

## *Tourism-Related Benefits in Greater Lansing's Economy*



Commissioned by:

Greater Lansing Convention and Visitors Bureau

Prepared by:

Scott D. Watkins, Senior Consultant  
Colby Spencer, Senior Analyst

---

**Anderson Economic Group, LLC**

1555 Watertower Place, Suite 100  
East Lansing, Michigan 48823  
Tel: (517) 333-6984  
Fax: (517) 333-7058

[www.AndersonEconomicGroup.com](http://www.AndersonEconomicGroup.com)

*Table of Contents*

*I. Executive Summary..... 1*

    Purpose ..... 1

    Approach ..... 1

    Overview of Findings ..... 1

    About Anderson Economic Group ..... 4

*II. Tourism in Greater Lansing..... 5*

    The Greater Lansing Convention and Visitors Bureau ..... 5

    Overview of Greater Lansing ..... 5

    Greater Lansing Events and Attractions ..... 6

    Tourist Activity Data ..... 8

*III. Economic Impact Analysis ..... 10*

    Understanding Economic Impacts ..... 10

    Direct Impacts from Tourism in Greater Lansing ..... 10

    Indirect Impacts from Tourism in Greater Lansing ..... 12

    Total Economic Impact ..... 12

    Sales Tax and Other Considerations ..... 13

*IV. Appendix A. Methodology and Data..... A-1*

    Data and Assumptions ..... A-1

*V/ Appendix B. About AEG ..... B-1*

    Authors ..... B-1

## *I. Executive Summary*

---

### **PURPOSE**

Tourism is an often overlooked portion of Greater Lansing's economy. The reality, however, is that the industry generates millions in spending at local businesses and employs thousands of local residents. The Greater Lansing Convention and Visitors Bureau (GLCVB) is charged with further developing tourism across the region and as part of this effort they have commissioned this economic impact study. This report presents the findings of the study, providing the GLCVB and other stakeholders with a measuring stick by which continued programs and investments can be evaluated.

### **APPROACH**

In order to complete our analysis, we took the following steps:

1. Met with GLCVB staff to define the Greater Lansing area and gather data and information on major events that draw tourists and hotel room bookings.
2. Gathered visitor spending information and employment and sales data on tourism-related industries in the Greater Lansing area.
3. Estimated the total number of visitors to Greater Lansing in 2012 along with their average daily spending.
4. Calculated the net economic impact of tourism in Greater Lansing in terms of jobs, earnings, output, and gross domestic product.

We define "net economic impact" as the economic activity directly or indirectly created by tourism in the Greater Lansing area. We also only consider spending and jobs related to tourism activity in the area. The area includes Ingham County, Delta Township, DeWitt Township, and Windsor Township. For more detail on the local area please see Map 1 on page 5.

For narrative detailing our approach and methodology, see "Methodology and Data" on page A-1.

### **OVERVIEW OF FINDINGS**

Our analysis shows that:

#### *1. Greater Lansing features a range of events, organizations, businesses, and community amenities that draw tourists into the area.*

1. Being Michigan's state capital, Lansing brings in visitors from all over the state on government business. Michigan State University in East Lansing is Michigan's largest public university and draws thousands of students, faculty, and other visitors. Greater Lansing's other tourist draws, including its central location, versatile convention and event facilities, and cultural attractions, bring thousands of visitors to the area each year.
2. The Lansing Center, the area's foremost convention center, hosted 479 events in 2012. These ranged from weddings, to company meetings, to political events, and had 257,250 in attendance.

3. The newly-opened Eli and Edythe Broad Art Museum on Michigan State University's campus features one of the world's leading collections of contemporary art and is expected to draw more than 150,000 visitors each year.
4. The Greater Lansing Sports Authority, part of the GLCVB, helped to bring in notable events such as the USA Hockey National Tournament and the U.S. Junior Figure Skating Championships in 2012. These and other such events hosted more than 56,000 athletes, coaches, and officials, and more than 220,000 spectators, in 2012

*II. In 2012, over 4.7 million visitors came to the Greater Lansing area resulting in over \$472 million in total spending at local businesses.*

1. In 2012, approximately 3.4 million visitor parties came to the Lansing area. The average party size staying in a hotel was 1.5 visitors and the average non-hotel party had 2.25 visitors. The average length of stay for all visitor parties was 1.5 days, resulting in more than 7.0 million visitor days by 4.7 individual visitors in the Greater Lansing area.
2. Of the 4.7 million visitors to the Greater Lansing area, 829,879 were visitors who stayed in hotels and the remaining 3,892,241 were either visiting for the day or staying with friends and relatives.
3. Hotel visitor parties and other visitor parties spend different amounts at local businesses. The average spending for an overnight hotel visitor party was \$256 per night. This includes \$81 for a hotel room, \$80 at local restaurants and bars, and \$95 on shopping and other area activities.
4. Visitor parties that did not stay at hotels spent about \$100 per day—\$45 of this on food and beverages and \$55 on non-food retail and other activities in the area. Table 1 below shows average daily spending for visitor groups in the Lansing area.

**TABLE 1. Average Daily Visitor Spending in Greater Lansing**

<b>Spending Category</b>	<b>Hotel Visitors</b>	<b>All Other Visitors</b>
Accommodations	\$81	\$0
Food and Beverages	\$80	\$45
Entertainment	\$18	\$15
Shopping and Retail	\$30	\$25
Recreation	\$10	\$10
Vehicle Rental	\$30	\$0
Visitor Transportation (other)	<u>\$7</u>	<u>\$5</u>
<b>Average Total Daily Spending per Party</b>	<b>\$256</b>	<b>\$100</b>

*Source: Anderson Economic Group, LLC*

*III. Tourism was directly and indirectly responsible for creating and maintaining nearly 6,400 jobs across the Greater Lansing area in 2012.*

1. Because tourism is responsible for a significant share of spending in the Greater Lansing area, it also supports many jobs. Tourism directly supports 4,600 jobs at area businesses.
2. Not only does tourism *directly* support employment in the local area, but tourism spending has multiplier effects that help to create and maintain jobs in other industries as well. In 2012, tourism spending indirectly supported 1,778 jobs in Greater Lansing.
3. Jobs created and maintained both directly and indirectly by tourism represented 3.2% of all employment in the Greater Lansing area in 2012.

*IV. Tourism activity generated more than \$681 million in economic impact and \$395 million in GDP contribution for the Greater Lansing area.*

1. Tourists in Greater Lansing spent over \$470 million at local businesses. The multiplier effect of this spending resulted in more than \$681 million in economic impact and \$140 million in additional income and earnings for workers in Greater Lansing in 2012.
2. While not all economic impact is considered value-added (or GDP), a portion of it is. Visitor spending in Greater Lansing created \$395 million in GDP for the area which is 2.1% of total area GDP.

*V. Visitor spending in the Greater Lansing region in 2012 contributed over \$22 million in sales tax revenue to the State of Michigan.*

1. Of the \$472 million in sales at local businesses in Greater Lansing, \$367 million is taxable under Michigan's sales and use tax. With Michigan's sales and use tax rate at 6%, tourism spending in Greater Lansing contributed more than \$22 million to the State of Michigan in sales tax revenue. This tax revenue is then allocated back to local communities through state revenue sharing.
2. Property taxes are also collected from businesses supported by tourism. These taxes are spent locally to support infrastructure and other local amenities for all Greater Lansing residents. Without tourism-supported businesses, the area may need to have higher tax rates in order to support the same level of public service.

*A Note About Prior Reports*

The late Professor Daniel J. Stynes of Michigan State University authored economic impact studies of tourism in the Greater Lansing region in 2000, 2004, and 2008. While AEG's methods are similar, there are several differences that make it difficult to directly compare the two. Professor Stynes used IMPLAN software for estimating multipliers while AEG uses RIMS II multipliers as published by the BEA. AEG's methods also incorporate a smaller geography. While

Professor Stynes looked at the entire tri-county area of Ingham, Clinton, and Eaton counties, AEG used only the specific GLCVB service area, as shown in Map 1 on page 5. All else equal, we would expect our numbers to be slightly smaller as a result of using the more precise geographic area.

**ABOUT ANDERSON  
ECONOMIC GROUP**

Anderson Economic Group, LLC offers research and consulting in economics, finance, market analysis, and public policy. Since AEG's founding in 1996, the company has helped clients including universities, state and local governments, non-profit organizations, and private and public companies. AEG has completed economic impact studies for clients located throughout the United States. For more information on the report's authors, please see "About AEG" on page B-1.

## II. Tourism in Greater Lansing

### THE GREATER LANSING CONVENTION AND VISITORS BUREAU

Founded in 1960, the Greater Lansing Convention and Visitors Bureau has a focused mission; positively impact the area's economy by marketing the region as a travel destination.<sup>1</sup> The GLCVB is also home to the Greater Lansing Sports Authority, which helps to plan sports tournaments and other destination-based sporting events in the region. Also affiliated with the GLCVB, is the Team Lansing Foundation. The Team Lansing Foundation runs the state's first Certified Tourism Ambassador Program, works with local area businesses on corporate social responsibility, and helps to raise funding for, and participation in, area festivals, concerts, and other activities.

### OVERVIEW OF GREATER LANSING

For the purposes of this study we define the Greater Lansing area as Ingham County and Delta, DeWitt, and Windsor Townships. Map 1 highlights the geographic region and notable cities and villages in the area.

Map 1. Greater Lansing Area



Source: Greater Lansing Convention and Visitors Bureau, ESRI, Inc.  
Analysis: Anderson Economic Group, LLC

1. GLCVB mission statement.

The area is best known as Michigan's capital city but there are many other attractions. East Lansing is home to Michigan State University, the largest public university in the state with nearly 50,000 students. Quaint cities such as DeWitt, just north of Lansing, and Williamston, east of Lansing, offer unique small town shopping and dining options for visitors. The area also boasts a baseball team, the Lansing Lugnuts. This class "A" affiliate of the Toronto Blue Jays finished its 2012 season with a 82-55 record, its best in history.

### *Types of Visitors*

Greater Lansing's attractions draw a wide variety of visitors. Being the state capital, many visitors come to the area on official government business. Michigan State University's presence brings in college-age visitors, families looking at potential universities for their high-school-age children, along with parents and siblings visiting current students. MSU's participation in Big Ten Sports draws visitors from all over the state and country for home football games, basketball games, and many alumni events. The university is also one of the state's three major research institutions attracting visiting researchers and faculty for academic conferences and events.

The area also boasts the fifth largest population in Michigan with many tourists coming to visit family and friends. Finally, as we mention in "Sporting Events" on page 7, special sporting events and tournaments in the area draw athletes, coaches, and spectators from all around the state and the country.

## **GREATER LANSING EVENTS AND ATTRACTIONS**

Each year, thousands of students and other visitors from across the state come to Lansing to visit the Capitol Building and tour the area. The Lansing area is also well-known for sporting events and activities, art and theatre, a winery and culinary events, outdoor recreation and parks among many others. In this section, we'll briefly highlight some of the Lansing area's activities of note that draw thousands of visitors a year.

### *Michigan State University Events*

Michigan State University (MSU) is a major draw for tourism in the Lansing area. With nearly 50,000 students, 24% of which are out-of-state or international, the university's student body alone present many opportunities for visitors. MSU also hosts home football games in the fall and basketball games in the winter along with alumni weddings and academic conferences. The Kellogg Center at MSU hosted guests for approximately 300 events in 2012 with seven home football games, numerous Big Ten sporting events, campus departmental meetings, academic conferences, and other collegiate events and meetings.

*Sporting Events*

The Greater Lansing Sports Authority is a major partner for sporting events in the Greater Lansing area. From state-wide tournaments to national and regional competitions, the GLSA helps to promote and organize sporting events of every type and size. Table 2 below shows details of a few area sporting event highlights from 2012. Noted in the table are two events specific to 2012 and two annual events for the area.

**TABLE 2. Select Sporting Events in Greater Lansing in 2012**

<b>Event</b>	<b>Partners</b>	<b>Location</b>	<b>Sport and Teams Highlighted</b>	<b>Duration</b>	<b>Participants</b>	<b>Area Rooms Booked</b>
<i>2012 Highlight Event</i>						
USA Hockey Tier II 18u National Tournament	Greater Lansing Amateur Hockey Association and Suburban Ice	Summit Sports and Ice Complex and Suburban Ice	Hockey: 36 teams from 32 different U.S. states	5 days of competition	720 athletes and coaches	2,654 room nights booked for teams and coaches
U.S. Jr. Junior Figure Skating Championships	Lansing Skating Club and Suburban Ice	Munn Ice Arena (MSU) and Summit Sports and Ice Complex and Suburban Ice	Figure Skating: 296 skaters from all over the U.S.	5 days of competition, athletes and families in area for 7 days	296 skaters, 224 coaches, and 75 officials	2,630 room nights booked for skaters, coaches, and officials
<i>Annual Highlight Events</i>						
MHSAA Girls and Boys Basketball Finals	MHSAA and MSU	Breslin Center at MSU	Basketball: 32 teams (16 for girls and 16 for boys)	6 days total <sup>a</sup>	480 athletes, 160 coaches, and 71,000 spectators <sup>a</sup>	4,789 room nights <sup>b</sup>
Capital City Classic	Capital Area Soccer League	30 playing fields around the region	Soccer: 260 teams for ages 9-19	2 days	3,120 athletes, 520 coaches	1,600 room nights

Source: Greater Lansing Sports Authority

a. For boys and girls combined

b. Three-year average for boys and girls teams combined

While the events highlighted above are only a few examples of large sporting events that bring tourists into the area, they provide some insight into how important sporting events such as these can be for the Greater Lansing economy. Sporting events in the region bring in over 56,000 athletes, coaches, and officials along with more than 220,000 spectators. While we cannot discern which of these spectators are visiting from outside the Lansing area, there is no question that the volume of participants and spectators at area sporting events have a positive impact.

*The Broad Art Museum*

Recently opened at MSU is the Eli and Edythe Broad Art Museum. This museum is a new cultural and tourism asset for Greater Lansing that will help to spur new economic growth for many years to come. Nearly 50,000 visitors had been through the museum between its opening in November 2012 and March of 2013 with 150,000 expected visitors annually. An Anderson Economic Group Analysis from late 2012 projects that the Broad's existence in the region will attract 30,000 net new visitors each year. These would be visitors that come to the area solely because of the museum. The analysis also estimates that visitors to the Broad will generate \$5.75 million annually in net new sales at the region's overnight accommodations, shopping, transportation, entertainment, retail, and food and drinking establishments.<sup>2</sup>

**TOURIST ACTIVITY  
DATA**

*Visitor Spending*

Most visitors to the area will shop at local stores, eat at local restaurants, participate in recreational activities, and some will stay in hotels. Different types of visitors spend different amounts of money while traveling. For example, those who stay in hotels, on average, spend more than those who are visiting for the day or with family. This is because hotel guests pay for their hotel room and are more likely to purchase more meals since they stay overnight.

We estimated the average daily spending for visitors staying in hotels and all other visitors. Table 3 on page 9 shows the average spending by category per party and per person for visitors coming to the Lansing area.

---

2. Watkins, Scott, "Broad Art Museum Attendance and Economic Development Considerations," Anderson Economic Group, November, 2012.

**TABLE 3. Average Daily Visitor Spending in Greater Lansing**

Spending Category	Hotel Visitors	All Other Visitors
Accommodations	\$81	\$0
Food and Beverages	\$80	\$45
Entertainment	\$18	\$15
Shopping and Retail	\$30	\$25
Recreation	\$10	\$10
Vehicle Rental	\$30	\$0
Visitor Transportation (other)	<u>\$7</u>	<u>\$5</u>
<b>Average Total Daily Spending per Party</b>	<b>\$256</b>	<b>\$100</b>
<i>Persons per Party</i>	<i>1.5</i>	<i>2.25</i>
<b>Average Total Daily Spending per Person</b>	<b>\$171</b>	<b>\$44</b>

Source: IRS 2012 Per Diem Travel Expense Guidelines, Consumer Expenditure Survey 2011, 2010 DK Shifflet Michigan Tourism Report, AEG judgment

Analysis: Anderson Economic Group, LLC

### Total Number of Visitors

In 2012, we estimate that there were over seven million visitor days in the Greater Lansing area. Both hotel guests and other guests stay an average of 1.5 days. Using this information we estimate that there were 4.7 million visitor trips (which we will call visitors) to the Greater Lansing area in 2012. Of these, 17.6% were hotel guests and 82.4% were either visitors staying for the day or visitors staying overnight with friends or family.

Table 4 below highlights the number of visitor days and trips to the region in 2012.

**TABLE 4. Estimated Total Visitors and Visitor Days for Greater Lansing in 2012**

	Hotel Guests	All Other Visitors	Total
Number of Visitor Days	1,244,819	5,838,362	7,083,181
Average Length of Stay	<u>1.5</u>	<u>1.5</u>	
<b>Number of Visitors</b>	<b>829,879</b>	<b>3,892,241</b>	<b>4,722,121</b>
Share	17.6%	82.4%	100%

Source: GLCVB 2012, Michigan State University Kellogg Center, DK Shifflet 2010 Michigan Tourism Report

Analysis: Anderson Economic Group, LLC

### *III. Economic Impact Analysis*

---

#### **UNDERSTANDING ECONOMIC IMPACTS**

An economic impact or net economic impact is a way to measure all jobs, income and wages, sales at local businesses, and gross domestic product (GDP) contributions that stem from a specific activity or event. For this report, we are estimating the elements above for tourism in the Greater Lansing region, comprised of Ingham County and Delta, DeWitt, and Windsor Townships.

Economic impacts come in two forms; direct and indirect. A direct economic impact occurs when a visitor spends money at a local business and that money is used to pay employee wages. That spending can be traced directly to a fraction of the people employed at that business as well as their wages. Part of the direct spending for some industries, like retail, actually goes toward covering wholesale purchase and transportation costs so not all of the money that a consumer spends is counted as a direct impact.

The indirect, or induced, impacts stem from the direct. When tourists spend money at local businesses since that spending goes to pay wages for that business's workers, those workers in turn spend that money on goods and services in their local area creating further job and income growth.

We define "net economic impact" as the new economic activity directly and indirectly created by tourism in the Greater Lansing area. We only count spending that is made by tourists. For example, not all restaurant revenues are counted but only a portion that can reasonably be attributed to tourists in the area. By taking *only* tourism-related spending into account, we conservatively estimate new spending and economic activity that would not have occurred without tourists in the Lansing region. We estimate the economic impact in two ways; direct and indirect/induced impacts. A direct impact stems from direct spending at local businesses, while indirect/induced impacts stem from the recirculation of those dollars within the defined geographic region.

#### **DIRECT IMPACTS FROM TOURISM IN GREATER LANSING**

Businesses in industry sectors that serve tourists employed approximately 17,850 people in the region and generate about \$2 billion in sales in 2012. Not all of this employment and sales volume is directly supported by tourism, however. We estimate that about 4,600 jobs are directly created or maintained by tourism activity along with approximately \$470 million in sales with about \$445 million remaining in the area. For some industries, a lot of what consumers purchase immediately goes to pay for wholesale goods and transportation costs. This is why we account for the share that remains in Greater Lansing. Table 5

Economic Impact Analysis

below summarizes the direct job and sales impacts in Greater Lansing from tourism.

**TABLE 5. Direct Economic Impacts from Tourism**

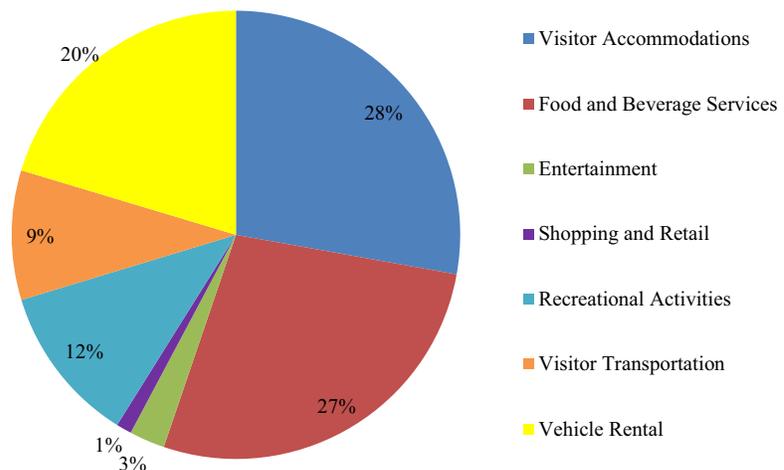
Industry	Total Area Employment	Total Area Industry Spending and Wages	Share From Tourism	Wholesale, Transportation, and Other Leakage <sup>a</sup>	Net New Spending in Region	Total Tourism-Related Jobs in the Region
Visitor Accommodations	1,612	\$154,133,000	80%	0%	\$123,306,400	1,290
Food and Beverage Services	10,494	\$607,144,000	20%	0%	\$121,428,800	2,099
Entertainment	580	\$114,888,000	11%	10%	\$11,373,912	57
Shopping and Retail	3,235	\$813,407,000	2%	70%	\$4,880,442	19
Recreational Activities	1,492	\$101,359,000	50%	0%	\$50,679,500	749
Vehicle Rental	106	\$160,781,000	66%	15%	\$90,198,141	59
Visitor Transportation (other)	328	\$48,682,000	85%	0%	\$41,379,700	279
GLCVB Operations	24	\$1,778,223	100%	0%	<u>\$1,778,223</u>	<u>24</u>
<b>Total Direct Impact of Tourism</b>					<b>\$445,025,118</b>	<b>4,573</b>

Data: ESRI Inc. 2012, Census County Business Patterns 2010, BEA Travel and Tourism Satellite Accounts 2010, AEG judgment Analysis: Anderson Economic Group, LLC

- a. For some industries, a share of consumer spending immediately leaks out the local area to cover wholesale and transportation costs, and an adjustment for this is required before multipliers are applied. This primarily occurs in retail sectors and is also a consideration for live performances, such as touring concerts and Broadway plays. Some degree of leakage may also occur in other sectors, but is accounted for in the RIMSII multipliers that are used.

The largest shares of tourism-related sales come from visitor accommodations and spending at restaurants and bars. These two sectors alone account for 55% of all area sales directly related to tourism in Greater Lansing.

**FIGURE 1. Direct Effect Spending Shares by Industry**



Data: ESRI, Inc., U.S. Census County Business Patterns, Bureau of Economic Analysis Analysis: Anderson Economic Group, LLC

**INDIRECT IMPACTS FROM TOURISM IN GREATER LANSING**

The direct impacts from tourism have multiplier effects throughout the local economy creating further economic growth. Wages paid to employees that are directly employed due to tourism are re-spent in the region and support more employment and create more spending. Tourism in the Greater Lansing area supports approximately 1,778 spin-off jobs in the region and about \$238 million in additional output.

**TOTAL ECONOMIC IMPACT**

Together, the direct and indirect economic impacts of tourism create the total economic impact. Tourism in Greater Lansing creates about \$681 million in sales for local businesses and supports more than 6,400 jobs in the region. Also included in economic impacts are total earnings and wages, which shows how much more income local residents have due to an activity, as well as value-added, which is another term for gross domestic product (GDP). Table 6 below summarizes the economic impact of tourism in Greater Lansing in 2012.

**TABLE 6. Total Economic Impacts of Tourism in Greater Lansing in 2012**

Industry	Net New Spending on Activity in Region	Output/Sales	Earnings	Employment	Value-Added (GDP)
Visitor Accommodations	\$123,306,400	\$189,509,606	\$45,931,634	1,828	\$120,001,788
Food and Beverage Services	\$121,428,800	\$188,858,213	\$45,147,228	2,578	\$104,562,340
Entertainment	\$11,373,912	\$18,095,894	\$4,146,928	154	\$11,042,931
Shopping and Retail	\$4,880,442	\$7,394,358	\$1,621,771	65	\$4,730,612
Recreational Activities	\$50,679,500	\$78,791,419	\$17,773,301	966	\$49,478,396
Visitor Transportation	\$41,379,700	\$66,944,079	\$12,202,874	439	\$27,331,292
Transportation	\$90,198,141	\$129,407,273	\$12,519,502	321	\$76,298,607
GLCVB Operations	\$1,778,223	\$1,444,095	\$274,558	34	\$893,735
<i>New Spending Driven by Leakage to Wholesale and Transportation from Shopping and Retail</i>					
Wholesale Trade	\$528,715	\$763,411	\$155,759	3	\$501,539
Transportation of Wholesale Goods	\$40,670	\$66,781	\$11,392	0	\$33,939
<b>Total Economic Impact</b>	<b>\$445,594,503</b>	<b>\$681,275,127</b>	<b>\$139,784,946</b>	<b>6,389</b>	<b>\$394,875,180</b>

Data: GLCVB (2012), ESRI Inc. (2012), Census County Business Patterns (2010), Bureau of Economic Analysis 2010 Satellite Accounts Analysis: Anderson Economic Group, LLC

Of the more than \$445 million in tourist spending and spending going to wholesale trade and transportation of goods, there is a total economic impact of more than \$681 million in the Greater Lansing economy. Tourism directly and indirectly supports 6,389 jobs along with \$140 million in additional income and earnings for Lansing area workers. Tourism also adds \$395 million to Greater Lansing’s GDP.

Tourism-related activity supports 3.2% of all employment in Greater Lansing and contributes 2.1% to the area’s GDP.

## SALES TAX AND OTHER CONSIDERATIONS

Tourist spending in the Greater Lansing area not only contributes to the Lansing economy but it also supports state sales tax revenues, which are allocated back to local communities through revenue sharing. Tourists spend \$472 million at local businesses, of this \$367 million is subject to the state's sales and use tax. Food and beverage sales at restaurants and bars, accommodations, all retail, and vehicle rentals are subject to Michigan's 6% sales and use tax. Tourism spending in Greater Lansing supported more than \$22 million in state sales and use tax collections in 2012. Table 7 below shows the estimated contribution from each taxable industry sector.

**TABLE 7. Tourism Supported Sales Tax Revenue**

Tourism Spending Category	Total Visitor Spending Subject to Sales Tax Collections		MI State Sales Tax Rate		Estimated Sales Tax Revenue
Accommodations	\$123,306,400	x	6%	=	\$7,398,384
Food and Beverages	\$121,428,800	x	6%	=	\$7,285,728
Shopping and Retail	\$16,268,140	x	6%	=	\$976,088
Vehicle Rental	<u>\$106,115,460</u>	x	6%	=	<u>\$6,366,928</u>
<b>Total Spending and Sales Tax Revenue</b>	<b>\$367,118,800</b>	<b>x</b>	<b>6%</b>	<b>=</b>	<b>\$22,027,128</b>

*Data: GLCVB (2012), ESRI Inc. (2012), Census County Business Patterns (2010), Bureau of Economic Analysis 2010 Satellite Accounts*

*Analysis: Anderson Economic Group, LLC*

Businesses supported by tourism also contribute to property taxes collected by communities in the Greater Lansing area. While we have not analyzed the exact amount of property tax collected from these businesses, it stands to reason that if tourism were not present in the area these industries may not be as robust, and tax collections would decline. Also, tourism-driven tax dollars from both local taxes and state sales tax dollars that come back into the community help to support necessary local services and infrastructure for all Greater Lansing area residents. If these dollars were not coming in, then the area may have higher tax rates in order to provide the same levels of service.

### *Other Benefits and Considerations*

Many tourism-related events and attractions are valued by the community. These events and attractions enhance the livability and business climate of an area in ways that are difficult, if not impossible, to quantify. Frequently, these assets are referred to as "place-making" attributes and they contribute to the local economy in immeasurable ways. While the result of our analysis is sizable, we are only measuring the impacts of *tourist* spending. We are not accounting for the money spent by locals or by governments to ensure that local

venues continue to offer local residents a variety of cultural, athletic, and other entertainment options.

We also do not include spending on airline tickets or at airports. The Greater Lansing region is home to the Capital Region International Airport with over 100,000 passengers arriving each year. We have estimated local area spending for some of these passengers because many are included in our visitor estimates, however we do not include any airport- and airline-specific spending.

## *Appendix A. Methodology and Data*

---

This section presents the assumptions and methodology used in completing our analysis and displays summary tables from our analysis.

### *Appendix Tables*

- Table A-1, “Total Spending and Tourism-Driven Spending by Industry,” on page A-4;
- Table A-2, “Total Employment and Tourism-Driven Employment by Industry,” on page A-5;
- Table A-3, “Net New Spending in Greater Lansing Driven by Tourism,” on page A-6;
- Table A-4, “Total Economic Impact of Tourism-Driven Spending that Stays in Greater Lansing,” on page A-7; and
- Table A-5, “State Sales Tax Collections Due to Greater Lansing Tourism,” on page A-8.

## **DATA AND ASSUMPTIONS**

### *Hotel Rooms and Bed Tax/Room Assessment*

We obtained data on bed tax, room assessment collections, and hotel room sales from the GLCVB. Data from the GLCVB only contains information on room sales subject to the GLCVB area bed tax/room assessment. We further supplemented this as there are rooms sold in the area that are not subject to the bed tax/room assessment, such as those in small bed and breakfasts, extended-stay rooms, and those at Michigan State University’s Kellogg Center. Our total estimate of hotel room nights represents a total of the following:

- Room nights booked based on bed tax/room assessment data;
- Room nights reported by the Kellogg Center; and
- A 15% increase to account for bed and breakfasts stays and extended states of over 30 nights, as both are exempt from bed tax/room assessments.

### *Number of Hotel Visitors*

Using hotel data, and information from a Michigan Economic Development Corporation (MEDC) publication on tourism in the state, we were able to calculate the number of visitors in 2012 that stayed in hotels in the area.<sup>3</sup> Previous analyses have increased the percentage of hotel guests by 15% to account for bed and breakfasts and smaller establishments that are not subject to the area’s bed tax/room assessment. Following this methodology, we began with the number of room nights booked, increased that value by 15%, then multiplied the final value by 1.5. The MEDC publication indicated that there were an average of 1.5 guests per room per night booked. This calculation provided the number of visitor days. The Pure Michigan publication on tourism in the

---

3. Michigan 2009 Visitor Profile, Prepared for the Michigan Economic Development Corporation, D.K. Shifflet & Associates, Ltd. July 2010.

state estimated that the average party length of stay was 1.5 days. Dividing the total number of visitor days by 1.5 provided the estimate for number of visitors.

### *Visitor Spending and Area Employment*

Previous economic impact analyses performed for the Greater Lansing region relied on spending data sourced from a now decade-old survey performed by Michigan State University. Given this we did not rely solely on this data. We also compiled business sales and employment data from ESRI, Inc. and from The U.S. Census Bureau's County Business Patterns Program.<sup>4</sup>

We identified the specific industries that cater to tourists guided by the Bureau of Economic Analysis (BEA) Travel and Tourism Satellite Accounts information. Using ESRI and County Business Patterns data, we were able to gather business sales and employment data for the GLCVB region for tourism-related industries. As tourism does not account for all sales in these industries we estimated the share of sales in each tourism-related industry using "tourism industry shares" published by the BEA and used in their Travel and Tourism Satellite Account publications. By applying these shares to the total sales and employment obtained using GIS and County Business Patterns we estimated the total sales and employment by industry that can be attributed to tourism. See Table A-2 on A-5.

To estimate average daily spending by visitors we relied on several sources, including:

- Average daily hotel room rate as provided by the GLCVB;
- IRS per diem reimbursable expenses for a low-cost locality;
- Average weekly spending for Michigan residents on transportation, amusements, and entertainment from the Consumer Expenditure Survey; and
- Professional judgment to differentiate between overnight guests in hotels versus visitors not using hotels.

We assumed the guests staying in hotels paid the average daily rate for the hotel room. We also assumed that the average hotel visitor group spent more on food, drink, recreation, entertainment, retail, and transportation as the average visitor group that did not use a hotel. We also assumed that visitors who did not stay in a hotel also did not rent a vehicle.

### *Day Visitors and Visitors Staying with Family and Friends*

For all other visitors we took the following steps: we calculated the total spending by hotel groups and subtracted it from total tourist spending in the area. This calculation provided an estimate of total non-hotel guest spending. We then divided the total non-hotel guest spending value by the average daily party spending to give an estimate for the number of non-hotel parties. We

---

4. Add a note giving brief into of what ESRI is, as well as a link to their methodology doc online.

estimated that the average non-hotel visitor party was comprised of 2.25 visitors. Multiplying the number of parties by the number of visitors provided us with an estimate for the number of visitor days. The MEDC publication on tourism in the state estimated that the average party length of stay was 1.5 days. Dividing the total number of visitor days by 1.5 provided the estimate for number of visitors.

### *Economic Impact and Multipliers*

We use the RIMS II series of multipliers published by the Bureau of Economic Analysis (BEA) for our analysis. These multipliers are the most recent available and are based on 2010 data for the Lansing region.

In order to best calculate the economic impact of tourism in Greater Lansing we not only have to adjust sales figures in tourism-related industries to account for the share spent by tourists, but we also adjust spending based the share that goes to local businesses by accounting for leakage. For example, a large percentage of the price paid for retail items goes directly toward paying its wholesale price and the costs of transporting it from a factory or warehouse to the retail store. Because of this, we take the amount tourists spend on retail and show that as the spending value, but then remove the portions that “leak” out as a result of wholesale and transportation costs We then account for wholesale and transportation impacts as another economic impact category.

**TABLE A-1. Total Spending and Tourism-Driven Spending by Industry**

Industry	2012 Total Sales Volume <sup>1</sup>		Share Directly Related to Tourism <sup>2</sup>	=	Total Sales Directly Due to Tourism
Visitor Accommodations	\$ 154,133,000	x	80%	=	\$ 123,306,400
Food and Beverage Services	\$ 607,144,000	x	20%	=	\$ 121,428,800
Entertainment	\$ 114,888,000	x	11%	=	\$ 12,637,680
Shopping and Retail	\$ 813,407,000	x	2%	=	\$ 16,268,140
Recreational Activities	\$ 101,359,000	x	50%	=	\$ 50,679,500
Vehicle Rental	\$ 160,781,000	x	66%	=	\$ 106,115,460
Visitor Transportation (other)	\$ 48,682,000	x	85%	=	\$ 41,379,700
<b>Total Direct Tourist Spending</b>					<b>\$ 471,815,680</b>

*Notes:*

1. We estimated the total sales volume using data from ESRI, Inc. for each type of business within Ingham County and Delta, DeWitt, and Windsor Townships. Sales data is reported for 2012 in nominal dollars.

2. These values are estimates by the Bureau of Economic Analysis for their Travel and Tourism satellite Accounts Series for 2010. We adjusted the shares for accommodations from 74% to 80%, food and beverage services from 18% to 20%, and recreation from 45% to 50% to reflect characteristics specific to the Greater Lansing region.

Data: GLCVB (2012), ESRI Inc. (2012), Census County Business Patterns (2010), Bureau of Economic Analysis 2010 Satellite Accounts  
Analysis: Anderson Economic Group, LLC

**TABLE A-2. Total Employment and Tourism-Driven Employment by Industry**

Industry	2012 Total Employment <sup>1</sup>		Share Directly Related to Tourism <sup>2</sup>		Total Employment Directly Due to Tourism
Visitor Accommodations	1,612	x	80%	=	1,290
Food and Beverage Services	10,494	x	20%	=	2,099
Entertainment	580	x	11%	=	64
Shopping and Retail	3,235	x	2%	=	65
Recreational Activities	1,492	x	50%	=	746
Vehicle Rental	106	x	66%	=	70
Visitor Transportation (other)	328	x	85%	=	279
<b>Total Direct Employment from Tourism</b>					<b>4,611</b>

*Notes:*

1. We estimated the total employment using data from ESRI, Inc. and the U.S. Census Bureau's County Business Patterns from 2010 for each type of business within Ingham County and Delta, DeWitt, and Windsor Townships. Employment data is reported as a 2012 estimate.
2. These values are estimates by the Bureau of Economic Analysis for their Travel and Tourism satellite Accounts Series for 2010. We adjusted the shares for accommodations from 74% to 80%, food and beverage services from 18% to 20%, and recreation from 45% to 50% to reflect characteristics specific to the Greater Lansing region.

Data: GLCVB (2012), ESRI Inc. (2012), Census County Business Patterns (2010), Bureau of Economic Analysis 2010 Satellite Accounts

Analysis: Anderson Economic Group, LLC

**TABLE A-3. Net New Spending in Greater Lansing Driven by Tourism**

Industry	Direct Tourism- Related Spending and Wages	Share To Wholesale Trade	Share to Transportation	Sales Going Directly to Wholesale Trade and Transportation of Wholesale Goods	Share Immediately Leaked Outside the Region <sup>1</sup>		Share Staying in Greater Lansing		Net New Spending on Activity in Region
Visitor Accommodations	\$ 123,306,400	0%	0%	\$ -	0%	x	100%	=	\$ 123,306,400
Food and Beverage Services	\$ 121,428,800	0%	0%	\$ -	0%	x	100%	=	\$ 121,428,800
Entertainment	\$ 12,637,680	0%	0%	\$ -	10%	x	90%	=	\$ 11,373,912
Shopping and Retail	\$ 16,268,140	65%	5%	\$ (11,387,698)	0%	x	30%	=	\$ 4,880,442
Recreational Activities	\$ 50,679,500	0%	0%	\$ -	0%	x	100%	=	\$ 50,679,500
Vehicle Rental	\$ 106,115,460	0%	0%	\$ -	15%	x	85%	=	\$ 90,198,141
Visitor Transportation (other)	\$ 41,379,700	0%	0%	\$ -	0%	x	100%	=	\$ 41,379,700
GLCVB Operations	\$ 1,778,223	0%	0%	\$ -	0%	x	100%	=	\$ 1,778,223
Wholesale Trade	\$ -	0%	0%	\$ 10,574,291	95%	x	5%	=	\$ 528,715
Transportation of Wholesale Goods	\$ -	0%	0%	\$ 813,407	95%	x	5%	=	\$ 40,670
<b>Total Net New Spending in Greater Lansing</b>									<b>\$ 445,594,503</b>

*Notes:*

1. We estimate that 10% of entertainment sales and 15% of sales at vehicle rental locations are immediately leaked outside the local area. This is because many of Lansing's vehicle rental locations are run by national chains and many entertainment activities are run by national tours where actors and staff are not local. Because of this, we assume that a share of their sales goes directly to the corporation or touring company rather than to the local area. We estimate that 95% of sales for transportation of wholesale goods and sale of wholesale goods leaves the region because most retail locations do not purchase and sell locally made products.

Data: GLCVB (2012), ESRI Inc. (2012), Census County Business Patterns (2010), Bureau of Economic Analysis 2010 Satellite Accounts

Analysis: Anderson Economic Group, LLC

**TABLE A-4. Total Economic Impact of Tourism-Driven Spending that Stays in Greater Lansing**

Industry	Net New Spending on Activity in Region		Output/Sales Multiplier	Worker Earnings Multiplier	Employment Multiplier (per \$1 million in sales)	Value- Added Multiplier	Total Economic Impact			
							Output/Sales	Earnings	Employment	Value-Added
Visitor Accommodations	\$ 123,306,400	x	1.5369	0.3725	14.8216	0.9732	= \$ 189,509,606.16	\$ 45,931,634	1,828	\$ 120,001,788
Food and Beverage Services	\$ 121,428,800	x	1.5553	0.3718	21.2308	0.8611	= \$ 188,858,213	\$ 45,147,228	2,578	\$ 104,562,340
Entertainment	\$ 11,373,912	x	1.591	0.3646	13.5471	0.9709	= \$ 18,095,894	\$ 4,146,928	154	\$ 11,042,931
Shopping and Retail	\$ 4,880,442	x	1.5151	0.3323	13.2517	0.9693	= \$ 7,394,358	\$ 1,621,771	65	\$ 4,730,612
Recreational Activities	\$ 50,679,500	x	1.5547	0.3507	19.0614	0.9763	= \$ 78,791,419	\$ 17,773,301	966	\$ 49,478,396
Visitor Transportation (other)	\$ 90,198,141	x	1.4347	0.1388	3.563	0.8459	= \$ 129,407,273	\$ 12,519,502	321	\$ 76,298,607
Vehicle Rental	\$ 41,379,700	x	1.6178	0.2949	10.6205	0.6605	= \$ 66,944,079	\$ 12,202,874	439	\$ 27,331,292
GLCVB Operations	\$ 1,778,223	x	0.8121	0.1544	5.7894	0.5026	= \$ 1,444,095	\$ 274,558	34	\$ 893,735
Wholesale Trade	\$ 528,715	x	1.4439	0.2946	5.9688	0.9486	= \$ 763,411	\$ 155,759	3	\$ 501,539
Transportation of Wholesale Goods	\$ 40,670	x	1.642	0.2801	7.5545	0.8345	= \$ 66,781	\$ 11,392	0	\$ 33,939
<b>Total Economic Impact</b>							<b>\$ 681,275,127</b>	<b>\$ 139,784,946</b>	<b>6,389</b>	<b>\$ 394,875,180</b>

Data: GLCVB (2012), ESRI Inc. (2012), Census County Business Patterns (2010), Bureau of Economic Analysis 2010 Satellite Accounts

Analysis: Anderson Economic Group, LLC

**TABLE A-5. State Sales Tax Collections Due to Greater Lansing Tourism**

Tourism Spending Category	Total Visitor Spending Subject to Sales Tax Collections		MI State Sales Tax Rate		Estimated Sales Tax Revenue
Accommodations	\$ 123,306,400	x	6%	=	\$ 7,398,384
Food and Beverages	\$ 121,428,800	x	6%	=	\$ 7,285,728
Shopping and Retail	\$ 16,268,140	x	6%	=	\$ 976,088
Vehicle Rental	\$ 106,115,460	x	6%	=	\$ 6,366,928
	<b>Total Spending for Sales Tax Collections</b>				<b>Total Sales Tax Collections from Tourism</b>
	\$ 367,118,800	x	6%	=	\$ 22,027,128

*Data: GLCVB (2012), ESRI Inc. (2012), Census County Business Patterns (2010), Bureau of Economic Analysis 2010 Satellite Accounts*

*Analysis: Anderson Economic Group, LLC*

## *Appendix B. About AEG*

---

Anderson Economic Group, LLC was founded in 1996 and today has offices in East Lansing, Michigan and Chicago, Illinois. AEG is a research and consulting firm that specializes in economics, public policy, financial valuation, and market research. AEG's past clients include:

- *Governments* such as the states of Michigan, North Carolina, and Wisconsin; the cities of Detroit, Cincinnati, Sandusky, and Fort Wayne; counties such as Oakland County, Michigan, and Collier County, Florida; and authorities such as the Detroit-Wayne County Port Authority.
- *Corporations* such as Meijer, Spartan Stores, General Motors, Ford, Delphi, Honda, Taubman Centers, The Detroit Lions, PG&E Generating, Gambrinus, Labatt USA, InBev USA, Nestle, and automobile dealers and dealership groups representing Chrysler, Chevrolet, Cadillac, GMC, Dodge, Jeep, Toyota, Honda, Kia, Mercedes-Benz, and other brands.
- *Nonprofit organizations* such as the Experience Grand Rapids, Michigan State University, Wayne State University, University of Michigan, Automation Alley, the Michigan Manufacturers Association, United Ways of Michigan, Service Employees International Union, Project Management Institute, the Grand Rapids Area Chamber of Commerce, the Michigan Chamber of Commerce, and Business Leaders for Michigan.

Please visit [www.AndersonEconomicGroup.com](http://www.AndersonEconomicGroup.com) for more information.

### **AUTHORS**

#### *Scott D. Watkins*

Mr. Watkins is a Senior Consultant with Anderson Economic Group, LLC, with expertise in economic, industry, and market analyses, as well as public policy. He manages the firm's market and industry analysis practice area, working with public and private sector clients to deepen understandings of their market and place in the economy, and to develop strategies to strengthen their positions. Mr. Watkins also serves as the firm's controller.

Among the clients for whom he has worked are more than the Project Management Institute; City of Sandusky, Ohio; City of Hamtramck, Michigan; City of Lansing, Michigan; Collier County, Florida; Northern Michigan University; Michigan State University; Ferris State University; Lansing Community College; Michigan Retailers Association; Grand Rapids Chamber of Commerce, Spartan Stores, Meijer, and the West Virginia High Technology Consortium Foundation. Mr. Watkins has made presentations to a number of audiences and media outlets on topics concerning the automotive industry, economics, education finance, and industry trends. He has also provided expert testimony in legislative and legal hearings, including automobile dealership arbitrations.

Prior to joining Anderson Economic Group in 2001, Mr. Watkins was an analyst in the automotive market and planning group at J.D. Power and Associates, and a marketing assistant with Foster, Swift, Collins, and Smith P.C.

Mr. Watkins holds an M.B.A. from the Eli Broad College of Business at Michigan State University. He also has a B.A. in marketing from Eli Broad College of Business and a B.A. in international relations from the James Madison College, both at Michigan State University.

*Colby W. Spencer*

Colby W. Spencer is a Senior Analyst at Anderson Economic Group, working in the Public Policy and Economic Analysis; and Market and Industry practice areas. Ms. Spencer's background is in econometrics, public policy, local government, urban and social policy, and education.

Ms. Spencer's recent work includes several economic impact analyses, including infrastructure projects and business ventures; analysis of state provided business tax incentives; analysis of the economic contribution research universities make in Michigan; benchmarking Michigan's economy and higher education institutions compared to those in other U.S. States; and analysis of how competitive Michigan's metropolitan areas are for businesses. Ms. Spencer also works with Geographic Information System (GIS), applying the software to conduct geospatial market and policy analyses.

Prior to coming to Anderson Economic Group Ms. Spencer worked with the Michigan Municipal League on the 21st Century Communities project providing consulting services to local governments in Michigan concerning local economic development initiatives. Ms. Spencer held a fellowship at Columbia University as a teaching assistant for Quantitative Analysis and Operations Management. She has also taught in the District of Columbia Public Schools.

Ms. Spencer holds a Bachelor of Science in Education from New York University and a Master of Public Administration from the School of International and Public Affairs at Columbia University.