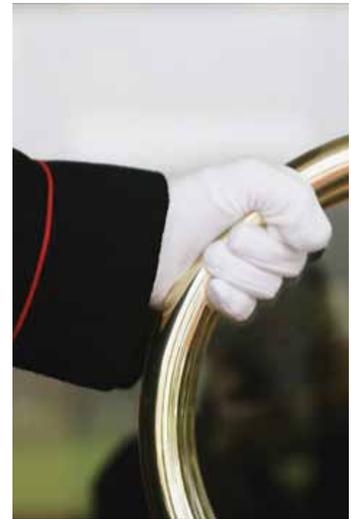




# The Economic Impact of San Francisco Hotels



an analysis prepared by the



2013

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an analysis prepared for the



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This report was prepared by the Bay Area Council Economic Institute for the Hotel Council of San Francisco. Sean Randolph (President & CEO) and Tracey Grose (Vice President) managed its development, and Jon Haveman (Founding Principal of Haveman Economic Consulting) produced the impact analysis.

The Bay Area Council Economic Institute conducted a survey of hotels in San Francisco in December of 2012 through the end of January of 2013. Responses were solicited from the universe of hotels in the city, and 59 out of 215 hotels responded. The hotels provided information on employment, wages and salaries, overall employment costs, charitable giving, and capital expenditures. The responses covered the calendar year 2012.

The economic impact analysis was performed using the 2011 IMPLAN model. Other data sources include the American Community Survey and San Francisco Travel Association.

## Key Points

### **SAN FRANCISCO HOTELS:**

#### **Contribute to the Economy**

- \$6.6 billion in total economic activity
- \$300 million in total taxes, of which \$200 million goes to the City's General Fund—the largest single industry contributor
- \$3 billion in economic activity outside of hotels

#### **Provide Job Opportunities**

- 24,000 local jobs
- Stable jobs for a diverse workforce
- 57% of hotel employees live in San Francisco—a higher percentage than in most industries

#### **Give Back**

- \$42 million in annual support to San Francisco non-profits
- \$37 million to arts organizations, including the Grants for the Arts/San Francisco Hotel Tax Fund
- 48 tons of supplies and equipment donated to local non-profits

# Executive Summary

Hotels are a vital component of San Francisco's diverse economy. The city has a flourishing tourism and convention industry, a large financial sector, and a quickly growing technology industry. San Francisco is internationally oriented, and its reputation as a business center and tourism destination is growing rapidly. In 2012, a record 45 million passengers traveled through San Francisco International Airport, of which nearly 10 million were international travelers.

All of these economic elements are supported and enhanced by the quality and strength of San Francisco's hotel industry. Hotels generate 24,000 jobs, and 57% of these workers live in San Francisco. Hotels account for the largest single source of revenue to the City's coffers. They support the arts ranging widely from dance to literary activities. They support other charitable activities, such as the annual AIDS Walk, subsidized housing and community service groups. San Francisco's hotels are also leading sustainability efforts in the industry.

Hotels employ people of all skill levels. Workers without a college degree are typically concentrated in economic sectors that suffer from heavy turnover, such as retail and restaurants. In contrast, hotel employment displays much lower turnover.

Hotels place a strong emphasis on buying locally. These policies support Bay Area businesses throughout the economy, stimulating local business activity and job opportunities.

Additionally, hotels provide 20,000 rooms within walking distance of conventions at Moscone Center. Convention attendees have relatively high incomes and contribute more than \$240 per day outside of hotels to the local economy.



## San Francisco hotels contribute to the local economy by:

- generating \$6.6 billion in economic activity in San Francisco.
- providing the equivalent of 24,000 local jobs and stimulating the creation of 62,000 jobs throughout the Bay Area.
- contributing over \$300 million in total taxes, of which \$200 million goes to the City's General Fund—the largest single industry contributor.

## They support the local workforce by:

- employing San Franciscans. The majority of hotel workers, 57%, live in San Francisco.
- creating jobs and job opportunities for workers of all skill and education levels.
- hiring a more diverse employment base.
- providing stable jobs. San Francisco hotel employees stay in their jobs 33% longer than the national average for comparable workers and significantly longer than similar workers in retail and food service industries.

## They support local businesses by:

- sourcing more than 54% of operating purchases from local providers.
- implementing local purchase policies.

## The hotel industry gives back by:

- giving over \$42 million annually to the non-profit community through the Grants for the Arts/San Francisco Hotel Tax Fund and various charitable efforts.
- donating over 48 tons of usable excess goods and supplies annually to local non-profits.



## **GREETINGS FROM THE MAYOR**

Congratulations to the Hotel Council on the completion of *The Economic Impact of San Francisco Hotels* report, prepared by the Bay Area Council Economic Institute.

Tourism remains a leading economic driver for San Francisco's economy as proven with the 16.5 million individuals that visited our City last year. Within the tourism sector, the hotel industry comprises a central position as the largest single industry tax revenue source in San Francisco. Last year alone, hotels generated \$6.6 billion in economic activity across San Francisco. These hotel funds support vital City services including public safety and health services programs that benefit all San Franciscans. These hotel funds also provide essential revenues for our beloved cultural institutions, museums and arts programs that make San Francisco so extraordinary and unique.

In 2013, the City and County of San Francisco partnered with the hotel industry to fund the expansion of the Moscone Convention Center. This important economic development project will keep San Francisco competitive and bring even more visitors and business to our City.

I look forward to a continued strong partnership between the hotel industry and the City of San Francisco.

With warmest regards,

A handwritten signature in cursive script that reads "Edwin M. Lee".

Edwin M. Lee  
Mayor

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# Overview of the Industry

San Francisco hotels play a major role in the local economy. Guests visit San Francisco from around the world for business and pleasure, spurring economic activity beyond what they spend on their rooms. Guests spend as much per day outside their hotels on dining, shopping and sightseeing as they do on their hotel rooms. A typical visitor spends \$240 per day outside of hotel expenses, and this activity translates into broad economic impact for San Francisco and the Bay Area.

## 2012 by the Numbers

**215** hotels

**33,642** rooms

**\$2.1 billion** revenue generated from rooms alone

**\$2.3 billion** spent by hotel guests outside of hotels on food, retail, transportation, and sightseeing

**\$171** generated on average per room, per night

Each room occupied **82.6%** of the time

Visitors spend  
as much  
**OUTSIDE**  
as inside hotels

# Economic Benefits

Overall, the hotel industry generates \$6.6 billion in economic activity in San Francisco, which represents 5% of total economic activity in the city.

## Broader Economic Impact in San Francisco of Activities Related to Hotels

Direct Spending	Value of Wider Economic Impact
Hotel Revenues	\$3,456,000,000
Capital Expenditures	\$160,000,000
Visitor Spending	\$3,018,000,000
<b>Total Economic Activity</b>	<b>\$6,634,000,000</b>

Source: These figures were generated using the 2011 IMPLAN database.

San Francisco's 215 hotels and 33,642 rooms generate economic value in multiple ways.

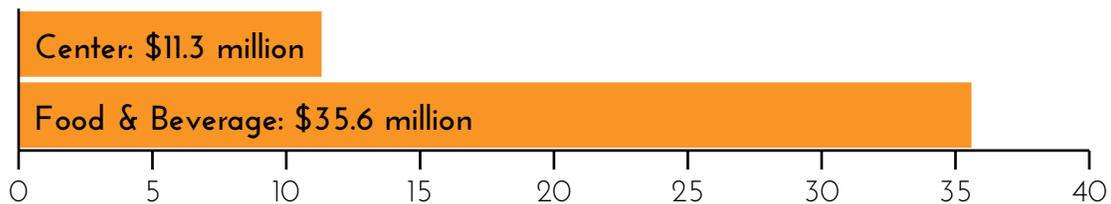
- **Visitors book hotel rooms.** In 2012, each hotel room on average generated \$171 in revenue per night. On an average night, more than 82% of the city's hotel rooms were occupied. Visitors spend more than \$2 billion annually on hotel rooms in the city.
- **Spending on hotel rooms supports broader economic activity.** In addition to employing hotel workers, hotel spending generates demand for supporting goods and services, boosting the overall economic impact from \$2 billion to \$3.5 billion.
- **Hotels routinely update their facilities.** This spending on construction, interior design, decorating and other services contributes another \$160 million in economic activity.
- **Visitors spend an additional \$2.3 billion outside hotels.** This spending on transportation, retail, and food (including in-hotel restaurants) flows through the economy, generating wages for employees in these sectors and additional demand for supplies, making the total impact \$3 billion.

When hotel guests spend time in San Francisco, for business or pleasure, they generate economic activity across a range of other industries. Beneficiaries include:

- Airlines and San Francisco International Airport
- Retail and shopping
- Restaurants and entertainment
- Taxis and transportation
- Museums and other attractions
- Professional and business services

The hotel industry provides vital support for other major activities in San Francisco—in particular, the convention industry and Moscone Center.

### Moscone Center Convention Revenues



Source: San Francisco Travel Association



The hotel industry provides the equivalent of 24,000 full time local jobs and supports 62,000 jobs throughout the Bay Area.

Impact (Employment)	San Francisco	Rest of Bay Area	Total
Hotel Revenues	24,312	1,624	25,936
Capital Expenditures	1,331	79	1,410
Visitor Spending	33,269	1,538	34,807
<b>Total</b>	<b>58,912</b>	<b>3,241</b>	<b>62,153</b>

Source: These figures were generated using the 2011 IMPLAN database.

The hotel industry’s job generation goes beyond hotels and impacts the wider Bay Area. Its employment in the city accounts for 40% of the total 62,000 related jobs in the region.

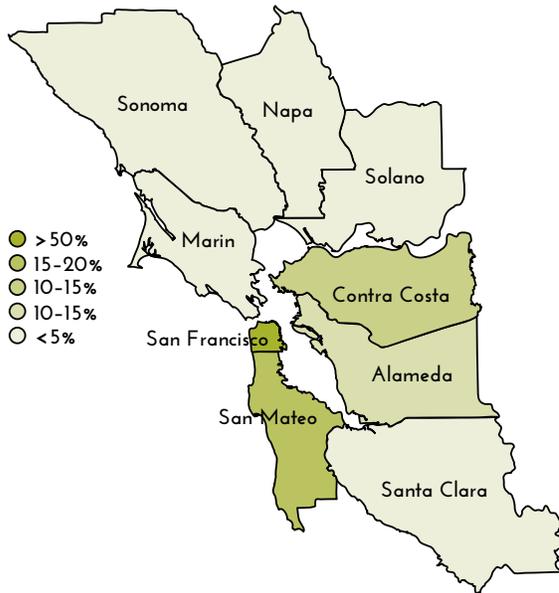
Spending by visitors outside of hotels generates most of the additional jobs. This employment is concentrated primarily in four sectors of the economy: lodging; arts, entertainment, and recreation; transportation; and retail.



# Workforce Contributions

57% of hotel employees live in San Francisco, which is higher than the city's average.

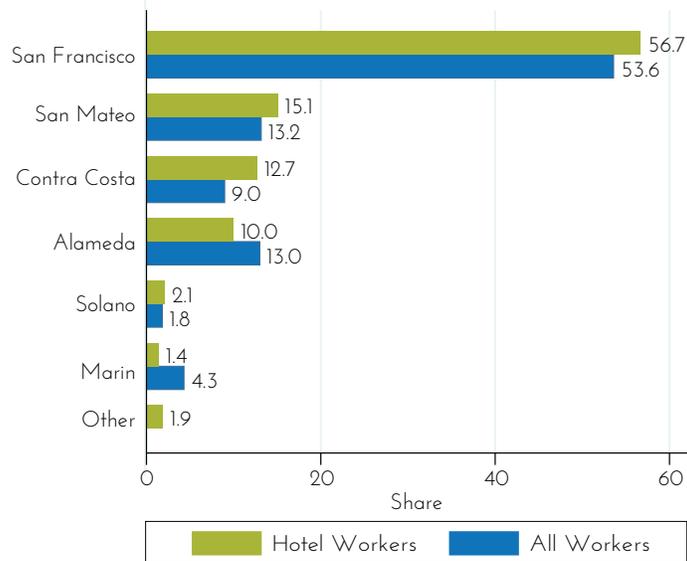
## County of Residence for San Francisco Hotel Workers



San Francisco's hotel industry does a better job of hiring locally than most industries in the city. Residents make up 57% of all hotel workers employed in San Francisco. Across all industries, 54% of employees in the city also live there.

Hotel employees also come from around the Bay Area. Hotel workers from San Mateo and Contra Costa Counties commute into the city at higher rates than commuters from other industries.

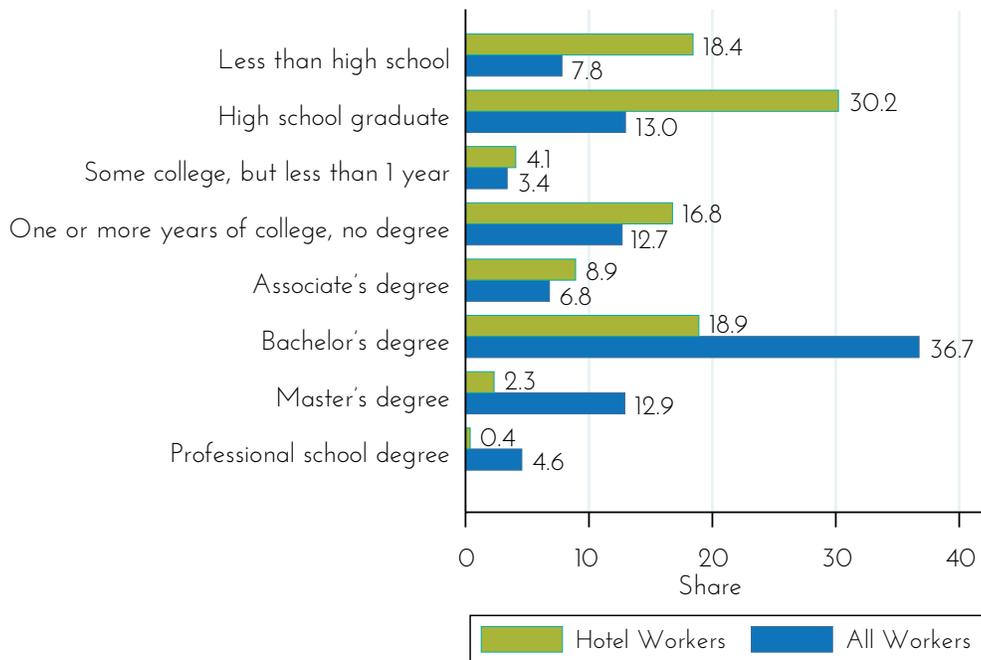
**57%**  
of all hotel  
workers live in  
San Francisco



Source: 2010 5-Year American Community Survey; calculations by Bay Area Council Economic Institute

Hotels provide job opportunities for workers of all skill and education levels.

### Educational Attainment of San Francisco Hotel Workers



Source: 2010 5-Year American Community Survey; calculations by Bay Area Council Economic Institute

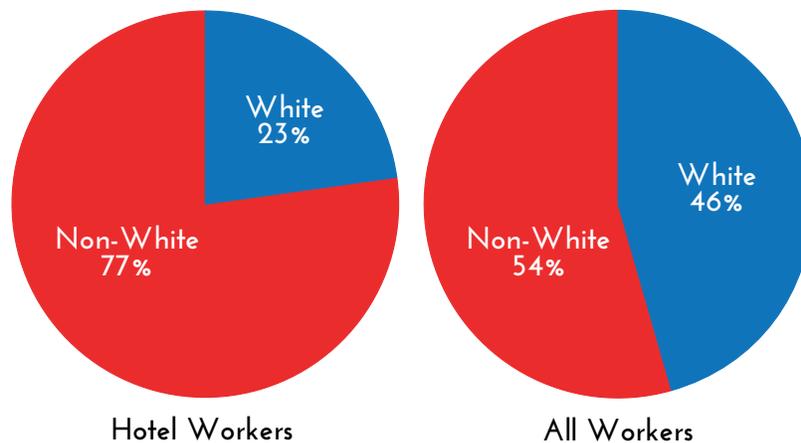
As the Bay Area economy continues to grow, much of the growth taking place is in technology industries and high-skilled jobs requiring higher education. It is vital to the region's health and prosperity, however, that economic opportunities also exist for people at all skill levels. Hotels play an important role in this.

Hotels in San Francisco provide employment opportunities for workers of all education levels. In addition to higher-skilled workers, they provide jobs for people new to the workforce and with less education. Hotels employ people with a high school education or less at twice the rate of other sectors.

**48%**  
of hotel jobs are filled by people without college experience

The San Francisco hotel industry has a more diverse employee base.

## San Francisco



Source: 2011 5-Year American Community Survey; calculations by Bay Area Council Economic Institute

With only 23% of its workforce white, the city's hotels employ diverse communities at a much higher rate than other industries in the city. Across all industries, 46% of workers describe themselves as white.

**77%**  
of hotel workers  
describe themselves  
as Asian, Hispanic,  
African American,  
or other

San Francisco hotel employees stay on the job longer than employees in comparable local industries and in hotels elsewhere in the country.

### Average Job Tenure by Industry Nationwide



Source: 2011 5-Year American Community Survey; calculations by Bay Area Council Economic Institute

Tenure, or the amount of time an individual stays in a particular job, is high in the accommodations industry. Employees in accommodations tend to exhibit significantly longer tenure than workers in other industries with comparable levels of education. San Francisco hotel workers also tend to stay in the same job 33% longer than workers in hotels nationwide. This is likely explained in part by the higher earnings and strong benefit packages of many hotel workers.

Workers in San Francisco hotels tend to stay in the same job **33%** longer than workers in hotels nationwide

# Giving Back

The hotel industry gives extensively to the nonprofit sector and is a significant supporter of arts organizations and charitable activities.

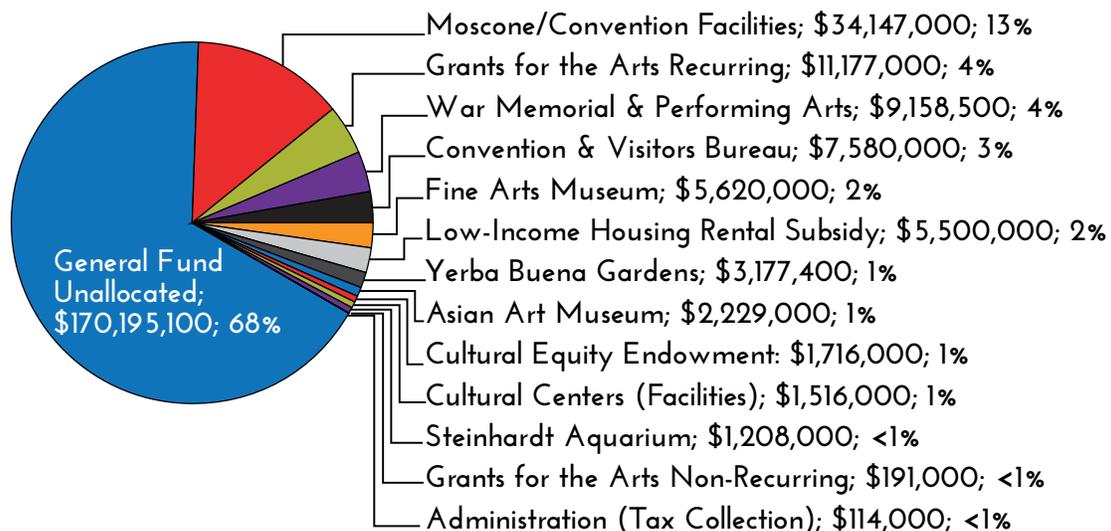
In 2011-12, San Francisco hotels paid over \$200 million in taxes to the City—the City’s largest single industry source of revenue. Of this revenue, roughly \$37 million was directed toward fostering the arts.

Established in 1961, Grants for the Arts has become a model for municipal funding and support of the arts and culture. The organization promotes and supports a wide range of arts and cultural activities in the city for residents and visitors. While providing stable funding for long-existing arts such as the ballet and the theater, support is also provided to newer and more experimental art forms.

Over the past year, \$11 million has flowed to the Grants for the Arts, funding local arts and literary events, cultural heritage parades, performing arts and even subsidized housing. Grants for the Arts also allotted over \$300,000 for San Francisco’s Exploratorium, which recently opened at its new location on Pier 15.

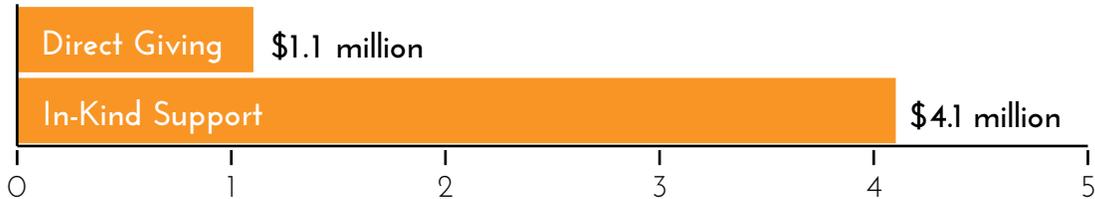


## Distribution of Hotel Tax Allocation, 2012-2013



Source: Grants for the Arts Annual Report, 2012-2013

Charitable giving in 2012 by the city's larger hotels totaled more than \$5 million, including direct contributions and in-kind support.



Source: Primarily Hotel Council member respondents to Bay Area Council Economic Institute survey

San Francisco hotels contribute generously to non-profit causes related to a variety of community and health issues.

### Hotel Non-Profit Collaborative

In other charitable work, hotels provide goods, supplies, and equipment to area non-profits through the Hotel Non-Profit Collaborative. With their frequent remodeling efforts and collateral materials remaining after conferences, hotels generate large volumes of waste destined for landfills.

The goal of the Collaborative is to turn usable, excess goods, supplies and equipment into a steady stream of in-kind support for non-profit groups serving the community. This work both benefits community service groups and lessens environmental impacts.



**San Francisco  
Hotel / Non-Profit Collaborative**



**48  
tons**  
of supplies and  
equipment donated  
to local non-profits

## Annual AIDS Walk

Each year, over twenty-five member hotels participate in and contribute to the annual San Francisco AIDS Walk. Since 1987, this event has raised nearly \$74 million for the San Francisco AIDS Foundation and other HIV/AIDS organizations in six Bay Area counties.



## Million Dollar Mission

In 2012, the Hotel Council combined efforts with the Leukemia & Lymphoma Society (LLS) to raise funds for vital research. This campaign provided financial, educational and social services for individuals and their families affected by blood cancer. A total of \$400,000 was raised over the 30-day period.



## Project Homeless Connect

The hotel community has dedicated many hours to interacting with the homeless and preparing hygiene kits to help those in need. By volunteering their time to the city's Project Homeless Connect program, hotel employees have worked together to provide efficient and compassionate service to those in need.



## Project Night Night

Many members of the Hotel Council of San Francisco help homeless children sleep better at night by providing books to encourage reading and family bonding, and security blankets and stuffed animals as comfort. Each year, Project Night Night donates over 250,000 Night Night packages to homeless children who need these essentials to feel secure, cozy, and ready to learn.



These are just a few of the many ways that members of the Hotel Council of San Francisco have made a huge impact by benefitting local charities and organizations.

# Sustainability

## Leading environmental efforts, San Francisco hotels are committed to advancing sustainability in the community.

The Hotel Council of San Francisco is committed to going beyond existing environmental laws and regulations to seek out techniques and approaches that have the potential to generate competitive advantages, protect the natural environment, and respect local communities. Working with the City and County of San Francisco's Department of the Environment, the Sustainability Committee assists its hotel and allied members in the transition to products and services of local origin and low environmental impact.

The Sustainability Committee was created to be a driving force behind making the San Francisco Bay Area the most triple bottom line oriented hotel community. The main goal of the committee is to help get hotels enrolled in the City's Green Business Program. Originally created for small businesses, the Green Business Program helps San Francisco businesses adopt environmental practices that are sustainable as well as profitable. The program sets stringent criteria, providing technical assistance, and publicly recognizing and promoting Green Businesses with a seal that enables customers to shop in keeping with their values. By partnering with the Hotel Council's Sustainability Committee, the City was able to better gear the program to hotels.

With over forty-five active members, the Sustainability Committee is the largest and most popular committee in the history of the Hotel Council. This shows how passionate our members are about taking care of the natural environment. Committee members have been segmented into the areas of water, energy, waste, and community partnerships, in order to continuously help hotels improve their environmental efforts in these areas.



**SF Environment**

**Our home. Our city. Our planet.**

A Department of the City and County of San Francisco



**SAN FRANCISCO  
GREEN  
BUSINESS**



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