,400	11.6%	\$ 157,760	50.0%	\$ 180,200	\$ 337,960
TOTAL	\$ 8,500,000					\$ 1,309,935		\$ 862,156	\$ 2,172,091

Vendor usage was considered to be entirely local, which does overstate local economic impact; however, reliable data to the contrary was not available. It was then assumed that of the fees collected by local vendors, half was spent on local labor. Again, this calculation may slightly overstate local economic impact but was considered the best estimate to use in lieu of reliable data to the contrary.

Step 5 - Estimate of job creation by category due to direct household income (as a result of Triple Crown visitor spending)

This step produces an estimate of the jobs created as a **direct** result of Triple Crown spending. Jobs are measured on an FTE (full-time equivalent) basis. The FTE calculation is done by taking the average wage for the industry sector directly impacted and dividing it into the average annual wage. Quarterly data from Q4- 2013 through Q3-2014 was used.

Direct job creation as result of Triple Crown visitors		Businesses and Local Vendor Wage/Salary Dollar Value	Wage (Colorado Labor Market Info 2014 Annualized)	FTE Equivalent Created by Industry Sector
Lodging (Accommodations NAICS Code 721)		\$ 1,158,635	\$ 33,174	34.9
Food Services & Drinking Places (Food Serv		\$ 557,685	\$ 18,749	29.7
Retail (Retail Trade / NAICS Codes 44-45)		\$ 117,811	\$ 29,266	4.0
Entertainment/ Other (Recreation Industries)		\$ 337,960	\$ 26,588	12.7
Direct Job Creation				81.4
		\$ 2,172,091		
Less Income Taxes*	-3%	\$ (62,991)		
Disposable Income		\$ 2,235,081		

Since wages are shown before taxes, the value of taxes needs to be deducted to calculate disposable income. However, in this study the wages/salaries are low enough that it is estimated that the employees have no tax liability and in some cases are even eligible for Earned Income Tax Credits (EITCs). This estimate is based on BLS Consumer Expenditure Data for incomes between \$20,000 and \$30,000.

Step 6 - Estimate of local spending and sales-tax collections as a result of direct local household spending

This estimate is based on BLS Consumer Expenditure Survey Data for households with earnings between \$20,000 and \$30,000. This step also calculates the anticipated sales-tax collections by taxing entity as a result of increased direct household spending.

In this step, it was assumed that the households would spend 100% of their disposable income locally (with the exception of any Pensions and Social Security spending). This assumption likely overstates the value – for example, if even modest leakage was accounted for by taking 80% of the \$2,138,973 total, that calculation would bring this figure down to \$1,711,178. However, with the impacted households being largely in low-income occupations, it was reasoned that a larger-than-customary percentage of disposable household income would be spent locally. For example, it stands to reason that a fair proportion of these households likely are renters paying a local landlord, as opposed to homeowners paying an out-of-town mortgage company.

Category	Amount spent
Shelter (Mortgage/Rent)	\$493,953
Utilities	\$216,803
Food (groceries)	\$205,627
Health care	\$203,392
Subtotal	\$1,119,775
Other	\$1,019,198
Total	\$2,138,973
80% of total (account for modest leakage)	\$1,711,178

Step 7 - Estimated indirect impact by industry sector of direct households' local spending

This step uses the calculations in Step 6 to estimate the indirect impacts by industry that are due to direct household spending as a result of Triple Crown. The indirect spending associated with this step sometimes is best understood by referring to it as “the first turn of the direct impact.”

The purpose of this step is to calculate the indirect spending by industry sector and the resulting indirect wages created by increased spending by direct households. For Triple Crown, this step results in adding another 4.8 full-time equivalents to the local job market.

Addition of the 4.8 FTEs in this step brings the FTE total impact to 86.2 FTEs.

Total Local Wages/Salaries		
Direct		\$ 2,172,091
Indirect		\$ 162,746
	TOTAL	\$ 2,334,836
Job Creation		
Direct		81.4
Indirect		4.8
Estimated FTEs	TOTAL	86.2

The 86.2 FTEs directly and indirectly supported by Triple Crown are predominantly in Accommodations, Food Service, Retail, Entertainment and Recreation industry sectors. Aggregated annualized wage for these jobs is estimated to average \$25,632. Average annual wage in Routt County as a whole is estimated to be \$41,964.

Step 8A - Sales tax factor as a result of indirect household spending

In this step the estimated sales tax is calculated for each of the taxing entities based on the spending by indirect households. Again it was assumed that 100% of the spending by indirect households is spent locally.

Sales Tax Factor As a Result of INDIRECT Household Spending

	State of Colorado	Routt County	City of Steamboat Springs	School District	Airline Program Support
Calculated Factor To Estimate Sales Tax Collections	0.018	0.006	0.028	0.004	0.002
	\$ 2,826	\$ 975	\$ 4,515	\$ 564	\$ 282
Total Local Wages/Salaries					
Direct	\$ 2,172,091				
Indirect	\$ 162,746				
TOTAL	\$ 2,334,836				

Step 8B - Aggregation of sales- tax collections by taxing entity from Triple Crown visitors and locals

This step aggregates sales-tax collections due to spending directly associated with Triple Crown visitors and both direct and indirect household spending. This step raises Triple Crown-related tax-revenue amounts listed in Step 3 by amounts ranging from \$64,773 for the city to \$4,048 for the air-service support program. Overall increase in sales-tax collections from Step 3 is 15.6%.

TOTAL Sales Taxes by Entity	
<i>As a Result of <u>Visitor</u> Spending</i>	
State of Colorado	\$ 246,500
Routt County	\$ 85,000
City of Steamboat Springs	\$ 340,000
Steamboat Springs School District	\$ 42,500
Local Marketing District	\$ 73,100
Lodging Accommodation Tax	\$ 36,550
Airline Support Program	\$ 21,250
Sub Total	\$ 844,900
<i>As a Result of Spending by <u>Local Households</u> (Direct+Indirect)</i>	
State of Colorado	\$ 40,550
Routt County	\$ 13,983
City of Steamboat Springs	\$ 64,773
Steamboat Springs School District	\$ 8,097
Local Marketing District	N/A
Lodging Accommodation Tax	N/A
Airline Support Program	\$ 4,048
Sub Total	\$ 131,451
Aggregate of <u>Visitors</u> and <u>Local Households</u> Combined	
State of Colorado	\$ 287,050
Routt County	\$ 98,983
City of Steamboat Springs	\$ 404,773
Steamboat Springs School District	\$ 50,597
Local Marketing District	\$ 73,100
Lodging Accommodation Tax	\$ 36,550
Airline Support Program	\$ 25,298
TOTAL	\$ 976,351

Summary

By generating roughly \$8.5 million in visitor spending in 2014, Triple Crown directly accounted for about 6.5% of the June-through-August taxable dollars in Steamboat, as well as 6.5% of June-through-August city sales-tax revenues. Largest shares of the \$8.5 million were spent on Lodging (43%) and Food & Beverage (27%).

When direct and indirect economic impacts are considered, it can be reasonably estimated that Triple Crown generates approximately \$404,773 in sales-tax revenue for the city. This amount equals roughly 7.7% of the approximately \$5.23 million in sales-tax dollars that the city reported for the June-July-August period in 2014.

Direct and indirect economic impacts associated with Triple Crown support a little better than 86 FTE (full-time equivalent) jobs in the lodging, food/ beverage, retail, and entertainment/recreation industry sectors, with these jobs paying an aggregated annualized average wage of \$25,632. Average annual wage in Routt County as a whole is estimated to be \$41,964.



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