



# Tourism Report 2002

**Spring 2002**

A Report Prepared by the  
Sonoma County Economic Development Board

Ben Stone, Director

Though long renowned for its picturesque scenery, Sonoma County has steadily gained recognition for many other features, ranging from expansive vineyards and fine restaurants to quaint bed-and-breakfasts.

Indeed, tourists have the opportunity to choose from a wide array of activities during their stay in Sonoma County. While the majority of visitors flock to Sonoma County for its food and wine, many tourists also take advantage of nature exploration, adventure sports, and cultural events.

In recent years, a strong economy and coordinated marketing approach have helped to produce substantial growth levels in Sonoma County's tourism sector. However, recent circumstances—economic recession, terrorism-related travel concerns, and United Airlines' departure from the local airport—have all contributed to an industry downturn.

Accordingly, the Sonoma County Economic Development Board (EDB) conducted the 2001-02 Tourism Sector Report to analyze the dynamic changes in the local tourism industry. The majority of the survey was conducted before September 2001 and therefore may not adequately capture the effects of recession or other factors in the current industry downturn.

The report does, on the other hand, illustrate the economic impact of Sonoma County's relatively strong tourism sector, from both a quantitative and qualitative perspective. The first section provides an economic synopsis of the local tourism industry, including research and information from the California Division of Tourism, Economy.com, D.K. Shifflet & Associates, Dean Runyan Associates, Smith Travel Research, and the Sonoma County Tourism Program.

The second section examines the results of the EDB's 2001 Tourism Survey. As a qualitative approach, this section details some expected future trends in the Sonoma County tourism industry, and makes recommendations for its continued prosperity.

With Sonoma County's widely successful marketing efforts through the Tourism Program, the region's tourism sector has experienced significant growth in the past few years, including the following highlights:

- 14.5% increase in visitor spending (1998-2000)
- 12.4% increase in industry payroll (1998-2000)
- 34.5% increase in TOT revenues (1998-2001)

However, as recession and other concerns continue to weigh on the minds of travelers, there is clearly much to be accomplished. We hope this information will help local businesses, government agencies, and other interested parties better understand the dynamics of the rapidly changing tourism sector.

---

Ben Stone

**SECTION I**  
**ECONOMIC INDICATORS**



# Sonoma County



# Tourism Indicators Report

Spring 2002

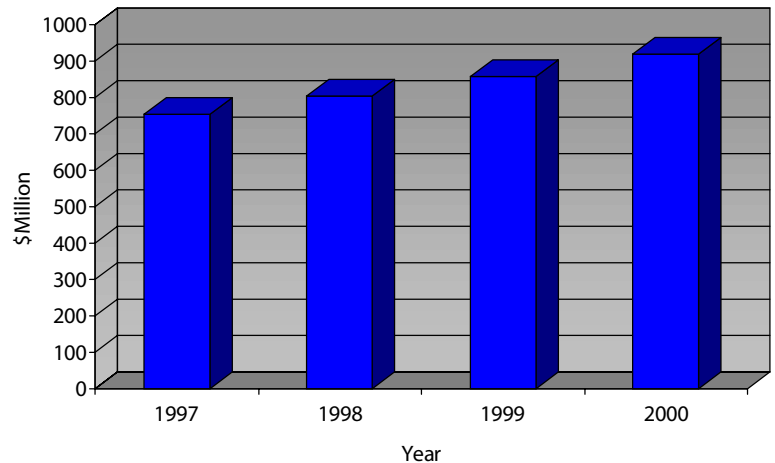
## Destination Spending

From accommodations to wine tasting, tourists visiting Sonoma County spend money on a variety of activities and attractions.

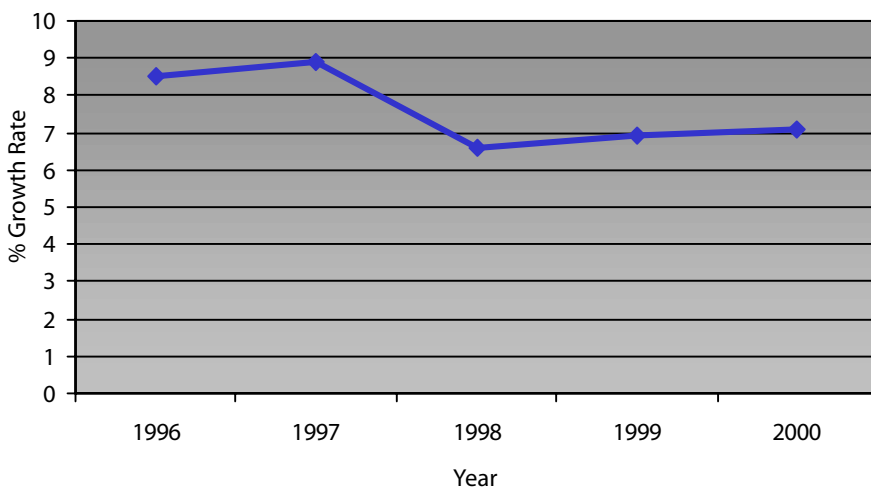
In fact, destination spending, the annual amount of money spent by tourists in Sonoma County, totaled more than \$918 million in 2000, a 7.1% increase in tourist expenditures from 1999.

Destination spending in the State of California, by comparison, totaled an estimated \$66 billion in 2000.

Destination Spending in Sonoma County



Destination Spending Growth Rates in Sonoma County



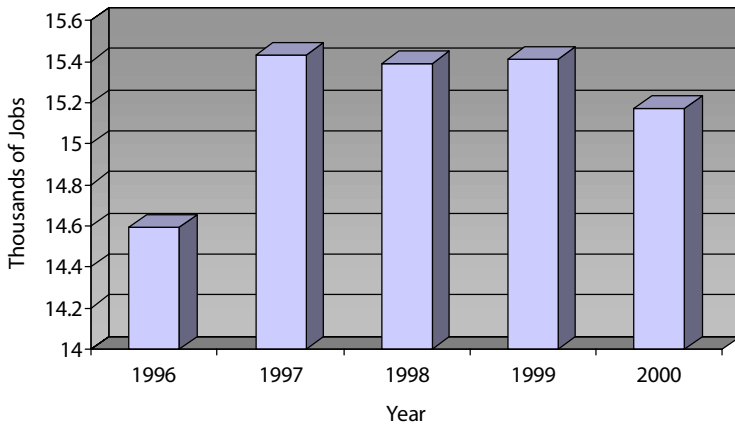
As the adjacent chart illustrates, growth rates for destination spending in Sonoma County have steadily increased during recent years, averaging 7.2% annual growth during 1998-2000.

Destination spending in California, by comparison, grew at a slightly faster average annual rate of 8.4% during 1998-2000.

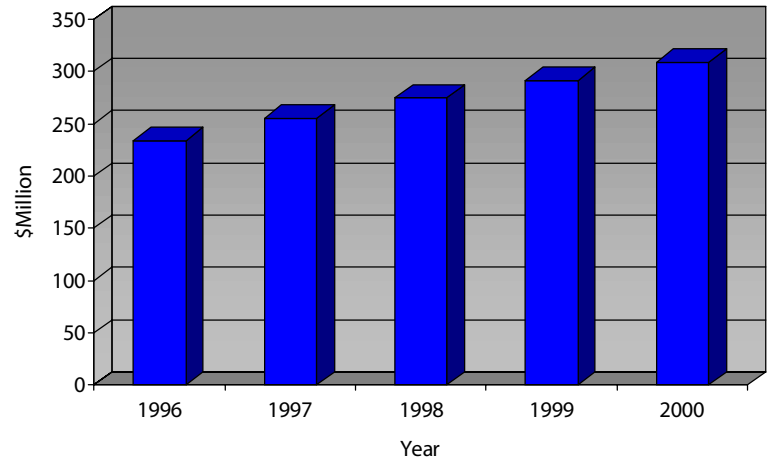
With adverse impacts from both the current recession and travel security concerns, figures for 2001 will most likely show a measurable decline in destination spending on both local and state-wide levels. However, with world class wineries and a beautiful natural landscape, tourism in Sonoma County should be poised for a healthy recovery when economic prosperity returns.

Data Sources: *California Travel Impacts, 1992-2000* by the California Travel & Tourism Commission & the Division of Tourism, California Trade & Commerce Agency

**Employment Generated by Travel Spending in Sonoma County**



**Earnings Generated by Travel Spending in Sonoma County**



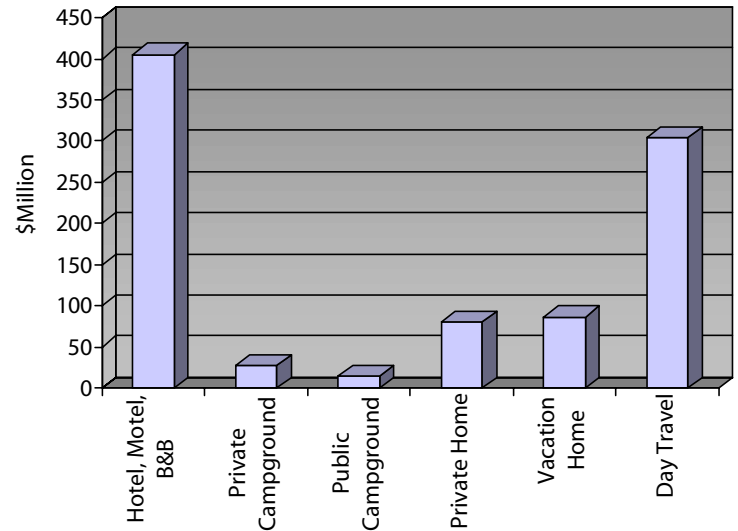
**Local Economic Impact**

Travel spending in Sonoma County registers a significant impact on the local economy, generating both employment positions and a substantial annual payroll.

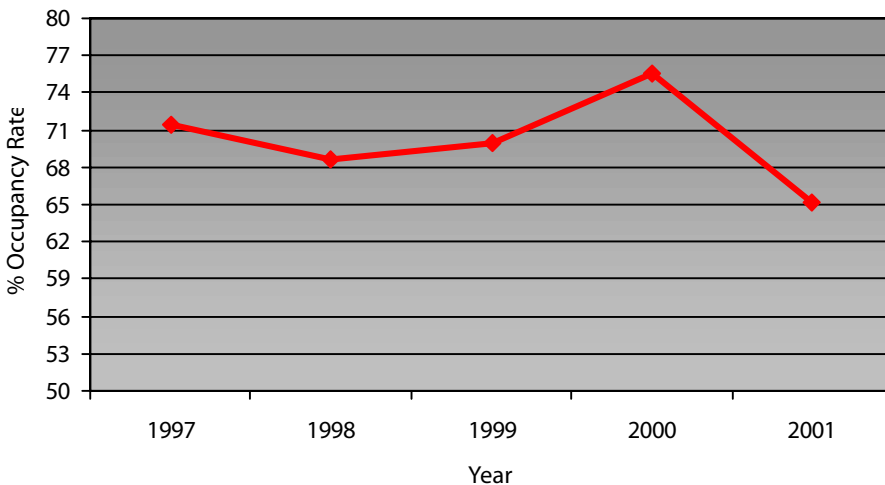
As the above graphs illustrate, travel spending in Sonoma County generated more than 15,000 jobs and more than \$300 million in annual earnings in 2000. While total tourism-related employment experienced a slight decrease from 1999, local earnings generated by travel spending have increased at an average annual pace of 6.1% since 1998. This strong annual performance has kept the local tourism industry among Sonoma County's leading economic sectors during recent years.

Travel spending in California, by comparison, generated an estimated 1.1 million jobs and nearly \$25 billion in earnings in 2000. Average annual earnings growth during 1998-2000 was 6.8%.

**Travel Spending by Type of Accommodations in Sonoma County (2000)**



**Occupancy Rates in Sonoma County**



**Occupancy Rates**

Occupancy rates in Sonoma County suffered a precipitous decline in 2001, falling more than 10 percentage points to 65.1% for the year.

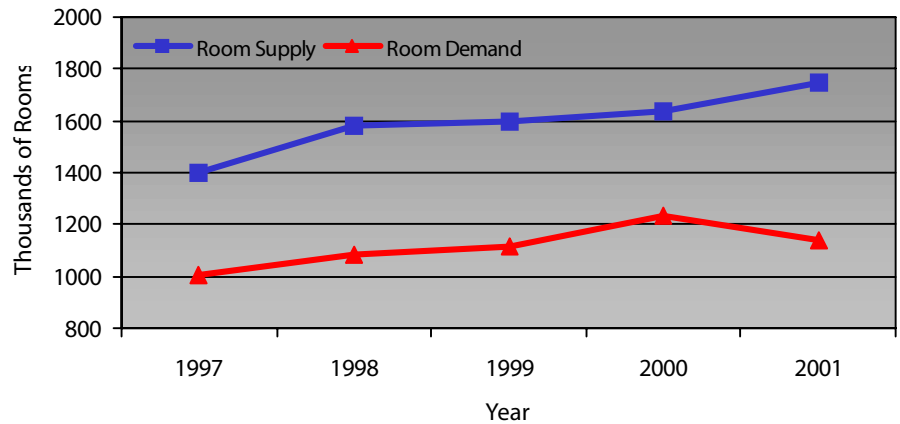
The problems during 2001 for both the local and national tourism industry have been well documented. However, with a 6.7% increase in the number of hotel rooms in Sonoma County last year, a slow rebound could have a significant impact on many local companies.

## 1998-2000

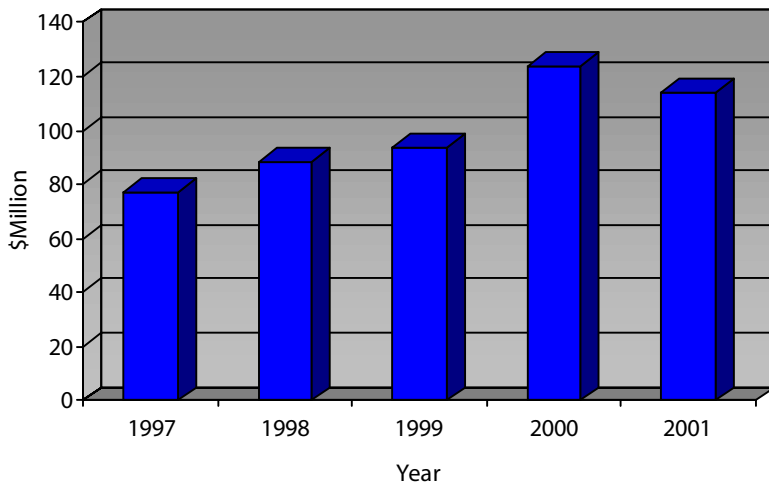
With supply and demand for hotel rooms in Sonoma County displaying strong annual convergence rates during 1998-2000, revenues for many local companies were growing at a very healthy pace.

In fact, as the chart below indicates, hotel room revenue in Sonoma County surpassed \$123.5 million in 2000, an unparalleled 31.7% increase from 1999 revenues.

## Supply & Demand for Hotel Rooms in Sonoma County



## Hotel Room Revenue in Sonoma County



## 2001

The record growth for the tourism industry in Sonoma County, of course, ended in 2001.

Based on local tax revenues generated by room rentals, the first half of 2001 displayed a moderate growth rate of slightly more than 9% for hotel revenues compared to the first half of 2000.

However, as the recession and security concerns continued to impact business and recreational travel, the decline of hotel revenues significantly accelerated in the second half of 2001. Local tax revenues for the third and fourth quarters of 2001 showed an estimated 5% decrease in revenues from the previous year; 4Q revenues dropped more than 11% compared to 2000.

Total hotel room revenues were \$113.9 million in 2001.

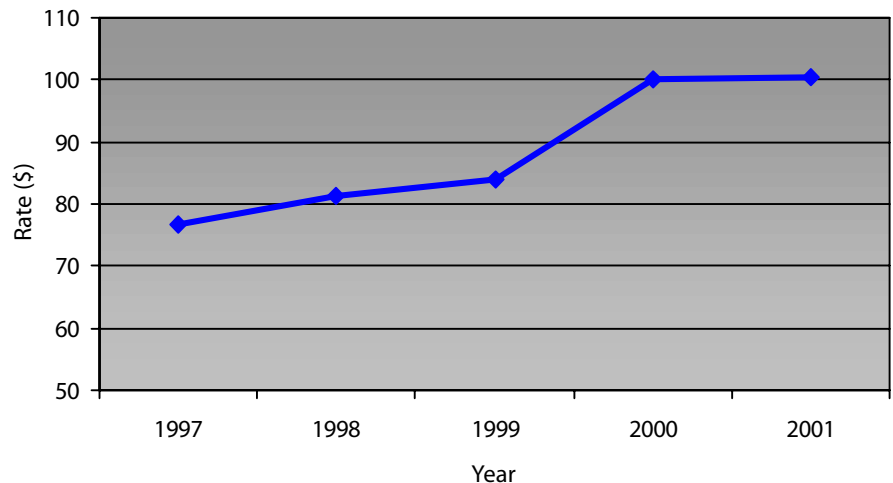
## Hotel Room Rates

Hotel room rates in Sonoma County remained relatively stable in 2001, increasing to \$100.28 per night from \$99.95 in 2000.

With conditions of increasing supply and declining demand in the hotel room market last year, lack of movement in prices is hardly surprising.

However, as illustrated in the adjacent chart, 2001 marked the end of a strong upward movement of hotel room rates in recent years. The average annual growth rate for 1997-2000 was 10.2%; the 2000 growth rate alone was almost 19%.

## Hotel Room Rates in Sonoma County



## Transient Occupancy Tax (TOT)

Transient Occupancy Tax, or TOT, is the local tax revenue generated through the sales of rooms in lodging establishments located in Sonoma County.

As the adjacent chart shows, TOT revenues in Sonoma County have displayed significant growth during the past few years. From 1998 to 2001, for example, annual TOT revenues increased from \$9.77 million to \$13.14 million, a 34.5% jump.

Despite the volatile conditions for the tourism industry last year, TOT revenues in Sonoma County managed a slim increase, edging up 1% from 2000. On a quarter-to-quarter basis, revenues through the Second Quarter 2001 were up 9.2% from 2000. However, as expected, Third and Fourth Quarter collections were down 4.9% from 2000, yielding an annual total of \$13.14 million.

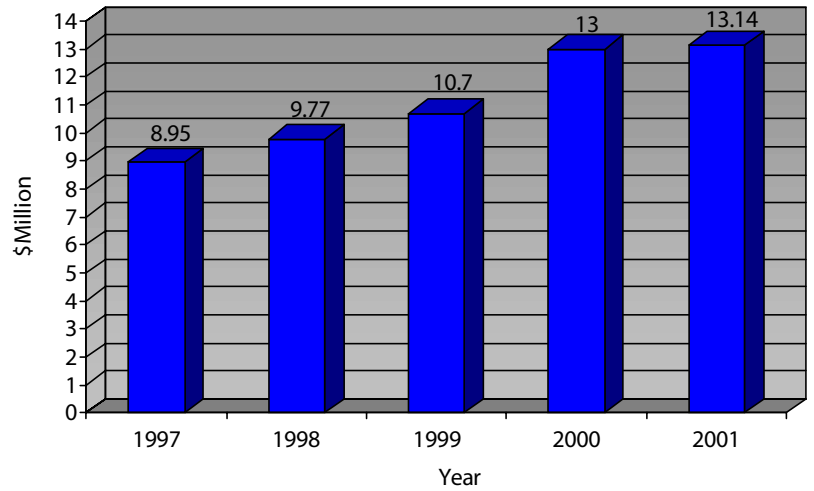
## TOT Distribution

With the downturn in the local tourism industry last year, TOT revenues experienced a significant decline. In the Unincorporated County, the drop in tourism activity pushed TOT revenues down to \$5.49 million, a 5.8% decline from 2000. By contrast, TOT revenues in the Cities located in Sonoma County generated \$7.76 million, a 6.4% increase from 2000.

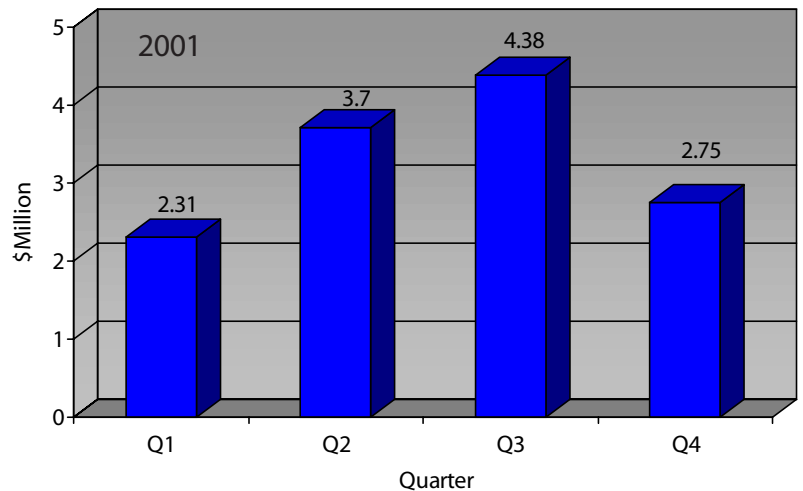
As the adjacent graph indicates, growth rates in TOT revenues demonstrate a significant amount of variability depending on location. In addition, a myriad of factors might explain the disparity between revenues collected in the Cities and the Unincorporated County. For example, a significant addition in the number of rooms in Sonoma, or an increase in the TOT tax rate in Sebastopol, could have partially accounted for the relatively strong performance in City TOT revenues in 2001.

Tourism activity in the State of California, by comparison, generated \$3.11 billion in total tax revenue in 2000, including \$1.99 billion in sales tax revenue. The growth rate for 2000 was 7.6%.

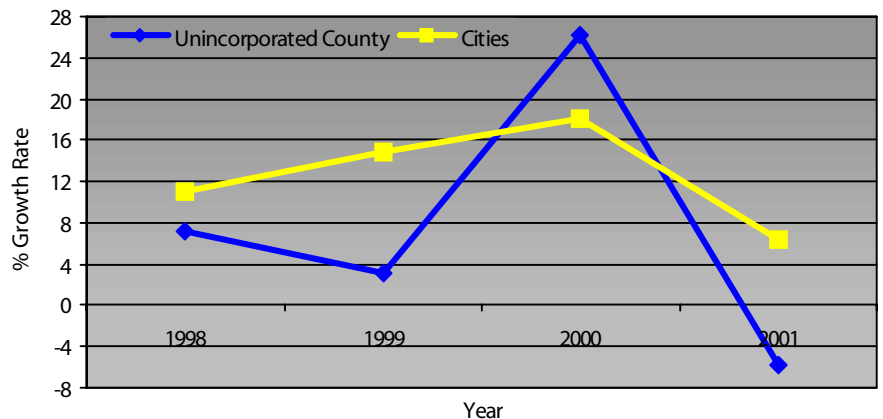
**Sonoma County Transient Occupancy Taxes (TOT)**



**Sonoma County Transient Occupancy Taxes (TOT)**



**Growth Rates of Transient Occupancy Tax (TOT)  
Unincorporated County vs. Cities**



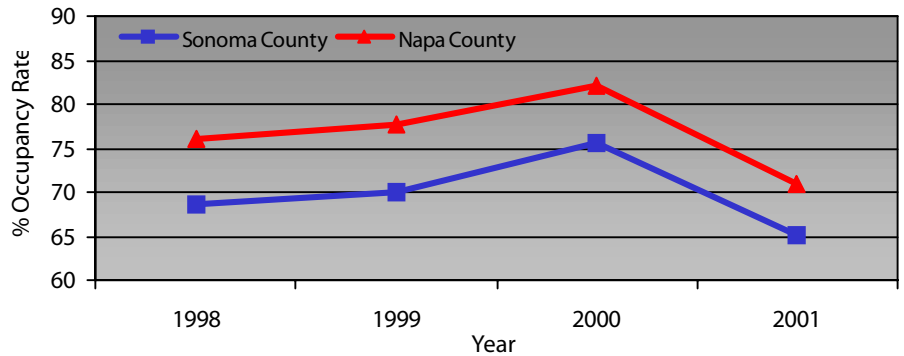
## Sonoma & Napa: A Comparison

Sharing the distinction of comprising California's *Wine Country*, Sonoma and Napa Counties are joined in both landscape and economy. However, with dynamic changes altering the playing field in the North Bay during the 1990s, several notable trends have surfaced in the local hotel industry.

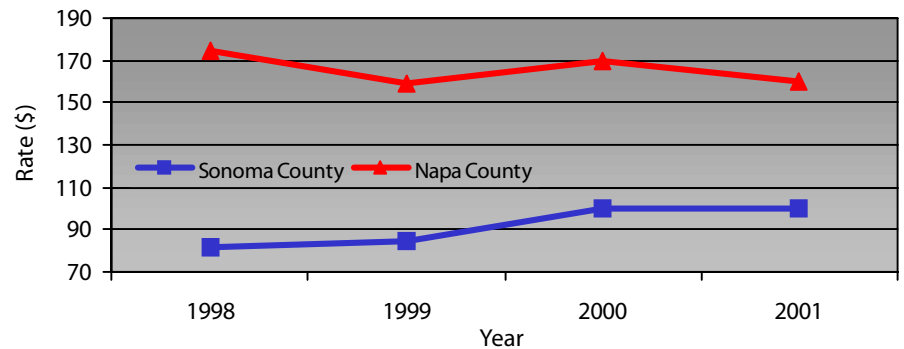
The adjacent charts show occupancy rates and hotel room rates for Sonoma and Napa during the past few years. As the upper chart illustrates, Napa County's annual occupancy rate from 1998 to 2001 outpaced Sonoma County by an average of 6.8% per year. The occupancy rate in Sonoma County was 65.1% in 2001, a 13.5% decline from 2000. Before the downturn, occupancy rates had increased from 69% to 76% during 1998-2000.

The lower chart illustrates the movement of hotel room rates during 1998-2001. A trend toward convergence is clearly evident: Sonoma County prices moved from \$81.19 to \$100.28 per night, a 23.5% increase. Room rates in Napa County, by contrast, decreased 8.4%.

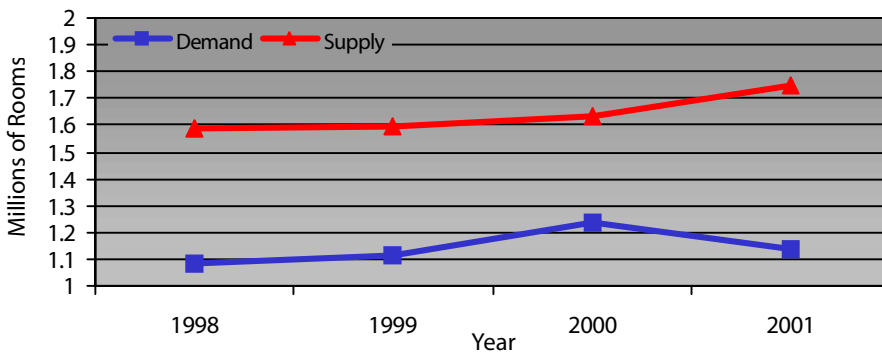
### Occupancy Rates for Sonoma and Napa Counties



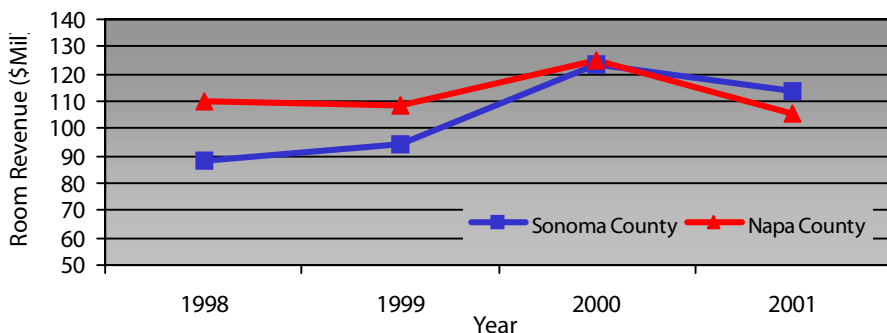
### Hotel Room Rates for Sonoma and Napa Counties



### Supply & Demand for Hotel Rooms in Sonoma County



### Hotel Room Revenues for Sonoma and Napa Counties



## Supply & Demand

From 1998 to 2000, the supply of hotel rooms in Sonoma County increased from 1.58 million to 1.64 million, with a 1.6% average annual growth rate. With demand increasing at a 6.9% average annual pace, local hoteliers benefited in both rising prices and total revenue. In fact, as the lower chart indicates, hotel room revenue in Sonoma County jumped 31.7% in 2000 alone, raising total revenues to more than \$123 million. As a result of this strong growth, in 2001 hotel room revenues in Sonoma County surpassed Napa County for the first time in recent history.

Conditions of growing supply and shrinking demand for Sonoma County hotel rooms in 2001 might cause problems for revenue growth in the absence of a strong recovery in 2002. However, the variety of hotel options in Sonoma County, including a healthy mix of business class and high-end B&B establishments, should keep the local industry competitive with Napa County.

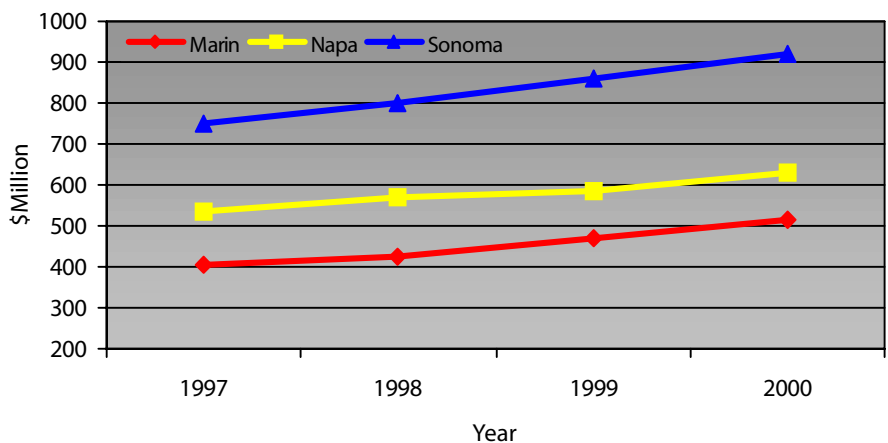
## Destination Spending

Destination spending in the North Bay increased at a rapid pace between 1997 and 2000, generating a combined average annual growth rate of 7.4%, which virtually matched the statewide rate of 7.6%.

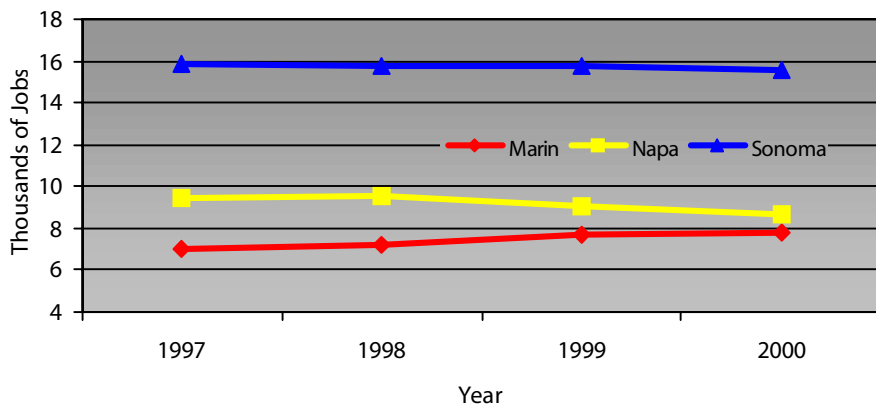
As the adjacent chart indicates, Sonoma County has clearly led the way in recent years. From 1997 to 2000, destination spending in Sonoma County jumped from \$751.8 million to \$918.1 million, an increase of more than 22%.

Marin, Napa, and Sonoma Counties generated \$2.06 billion in destination spending in 2000. Data for 2001 is not yet available.

### Destination Spending in Marin, Napa, & Sonoma Counties



### Total Employment Generated by Travel Spending in Marin, Napa, & Sonoma Counties



## Retail Sales\*

As expected, retail sales generated by travel spending in the North Bay have mirrored the strong growth rates that typified the increases in overall destination spending between 1997 and 2000. Sonoma County has also led the way in this measure of tourist activity, generating \$216.5 million in retail sales during 2000. Of the three counties, Marin County registered the highest average annual growth rate (8.2%).

Total retail sales in Marin, Napa, and Sonoma Counties were \$489.8 million in 2000. 2001 data is not yet available.

\*Groceries and alcohol sales not included

## Employment

Total employment generated by travel spending in the North Bay, by contrast, has slightly declined in recent years. From 1997 to 2000, total employment decreased from 32,300 to 32,040, a -0.8% growth rate for the region.

Indeed, despite the record overall performance for the local tourism industry in 2000, both Napa and Sonoma Counties experienced a decline in the number of jobs generated by travel spending: Sonoma County recorded a -1.5% growth rate; Napa County registered a -3.3% growth rate. Marin County, by contrast, added 60 jobs in 2000, a 0.8% growth rate.

2001 figures are not yet available.

### Travel Spending on Retail Goods in Marin, Napa, & Sonoma Counties

