

Economic Contribution of Visitor Spending in Long Beach

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Final Report

Kleinhenz Economics

Robert A. Kleinhenz, Ph.D., Principal Economist

Megan R. Anaya, M.A., Economist

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Executive Summary

Given its location in Southern California, Long Beach is home to significant visitor activity in the form of tourism, conventions and business meetings, trade shows and expos, concerts and multi-day events such as music festivals and the Acura Grand Prix of Long Beach. Visitors to Long Beach are primarily served by the tourism or visitor industry, which consists of several individual industries that are collectively identified as the City's tourism cluster, based on economic linkages from one industry to the next.

This study estimated the economic contribution of visitors to the City of Long Beach. The analysis concentrates specifically on activity associated with overnight visitors and out-of-area day visitors to the city, including both business visitors and tourists and evaluates the ripple or multiplier effect of the industry on the city economy, estimating the economic impact in terms of jobs, payroll, output, and tax revenues.

Economic Impact of Visitor Spending in Long Beach				
Impact Type	Employment	Income	Output	Tax Revenue
Direct	11,008	\$510,333,609	\$1,160,389,055	\$238,554,830
Indirect & Induced	3,569	\$274,590,825	\$812,151,515	\$120,574,399
Total Impact	14,577	\$784,924,434	\$1,972,540,570	\$359,129,229

The economic impact of the visitor industry may be summarized as follows:

- Given nearly \$1.2 billion (\$1,160,389,055) in initial visitor expenditures, the economic impact of visitor spending was nearly \$2 billion (\$1,972,540,571) of output in 2023.
- In conjunction with the impact of nearly \$2 billion in output, the visitor industry is responsible for nearly 14,600 additional jobs that are generated across visitor-related and other industries.
- Visitor spending is associated with \$784.9 million in income, with an average wage of \$53,850 across all jobs.
- In association with the impact of nearly \$2 billion in output, the visitor industry is responsible for \$359.1 million in tax and other government revenues, including \$171.6 million at the local and state level.

Economic impacts may also be described in terms of multiplier effects. The multiplier effects of visitor spending in Long Beach are as follows:

- The output multiplier is 1.70. This means that for every dollar of initial expenditures in the visitor industry, a total of \$1.70 is generated across the economy.
- The jobs to initial spending multiplier is 12.6. That is, 12.6 jobs are created for every additional \$1 million in initial expenditures.
- The tax multiplier is \$309,490. That is, every \$1 of direct expenditures generates a total of \$309,490 in taxes to all levels of government, local, state, and federal.

Introduction and Purpose of Study

Given its location in Southern California, Long Beach is home to significant visitor activity in the form of tourism, conventions and business meetings, trade shows and expos, concerts and multi-day events such as music festivals and the Acura Grand Prix of Long Beach. Visitors to Long Beach are primarily served by the tourism or visitor industry¹, which consists of several individual industries that are collectively identified as the City's tourism cluster, based on economic linkages from one industry to the next. The individual industries are:

- Accommodation and Related
- Cultural and Educational
- Entertainment and Performing Arts
- Hospitality
- Other Tourism Attractions
- Tourism-Related Retail Trade
- Tourism Related Services

Based on data from a report for the City of Long Beach, the tourism industry cluster in 2023 employed approximately 25,000 workers across 1,600 establishments with a total payroll of nearly \$800 million. The industry also generates significant tax revenues. Taxable sales that are triggered by restaurant meals, hotel stays, and retail purchases all contribute to the City's general fund. A significant tax revenue stream also comes from the City's transient occupancy tax (TOT), generating \$38.2 million in the 2023 calendar year.

The purpose of this study is to evaluate the economic contribution of visitors to the City of Long Beach to the local economy. The analysis concentrates specifically on activity associated with overnight visitors and out-of-area day visitors to the city, including both business visitors and tourists. The analysis evaluates the ripple or multiplier effect of the industry on the city economy, estimating the economic impact in terms of jobs, payroll, output, and tax revenues.

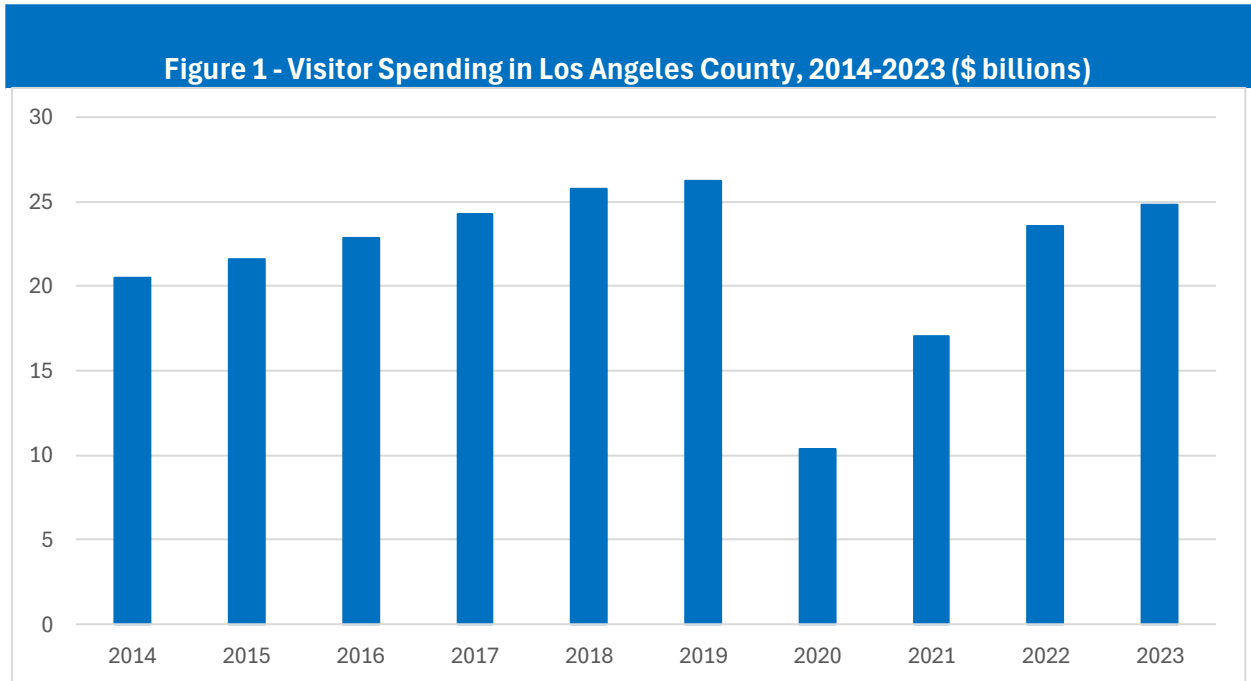
This rest of the report is organized as follows:

- Recent conditions in the visitor industry
- Methodology and data
- Economic impact of visitor spending
- Fiscal impact of visitor spending
- Conclusion

¹ The terms visitor industry and tourism industry will be used interchangeably throughout the report.

Recent Conditions in the Visitor Industry

The visitor industry and its component industries were among the hardest hit by the pandemic. This can be viewed in detail by looking at the performance of the visitor industry at the county level in recent years. Based on detailed analysis from Visit California, visitor spending in Los Angeles County fell by 61% from \$26.3 billion in 2019 to \$10.4 billion in 2023 as the pandemic lockdown sharply restricted both business and tourism travel and other related activities (Figure 1).



Source: Visit California, Kleinfelder Economics

Recovery began in earnest during the second quarter of 2021 as the California economy reopened, and visitor spending in Los Angeles County rose steadily from 2021 through 2023. Even so, visitor spending in 2023, the reference year for this report, was still 5.4% below its pre-pandemic level in 2019. Moreover, with the exception of a 12.8% gain in Accommodations, visitor spending fell short of the levels that prevailed four years earlier in 2019 across all spending categories (Figure 2).

The effect of the pandemic was also reflected in visitor industry employment (Figure 3). Direct employment plunged by 25% in Los Angeles County, while other regions of Southern California and the state as a whole experienced similar declines. Even with a gain of 6.3% from 2022 to 2023, employment in the county remained below its pre-pandemic level by 6.8%, a much larger shortfall than those experienced elsewhere in Southern California.

Figure 2 - Visitor Spending by Category in Los Angeles County (\$Millions)												
Category	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Pct. Chg.	
											22-23	19-23
Accommodations	4,099	4,576	5,126	5,498	5,694	5,776	2,697	4,218	6,217	6,517	4.8%	12.8%
Food Service	5,043	5,380	5,787	6,133	6,569	6,725	2,752	4,402	5,745	6,286	9.4%	-6.5%
Food Stores	587	615	629	640	660	667	289	564	745	796	6.8%	19.3%
Arts, Ent. & Rec.	3,093	3,222	3,395	3,513	3,673	3,665	1,427	2,305	2,868	3,086	7.6%	-15.8%
Retail Sales	2,659	2,773	2,882	3,094	3,334	3,483	1,299	2,187	2,763	2,836	2.6%	-18.6%
Local Trans. & Gas	3,125	3,045	3,024	3,238	3,575	3,608	1,218	2,333	3,196	3,100	-3.0%	-14.1%
Visitor Air	1,906	1,972	2,017	2,116	2,267	2,333	683	1,007	2,003	2,215	10.6%	-5.1%
Total	20,513	21,582	22,860	24,232	25,773	26,257	10,365	17,016	23,537	24,836	5.5%	-5.4%

Source: Visit CA, Kleinhenz Economics

Figure 3 - Direct Visitor Industry Employment for Selected Regions and California												
	Employment										Pct. Chg.	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	22-23	19-23
Los Angeles County	192,230	203,160	216,460	223,160	232,230	240,030	180,190	183,200	210,430	223,690	6.3%	-6.8%
Orange County	115,100	121,960	129,520	131,090	130,420	132,370	90,660	98,540	122,890	132,710	8.0%	0.3%
San Diego County	101,670	101,510	109,110	111,240	102,890	101,500	73,360	79,820	95,150	100,690	5.8%	-0.8%
California	1,028,359	1,063,108	1,109,565	1,143,774	1,162,950	1,176,782	871,341	931,460	1,090,141	1,154,989	5.9%	-1.9%

Source: Visit CA, Kleinhenz Economics

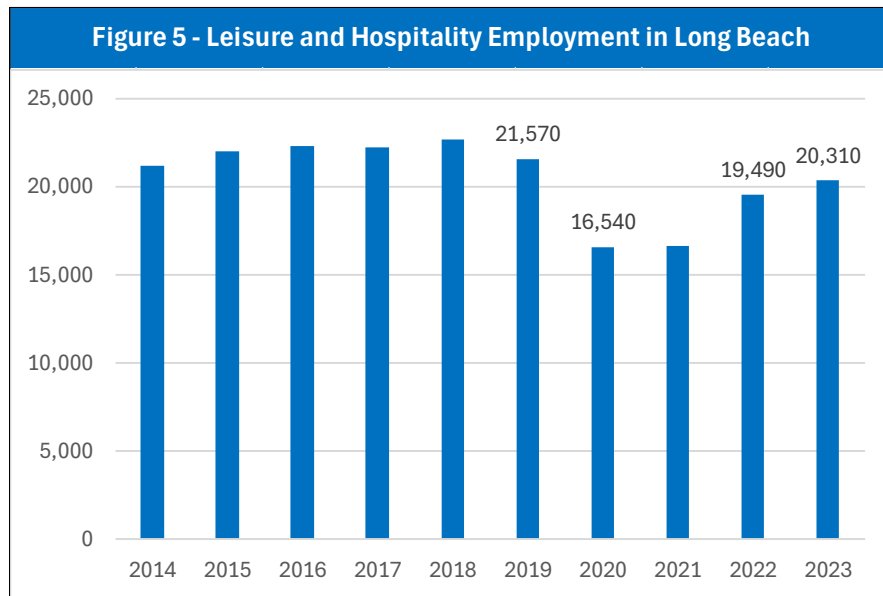
It is worth noting that total employment across all the industries of the county remained marginally lower in 2023 compared to 2019. However, the employment shortfall was especially pronounced in tourism-related industries such as accommodation services and air transportation (Figure 4).

Figure 4 - Los Angeles County Tourism Related Industry Employment

Industry	2018	2019	2020	2021	2022	2023	19-23
Total Nonfarm	4,517,000	4,562,600	4,168,100	4,305,100	4,533,000	4,543,500	-0.4%
Retail Trade	421,000	413,600	375,700	396,100	406,500	407,200	-1.5%
Air Transportation	33,700	35,700	32,100	29,900	31,600	33,000	-7.6%
Transit and Ground Passenger Transportation	11,300	11,900	9,300	9,500	11,000	11,800	-0.8%
Arts, Entertainment, and Recreation	94,300	98,100	65,000	73,900	92,100	96,500	-1.6%
Accommodation	50,300	50,900	31,500	31,100	41,300	45,300	-11.0%
Food and Drinking Places	392,000	398,300	297,300	329,200	378,900	392,300	-1.5%

Source: EDD, Kleinhenz Economics

Detailed numbers on the tourism-related industries of Long Beach are not readily available. However, the leisure and hospitality sector includes accommodations, restaurants and bars, and arts and entertainment, encompassing most of the relevant industries. Leisure and hospitality employment in the city stood at 20,310 jobs last year, up from 19,490 a year earlier (Figure 5 on next page). While this represented a 4.2% annual gain, leisure and hospitality employment in Long Beach was still 5.8% lower than its level in 2019.



Source: Kleinhenz Economics

Elsewhere, there is evidence that segments of the Long Beach visitor economy have improved, and in fact, have outpaced the county as a whole (Figure 6). Data from Smith Travel Research shows that hotel revenue in the Long Beach market rose 9.2% from 2022

to 2023, nearly double the gain in the county as a whole. Air travel in Long Beach also outpaced the county, up 15.2% compared to 13.8% last year. Local sales and use tax revenue captures a broader swath of the economy, but visitor spending at hotels, restaurants, and retail establishments contributes to this total, which rose last year by 6.8%, considerably better than the decrease of nearly three percent county-wide.

Figure 6 - Selected Visitor Industry Indicators, 2023 Calendar Year Percentage Change			
	Hotel Revenue	Local Sales and Use Taxes	Air Travel
Los Angeles County	+4.8%	-2.8%	+13.8%
Long Beach	+9.2%	+6.8%	+15.2%

Sources: Visit California Research, Smith Travel, California State Controller's Office, LAWA, Long Beach Airport, KE

Long Beach hotel revenue and air travel may have outpaced the county as a whole for several reasons. First, the City's visitor industry relies on business and convention visitors to a larger extent than the county as a whole. Second, international tourism has not fully recovered, likely creating more drag on County-wide tourism than in the city. Third, per discussions with convention center executives, Long Beach was more successful than many cities in retaining and re-booking conventions and other events that were cancelled during the pandemic. In brief, both quantitative and anecdotal evidence indicate that the Long Beach visitor industry outperformed the county as a whole last year.

Methodology and Data

This study uses an expenditure approach to estimating the economic impact of the visitor industry on the local economy. Visitor expenditures include spending on transportation, hotels, food, arts and entertainment activities, and certain retail activities. A profile of spending across these categories is developed for visitors to Long Beach. Expenditures in this profile are treated as injections of new expenditures to the local economy that create ripple or multiplier effects across the industries of the local economy.

The local economy itself is represented by an IMPLAN regional economic impact model that traces linkages across hundreds of industries in the region². It is also designed to differentiate between expenditures that stay within a given geographic area and those that leave the area, resulting in “leakages” that diminish the overall impact of the expenditures.

Given the profile of expenditures, the model estimates the economic contribution of visitor spending, including the ripple or multiplier effect resulting from supply chain linkages within the region and beyond. Overall economic impacts break down into direct, indirect, and induced impacts.

- Direct impacts refer to the initial expenditures made by Long Beach visitors as they enter the local economy.
- Indirect impact refers to expenditures by the suppliers that are a part of the supply chain in the region.
- Induced impacts relate to spending out of wages earned by workers employed in both the direct and the indirect stages above.

The total contribution impact or multiplier effect is the sum total of the direct, indirect, and induced impacts. Each of these is characterized in terms of economic activity or output, jobs, wages, and taxes generated.

The input data for IMPLAN consists of visitor expenditures across hotels, food, arts and entertainment, transportation, and visitor-related retail activity. The set of expenditures, or spending profile, is initially based on that of Los Angeles County for the year 2023. However, adjustments are made to account for differences in the composition and growth rates of spending between the County and Long Beach. In particular, hotel, retail, and air transportation expenditures in Long Beach all saw faster growth from 2022 to 2023 compared to the County, resulting in the distribution of expenditures shown in Figure 7.

² See the report Appendix for more details on the IMPLAN regional impact model.

Figure 7 - Distribution of Visitor Expenditures, Long Beach 2023	
Description	Share
Accommodations	25.3%
Food Service	25.4%
Food Stores	3.2%
Arts, Entertainment and Recreation	12.5%
Retail Sales	11.4%
Local Transportation and Gasoline	13.3%
Visitor Air	9.0%
Total	100.0%

Source: Kleinhenz Economics

The city has had a transient occupancy tax (TOT) or hotel tax for several years. In addition to hotel rooms, the tax is applicable to motels and other accommodations such as Airbnb. The tax rate in 2023 was 13%, generating \$38.2 million in tax collections (Figure 8).

Figure 8 -Monthly Hotel Tax (TOT) Collections in Long Beach, 2023	
Reporting Month	Total by Month
January	\$2,729,680.63
February	\$3,529,696.97
March	\$3,338,610.69
April	\$3,360,002.75
May	\$3,212,947.77
June	\$3,422,658.15
July	\$3,455,070.26
August	\$3,315,153.54
September	\$3,232,449.11
October	\$3,412,730.24
November	\$2,883,513.17
December	\$2,291,608.54
Calendar Year TOT Collections	\$38,184,121.80

Source: City of Long Beach

Annual hotel tax collections imply estimated expenditures on hotel and other accommodations of \$293.72 million in 2023. Given this amount and the distribution of expenditures described earlier and the estimated accommodation expenditures of \$293.8 in 2023, the other categories of visitor expenditures were estimated for Long Beach, distributing total visitor spending of more than \$1.16 billion across accommodations, eating and drinking establishments, arts and entertainment, transportation, and visitor-related retail activity. (Figure 9).

Figure 9 - Profile of Visitor Expenditures, Long Beach 2023	
Description	2023 Estimate
Accommodations	\$293,724,014
Food Service	\$294,300,633
Food Stores	\$37,267,468
Arts, Entertainment and Recreation	\$144,481,666
Retail Sales	\$132,777,060
Local Transportation and Gasoline	\$153,840,172
Visitor Air	\$103,998,042
Total	\$1,160,389,055

Source: Kleinhenz Economics

Economic Impact of Visitor Spending

With estimated visitor expenditures distributed across accommodations, eating and drinking, arts and entertainment, transportation, and visitor-related retail activity as the starting point, it is possible to estimate the economic contribution of the visitor industry to the local economy. Given nearly \$1.2 billion (\$1,160,389,055) in initial visitor expenditures, the economic impact of visitor spending was nearly \$2 billion (\$1,972,540,571) of output in 2023 (Figure 10). This includes the direct expenditure of \$1.2 billion, indirect spending of \$427.7 million, and induced expenditures of \$384.5 million.

Figure 10 - Economic Impact of Visitor Spending in Long Beach			
Impact Type	Employment	Income	Output
Direct	11,008	510,333,609	1,160,389,055
Indirect	1,765	145,191,298	427,672,380
Induced	1,804	129,399,527	384,479,135
Total Impact	14,577	784,924,434	1,972,540,570

These expenditures resulted in significant job creation, with 11,008 direct jobs, 1,765 indirect jobs, and 1,804 induced jobs, for a total of 14,577 jobs. The jobs gave rise to additional income in the local economy, with \$510,333,609 in direct income and a total of \$789,924,434 in overall income.

Jobs were created in visitor-based industries and in industries that are ancillary to the visitor sector itself, but there was job creation elsewhere in the economy as well (Figure 11).

Figure 11 - Job Creation by Individual Industries with at Least 100 Jobs Generated	
Industry	Employment
Retail - Miscellaneous store retailers	2,017
Hotels and motels, including casino hotels	1,971
Transit and ground passenger transportation	1,729
Full-service restaurants	1,359
Other amusement and recreation industries	1,310
Limited-service restaurants	1,296
Museums, historical sites, zoos, and parks	592
Other real estate	325
Retail - Food and beverage stores	247
Retail - Gasoline stores	160
All other food and drinking places	353
Employment services	219
Air transportation	162
Management of companies and enterprises	121
All other industries	2,716
Total - All Industries	14,577

Of the industries directly related to the tourism sector adding at least 100 jobs, 1,971 were added in hotels and accommodations, 1,729 in ground transportation with another 162 in air transportation, 1,210 were added in amusement and recreation industries, and 592 were added across museums and related visitor attractions. In all, there were 5,764 jobs across these sectors.

Among the industries that are ancillary to the visitor sector, 5,432 jobs were created. This included miscellaneous retailers with 2,107 jobs, the single largest number of jobs created, food and beverage stores (247 jobs), and gasoline retailers (160). Similarly, a total of 3,008 jobs were created across eating and drinking places, including full-service restaurants (1,359 jobs), limited-service restaurants (1,296 jobs), and other food and drinking places (353 jobs).

Finally, 3,381 jobs were also created in other industries that have less apparent downstream connections to the visitor industry but are associated due to supply chain effects. These include real estate related establishments with 325 jobs and management of companies and enterprises with 121 jobs. Many other industries are accounted for in the balance of 2,716 jobs across all other industries.

Fiscal Impact of Visitor Spending

Spending by visitors in the local economy generates significant taxes and other revenues to government entities at all levels. In overall terms, more than \$359 million (\$359,129,229) was generated across local, state, and federal agencies (Figure 12). This includes \$171.6 million at the local and state level along with \$187.5 million in federal revenues.

Figure 12 - Tax impact of Visitor Spending in Long Beach			
Impact Type	Local/State	Federal	Total
Direct	\$118,756,568	\$119,798,262	\$238,554,830
Indirect	\$22,936,839	\$34,988,545	\$57,925,383
Induced	\$29,927,247	\$32,721,770	\$62,649,016
Total Impact	\$171,620,653	\$187,508,576	\$359,129,229

Of the \$171.6 million in local and state revenues, \$118.8 million were associated with direct expenditures across the visitor industries \$22.9 million were due to indirect expenditures, and \$30.0 million were related to induced expenditures. Similarly, at the federal level there were \$119.8 million in direct-effect revenues and \$57.9 million in revenues associated with the indirect effects, and \$62.6 million induced-effect tax revenues, for a total of \$187.5 million.

Summary: Impact of the Visitor Industry

The economic impact of the visitor industry may be summarized as follows:

- Given nearly \$1.2 billion (\$1,160,389,055) in initial visitor expenditures, the economic impact of visitor spending was nearly \$2 billion (\$1,972,540,571) of output in 2023.
- In conjunction with the impact of nearly \$2 billion in output, the visitor industry is responsible for nearly 14,600 additional jobs that are generated across visitor-related and other industries.
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- In association with the impact of nearly \$2 billion in output, the visitor industry is responsible for \$359.1 million in tax and other government revenues, including \$171.6 million at the local and state level.

Economic impacts may also be described in terms of multiplier effects. The multiplier effects of visitor spending in Long Beach are as follows:

- The output multiplier is 1.70. This means that for every dollar of initial expenditures in the visitor industry, a total of \$1.70 is generated across the economy.
- The jobs to initial spending multiplier is 12.6. That is, 12.6 jobs are created for every additional \$1 million in initial expenditures.
- The tax multiplier is \$309,490. That is, every \$1 of direct expenditures generates a total of \$309,490 in taxes to all levels of government, local, state, and federal.

Appendix: IMPLAN

The regional economic impact model used in this study is developed by IMPLAN, one of the most widely used regional modeling platforms. The IMPLAN regional economic impact model is calibrated to represent inter-industry linkages across hundreds of industries in the Los Angeles-Orange County economy.

This study uses an expenditure-based approach to minimize the potential for double-counting and overestimating the economic impact of the visitor industry. A profile of visitor expenditures on hotels, restaurants, transportation, entertainment, and other activities was developed as described in the report. Using this set of expenditures as inputs, the model determines downstream purchases of labor and other inputs by vendors in local supply chains that are triggered by industry activity. It then calculates the full “multiplier” or ripple effect of those expenditures on the regional economy, including the spending that stems from income earnings. The model also accounts for leakages that result when input purchases or hires are made outside the region, thus leaking out of the regional economy.

Economic impacts are represented in terms of direct, indirect, and induced impacts:

- Direct impacts stem from the initial expenditures by visitors to Long Beach on hotels, restaurants, transportation, entertainment, and other activities.
- Indirect impacts refer to subsequent business-to-business supply-chain purchases of inputs that stem from the initial expenditures above.
- Induced impacts are related to spending that enters the local economy when workers who are employed at the direct and indirect levels spend part of their income on purchases of local goods and services, triggering additional rounds of spending in the economy.

The total impact of the visitors industry on the local economy is the combined total effect of the direct, indirect, and induced impacts.

