

The Economic Impact of San Antonio's Hospitality Industry 2019-2020 Report

This study was prepared by

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HIGHLIGHTS

- In 2019, the economic impact of San Antonio's Hospitality Industry was **\$17.4 billion**. In 2020, for understandable reasons, that impact declined to **\$13.9 billion**.
- The San Antonio metropolitan area attracted **41 million visitors** in 2019. The number of visitors decreased to **23 million** in the pandemic year of 2020.
- In 2019 the Hospitality Industry contributed some **\$247 million** in taxes and fees to the city of San Antonio, and **\$475 million** to all local governments combined. These receipts fell to **\$154 million** and **\$339 million**, respectively, in 2020.
- In 2019, the industry employed more than **145,000** individuals. This was 1 out of every 7 workers in the San Antonio metropolitan area. In 2020, industry employment declined to 117,270 – still about 1 of every 8 workers
- From 2010 to 2019, the economic impact of the Hospitality Industry increased by 38% to more than double its size in 2000. Despite the challenges of the pandemic, the industry in 2020 was still bigger than it was in 2010.

INTRODUCTION

San Antonio has long been a premier meeting destination and is known as a favorite of visitors from around the world. These visitors, and the Hospitality Industry they support, produce a number of economic benefits for the city:

- The industry provides **a large number of both full-time and part-time jobs** in dozens of occupations, including culinary, customer service, administration, finance, maintenance, marketing, and human resources.
- Visitor spending **impacts virtually every corner of the local economy** – sports, food service, transportation, cultural events, healthcare and much more.
- The presence of so many visitors helps promote **a vibrant and diverse cultural and social atmosphere** that is attractive to San Antonio residents and visitors alike. Many of the amenities and attractions that San Antonians take for granted are available to them only because these attractions are also supported by millions of visitors.
- Because **visitors bring new dollars to San Antonio**, their spending has a multiplier effect. Each dollar of visitor spending generates approximately one additional dollar of income for San Antonio as the effects of this spending work their way through the local economy.

For the purposes of this report, the Hospitality Industry has been defined to include only those businesses that derive a significant portion of their sales from out-of-town visitors. Whether they come to San Antonio on a vacation, to attend a convention, or for business, these visitors patronize local companies that provide transportation and travel arrangements, lodging, recreational activities, and food and beverage services. Of course, the full economic impact of these businesses also includes their sales to local customers. A complete description of the industries included in this study can be found at the end of this report.

The economic impact analysis is based on data obtained from the Texas Workforce Commission (TWC). Following the same methodology used in the previous Economic Impact Studies of the Hospitality Industry, the current work is based on TWC's quarterly wage and employment data aggregated along the lines of business defined by the North American Industrial Classification System (NAICS).

THE HOSPITALITY INDUSTRY IN 2019 & 2020

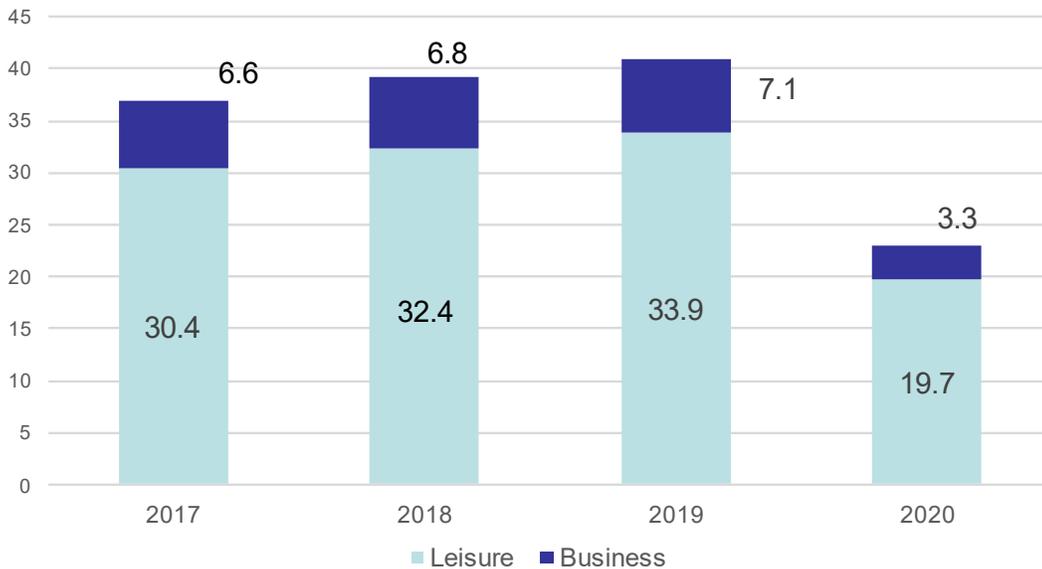
The Hospitality industry everywhere faced challenging times in the era of COVID-19, and San Antonio was no exception. In 2019, the industry had a very good year, extending the long-term trend of steady growth over the past three decades. Starting in March of 2020, the economic environment became much more challenging. Even so, millions of visitors came to San Antonio in a year when travel demand was greatly reduced.

Tens of Millions of Visitors

Each year – even in the midst of a pandemic -- tens of millions of visitors come to San Antonio for business or pleasure.

- In 2019, 41 million visitors came to the San Antonio metropolitan area. More than half of them (24.9 million) stayed overnight.
- In 2020, San Antonio hosted 23 million visitors, Again, well more than half (13.7 million) stayed overnight.
- Each year, millions of leisure visitors come to San Antonio to shop, play and enjoy the city's unique history and culture. In 2019, the San Antonio metropolitan area hosted 33.9 million leisure visitors. Most (21 million) stayed overnight. In 2020, 19.7 million leisure visitors came to San Antonio. As before, the majority (12.1 million) stayed overnight.
- San Antonio has long been one of the top convention cities in the country. In 2019, 7.1 million business visitors came to the area for conventions and other business purposes. As with the leisure visitors, the majority (3.9 million) of the business visitors stayed overnight. Of course, business and convention travel throughout the country was greatly reduced during the pandemic. Still, in 2020, 3.3 million business visitors came to San Antonio, with 1.6 million of them spending the night.

San Antonio Visitors Millions



Overall Economic Impact in 2019: \$17.4 Billion

The Hospitality Industry's economic impact in 2019 was \$17.4 billion. This represents a 14% increase over 2017 and a 38% increase over 2010.

The industry's economic impact dropped significantly to \$13.9 billion in 2020. To put this in perspective, that is the same economic impact the industry had as recently as 2015. It is still one of the largest industries in San Antonio.

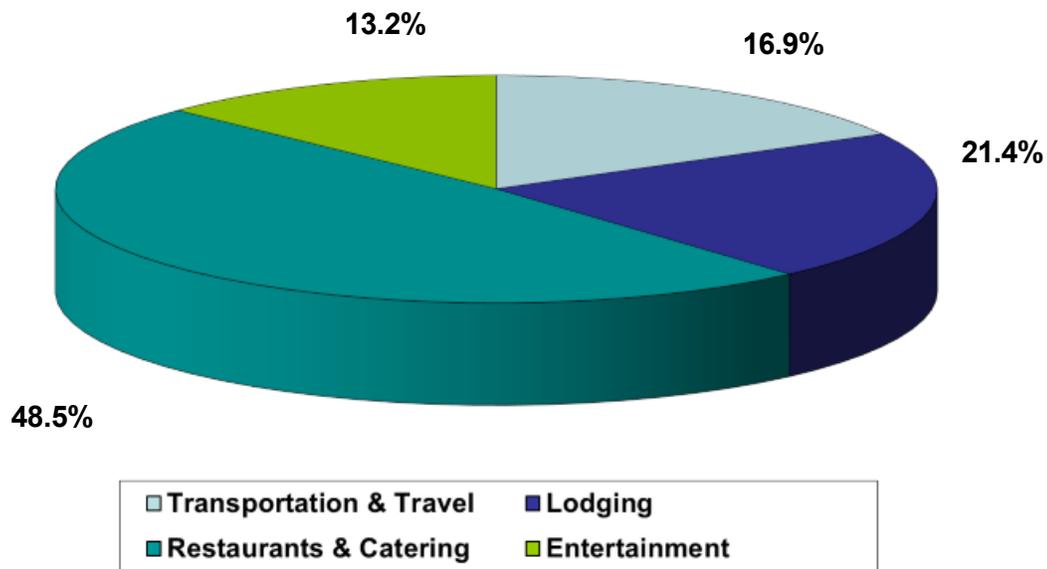
The businesses that make up the Hospitality Industry fall into four sectors: Transportation and Travel Arrangements, Lodging and other Traveler Accommodations, Restaurants and other eating and drinking establishments, and Entertainment and Recreation activities, ranging from golfing establishments to cultural events to amusement parks and spectator sports.

The Restaurants and Catering sector made the largest contribution to the local economy, accounting for 48.5% of the total economic impact, or \$8.4 billion, in 2019. In 2020, restaurants' share was a bit larger (51.8%), at \$7.2 billion. The vast majority of this large impact was due to full-service or limited-service restaurants and

eating places, with the remainder coming from catering services and drinking establishments.

The Transportation and Lodging sectors contributed 16.9% and 21.4% respectively to the overall economic impact in 2019. Entertainment of various types comprised the remaining 13.2% of the industry's economic impact.

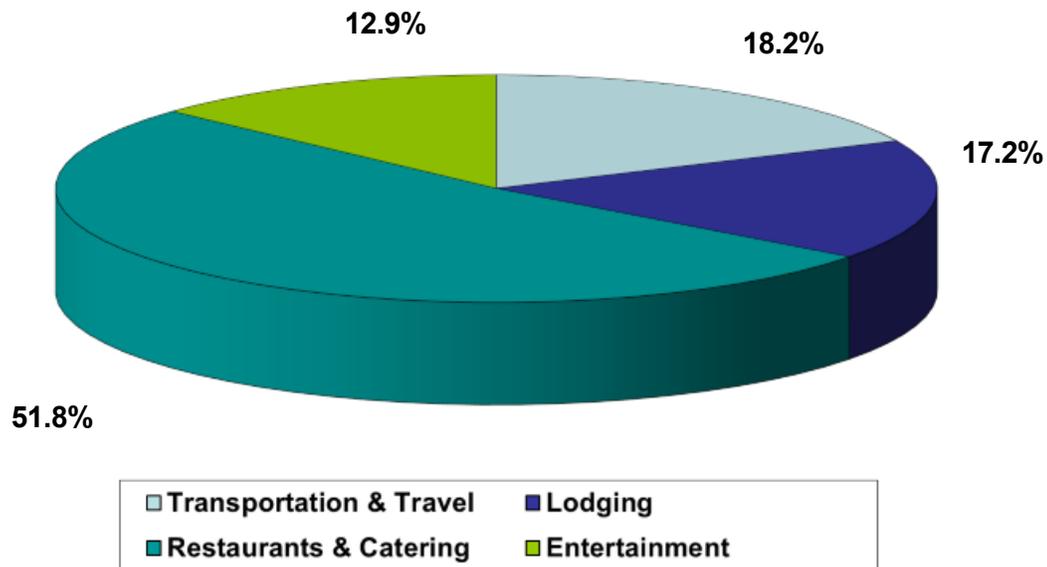
The Economic Impact of the Hospitality Industry in 2019



Economic Impact Data

In 2020 the transportation share grew to 18.2% while lodging's share dropped to 17.2%. Entertainment came in at 12.9%

The Economic Impact of the Hospitality Industry in 2020



Economic Impact Data

Annual Payroll: \$3.56 Billion in 2019, \$2.95 Billion in 2020

The Hospitality Industry's annual payroll was \$3.56 billion in 2019, up 20% from 2017. The \$2.95 figure for 2020 is still larger than the industry's payroll from 2015.

It should be noted that these figures reflect only direct wage payments. Total compensation, including benefits and gratuities, would be significantly higher.

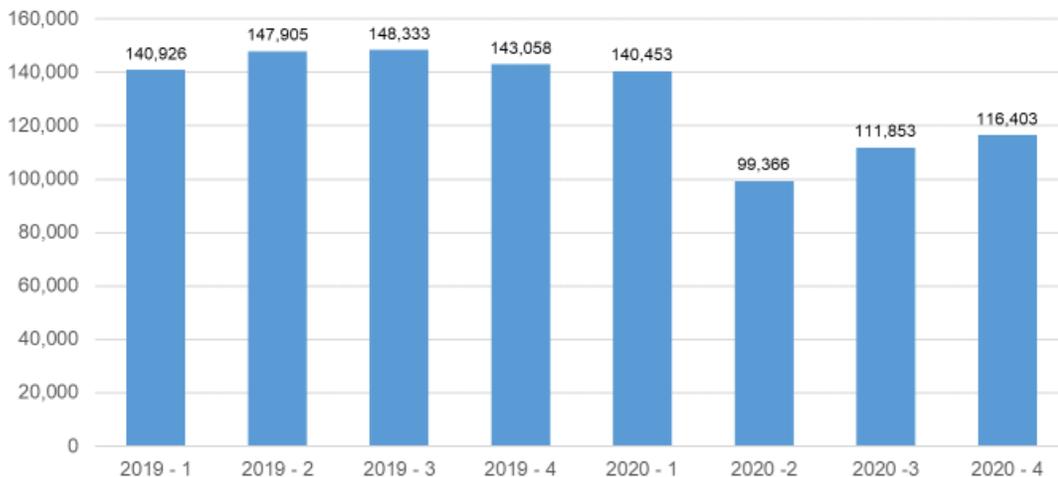
Total Employment: 145,056 in 2019, 117,270 in 2020

During 2019, the Hospitality Industry provided an estimated 145,056 jobs. This represents one-seventh of the total number of jobs in the San Antonio metropolitan area. Despite a 19% drop in employment for 2020, the industry still employs 11.9% of San Antonio's jobs. Many of these jobs provide life-long career opportunities and help employees develop skills that translate into many areas of business.

Putting 2020 into perspective

The economic impact, wages and payroll in the Hospitality industry dropped substantially in 2020 as the pandemic took hold. The effects of the pandemic on travel and entertainment started near the end of the first quarter of 2020. Indeed, 2019 was another year of the steady growth the industry has experienced over the past two decades, and the first quarter of 2020 was right in line with that. However, the second quarter of 2020 witnessed a steep drop in employment and wages across the industry, especially in the lodging and entertainment sectors. The third and fourth quarters illustrate the resilience of the industry, especially in the restaurant sector in which employment rebounded to within 10% of the first quarter level by year's end. There was also a modest uptick in the lodging sector, though it and the entertainment sector remained well below their first-quarter benchmarks for employment and wages. Assuming, as seems likely, that this recovery continued into 2021, the industry is showing signs of resuming its historic steady growth. Of course, this progress will continue to be tempered by the uncertainty of the pandemic and consumer sentiment.

Hospitality Industry Employment 2019 -2020 by Quarter



Hospitality Industry Wages 2019 -2020 by Quarter



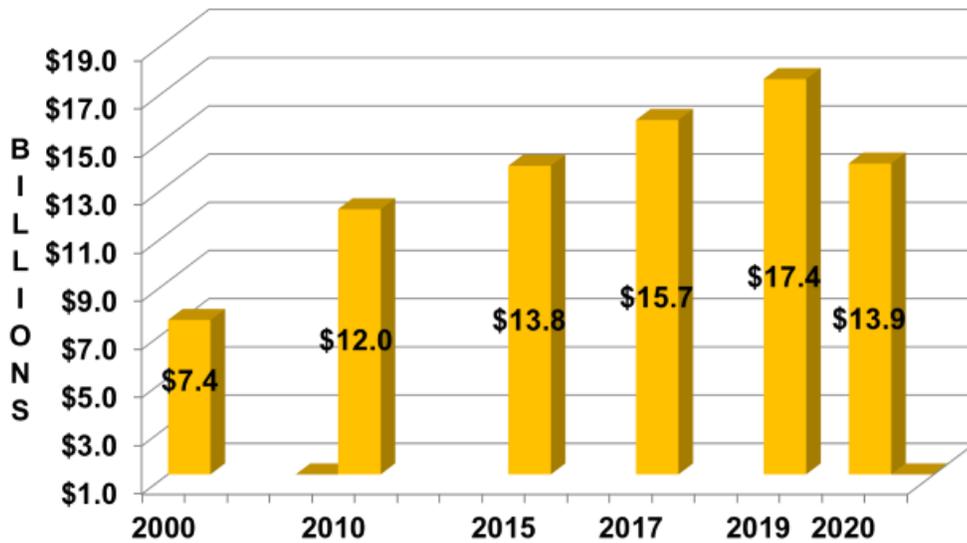
The pandemic has prompted certain parts of the industry to modify the manner in which services are rendered. For much of 2020, for example, housekeeping staff did not perform daily cleaning in many hotels. Many restaurants initiated or enhanced carryout or delivery services. At the same time, hourly wages increased as employers have attempted to rebuild their workforce. Thus, some of the industry’s recovery in 2020 may not be reflected in the number of employees and in total wages.

THE HOSPITALITY INDUSTRY OVER TIME

From 2010 to 2019, the Hospitality Industry’s economic impact grew substantially, from \$12 billion in 2010 to \$17.4 billion in 2019 – a 45% increase. The growth over a longer time horizon is even more impressive: a 135% gain from the \$7.4 billion impact the industry had in 2000. What is especially striking is that the industry grew steadily over two decades despite challenging national economic conditions during much of that period. It is a great advantage for San Antonio to have as one of its major industries one that is so resilient over the business cycle.

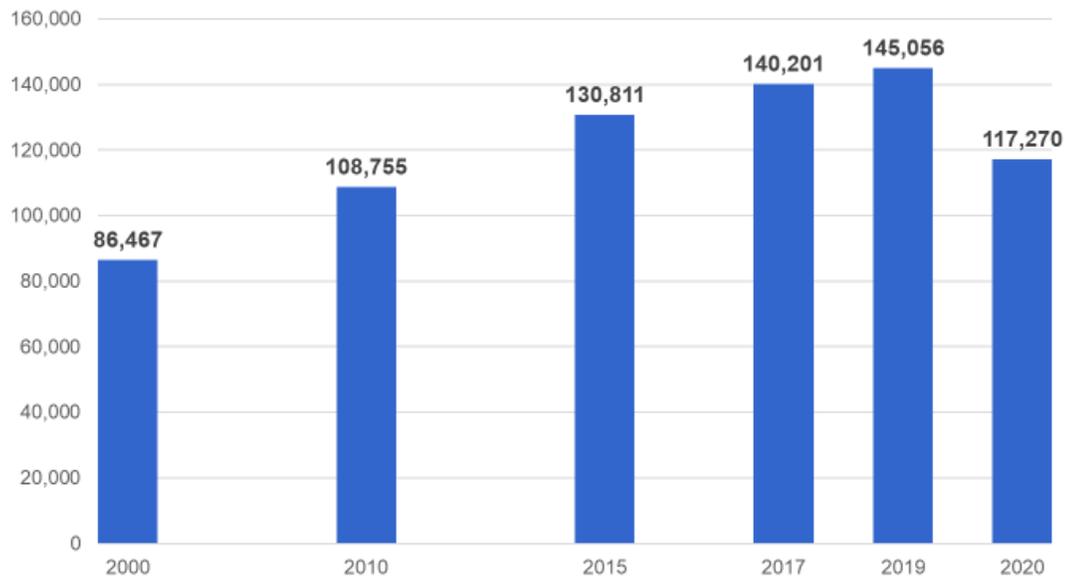
NOTE: The numbers reported in this study are based on the latest available data. Since data for prior years is often updated by the reporting agencies, the amounts reported here may differ slightly from the amounts appearing in previous reports.

Hospitality Industry Economic Impact



The number of employees in the industry has also grown, as the graph below indicates. Employment increased by one-third between 2010 and 2019.

Hospitality Industry Employment



Total wages in the industry have grown much more briskly. They increased by 65% from 2010 to 2019, while wages in 2020 are similar to those in 2015.

Hospitality Industry Annual Payroll



Over the past ten years, there's been a great deal of growth in the industry. The Restaurant sector has not only remained the dominant sector throughout the decade; it has grown rapidly over that period, reflecting San Antonio's growth and its emergence as a culinary destination. Indeed, its size in 2020, despite the challenges of the pandemic, is larger than it was in 2015. The other sectors grew less rapidly, but they still were larger than they were in 2017.

Economic Impact of the Industry' Sectors over Time (\$millions)



FINANCIAL CONTRIBUTIONS TO LOCAL GOVERNMENT

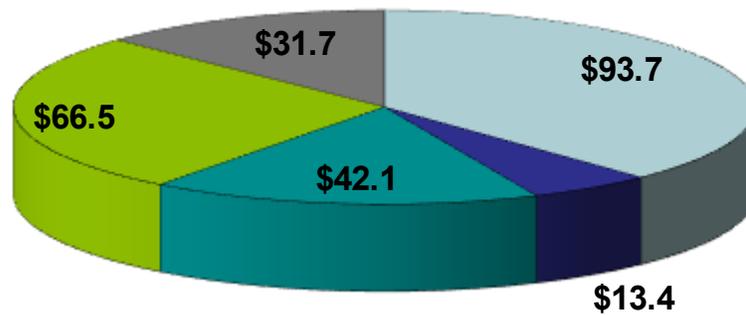
The Hospitality Industry is a major contributor of tax and other revenues to local governments. A complete accounting of these contributions is beyond the scope of this study, but an examination of the major revenue streams for the City of San Antonio shows the extent to which local government depends upon the Hospitality Industry for financial support.

The bottom line for the City is impressive, as the Hospitality Industry provided revenues of **\$247.4 million** in 2019. This is equivalent to **19.6%** of the City's adopted General Fund expenditure budget of \$1.26 billion for the 2018-19 fiscal year.

These revenues come from a variety of sources. The largest share (\$93.7 million) comes from the Hotel Occupancy Tax (HOT). Property taxes on real and personal business property accounted for \$42.1 million in City revenues. City sales taxes paid on purchases at businesses in the Hospitality Industry contributed another \$66.5 million. These businesses bought \$103 million worth of electricity and natural gas from CPS Energy; since 13% of CPS revenues are paid to the City in lieu of

taxes, the City received \$13.4 million from these payments. Smaller amounts of revenue (\$31.7 million in all) were received from Tourism Public Improvement District assessment revenues, river cruise and Tower of the Americas concessions as well as taxes on alcoholic beverages sold in restaurants and bars.

Contributions to City Revenue \$247.4 million in 2019



■ Hotel Occupancy Tax ■ CPS ■ Property Tax ■ Sales Tax ■ Other

The City of San Antonio is not the only local government entity that depends on revenues from the Hospitality Industry. The industry pays sales, property and hotel occupancy taxes to other municipalities. In addition, Bexar County collects property and hotel occupancy taxes, while school districts, the Alamo Community College District, the University Health System and the San Antonio River Authority all levy property taxes paid by Hospitality Industry businesses. These businesses also collect sales taxes to support VIA Metropolitan Transit and the Advanced Transportation District.

These are not small sums. The County collected \$18.2 million in HOT taxes and \$10.9 million in rental car taxes in 2019. Property taxes on just those hospitality-related businesses located within the San Antonio city limits contributed \$102.6 million to local school districts, \$22.7 million to Bexar County and another \$33.5 million to the other taxing entities. VIA and ATD sales tax revenues from Hospitality

Industry businesses within the San Antonio city limits totaled \$39.9 million. In all, these local governments received **\$227.74 million**, not including the sales and property taxes paid to entities outside the City limits.

The government revenues itemized above add up to approximately **\$475.2 million**. Since this estimate excludes some property, sales and hotel taxes paid by hospitality-related businesses outside the San Antonio city limits, the full contribution of the industry to local government is in fact significantly greater than this estimate.

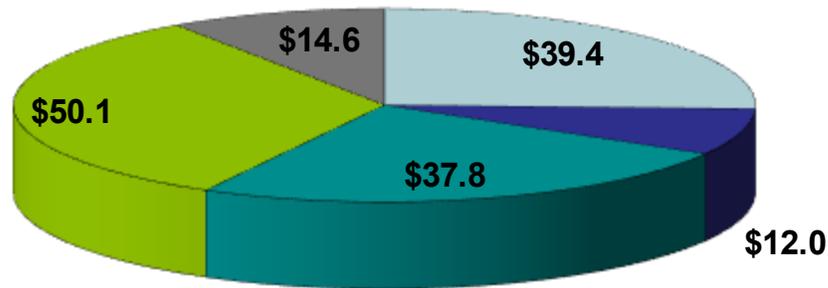
These revenues help reduce the taxes paid by those who live in the San Antonio metropolitan area. Without the tax payments from the hospitality industry, the city, county and state would either have to reduce services or find additional resources to balance their respective budgets.

Not surprisingly, these revenues decreased significantly in 2020. Hotel taxes dropped by more than half, sales taxes decreased by 25%, and other revenues were also adversely affected. San Antonio's receipts fell to \$153.9 million, while the other entities received \$184.6 million. These are still quite substantial sums, especially welcome during a time when all levels of government were under serious financial stress.

Funding Source	2019	2020
City of San Antonio	\$247.4	\$153.9
Bexar County	\$51.8	\$34.7
Property Tax School Districts	\$102.6	\$89.8
Property Tax – other taxes entities	\$33.5	\$30.1
VIA & ATD	\$39.9	\$30.1
Total	\$475.2	\$338.6

Contributions to City Revenue

\$153.9 million in 2020



■ Hotel Occupancy Tax
 ■ CPS
 ■ Property Tax
 ■ Sales Tax
 ■ Other

The table below provides focus on revenue sources that have shown the greatest decline, notably the Hotel Occupancy Tax, sales tax and all other taxes. The latter category incorporates substantial declines in river barge concession fees and liquor by the drink taxes.

Funding Source	2019 (Millions)	2020 (Millions)	% Change
Hotel Occupancy Tax	\$93.7	\$39.4	-58.0%
CPS Revenues	\$13.4	\$12.0	-10.4%
Property Tax	\$42.1	\$37.8	-10.2%
Sales Tax	\$66.5	\$50.1	-24.7%
All Other Taxes	\$31.7	\$14.6	-53.9%
Total	\$247.4	\$153.9	-37.8%

TECHNICAL NOTES

Information Sources for the Economic Impact Estimates

As noted in the introduction, the primary information source for this Economic Impact Study is the Texas Workforce Commission's (TWC) Covered Employment and Wages database, which provides data on payroll and employment for the San Antonio Metropolitan Statistical Area aggregated into lines of business defined by the North American Industrial Classification System (NAICS) coding framework. It represents essentially a 100% sample of all the businesses in each NAICS code.

The specific industry codes used in this study are listed at the end of the Technical Notes section. The process of deciding which NAICS codes to include required some judgment. The study includes only those industries that derive a significant portion of their sales from out-of-town visitors, whether they are tourists, conventioners or business visitors. These businesses, not surprisingly, are concentrated in the lodging, eating and drinking, transportation and entertainment sectors. Clearly, San Antonio's visitors patronize many other businesses, from department stores to gas stations. This spending would have to be included in an estimate of the overall impact of visitors on the San Antonio economy. But since this study is focused not on the impact of visitors but on the impact of *the industry that serves visitors*, the estimates presented here refer to the hospitality industry alone.

Since many of our visitors use air transportation to get here, it is entirely appropriate to include commercial air travel as part of the local Hospitality Industry. However, users of this study should be aware that passenger air service is also included in The San Antonio Chamber of Commerce's economic impact study of the Aerospace Industry. This overlap is unavoidable since the commercial air travel sector is legitimately a part of both industries.

Information Sources for the Estimates of Financial Contributions to Local Government

Total revenues received in fiscal years 2019 and 2020:

Hotel occupancy taxes, river cruise fees, liquor taxes: Finance Department, City of San Antonio.

City General Fund Budget: Fiscal Year 2019 Adopted Budgets, City of San Antonio website.

Estimates of 2019 and 2020 revenues for the Hospitality Industry NAICS codes only:

CPS revenues: CPS Energy.

Sales taxes: Texas State Comptroller's Office.

Property taxes: Finance Department, City of San Antonio.

Information source for visitor statistics:

Annual studies of visitors to San Antonio, prepared for Visit San Antonio by D K Shiflett & Associates.

NAICS CODES FOR THE HOSPITALITY INDUSTRY

Transportation and Travel Arrangements

48111	Scheduled air transportation
48521	Interurban and rural bus transportation
48531	Taxi services
48551	Charter buses
48599	Other ground passenger transportation
48711	Scenic and sightseeing transportation
48811	Airport operations
53211	Passenger car rental and leasing
56152	Tour operators
56159	Other travel arrangement services
81293	Parking lots and garages

Lodging

7211	Hotels, motels, etc.
7212	RV parks and recreational camps

Restaurants, etc.

7223	Special food services
7224	Drinking places Limited-service eating places
7225	Restaurants

Entertainment

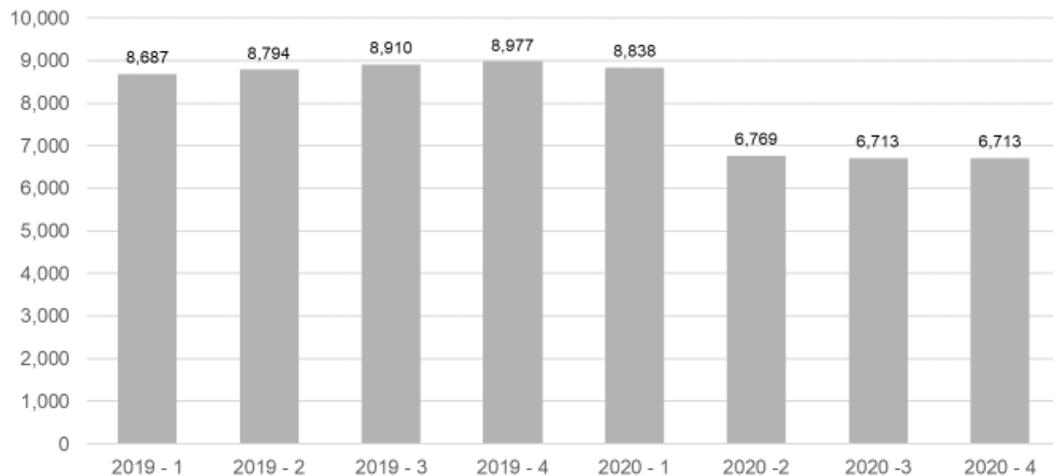
51213	Motion picture exhibition
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7111	Performing arts companies
71121	Spectator sports
7113	Promoters of performing arts
7115	Independent artists, writers and performers
7121	Museums, historical sites, zoos, etc.
71311	Amusement and theme parks
71312	Amusement arcades
71391	Golf courses and country clubs
71399	Other amusement and recreation

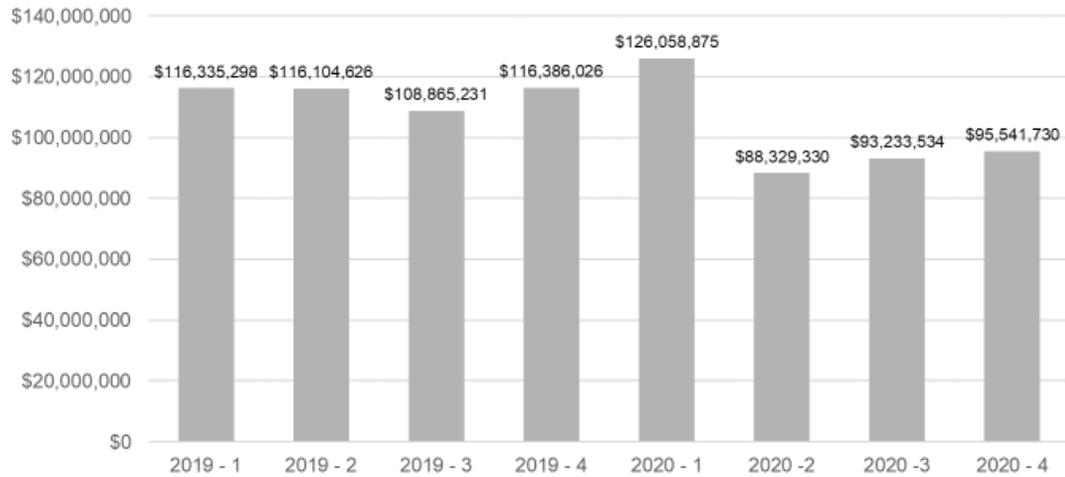
APPENDIX

DETAILED COMPARISONS OF 2019 AND 2020 BY QUARTER

Hospitality Industry Employment Travel & Transportation 2019-2020

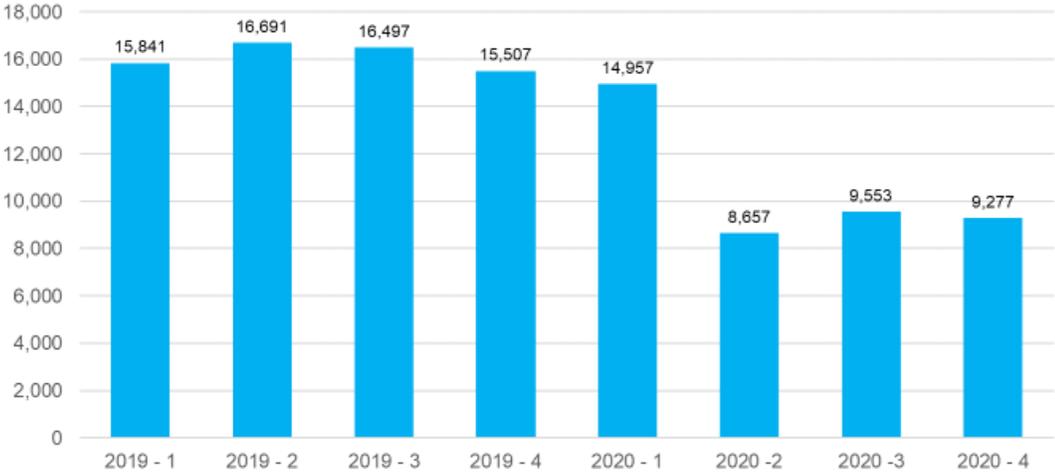


Hospitality Industry Wages Travel & Transportation 2019-2020



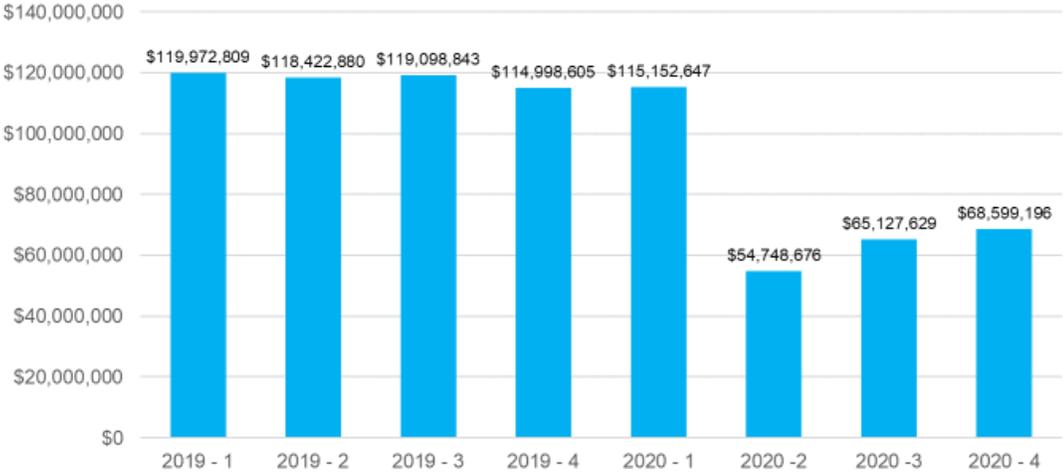
Hospitality Industry Employment

Lodging 2019-2020

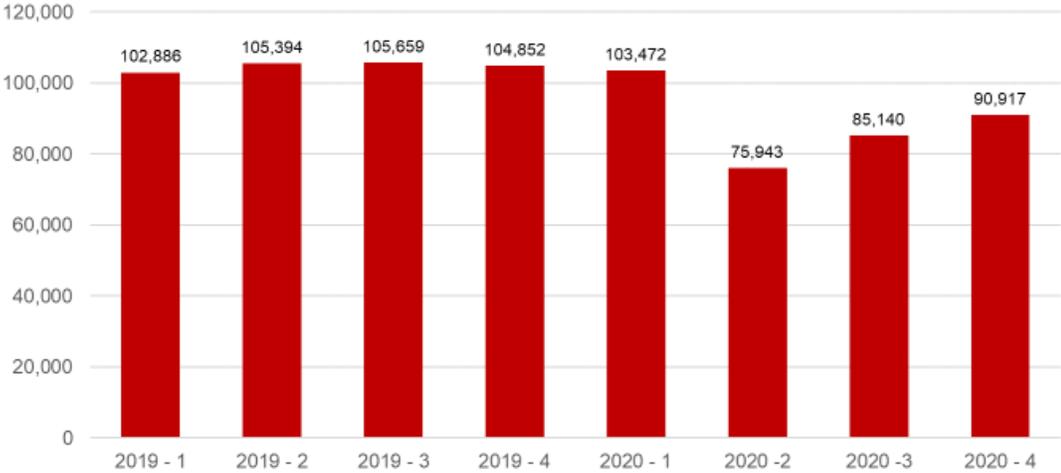


Hospitality Industry Wages

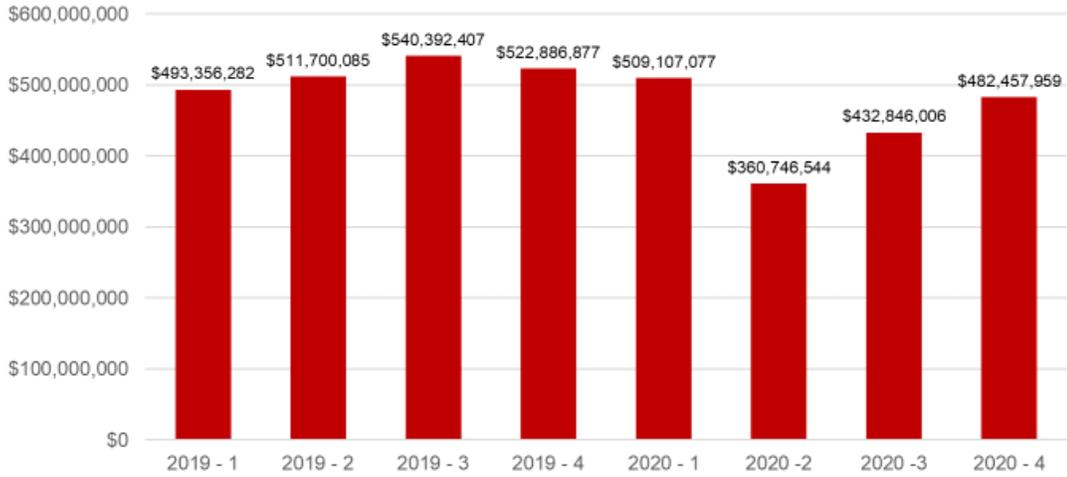
Lodging 2019-2020



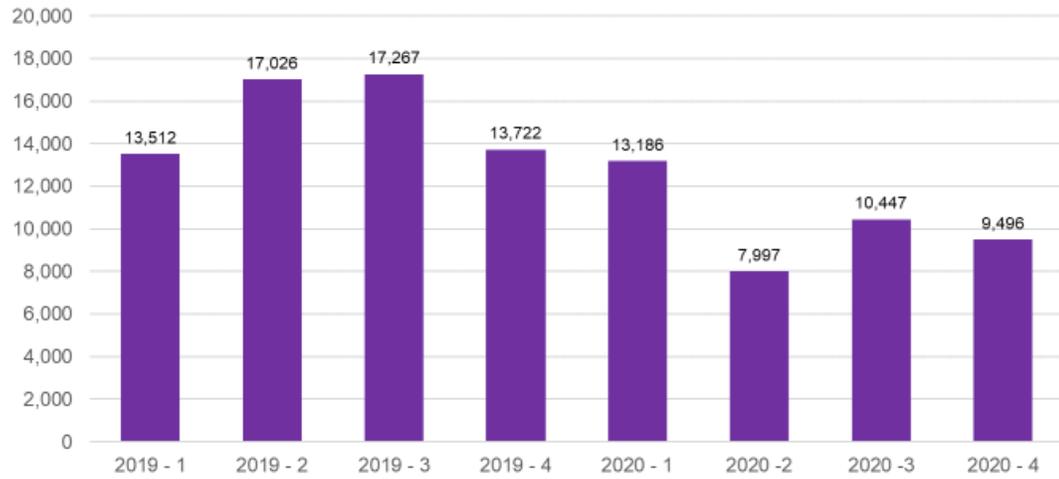
Hospitality Industry Employment Restaurants 2019-2020



Hospitality Industry Wages Restaurants 2019-2020



Hospitality Industry Employment Entertainment 2019-2020



Hospitality Industry Wages Entertainment 2019-2020

