



SONOMA COUNTY ANNUAL TOURISM REPORT

INDUSTRY REPORT

2019



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EXECUTIVE SUMMARY

November 2019

The Sonoma County Economic Development Board (EDB), in partnership with Sonoma County Tourism, is pleased to bring you the 2019 Annual Tourism Report. The report contains four sections integrating findings on the local tourism industry.

MOODY'S ANALYTICS INDUSTRY ANALYSIS

Moody's is a leader in economic research and provides key quantitative and qualitative analysis on Sonoma County's tourism industry. Key findings include:

- The long-term outlook for Sonoma County Tourism is positive with growth at a modest pace. 2018 was a challenging year and one for which year-over-year analysis is almost moot. With lodging occupancy primarily from residents evacuated from homes, first responders and construction workers rather than the traditional traveler, the transient occupant was very different from that of any other year on record.
- While external factors such as consumer confidence and the strong gains in disposable incomes among Bay Area residents are positive and should be maximized, continued challenges related to the fire and the potential for ongoing power outages create an evolving environment for the Sonoma County Tourism industry.

TOURISM INDUSTRY INDICATORS

Sonoma County Tourism, in partnership with Visit California and Dean Runyan Associates provided the latest available economic impact figures on Sonoma County and is the primary source for Tourism industry Indicators. Key findings include:

- Direct visitor spending in Sonoma County in 2018 totaled \$2 billion, a 3.84% increase over 2017. Sonoma County has seen growth in Annual Average Occupancy Rate, Average Daily Rate, and Revenue per Available Room over 2017.
- Sonoma County's Transient Occupancy Tax (TOT) receipts totaled \$48.7 million in 2018. This is an increase of 11.2% from the previous year and the highest level of TOT receipts that Sonoma County has ever collected.

SONOMA COUNTY VISITOR PROFILE

In 2018 Sonoma County Tourism partnered with Longwoods International to gain insights into its visitor base. Tapping into Longwood's proprietary Travel USA survey of approximately 330,000 domestic travelers and asking questions specific to Sonoma County travel, key findings were derived:

- In 2018, Sonoma County welcomed 10.8 million visitors: 4.8 million overnight and 6.0 million day visitors. The average stay was 2.9 nights and the average per-person expenditure for overnight visitors was \$546.
- The main reasons for travel to Sonoma County were visiting friends and relatives, touring trips and special events. The top activities and experiences enjoyed by guests are visiting wineries, shopping/ fine/upscale dining, visiting landmarks/historical sites and visiting state and regional parks.

TOURISM BUSINESS PHILANTHROPY STUDY

Economic Forensics & Analytics, commissioned by Sonoma County Tourism, conducted a study of the economic impacts of philanthropic giving from hospitality and tourism-related businesses in Sonoma County. Key findings include:

- Nearly \$44 million was given by tourism businesses in cash, in-kind, or volunteer time contributions in 2018. This \$44 million create an additional \$20 million in other business revenue based on non-profit employment and organization spending in the local economy.
- Local and state governments receive over \$2.98 million from this philanthropy.

For additional information, questions, comments, or suggestions please contact us at (707) 565-7170 or visit www.sonomaedb.org.



MOODY'S ANALYTICS TOURISM ANALYSIS

Recent Performance

- Visitor spending for the whole of 2018 rose 4.4% compared with a year earlier, producing a 6.7% increase in travel-generated state and local tax revenues.
- Despite a softer start in visitation this year, a rising tide of tourists in recent years has spurred hotel construction and significant expansion plans.
- With the labor market near full employment, hospitality workers are in increasingly short supply.

Macro Drivers

- The U.S. economy has stabilized after a shaky start to the year. Real GDP growth has throttled back from a year earlier, when it was spurred by deficit-financed tax cuts, but looks to be settling near the pace of just over 2% that has prevailed throughout much of this nearly decade-long expansion.
- The labor market continues to expand despite an unemployment rate that has submarined to a 50-year low. Job gains will slow in conjunction with a tightening job market, paving the way for even stronger wage growth as businesses scramble to fill open positions and employees gain bargaining power.
- Consumer balance sheets remain in pristine condition, and stronger wage growth will clear space for greater discretionary

spending on travel and accommodations.

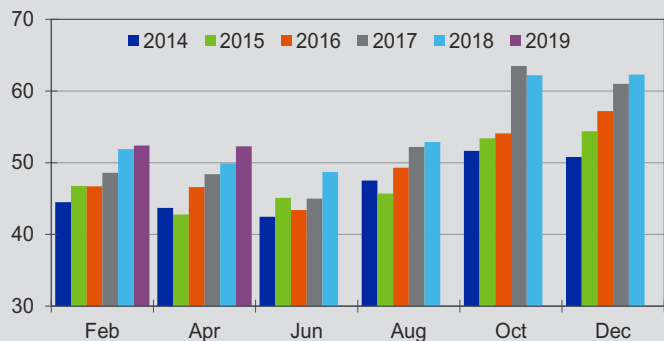
- According to the Conference Board, the share of Americans who are planning to take a vacation in the next six months remains near record highs, and with retail gas prices expected to remain lower through the summer than they were in 2018, more domestic travelers will be willing to open their wallets for road trips and domestic flights.
- A recent AAA Travel Survey indicates that nearly 100 million Americans are planning to take a family vacation in 2019, slightly more than last year, and nearly 33% of Americans would be willing to take one additional summer road trip should gas prices remain low.

Industry Drivers

- Tourist visits from surrounding counties are ramping up as the booming Bay Area maintains its superior pace of growth.
- Job creation in San Francisco and San Jose has slowed over the past year because of tightening labor markets but is still a step ahead of the state and national averages.
- According to the Bureau of Economic Analysis, Bay Area residents are seeing stronger gains in disposable incomes and are taking weekend trips to Wine Country. Domestic visitors from outside of the Bay Area are also arriving in greater numbers.

Americans Eyeing More R&R

% of Americans planning a vacation in the next 6 mo



Sources: The Conference Board, Moody's Analytics

Chart: Robust economic fundamentals and a still-tightening labor market have paved the way for an acceleration in wage gains. Consumer sentiment remains high and with stronger income growth, spending increases will follow suit. The share of Americans planning a vacation in the next six months reached a four-decade high in December and has been trending higher in every surveyed month this year. Visitor arrivals in Sonoma County will maintain their steady climb through the peak summer months and the off-season.

MOODY'S ANALYTICS TOURISM ANALYSIS

- The diversity of tourist draws will be a major asset to Sonoma County. Better growth in disposable incomes will enable vacationers to spend more and extend their stays, but visitors will prioritize destinations with diverse attractions and recreation opportunities after forgoing vacations in previous years.
- Pent-up demand from international visitors will be released over the next year as the global economy regains its footing. Foreign tourists account for a small share (about 10%) of Sonoma County's visitor mix, but this market holds promise and has grown impressively in recent years.
- Nationwide, international visitor counts to the U.S. recovered in 2018 after two years of declines, albeit at a slower pace. The U.S. Travel Association forecasts this number to continue to grow over the next five years, even given a steep decline in Chinese travelers to the U.S. in 2018. The regions of promise include Australia and Scandinavia, especially given new flights into key gateway cities.
- As more visitors flock to Wine Country, hotels and other leisure establishments will enjoy another banner year. Hotel occupancy rates are slightly behind last year's levels, though these were inflated as first responders and displaced residents snapped up available rooms in the months following the 2017 North Bay Wildfires. Hotel bookings and revenues are improving and look to be on track to make up the lost ground from early in the year.
- In the past two years, most visitors, including domestic and international travelers, arrived by car. Sonoma County experienced a surge in tourism late last summer even as gasoline prices increased by close to a third. Airfares, which typically lag changes in jet fuel prices by as much as six months, will rise only modestly this summer but could pose a larger concern should growth in disposable incomes fail to keep pace.

Pricing

- According to Smith Travel Research, average daily rates have come in lower in each of the first three months of the year compared with a year prior. Still, this is mostly a reflection of the temporary post-fire rush to find housing, and daily rates sit substantially higher than both the 2016 and 2017 figures. As visitor counts rise and occupancy rates normalize at their pre-fire levels, Sonoma County hoteliers will maintain their price gains from recent years.
- Rising visitor traffic will bolster spending on a broad range of goods and services, underpinning price gains at tasting rooms, restaurants, breweries, and outdoor recreation businesses. According to the U.S. Bureau of Economic Analysis, travelers are spending more on food, recreation and entertainment after years of cutbacks, and early results from the state tourism agency suggest that Sonoma is no exception.
- Longer term, supply constraints will add to hotels' pricing power. Despite rebuilding efforts and the opening of several new establishments, the number of hotel rooms in the county will rise only modestly over the next few years. The extension of occupancy taxes to vacation rental web sites such as Airbnb will narrow the price differential over traditional hotels and will mean most overnight visitors will face higher prices.

Operating Expenses

- Labor costs will be the primary driving force for rising operating expenses, as the tightening labor market forces firms to bid up wages. According to the Quarterly Census of Employment and Wages, average weekly pay in food and accommodation services in Sonoma County has outpaced county wages as a whole over the past 18 months.
- Falling in-migration as housing affordability erodes further will exacerbate labor market tightness. A reversal in immigration flows from Mexico will disproportionately weigh on local farms and vintners that rely on immigrant labor.

MOODY'S ANALYTICS TOURISM ANALYSIS

- California's minimum wage hike will result in a small increase in labor costs, but employers' efforts to find and retain labor will account for the bulk of the increase in operating costs.
- Rent costs will likewise press on operating expenses, but costs will rise more slowly as retail vacancy rates sit nearly a percentage point higher this year than last. Several county wineries and breweries undertook aggressive expansion plans in recent years but have throttled back this year as the craft beverage market grows more saturated.
- Hotels, restaurants and wineries also face rising electricity costs, but prices per kilowatt-hour will remain well below their 2014 peak.

Profitability

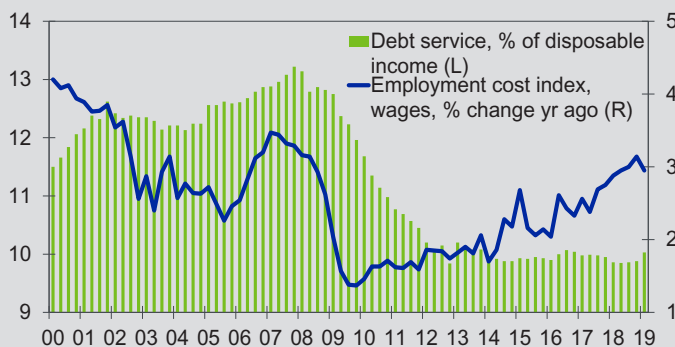
- The number of visitors to Sonoma wineries, restaurants and craft breweries will enable businesses to pass on higher costs to their customers without a drop in patronage.
- Competition for labor will reverberate through other tourism-reliant industries such as restaurants, wellness centers, and outdoor recreation companies, although consumers' greater willingness to spend on experiential travel will deliver a slight boost to margins. Nonetheless, county hotel revenues have advanced more than 7% in each of the last two years, according to Smith Travel Research, reaching \$330 million last year.
- Wineries and breweries will enjoy larger

profit margins as tastings and popular drafts draw in more customers. The scarcity of retail space (reports from Keegan & Coppin show retail vacancy rates near their record lows) along with the growing demand for land and event permits will allow existing vintners and brewers to raise costs with ease. However, higher real estate costs and a tight labor supply will pressure margins for smaller establishments.

Long-term Outlook

- Sonoma County's natural beauty, added flight services out of Sonoma County Airport, proximity to strong regional economies, and diverse tourist attractions allow for a bright outlook. Visitors continue to flock to the area's superior wineries and scenic trails, while budding breweries and wellness establishments will enhance the visitor experience.
- Food and beverage services will be a particular draw for younger generations. Millennials prefer higher-quality wines, craft beers, and local organic food, and in Sonoma, they can experience all three in one place. The recent legalization of marijuana may provide an additional avenue to attract more tourists. Generation Z, the cohort born after 1995, displays similar spending patterns and places an even higher premium on experiences rather than consumer products. As this cohort reaches drinking age, they will complement Millennials as an important

Economic Fundamentals Remain Strong



Sources: Federal Reserve, BLS, Moody's Analytics

Chart: By all accounts, favorable economic fundamentals will ensure a smooth road ahead for tourist destinations. Stronger income gains will feed into greater spending on travel, accommodation, food service and recreation. Additionally, household debt burdens are the lowest they have been in two decades. Low debt payments will create additional space in travelers' budgets for discretionary purchases of experiential travel and longer vacation stays. Household credit quality has steadily improved in the wake of the recession and, in aggregate, is about as good as it has ever been.

MOODY'S ANALYTICS TOURISM ANALYSIS

source of demand for local goods and services.

- Longer term, increased visitor traffic along the coast, within the regional parks and at some events will make it imperative for the tourism industry to strike a balance between industry growth and calls to preserve the county's natural beauty and quality of life. Efforts also should be made to take advantage of direct flight markets that bring travelers who will potentially stay in the destination beyond the weekend time-frame of Bay Area visitors. Sonoma County Tourism's move to destination stewardship and plans to develop a tourism master plan will help position the county for balanced growth.

Upside Risks

- Though Sonoma is renowned for its wineries and breweries, growing recognition for the county's spas and organic eateries could draw in more niche markets. Already, the rising popularity of Sonoma's craft beers has led to exponential growth in the number of breweries. This snowball effect may pick up speed, since craft beer customers value variety and will flock to areas with a high concentration of breweries.
- Sonoma is likewise building on its reputation as a hub for outdoor recreation and wellness. The Ironman Santa Rosa moved to the county in 2017 and brings in around 1,800 athletes and Levi's Gran Fondo an additional 7,000 cyclists to various hospitality businesses. Continued efforts to attract more outdoor recreation events would benefit Sonoma County's leisure and hospitality firms, and help burnish the area's reputation as a magnet for health-conscious travelers.
- The addition of non-stop flights to Dallas and Denver at Charles M. Schulz Airport has boosted air arrivals by close to 20% last year. The airport is in the midst of another \$20 million renovation in hopes of securing more major airline routes. In a similar vein, faster buildout of the SMART train would speed travel times and bring more Sonoma cities

within reach of travelers to San Francisco.

Downside Risks

- A larger than expected increase in oil prices creates downside risk for domestic and international travelers. Should OPEC cutbacks turn more restrictive, rising oil prices could raise the cost of car trips and airfare for domestic and international tourists alike. The baseline forecast assumes U.S. production can fill the void, but should U.S. production falter, higher gas prices may persuade some would-be vacationers to cancel their plans.
- With the economy operating at full potential but inflation pressures mounting more slowly, the Federal Reserve has pressed pause on rate hikes this year, a careful balancing act that could impair consumers if rate increases outpace wage gains. The tourism industry is cyclical by nature and dependent on the strength of the national economy, and any downturn in consumer spending or confidence would hurt local wineries, craft breweries, and other tourism-reliant establishments.
- The largest downside risk is a nationwide recession. Although the expansion is on track to become the longest in modern history, powered by the strong labor market, the latest escalation in the trade war and the rising possibility of further measures over the next few months could cause widespread damage. A recession would lead to a severe pullback in consumer spending, dealing a body blow to tourism-centric areas such as Sonoma County.

TOURISM INDUSTRY INDICATORS

The Tourism Industry Indicators section is based on data prepared for Sonoma County Tourism by Dean Runyan and Associates, as well as industry data from Smith Travel Research, Longwoods International, and Sonoma County's Transient Occupancy Tax receipts. Where necessary, the data and graphs in this section have been adjusted for inflation using the U.S. Bureau of Labor Statistics Consumer Price Index.

Monterey, Napa, and El Dorado are used as comparison counties because of their similarities in offerings as tourism destinations. The featured data is the latest available from Visit California.

KEY FINDINGS

- In 2018, Sonoma County welcomed 10.8 million overnight and day visitors.
- Direct visitor spending in Sonoma County in 2018 totaled \$2 billion, a 3.84% increase over 2017.
- The 2018 Sonoma County Occupancy Rate was 78.3%, Average Daily Rate was \$180.25, and RevPAR was \$142.12. The YOY% change from 2017 for Occupancy Rate increased 1.7%, ADR increased 6.5% and RevPAR increased by 7.9%.
- Four new hotels opened and three existing hotels expanded in 2018 resulting in a room supply increase of 342 rooms or 5.5% from 2017.
- The Charles M. Schulz – Sonoma County Airport (STS) served 440,644 passengers in 2018 resulting in an increase of 10.8% in total passengers from 2017.
- Sonoma County's Transient Occupancy Tax (TOT) receipts totaled \$48.7 million in 2018. This is an increase of 11.2% from the previous year and the highest level of TOT receipts that Sonoma County has ever collected.



TOURISM INDUSTRY INDICATORS

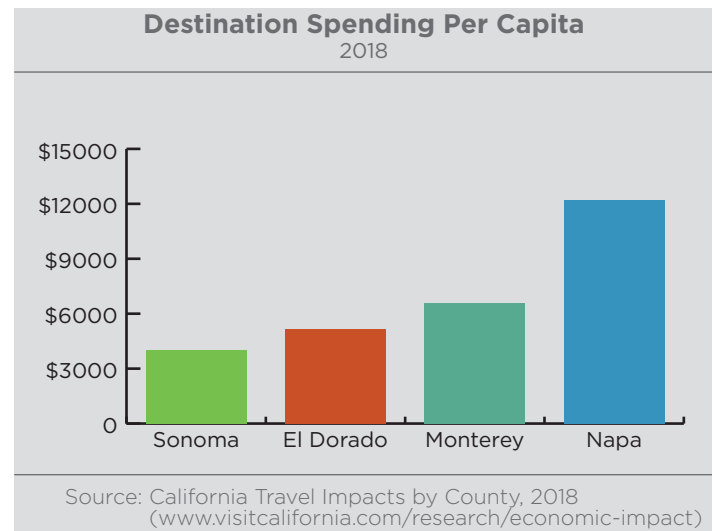
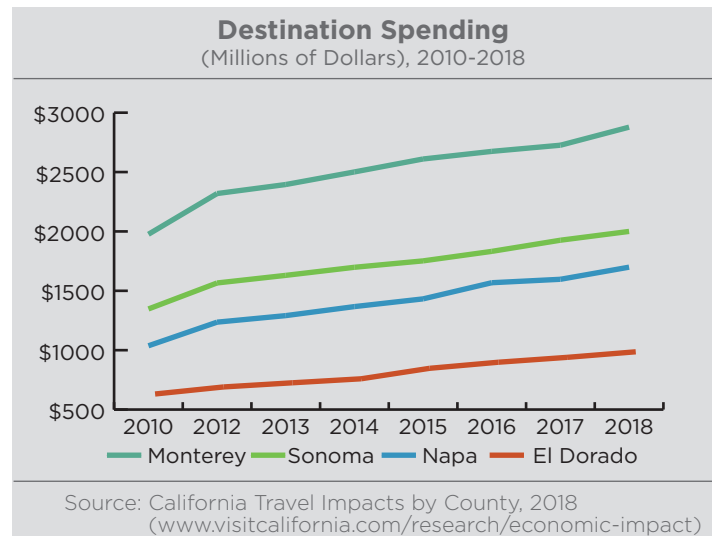
DESTINATION SPENDING

Destination Spending by Year

Destination spending is the total amount spent by visitors in Sonoma County. This indicator includes all spending on accommodations, wine activities, retail, and other tourism-related purchases. The most recent figures show that Sonoma County's destination spending increased by 3.84% from \$1.93 billion in 2017 to \$2.0 billion in 2018.

Destination Spending per Capita

For each of Sonoma County's 504,217 residents, \$4,000 in destination spending was generated. Napa County generated the highest per-capita spending at \$12,187 due to its relatively small population. Monterey followed at \$6,607 and El Dorado at \$5,173.



TOURISM INDUSTRY INDICATORS

DESTINATION SPENDING BREAKDOWN

Total Industry Earnings Generated by Travel Spending

The most recent figures show that Sonoma County’s Industry Earnings Generated by Travel Spending increased by 5.37% from \$766.6 million in 2017 to \$807.8 million in 2018.

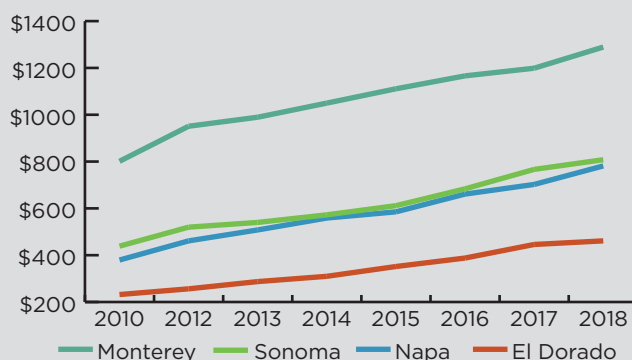
Distribution of Visitor Spending by Commodity

As in previous years, the overall distribution of commodity-based visitor spending in Sonoma County is comparable to the featured competitive counties. However, there are several areas where Sonoma County appears to be somewhat unique. Visitors to Sonoma County devote a smaller share of their spending towards accommodations than other destinations - 25% of all spending, compared to 27% in Monterey County, 28% in El Dorado County, and 32% in Napa. Sonoma County visitors spend the largest amount on food and beverage services (28%).

Distribution of Visitor Spending by Accommodation

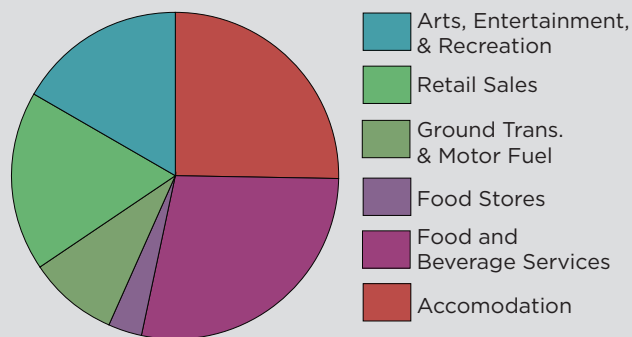
In comparison with other competitive counties, a smaller share of visitor spending in Sonoma County comes from visitors who are staying in a hotel or motel (55% compared to 67% in El Dorado County, 73% in Monterey County, and 74% for Napa County). Instead, a significant share of Sonoma County visitor spending is received from day travelers (28%) compared to 21% for Napa, 17% for Monterey, and 8% for El Dorado.

Total Industry Earnings Generated by Travel Spending
(Millions of Dollars), 2010-2018



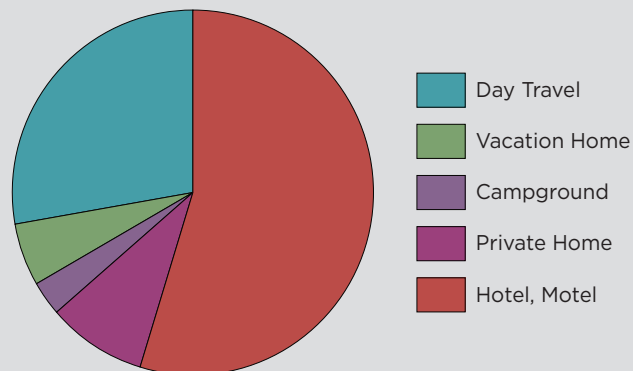
Source: California Travel Impacts by County, 2018
(www.visitcalifornia.com/research/economic-impact)

Distribution of Visitor Spending by Commodity
Sonoma County, 2018



Source: California Travel Impacts by County, 2018
(www.visitcalifornia.com/research/economic-impact)

Distribution of Visitor Spending by Accommodation
Sonoma County, 2018



Source: California Travel Impacts by County, 2018
(www.visitcalifornia.com/research/economic-impact)

TOURISM INDUSTRY INDICATORS

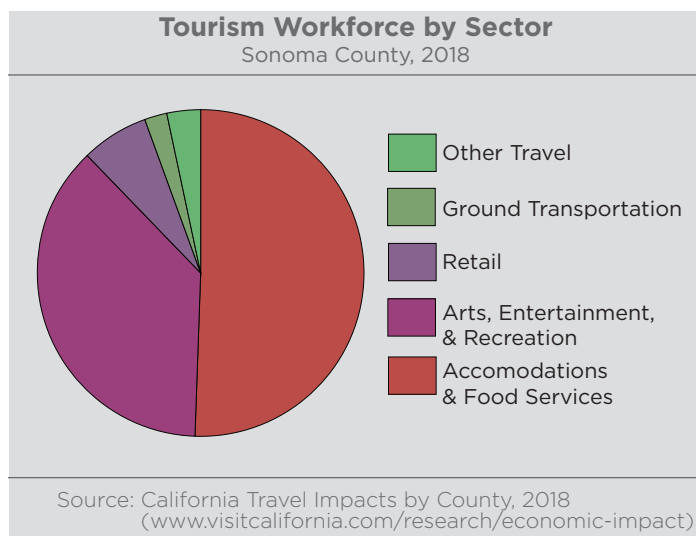
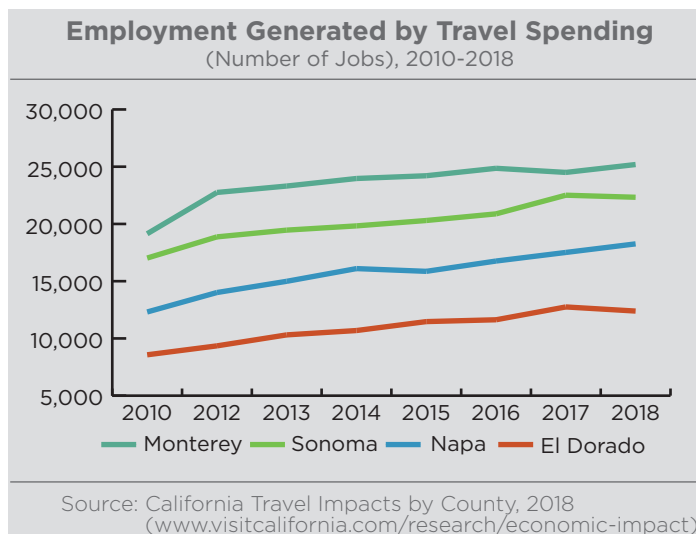
INDUSTRY EMPLOYMENT

Employment Generated by Travel Spending

With 22,330 jobs generated by tourist destination spending, Sonoma County ranks second against comparable counties - Monterey had 25,190 tourism jobs, Napa had 18,260 tourism jobs, and El Dorado had 12,390 tourism jobs in 2018. The tourism industry remains the largest employer in Sonoma County.

Sonoma County Tourism Employment by Sector

Distribution of employment within Sonoma County's tourism industry is similar to previous years, with 50% of employment in accommodations & food services, 37% in arts, entertainment & recreation, 7% in retail, 2.3% in ground transportation, and 3% in other travel.



TOURISM INDUSTRY INDICATORS

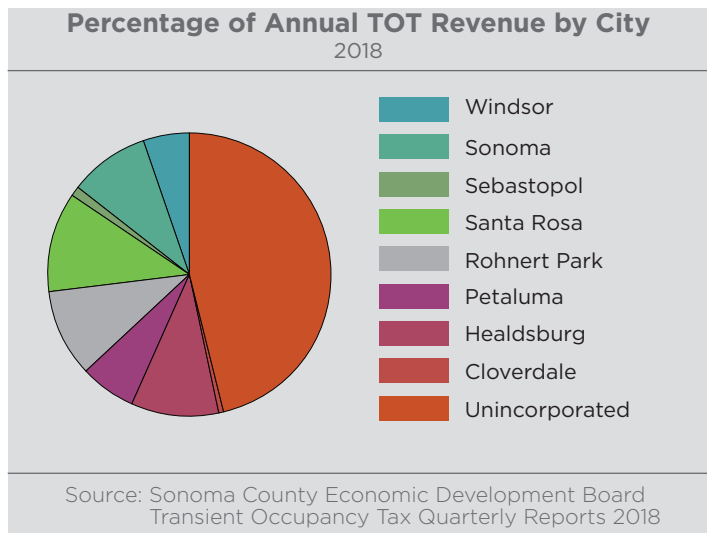
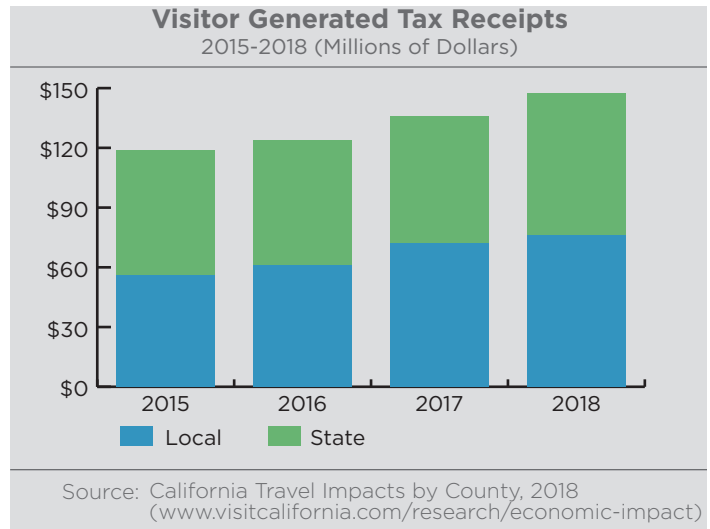
TOURISM-GENERATED TAXES

Visitor Generated by Tax Receipts

Spending by day travelers and overnight visitors to Sonoma County generate a significant amount of tax for state and local governments. Total local taxes collected from visitors to Sonoma County were estimated at \$76.1 million in 2018. Total state taxes collected from those same visitors was \$71.2 million in 2018. Total local and state tax collection increased by \$11.3 million or 8.3% from 2017.

Percentage of Annual TOT Revenue by City

Revenues from TOT are divided between the County of Sonoma (which receives revenue from lodging properties in unincorporated regions) and the individual cities in the county. Collectively, the incorporated cities generated 54% of all revenue in 2018, while the unincorporated areas of the county generated 46%.



TOURISM INDUSTRY INDICATORS

TRAVEL IMPACTS BY CITY

Sonoma County Tourism commissioned Dean Runyan and Associates to create a special report showing revenue generated to each of the municipalities from the tourism industry. The findings:

	Spending (\$ Million)	Earnings (\$ Million)	Employment (Jobs)	Tax Receipts* (\$ Million)		
				Local	State	Total
Cloverdale	16	6	167	0.8	0.7	1.5
Healdsburg	145	54	1,490	6.8	6.2	13.0
Petaluma	198	73	2,029	9.3	8.4	17.7
Rohnert Park	209	77	2,142	9.8	8.9	18.7
Santa Rosa	489	181	5,017	22.9	20.8	43.8
Sebastopol	34	13	347	1.6	1.4	3.0
Sonoma	161	60	1,650	7.5	6.8	14.4
Unincorporated Area	823	306	8,445	38.6	35.1	73.7
Windsor	101	38	1,040	4.8	4.3	9.1
COUNTY TOTALS	2,175	808	22,327	102	93	195

*Tax receipts include tax receipts generated by visitors to Sonoma County as well as businesses and employees within the county.

TOURISM INDUSTRY INDICATORS

LODGING & HOSPITALITY ASSESSMENT

Visitors staying in hotels and motels are the single-largest source of destination spending in Sonoma County, with an estimated \$1.1 billion in spent in 2018. This number could be much higher once the money brought into the economy by overnight stays in vacation rentals by owner and campgrounds in Sonoma County are taken into account.

Occupancy Rate

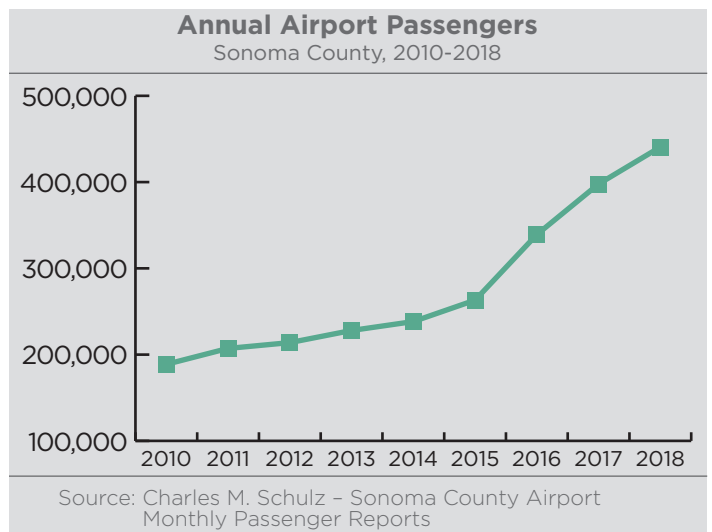
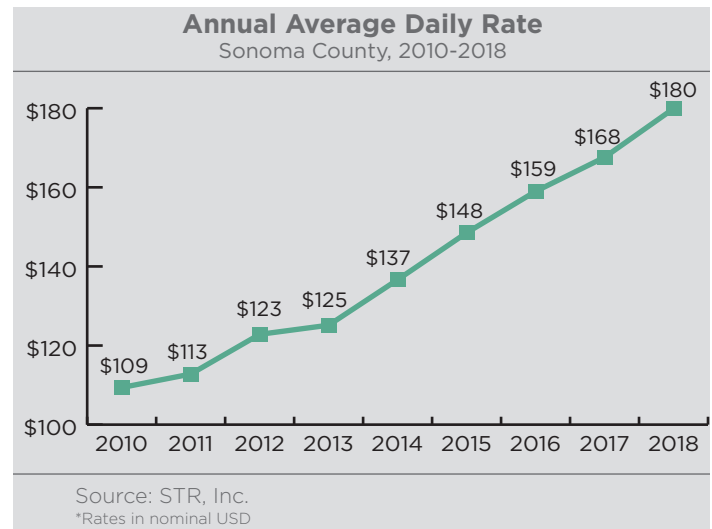
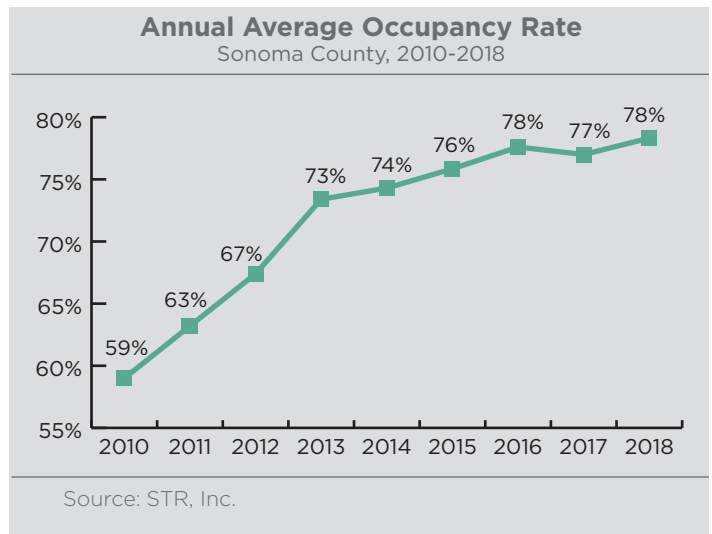
The occupancy rate for Sonoma County is determined by dividing the total room nights sold divided by the total room nights available for purchase. The average annual occupancy in 2018 was 78%.

Annual Average Daily Rate (ADR)

Average daily rate (ADR) represents the average amount spent on accommodations by a visitor per room night in Sonoma County. This number has increased every year since 2010. For 2018, the average daily rate improved by 7.4% over the previous year to \$179.90.

SANTA ROSA AIRPORT

Arrivals at Charles M. Schulz-Sonoma County Airport climbed a robust 17% through 2018 compared with a year earlier, as United Airlines launched a new route from Denver in March and American Airlines launched a new route from Dallas in June. The airport served over 440,000 passengers in 2018 and is expected to serve nearly 500,000 passengers in 2019.



TOURISM INDUSTRY INDICATORS

TOURISM-GENERATED TAXES

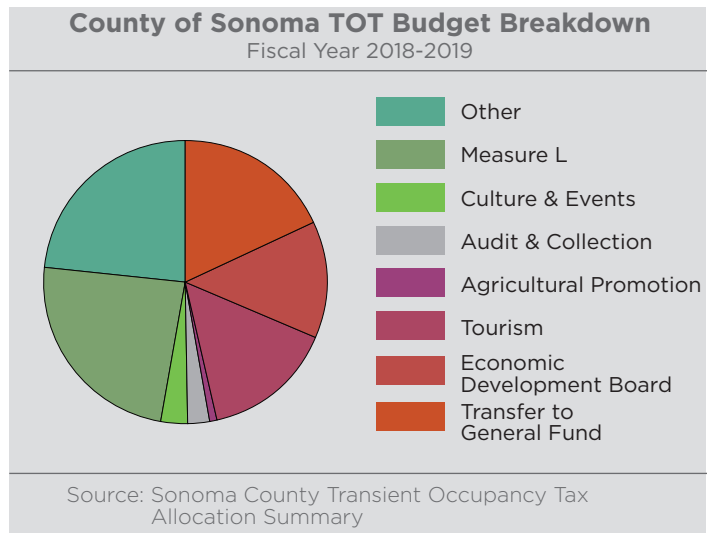
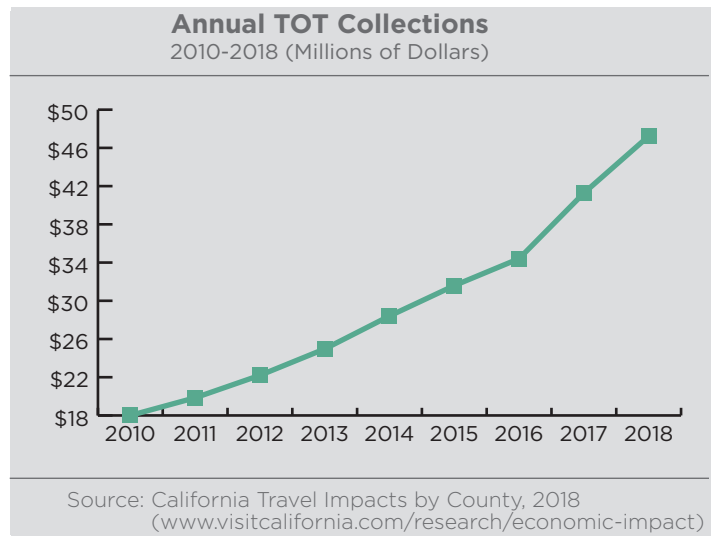
Transient Occupancy Tax (TOT) is a local tax on room rental revenue in lodging properties located in Sonoma County. The TOT rate varies between 9% and 14% from city to city.

Annual TOT Collections

TOT revenues in Sonoma County increased 11.2% from \$43.7 million in 2017 to \$48.7 million in 2018—the highest ever collected in Sonoma County.

TOT Revenue Spending Areas

TOT funds are distributed to three main spending areas: General Fund Contribution (18%), Community Investment Fund (58%), and Measure L (24%). Within the Community Investment Fund, the majority of TOT funds go to Economic Development (14%) and Tourism (15%). Measure L includes road repairs; regional parks; fire and emergency services; affordable housing; general services - Veteran’s buildings; tourism mitigation fund, ACTTC - Collections, and permit and resource management.



SONOMA COUNTY VISITOR PROFILE

Sonoma County Tourism, in partnership with Longwoods International, has developed a visitor profile of overnight visitors to Sonoma County in 2018. This profile was developed by surveying 597 travelers who had visited Sonoma County within the past 12 months.

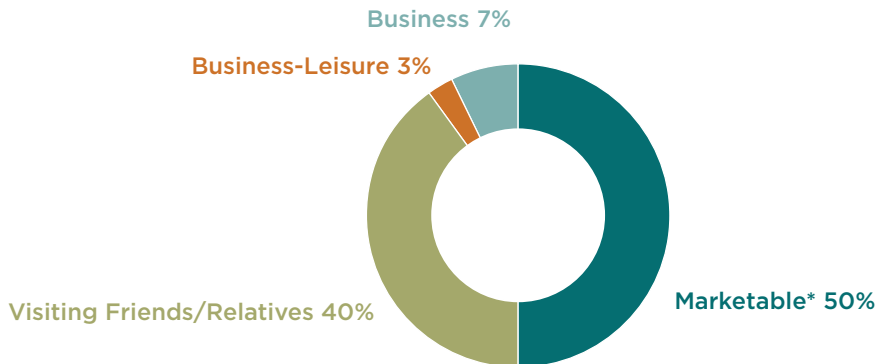
KEY FINDINGS

- In 2018, Sonoma County welcomed 4.8 million overnight visitors. 4 million (83%) of these visitors were adults and (17%) were children.
- Total overnight visitor spending in Sonoma County in 2018 totaled \$1.01 billion.
- Average spent per-person on domestic overnight trips was \$204 and per-party was \$546.
- The main purpose for visiting Sonoma County is visiting friends and relatives, touring trips, and special events. The top activities and experiences enjoyed by guests are visiting wineries, shopping, fine/upscale dining, visiting landmarks/historical sites, and visiting national or state parks.
- The average overnight visitor stays in Sonoma County for 2.9 nights.



SONOMA COUNTY VISITOR PROFILE

Reason for Travel



*Trips influenced by marketing efforts

Source: Longwoods International

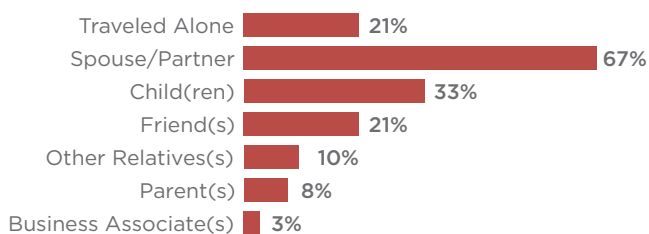


3.0 People
Size of the average travel party visiting Sonoma County



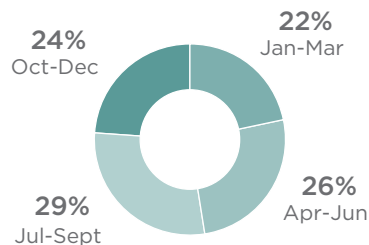
2.9 Days
Average length of time spent in Sonoma County

Composition of Immediate Travel Party



Source: Longwoods International

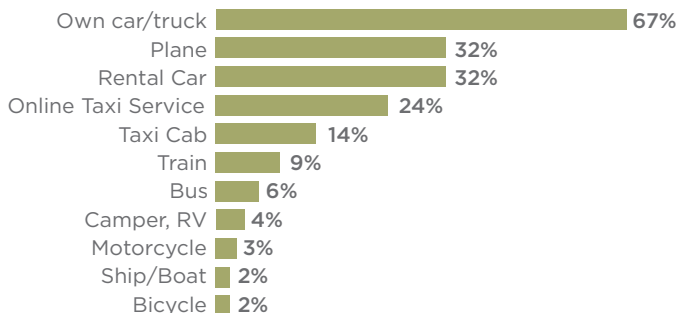
Season of Trip



Source: Longwoods International



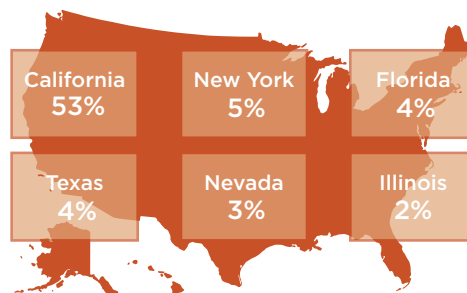
Top Methods of Transportation



Source: Longwoods International



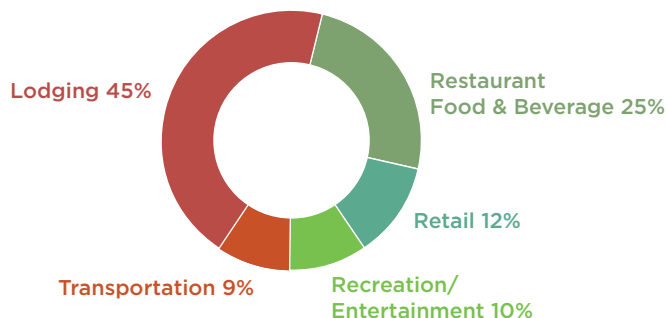
Top Feeder States For overnight trips



Source: Longwoods International

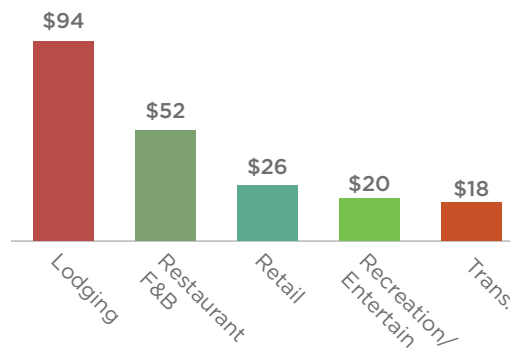
SONOMA COUNTY VISITOR PROFILE

Domestic Overnight Expenditures by Sector



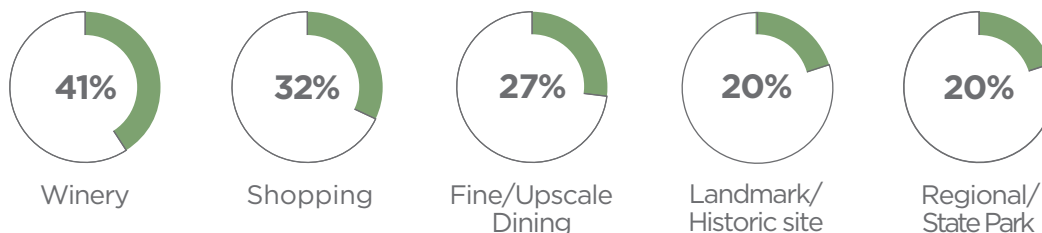
Source: Longwoods International

Average Per Person Expenditures on Domestic Overnight Trips



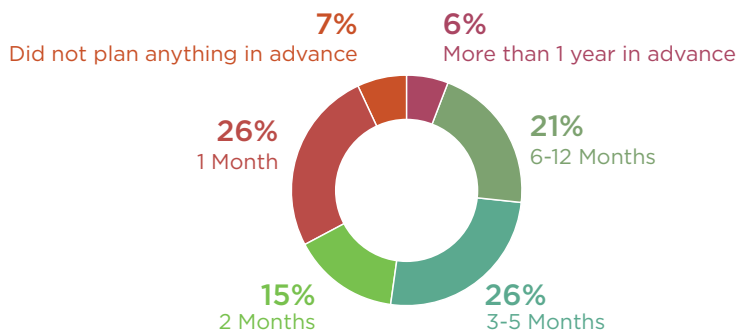
Source: Longwoods International

Top Activities



Source: Longwoods International

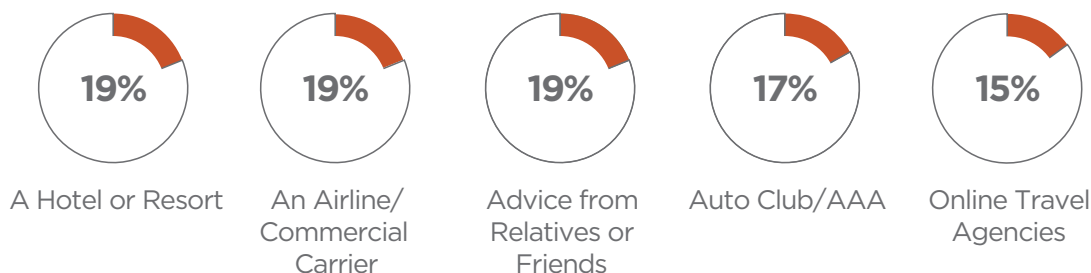
Length of Trip Planning



Source: Longwoods International

NOTE:
68% of overnight travelers planned their trips **2 Months** or more in advance

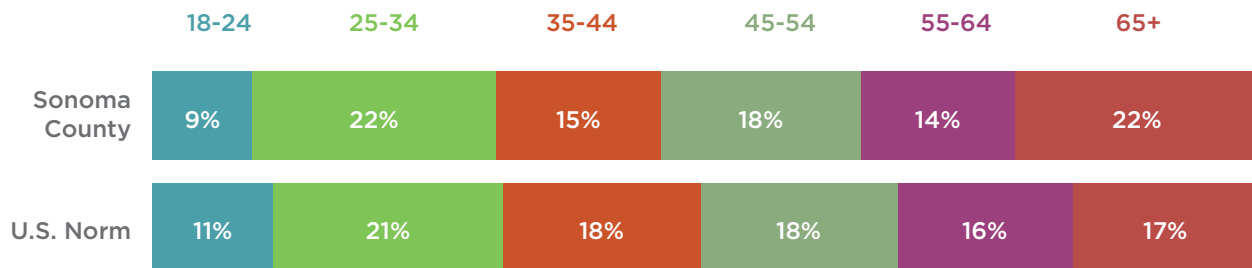
Top Sources for Trip Planning Information



Source: Longwoods International

SONOMA COUNTY VISITOR PROFILE

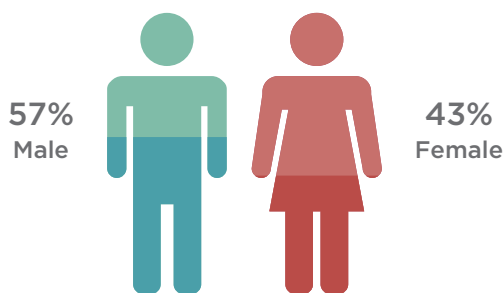
Age



Source: Longwoods International



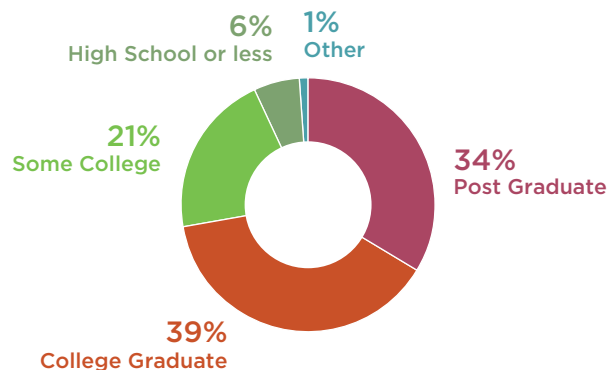
Gender



Source: Longwoods International



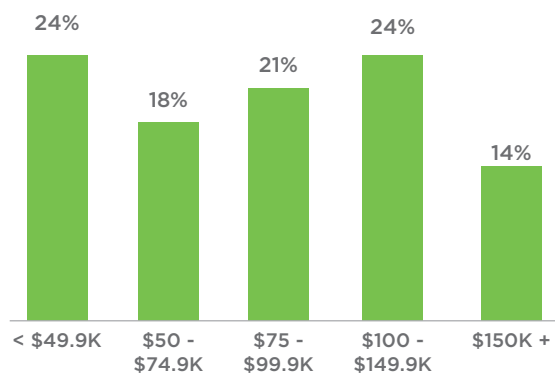
Education



Source: Longwoods International



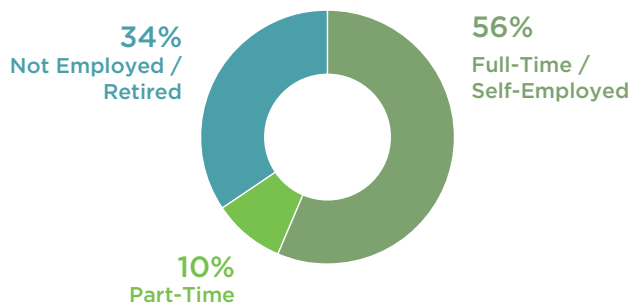
Household Income



Source: Longwoods International



Employment



Source: Longwoods International

TOURISM BUSINESS PHILANTHROPY STUDY

RESULTS SUMMARY

Hospitality-facing businesses do more in Sonoma County than provide hotel space, restaurant meals, wine-tasting experiences, and ocean views. Because these businesses give back to the community — by donating time, in-kind gifts and cash — organizations and people are helped every day. Such philanthropy expands the very important social and economic footprint of this industry in Sonoma County.

While estimated giving is down slightly from the 2016 version of this study, the overall impacts have increased slightly due to the local economy's continued growth. Data was gathered from Sonoma County's hospitality businesses by a survey in summer 2019. More than 2,380 businesses were asked questions about how they gave, why they gave, and how much time, cash and in-kind goods and services were provided. We had 453 responses, a 19 percent response rate, which varied from restaurants to hotels to retailers to event producers, also beer and wine tasting facilities. The breadth and depth of hospitality-facing businesses giving to local charities suggests a broad range of charitable efforts and levels. Organizations supported by hospitality businesses ranged from children's groups to the United Way, from single events to weekly volunteerism

90 percent of responding businesses provide both in-kind contributions and also provide cash donations. Cash donations averaged \$8,989 (\$6,669 in 2016) while in-kind giving averaged \$8,548 (\$9,891 in 2016). Hospitality businesses providing paid time for employees to volunteer was more than 105,000 hours in 2018 based on respondents (about 8,000 hours less than 2016). Using a \$20 per hour replacement rate for these workers, non-profits were estimated to save \$2.1 million in 2018. This is considered additional giving by these employers.

KEY FINDINGS

The survey results, given 2,384 employers identified by SCT suggests:

- Over \$43.9 million was given by these businesses in cash, in-kind, or volunteer time contributions in 2018; approximately \$1 million less than estimated in 2016.

The economic impact of that giving is even broader:

- This \$43.9 million creates another \$24.1 million in other business revenue based on non-profit employment and organization spending in the local economy.
- The spending by non-profits of this funding or savings supports over 418 jobs.
- Local and state governments receive over \$2.98 million from this philanthropy.

SCT data shows that nine out of ten hospitality-facing businesses give back to the community. Based on an average size of a non-profit organization in Sonoma County of \$1.5 million in annual revenues, this industry's giving supports the equivalent of 32 non-profit organizations in 2018.

TOURISM BUSINESS PHILANTHROPY STUDY

Types of Giving

90% of the survey respondents reported that they participated in some form of charitable giving. Of these businesses, 27% give directly to charity organizations, 23% volunteer in the community, 14% sit on a non-profit's board, 13% hold volunteer events, and over 45% donate in-kind product or services. There are financial benefits to non-profit organizations from any type of giving.

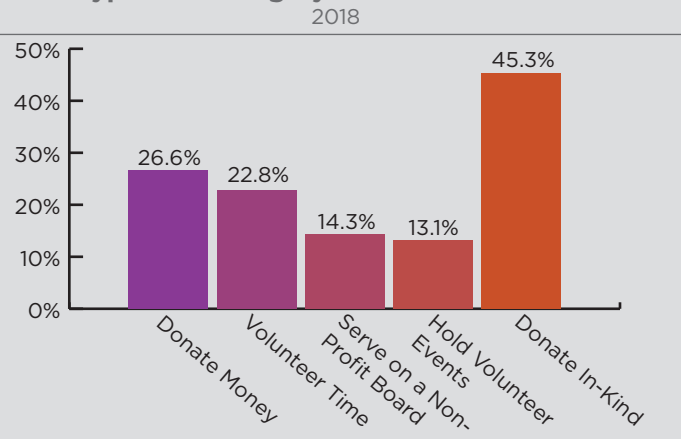
Annual Cash Donations

Non-profit organizations generally want contributions of any kind that makes sense per their mission; cash is, by definition, the most interchangeable type of contribution. Only 2.1% of hospitality-facing businesses reported giving more than \$100,000 in 2018, while 32.4% of respondents gave between \$1 and \$1,000.

Annual In-Kind Donations

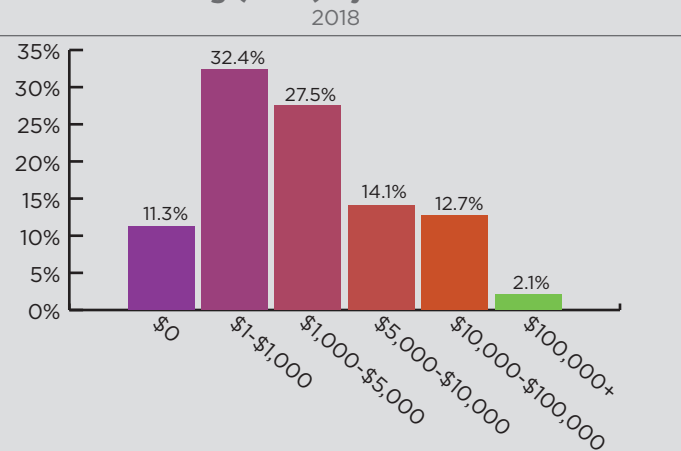
In-kind giving may have a monetary value, and can be as good as cash (especially in the case of auction items, gift certificates, or both). In-kind giving may also help reduce specific or recurring expenses (for example, a non-profit that provides goods and services directly may have a restaurant provide food or meal services without charging the non-profit organization). Only 1.8% of hospitality-facing businesses reported giving more than \$100,000 in 2018, while 23.7% of respondents gave between \$5,000 and \$10,000.

Types of Giving by Tourism Businesses



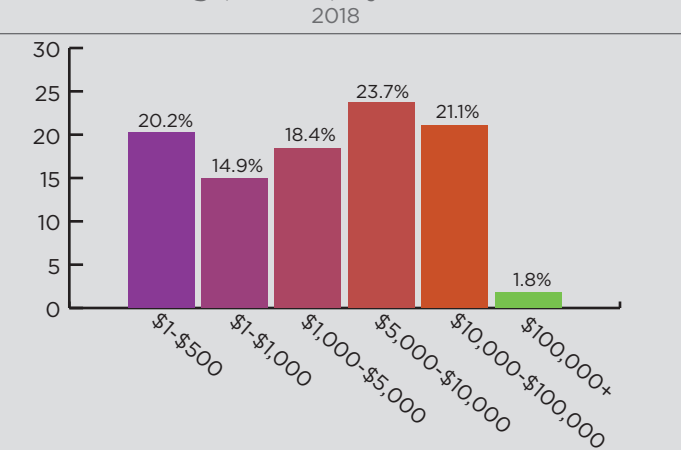
Source: Sonoma County Tourism Hospitality Philanthropy Survey

Annual Giving (Cash) by Tourism Businesses



Source: Sonoma County Tourism Hospitality Philanthropy Survey

Annual Giving (In-Kind) by Tourism Businesses



Source: Sonoma County Tourism Hospitality Philanthropy Survey



TOURISM BUSINESS PHILANTHROPY STUDY

Support for Local Organizations

In addition to the volunteer efforts described above, Sonoma County tourism-related businesses support several local organizations dedicated to improving the surrounding community. While this list is not comprehensive, it gives an idea of the impact that these businesses have on Sonoma County in addition to the jobs they create.

Boys' & Girls Club	LGBTQ Programs	Russian Riverkeeper
CERES	KRCB Radio	Russian River Rotary Club
Chefs of Tomorrow	Meals on Wheels	Santa Rosa Rotary Club
Face 2 Face	Mentor Me Petaluma	Sebastiani Theater
Feast it Forward	Occidental Center for the Arts	Sebastopol Education Foundation
Habitat for Humanity	Paws of Love	Sonoma Community Center
Girl Scouts	Redwood Arts Council	Sonoma School Garden Program
Guerneville School Garden	Redwood Empire Food Bank	Stewards of the Redwoods
Living Room	Regional Fire Departments	Youth First

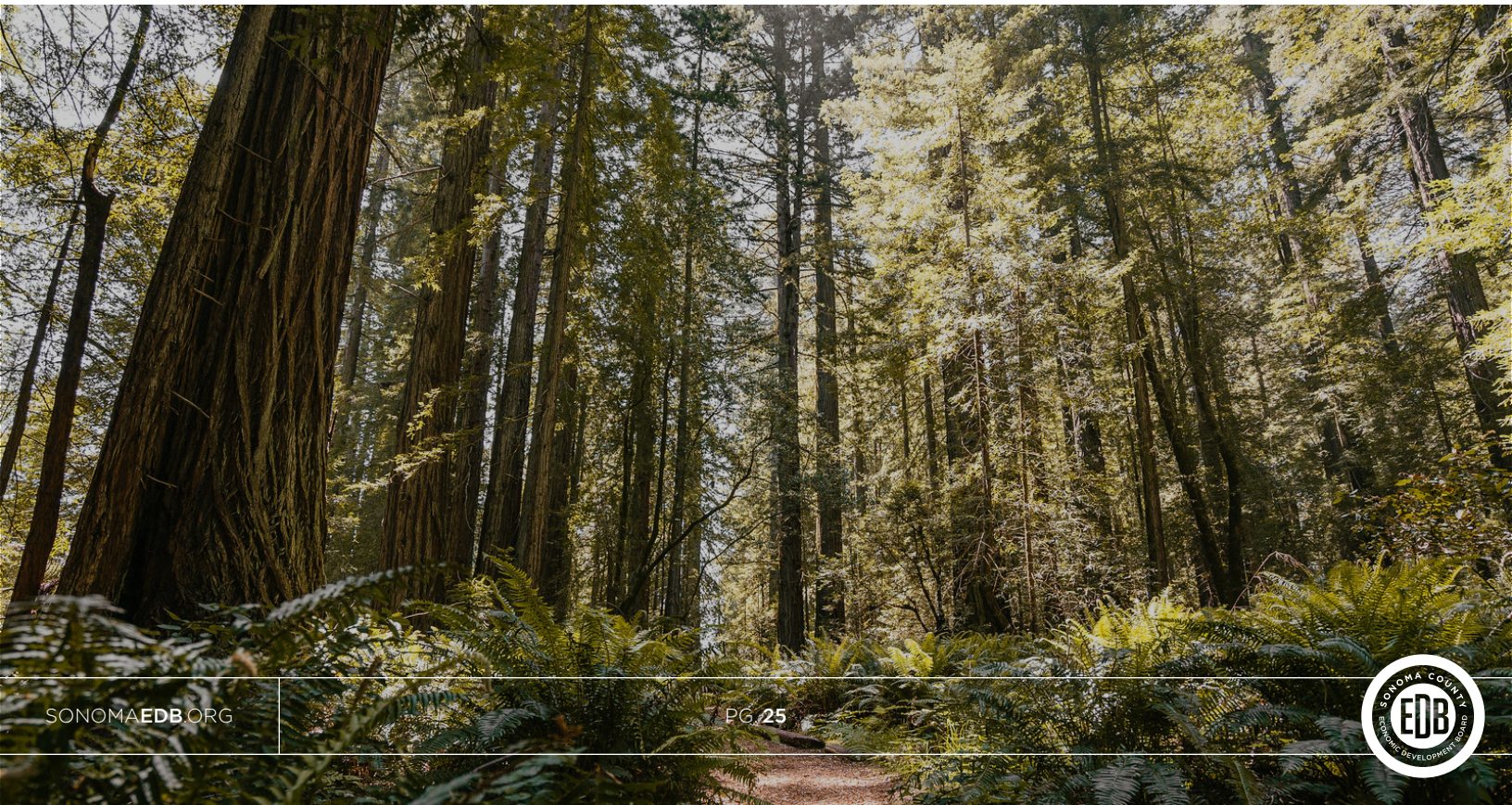
GLOSSARY

Average Daily Rate (ADR): Total revenue brought in by hotel room rates (excludes taxes, resort fees, parking, etc.) divided by the total room nights sold.

Occupancy Rate: Total room nights sold divided by the total room nights available in Sonoma County (excludes vacation rentals, campgrounds, etc.) multiplied by 100.

Revenue per Available Room (RevPAR): Total revenue brought in by hotel room rates (excludes taxes, resort fees, parking, etc.) divided by the total room nights available in Sonoma County (excludes vacation rentals, campgrounds, etc.).

Transient Occupancy Tax (TOT): A tax of 9-12% of the rent charged to travelers when they rent accommodations in hotels/motels or through home sharing services like Airbnb unless the stay is for a period of 30 days or more. The TOT is commonly known as a “bed tax”.



ACKNOWLEDGMENTS

The 2019 Annual Tourism Report would not have been possible without the contributions of many individuals.

Special acknowledgment is due to Sonoma County Tourism for their invaluable suggestions and generous provision of statistical data on the tourism sector in Sonoma County.

Peyton Sales, the EDB's Tourism and Hospitality Project Coordinator, was responsible for compilation and organization of the report, data, and survey findings. She updated and consolidated the data sources and statistics from previous years to create this comprehensive analysis, and deserves special thanks.

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