

The Economic Impact of Amelia Island Tourism on Nassau County, Florida

Prepared by: Haas Center for Business Research and Economic Development

Contact: Melissa Neal, MA
Associate Director
850.833.9113
mneal@uwf.edu

Project Team: Melissa Neal, MA
Phyllis K. Pooley, MBA, JD

Submitted: August 8, 2008

Haas
Center
for business research and economic development
Haas Center for Business Research
and Economic Development
The University of West Florida

Haas Center staff would like to thank the many property managers and owners who took the time to meet with us and provide us with primary data for this analysis. We especially thank the owners of the Fairbanks House for providing accommodations during our June 2008 visit to Amelia Island.



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EXECUTIVE SUMMARY

Tourist-related activity on Amelia Island has long been a major source of employment for local residents, sales for local companies, and tax revenues for the government. The following report, funded by the Amelia Island Tourist Development Council, provides annual estimates of the economic impact of Amelia Island tourism attributable to the tourism industry in Nassau County.

Visitors to the Island may stay overnight in rented accommodations, with friends and relatives, or in their own vacation or second homes. Additionally, some visitors may travel to the Island for a day trip, spending money in the area, but not staying in local accommodations. We estimate the annual number of overnight visitors renting accommodations on Amelia Island to be approximately 465,000 people annually. This preliminary study calculates the annual economic impact of both overnight and day visitors using tourism taxable retail sales which are based on the tourism and recreation kind codes used by the Office of Economic and Demographic Research for the Florida Legislature. The category of "tourism and recreation" taxable sales includes hotels and motels, bar and restaurant sales, liquor stores, photo and art stores, gift shops, admissions, sporting goods, rentals, and jewelry stores. Taxable retail sales related to tourism on average represented 36.5 percent of total taxable retail sales for Nassau County between 1998 and 2007.

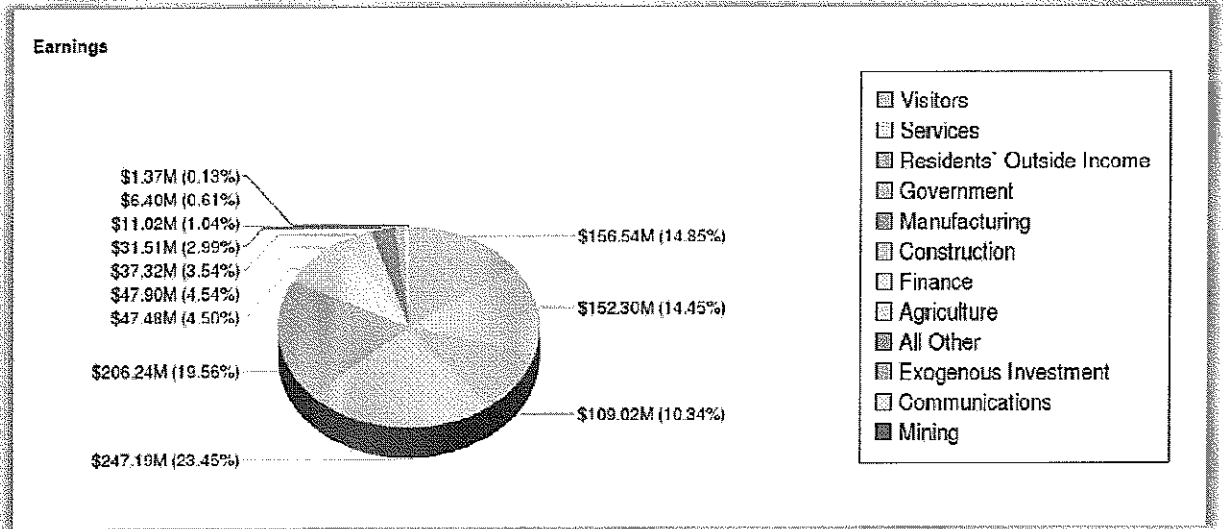
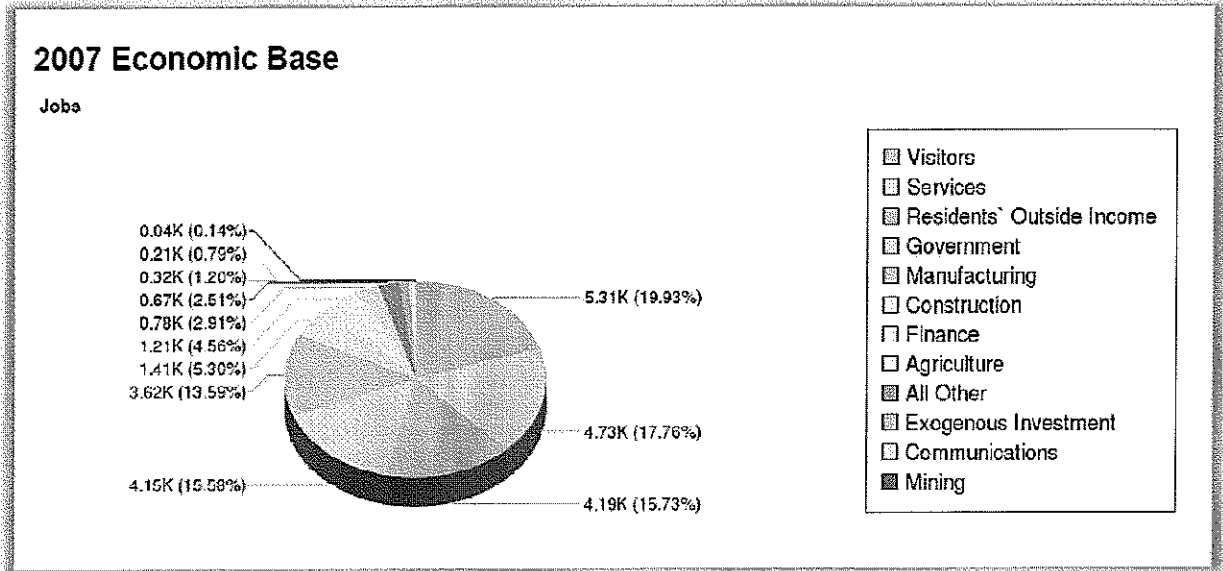
The results presented here are based on secondary data on Northeast Florida provided by Visit Florida along with brief interviews with property owners and managers that Haas Center staff conducted in early June 2008. Haas Center staff is currently working with the Amelia Island TDC to implement and analyze a survey of visitors to the Island in order to obtain primary data regarding visitor length of stay, party size, and estimated spending per day. This data will allow us to more accurately estimate the annual economic impact of visitors to Amelia Island. We will prepare a follow-up analysis using the survey results in the coming months.

Among the key findings of the study are that annually area visitors:

- generate approximately *\$346 million in total sales* (retail plus business-to-business sales) locally;
- result in the creation of about *4,781 jobs* that are directly or indirectly related to tourism;
- generate local income and wages of approximately *\$94 million*.

Additionally, as indicated by the Figure below, the "Visitors" sector accounts for nearly 20 percent of the jobs and 15% of the earnings in Nassau County.

NASSAU COUNTY ECONOMIC BASE



INTRODUCTION

The tourism industry affects the entire community, both on Amelia Island and in Nassau County. Because of this broad influence, community support is critical to the continued success of tourism. Tourism businesses depend extensively on each other as well as on other businesses, government, and the local residents. The economic benefits of tourism affect virtually everyone in the region in one way or another. Tourism's contribution to economic activity in the area is, therefore, an important consideration in state, county, and community planning. Economic impact analyses provide tangible estimates of these economic interdependencies and a better understanding of the role and importance of tourism in a region's economy.

The purpose of this report is to present calculations of the magnitude of changes in economic activity arising from Amelia Island-related tourism spending. In this preliminary study, we estimate several measures of tourism-related economic activity, including total spending, income, and employment. Spending by area visitors results in numerous sales by businesses serving as suppliers to the tourism industries (e.g., a laundry sells linen service to a hotel). We report the sum of retail sales plus business-to-business sales as total spending. The income figures that we report are the sum of proprietor's income and wages and salaries accruing to workers in these businesses. The income figures reported are a part of total spending. Employment figures represent the number of jobs supported by sales of goods and services to consumers and by the increased level of inter-industry transactions. The job estimates given include full-time, part-time, and seasonal jobs.

For these economic impact calculations the regions of interest are the City of Fernandina Beach and Nassau County. The selection of a particular geographic region influences both the amount of spending by local businesses that is captured and the size of the multiplier effects.

Each of the measures of economic impact reflects the value generated by industry for one calendar year of production. In actuality, most of the local economic impact associated with local spending changes will have occurred within this one-year time frame.

This report does not attempt to quantify quality of life issues, whether positive or negative, which are undoubtedly related to the real estate development, growing populations, or increased traffic that may result from the tourism industry. The economic impact assesses only the gross impact of financial (spending) flows and does not take into account government costs incurred because of tourism.

We generated the visitor spending data used in these calculations using retail sales data from the Florida Department of Revenue. For purposes of calculating economic impact, the study is particularly concerned with in-area spending patterns of overnight and day visitors. Since visitor-reported daily spending for lodging, restaurant meals, shopping and entertainment is currently

unavailable, we use retail sales data in tourism related kind codes in order to best capture total visitor impact.

AMELIA Island Background

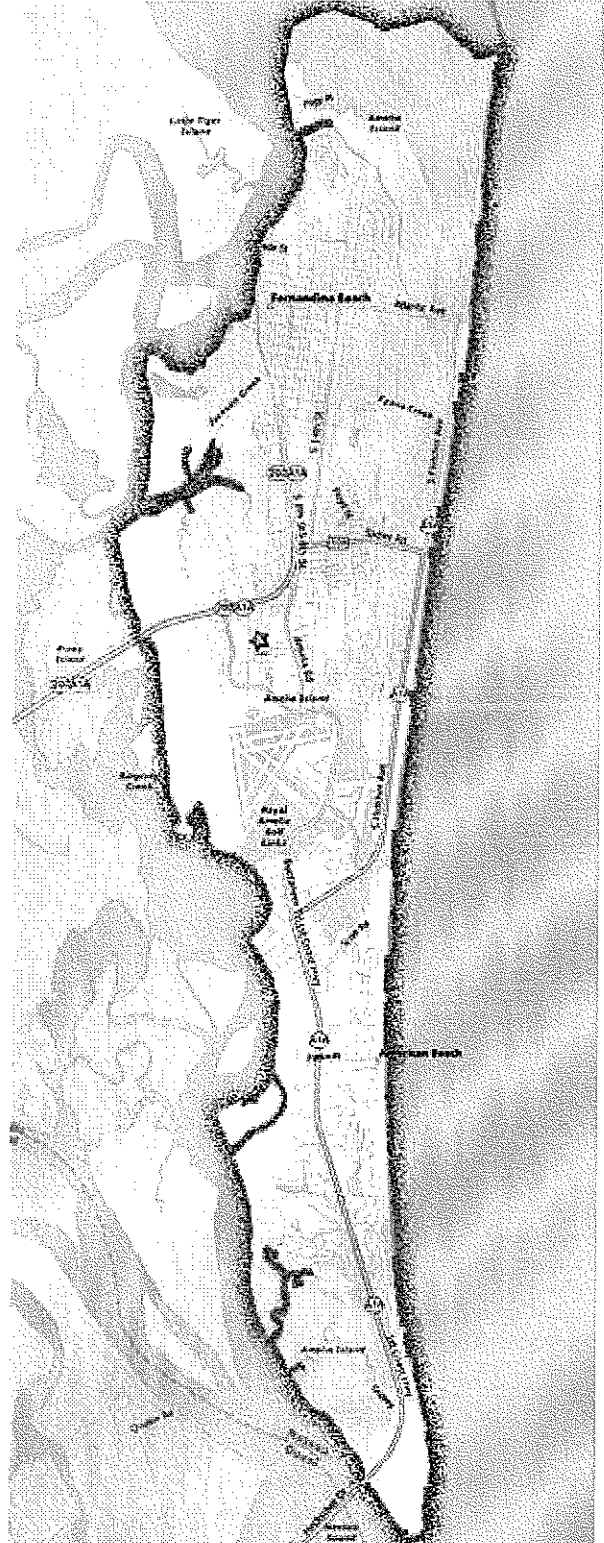
Amelia Island is located in Northeast Florida within Nassau County, and is approximately 35 miles northeast of downtown Jacksonville. The area boasts a unique combination of white sand beaches and small-town atmosphere, along with meeting and convention space, world-class golfing, fine dining, and other activities which provide visitors with a plethora of vacation activity options. Additionally, visitors have a wide array of over accommodations from which to choose, ranging from hotels to bed and breakfasts to resorts such as Amelia Island Plantation and the Ritz-Carlton Amelia. In all, the area has over 2,000 rental homes and condo units.

NASSAU COUNTY ECONOMY

Nassau County's economy is very diverse, ranging from agricultural activity in the west and central areas (mostly in the form of tree farms), to a variety of activities closer to Amelia Island. Much of the land used for tree farming is owned by Rayonier, a major employer in the area, and the owner of a large pulp mill in Fernandina Beach. Historically, tree farming, trucking, and pulp production has characterized a large portion of the local economy. However, extensive growth is occurring in the outlying small towns in the rural western area. Fernandina Beach has long been known for professional industries such as real estate, legal services, and medical care, and is also a site of upscale resorts such as the Ritz-Carlton Hotel and Amelia Island Plantation.

DEMOGRAPHICS

Table 1 below provides basic demographic information for both Fernandina Beach and Nassau County as



estimated for 2008. The population of Fernandina Beach grew 5.3 percent between 2000 and 2008 and is expected to grow at an annual rate of one percent between 2008 and 2013. At the same time Nassau County's population grew 24 percent between 2000 and 2008, and is expected to grow at an annual rate of 2.5 percent between 2008 and 2013.

TABLE 1- FERNANDINA BEACH AND NASSAU COUNTY DEMOGRAPHICS

2008	Fernandina Beach	Nassau County
Population	11,104	71,571
Households	4,918	27,694
Families	3,157	20,522
Average Household Size	2.22	2.56
Owner Occupied HUs	3,515	22,752
Renter Occupied HUs	1,403	4,942
Median Age	46.0	40.7

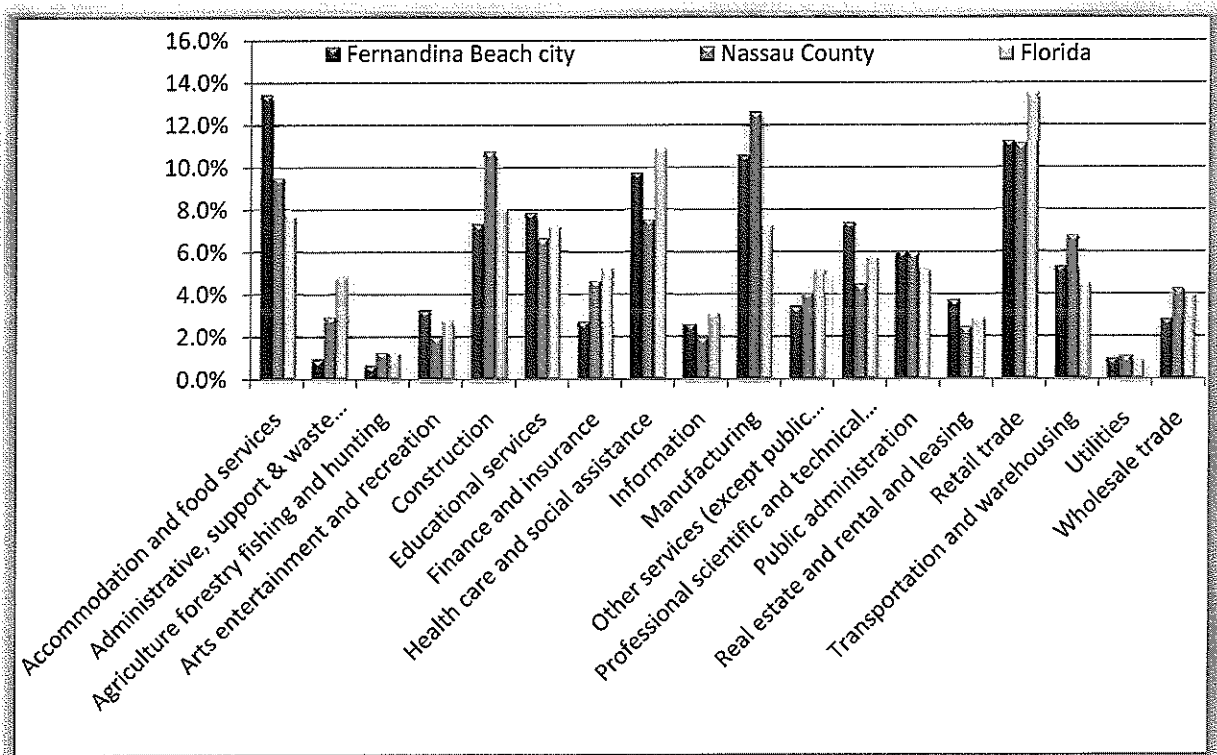
2008	Fernandina Beach		Nassau County	
	Number	Percent	Number	Percent
Households by Income				
< \$15,000	490	10.0%	2,608	9.4%
\$15,000 - \$24,999	502	10.2%	2,772	10.0%
\$25,000 - \$34,999	486	9.9%	2,532	9.1%
\$35,000 - \$49,999	713	14.5%	4,144	15.0%
\$50,000 - \$74,999	971	19.7%	6,946	25.1%
\$75,000 - \$99,999	778	15.8%	3,832	13.8%
\$100,000 - \$149,999	601	12.2%	2,946	10.6%
\$150,000 - \$199,000	157	3.2%	787	2.8%
\$200,000+	220	4.5%	1,127	4.1%
Median Household Income	\$56,519		\$56,619	
Average Household Income	\$73,398		\$72,407	
Per Capita Income	\$31,931		\$28,170	

Source: ESRI

EMPLOYMENT

A review of employment data is a good way to identify and understand a region's key industries. Employment data provides the number of people whose incomes depend directly on each particular industry. Employment data is also shown to provide an indication of which industries are growing and which are declining, as well as to reveal the relative importance of each industry to the local economy. Figure 1 compares relative employment by industry sector for Florida, Nassau County, and the City of Fernandina Beach. It shows the Accommodation and Food Service industry employs the largest share of the Fernandina Beach's workforce, and that Retail Trade is also a significant employer, reflecting a strong retail presence in both Fernandina Beach and Nassau County.

FIGURE 1 - EMPLOYMENT COMPARISON – FERNANDINA BEACH, NASSAU COUNTY, AND FLORIDA



Source: ESRI

In Nassau County, the Leisure and Hospitality Industries (Accommodation and Food Services along with Arts, Entertainment, and Recreation) employed 4,495 persons in 2007. As shown in Figure 2, this number is expected to grow to 5,133 in 2018. The projected gain of 368 jobs represents a 14 percent industry growth rate.

TABLE 2 – LEISURE AND HOSPITALITY INDUSTRY GROWTH 2007-2018

Leisure and Hospitality	
2007 Industry Jobs	4,495
2018 Industry Jobs	5,133
Total Change	638
Total % Change	14.19%
2007 Average Earnings/Worker	\$25,060
Source: EMSI Complete Employment - Spring 2008 Release v. 2	

ECONOMIC BASE

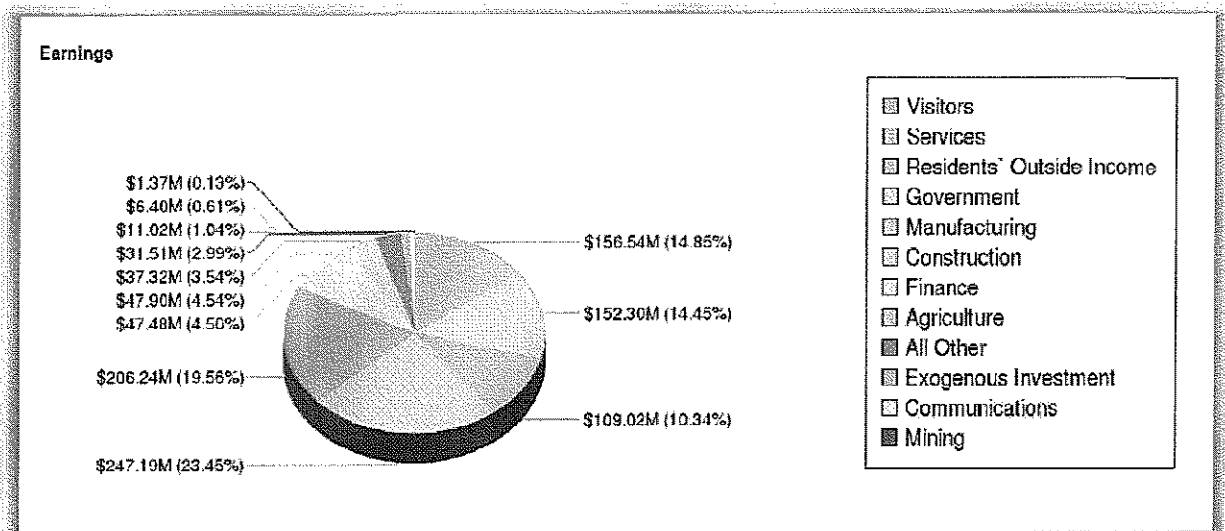
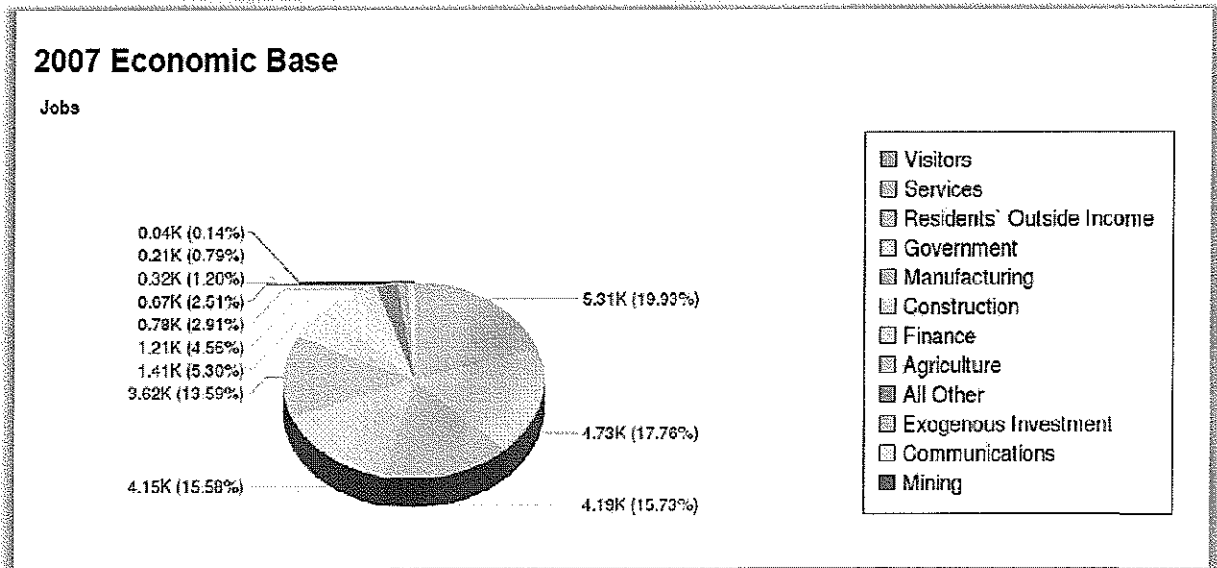
Economic base analysis is a standard method of regional analysis originally developed in the 1950s and continuously improved by economists since then. It attempts to show which groups of industries really drive a region's economy; that is, which sectors bring the most dollars into a region, rather than simply circulating dollars that are already present. Economic base sectors are merely groupings of broadly related industries with no claims made about their inter-dependence. Economic base sectors are created for convenience to describe a broad type of activity that brings money into a region, for example, "Manufacturing," or "Visitors."

Economic Base reports show which sectors and industries are responsible for bringing income to the region. Industries generally do this by exporting products and services to non-regional purchasers. There are other ways that a region can bring in money. For example, the income of out-commuters in a bedroom community or residents' Social Security payments from the federal government represents income gains to a region. The Economic Specialists Inc. model calculates how much of each industry's jobs and earnings rely on its exports, then uses multiplier effects to attribute jobs and earnings from other industries to the original "basic" industry.

So, an Economic Base report might show that the Manufacturing sector is "responsible" for 40% of the jobs and 37% of the earnings in a region. This includes ripple effects because the 40% of jobs that Manufacturing supports are more than the jobs on the payroll of manufacturing establishments. This is because manufacturing workers take their pay home from factories and purchase goods such as food, clothes, housing, and entertainment which in turn supports jobs in the industries that provide those goods and services. Those jobs are thus included in the Manufacturing sector of the region's economic base because Manufacturing is "responsible" for those jobs through its jobs multiplier.

As indicated by Figure 2 below, in Nassau County, the “Visitors” sector, often also referred to as the “Hospitality” sector, accounts for nearly 20 percent of the jobs, and nearly 15 percent of the earnings in the county.

FIGURE 2- NASSAU COUNTY ECONOMIC BASE

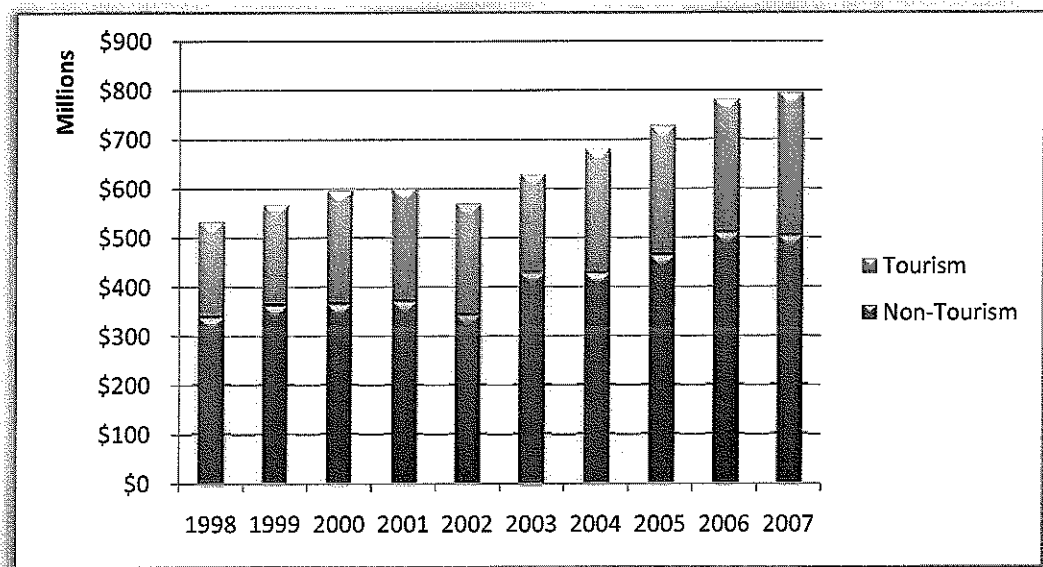


RETAIL SALES

Tourism taxable retail sales are based on the tourism and recreation kind codes used by the Office of Economic and Demographic Research for the Florida Legislature. The category of "tourism and recreation" taxable sales includes hotels and motels, bar and restaurant sales, liquor stores, photo and art stores, gift shops, admissions, sporting goods, rentals, and jewelry stores.

Taxable retail sales related to tourism on average represented 36.5 percent of total taxable retail sales for Nassau County between 1998 and 2007. As Figure 3 shows, over this same time period, the total taxable retail sales related to tourism grew 50 percent, slightly outpacing the 49 percent growth of total taxable sales.

FIGURE 3- NASSAU COUNTY TOURISM AND NON-TOURISM RETAIL SALES



Source: Florida Department of Revenue

VISITOR ESTIMATE

Tourist occupancy tax revenues, length of stay, party size and average room rates were used to estimate the number of visitors staying overnight in Amelia Island. Starting with one year of bed tax collections, we calculated the total amount spent on lodging in any establishment that collects bed taxes. This number was then divided by the average cost for one night to calculate the number of lodging nights purchased in the year. This number is then divided by the VISIT Florida estimated average length of stay to arrive at the number of parties that visited Amelia Island to stay overnight. We then multiply this figure by the average number in the party to arrive at an estimate of the number of overnight visitors that come annually. For 2007, this figure was 452,326. The calculations used to estimate the number of overnight visitors is shown in Table 3.

TABLE 3- AMELIA ISLAND OVERNIGHT VISITOR ESTIMATE

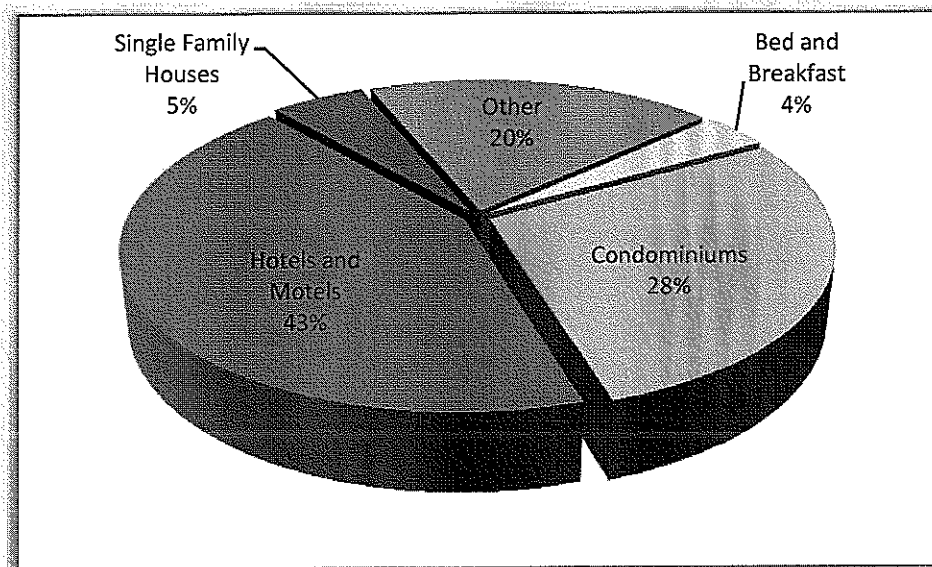
January - December, 2007	
1 Year Bed Taxes	\$1,740,008
Div (/)	
Rate	0.02
=	
Total Spent on Lodging	\$ 87,000,420
Div (/)	
Avg. per night cost for lodging	\$ 192.34
=	
# lodging nights	452,326
Div (/)	
Avg. length of stay	3
=	
# parties	150,775
times (*)	
Avg. party size	3.1
=	
Est. # overnight visitors	467,404

Note: ADR for hotels is \$202.89 as reported by Smith Travel Research

VISITOR SPENDING

Visitors to Amelia inject about \$289.8 million in direct spending each year that stays in the local economy. This spending typically occurs in lodging, restaurants, shopping, entertainment, and other goods and services. The majority of accommodations are supplied by Hotels and Motels, which represent 43 percent of available rooms. Figure 4 displays the percentage of total lodging represented by bed and breakfasts, single family houses, condominiums, hotels and motels, and all other accommodations. This represents a total number of units of 4,011.

FIGURE 4 - TAXABLE RENTALS BY TYPE



Source: Florida Department of Business and Professional Regulation

ECONOMIC IMPACT

There are several types of models typically used to calculate economic impacts. Input-output models use financial flow data generated from businesses' accounting data, and spending patterns for households of particular income levels, to describe the economic linkages that exist within a regional economy. These models begin with U.S. government-generated county level data on business purchases and receipts in order to model the inputs that are used from across the many sectors of the economy in the production of particular goods and services. The level of geographic and commodity detail can vary from production of printing ink, to storage batteries, to banking services in a geographic area as small as a zip code or as large as the national economy. Examples of these models include the RIMSII modeling system from the US Department of Commerce and the IMPLAN modeling system from MIG, Inc. of St. Paul, Minnesota.

Econometric simulation models combine the sector detail and geography detail of input/output models but provide for functioning economic linkages between sectors and regions over time. Here, we use REMI Policy Insight, Version 9.5 (Regional Economic Models Inc.), in a 67 region structural econometric model of the state of Florida. Each region in the model represents one Florida county. It incorporates the basic input/output linkages, but also uses econometrically estimated county-specific parameters, for example, interregional migration in response to changes in economic opportunities, in generating impact results. Because of these between-sector linkages, the model incorporates general equilibrium tendencies as the economy responds to shocks over time. That is, changes in spending in a region affect not just conditions in that market, but also conditions in other markets within the region (economists term this a "general equilibrium") and outside the region (via trade and also via migration in response to changes in economic opportunities).

This is in contrast to traditional input-output models that are both static (all effects are assumed to occur simultaneously, so there is no adjustment path over time) and partial equilibrium (e.g. changes in employment do not change wage rates) in nature. This describes the phenomenon whereby, for example, a new financial services back office call center opens in a county, and bank managers throughout the county find they have to give staff a raise in order to keep them from leaving to take a job at the new call center. A traditional input-output model description of the economic impact would have held everything else fixed (including bank wages across the county) and simply documented the employment and job creation effects resulting directly at the new call center and indirectly via businesses in its supply chain, as well as household spending induced by the new income flows.

A simulation model such as REMI captures not only the spending effects flowing from the call center and its local suppliers and employees and owners, but also the spillover effects into other markets as wages and prices change due to increased competition for the same employees and other resources. These are the general equilibrium (equilibrium across all markets simultaneously)

tendencies of the model. It also simulates the adjustment path over time of these market responses, using historical parameters estimated specifically for that county (the dynamic component). A rule of thumb is that the smaller the spending change being considered, the more appropriate it is to use the traditional input/output model.

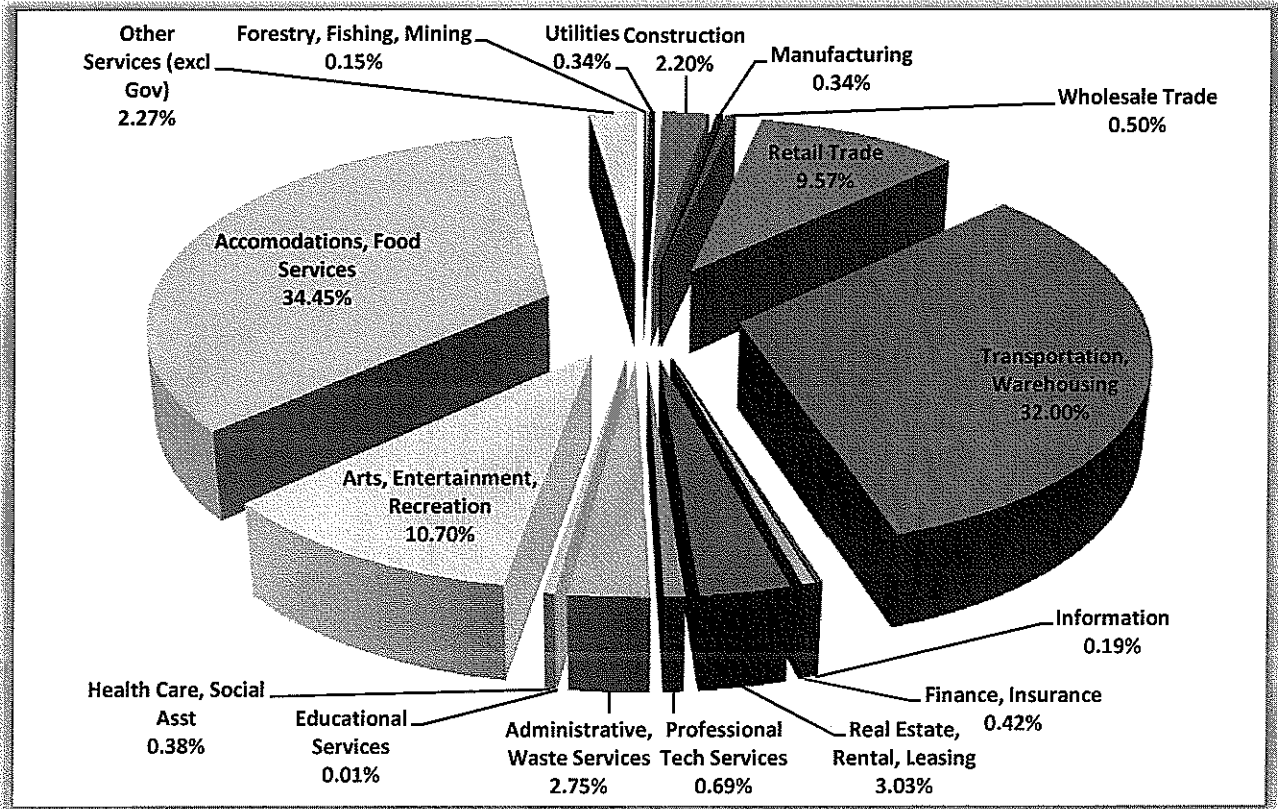
When we consider the total impact of visitor spending (i.e., when taking the “multiplier effect” into account), **approximately \$346 million in total spending is generated each year** in the region by visitors to the area. About **4,781 jobs** are directly or indirectly supported by tourist spending in the regional economy along with incomes to area workforce totaling approximately \$94 million (Table 4).

TABLE 4 - ECONOMIC IMPACT OF TOURISM SPENDING

Economic Impact	2007
Total Employment	4,781
Private Non-Farm Employment	4,742
Total GRP (Millions 2008\$)	202.7
Output (Millions 2008\$)	346
Personal Income (Millions Nom \$)	94.1
Disposable Personal Income (Millions Nom \$)	78.8

Figure 5 shows the industry sectors that are most affected by tourism spending in terms of total industry output either directly or indirectly generated.

FIGURE 5 - ECONOMIC IMPACT OF TOURISM SPENDING ON INDUSTRY OUTPUT BY SECTOR



Amelia Island visitor spending output impacts exist primarily in the hotel and lodging, restaurants, amusement and recreation services, transportation, real estate rental and retail sales industries. Table 5 shows that employment impacts are felt in these industries, as well as in business services, other services and construction.

TABLE 5 - TOURISM GENERATED EMPLOYMENT BY INDUSTRY

Industry	Employment
Accommodations, Food Services	1,580
Transportation, Warehousing	1,216
Arts, Entertainment, Recreation	794
Retail Trade	477
Administrative, Waste Services	219
Other Services (excl Gov)	162
Construction	131
Real Estate, Rental, Leasing	65
Professional Tech Services	42
Local Government	35
Health Care, Social Asst	21
Finance, Insurance	13
Wholesale Trade	9
State Government	4
Information	3
Forestry, Fishing, Mining	2
Utilities	2
Manufacturing	2
Educational Services	1

Table 6 below shows the regional purchase coefficients (RPC) for several of the local industries benefiting from tourism. The RPC indicates what share of total visitor spending is done within the study area, for each of the spending categories. RPC's are based on the characteristics of the region and describe the actual trade flows for the region mathematically. The higher the regional purchase coefficient is, the greater the local economic impact will be. The RPC's in Table 6 illustrate that for each dollar of output the hotel industry produces, Nassau County businesses and labor contribute approximately 80 cents. Imported goods and labor provide the remainder. Nassau County restaurant businesses and labor contribute approximately 90 cents of each dollar of output, and Nassau entertainment businesses and labor contribute approximately 80 cents of each dollar of output.

TABLE 6 - REGIONAL PURCHASE COEFFICIENTS FOR SELECTED INDUSTRIES

Hotels	79.8%
Restaurant	90.0%
Entertainment	79.8%
Other Accommodations	79.7%
General Merchandise	95.0%

Source: IMPLAN Professional Social Accounting & Impact Analysis Software

Tourism plays a critical role in the Nassau County economy, driving growth in employment, personal income, and gross regional product. Tourist spending for lodging, restaurants, shopping, entertainment and other goods and services injects millions of dollars in direct spending into the local economy, generating millions of dollars in additional annual inter-industry sales and purchases and creating local jobs.

The results presented here are based on secondary data on Northeast Florida provided by Visit Florida along with brief interviews with property owners and managers that Haas Center staff conducted in early June 2008. We are currently working with the Amelia Island TDC to implement and analyze a survey of visitors to the Island. We have designed this survey to obtain primary data regarding visitor length of stay, party size, and estimated spending per day. This data will allow us to more accurately estimate the economic impact of visitors to Amelia Island, and we will prepare a follow-up economic impact analysis using the survey results in the coming months.