



TOURISM
ECONOMICS

Economic and Fiscal Impacts of Proposed Vacation Rental Regulation Changes in the City of La Quinta

July 2022

Prepared for:
The City of La Quinta

TABLE OF CONTENTS

- 1** Introduction
- 2** Key Findings
- 3** Visitor Economy in La Quinta
- 4** The Vacation Rental Segment of the Visitor Economy
- 5** Potential Impact of Proposed Changes to Vacation Rental Regulations
- 6** Appendix tables

1 Introduction

The background of the slide is a blue-tinted photograph of a large, modern building interior. The ceiling is a prominent feature, consisting of a complex, curved grid of structural elements. Below the ceiling, there is a walkway or platform with a railing, and a tall, narrow structure, possibly a column or part of a staircase, is visible in the distance. The overall atmosphere is clean and architectural.

Introduction

Tourism is a key driver of jobs, income, and tax revenues in the City of La Quinta (“the City” or “La Quinta”). The City hosted an estimated 1.3 million visitors in 2021. These visitors spent nearly \$580 million, generating nearly \$700 million in total economic impact in the City. The vacation rental segment of the tourism economy has become increasingly important and accounts for a rising share of total visitor volume and spending. In 2021, just over 200,000 visitors came to La Quinta and stayed in vacation rentals. These visitors spent an estimated \$143 million, 25% of all direct visitor spending in the City. Vacation rental visitors and their spending generated \$170 million in total business sales, \$18.3 million in income, 779 jobs, and \$21.9 million in state and local tax revenues.

La Quinta has a hotel room inventory of approximately 1,100 rooms across just 5 properties. The City’s hotel room inventory represents about 24% of all rooms available for visitors, with most room inventory available in vacation rentals.

Of the City’s 25,875 housing units, an estimated 63% are occupied by residents, with nearly 9,600 units, 37% of the housing stock, available for seasonal or recreational use. Many of these units are rented to visitors as vacation rentals, and the City had issued nearly 1,300 rental licenses at the peak in 2020, which offered an estimated 3,500 rooms for rent.

During the last two years, the City has been challenged to manage the increasing popularity of vacation rentals and the influx of visitors staying in the units. Challenges have included ensuring compliance with registration and licensing regulations of rental units and noise complaints.

In August of 2020 the City halted issuance of new vacation rental permits and citizens are now proposing additional regulations that will permanently ban “non-hosted short-term vacation rentals” in non-exempt areas of the City. The proposed initiative will ban vacation rentals in the non-exempt area effective December 31, 2024. The proposed ban would not apply in exempt areas of the City.

This analysis examines the potential impacts of these proposed changes.

Methodology and Data Sources

Tourism Economics' analysis first establishes the context of the total visitor economy in La Quinta. The visitor economy is described in terms of visitor volume and visitor spending by major category such as accommodations, food and beverage, and retail.

This direct visitor spending generates indirect benefits and sales for other businesses in the local economy in the form of business sales, jobs, personal income, and tax revenues.

A significant share of visitors to La Quinta stay in vacation rentals, and the analysis quantifies the importance of this segment within the visitor economy.

Finally, the analysis explores the potential economic and fiscal impacts of the proposed regulations changes at two points in time:

1. A short-term (3-yr) time horizon which captures the annual impact in 2025, the first year of the effective ban on vacation rentals in the non-exempt areas.
2. A long-term (10-yr) time horizon. The long-term horizon captures the annual impact in 2031.

The analysis generates estimates of the potential impact of the proposed regulations by establishing a likely baseline scenario (without the proposed regulations), and an alternate scenario (with the proposed regulations). The estimated impacts are the differences between the two scenarios at year 3 (2025) and year 10 (2031).

All future dollars are reported in constant \$2021 terms. Other dollars are in nominal terms.

The potential impacts are assessed in the following terms:

1. Visitor volume to La Quinta
2. Visitor spending in La Quinta
3. Employment generated by visitor spending in the City
4. Personal income generated by visitor spending in the City, including salaries, wages, rental income, and business owners' income.
5. Tax revenues generated from visitor spending

Methodology and Data Sources

Key data sources in the analysis include:

1. STR hotel market data covering supply, demand, revenues, occupancy, and average room rates.
2. Data covering the vacation rental segment of the market from AirDNA, Key Data, and the City of La Quinta
3. Visitor profile data and research completed on behalf of the Greater Palm Springs CVB.
4. Data from the U.S. Census Bureau on population, households, housing units, vacancy characteristics, and jobs by industry.
5. Jobs and wage data from the Bureau of Economic Analysis (BEA) and the Bureau of Labor Statistics (BLS)
6. Data provided by the City of La Quinta covering vacation rental licenses and complaints.
7. Data provided by the City covering Transient Occupancy Tax (TOT) revenues separated out by vacation rentals and other TOT revenues.
8. City budget data and financial data obtained from audited financial filings (ACFR), and the adopted budget for FY2021.

2 Key Findings



Key Findings

- Vacation rentals account for a significant share of La Quinta's visitor economy, and the proposed changes to regulations would significantly reduce the inventory available to host visitors. As a result, the proposed change to vacation rentals regulations could have severe impacts on the local economy including:
 - Lower visitor volume by **122,000 annual visitors (-55% versus the baseline)**
 - Lower direct visitor spending by **\$102 million (-62% versus the baseline)**, which would result in **\$121 million** in total lost economic activity
 - Support **530 fewer jobs** and **\$16.5 million** less in local personal income versus the baseline scenario
 - Local government would receive an estimated **\$9.5 million less in tax revenues** versus the baseline.

Lost activity attributable to proposed vacation rental regulations: 10 years out

Direct Impacts



-122,000

Reduced Visitor
Volume



-\$102M

Reduced Visitor
Spending

Total Economic Impacts



-\$121M

Total Economic
Impact of Reduced
Visitor Spending



-530

Total Reduction
in Jobs



-\$9.5M

Reduction in
Local Tax
Revenues

3 The Tourism Visitor Economy



Visitor Economy Trends

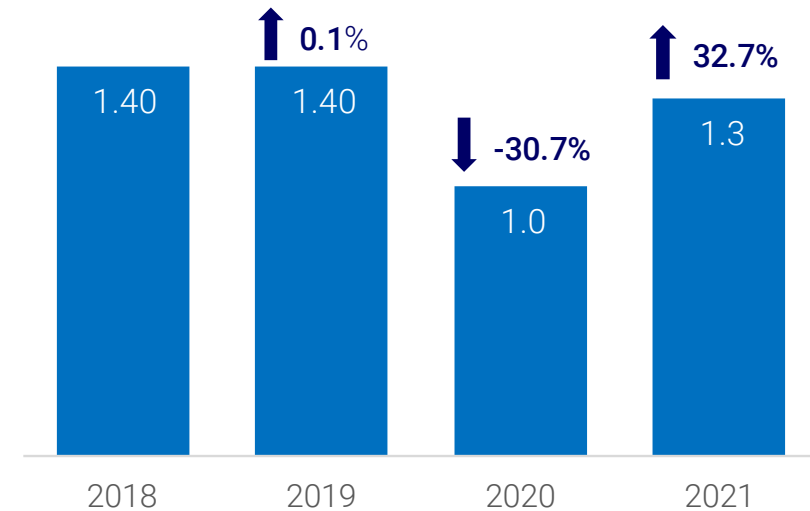
Total visitor volume

Visitor volume fell in 2020 and recovered in 2021

- Visitor volume in La Quinta reached an estimated 1.4 million in 2019 and contracted in 2020 due to the COVID-19 pandemic.
- Total volume made significant progress toward recovery in 2021 and reached 1.3 million, and nearly 33% expansion versus 2020.

Vacation Rental Visitor Volume to La Quinta

Visitors in millions



Sources: STR, AirDNA, City of La Quinta, Tourism Economics

Visitor Economy Trends

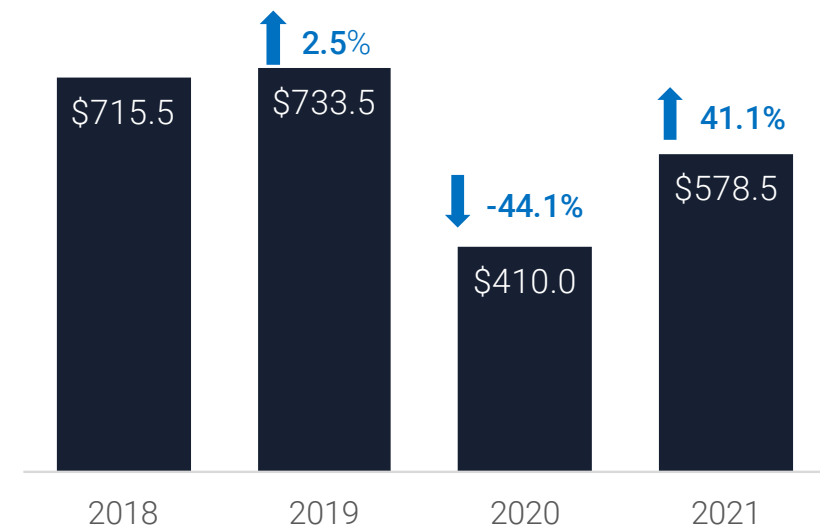
Total visitor spending

Visitor spending expanded 41.1% in 2021

- As visitors returned to La Quinta and the Greater Palm Springs region spending expanded as well.
- Total direct visitor spending reached nearly \$579 million in 2021, representing an 41.1% increase over 2020 spending levels.
- Despite growth in 2021, visitor volume and spending have still not reached pre-pandemic levels.

Vacation Rental Visitor Spending

Amounts in millions of nominal dollars



Sources: STR, AirDNA, City of La Quinta, Tourism Economics

Tourism Economy Trends

Visitor spending by category

Visitor spending expanded in 2021

- Growth in direct visitor spending in 2021 was led by more spending on accommodations, including significantly higher prices, followed by spending on retail and food and beverage.
- Spending across categories was driven in large part due to rising prices in most industries. For example, average daily room rates at regional hotels were up more than 18% and gas prices in Riverside County were more than 30% above 2020 levels.

La Quinta Visitor Spending by Segment

Amounts in millions of nominal dollars

	2018	2019	2020	2021	2021 Growth
Total visitor spending	\$715.5	\$733.5	\$410.0	\$578.5	41.1%
Accommodation	\$191.5	\$200.4	\$148.1	\$219.9	48.5%
Food and beverage	\$243.2	\$250.1	\$126.8	\$173.7	37.0%
Retail	\$155.4	\$156.3	\$71.9	\$99.8	38.8%
Recreation	\$70.8	\$72.0	\$34.9	\$46.3	32.9%
Transportation	\$54.6	\$54.7	\$28.4	\$38.8	36.8%

Sources: STR, AlrDNA, City of La Quinta, Tourism Economics

Economic Impact Approach

How visitor spending generates employment and income

Our analysis of visitor spending in La Quinta begins with direct spending, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact in the City, we input direct visitor spending into a model of the Riverside County regional economy created in IMPLAN. Adjustments were made to modeling output to capture impacts in the City and not the broader economy. The model calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

- 1. Direct Impacts:** Visitors create direct economic value within a discreet group of sectors (e.g., recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- 2. Indirect Impacts:** Each directly affected sector also purchases goods and services as inputs (e.g., food wholesalers, utilities) into production. These impacts are called indirect impacts.
- 3. Induced Impacts:** Lastly, the induced impact is generated when employees whose wages are generated whether directly or indirectly by visitors, spend those wages in the local economy.

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes



Visitor Economic Impacts – Total Tourism

Business sales impacts by industry

- Visitors to La Quinta spent \$578 million in the City in 2021.
- This supported a total of \$698 million in total business sales when indirect and induced impacts are considered.

Summary Business Sales Impacts

(\$ millions) 2021



Business Sales Impacts by Industry

(\$ millions) 2021

	Direct Business Sales	Indirect Business Sales	Induced Business Sales	Total Business Sales
Total, all industries	\$578.5	\$63.6	\$56.3	\$698.4
By industry				
Retail Trade	158.6	0.6	6.0	\$165.2
Food & Beverage	153.0	2.6	4.7	\$160.3
Finance, Ins and RE	76.9	18.9	18.2	\$113.9
Lodging	101.0	0.5	0.5	\$101.9
Recreation and Ent.	59.0	1.8	1.1	\$61.8
Business Services	4.4	18.8	4.3	\$27.6
Personal Services	17.0	2.3	3.2	\$22.5
Other Transport	8.6	2.0	0.6	\$11.2
Education and Health Care	0.0	0.1	10.4	\$10.4
Construction and Utilities	0.0	6.3	1.8	\$8.1
Communications	0.0	3.5	1.1	\$4.6
Government	0.0	3.1	1.5	\$4.5
Wholesale Trade	0.0	1.7	1.9	\$3.5
Manufacturing	0.0	1.2	0.6	\$1.7
Air Transport	0.0	0.2	0.3	\$0.5
Agriculture, Fishing, Mining	0.0	0.3	0.2	\$0.5

Source: Tourism Economics

4 The Vacation Rental Visitor Economy



Summary of Vacation Rentals in La Quinta

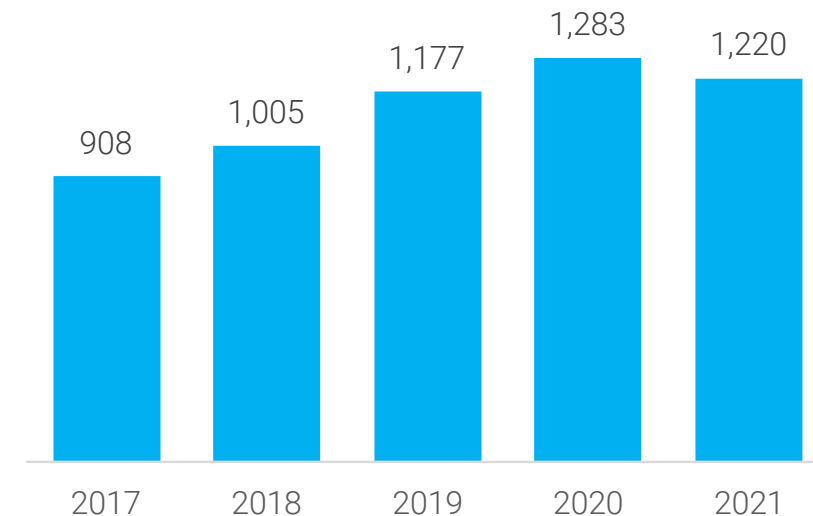
Vacation rentals were on the rise before COVID-19

Vacation rental registrations were expanding

- The number of registrants expanded in recent years. Between 2017 and 2020, nearly 400 new permits were registered and issued a rental license.
- Despite the rise in registrants, previous levels of registrants were likely undercounted as some properties operated without a license.
- In August of 2020, the City ceased issuing new rental permits. Since then, the number of registrants has declined through attrition as properties have sold without renewals, and other property owners have opted not to renew.

Vacation Rental Licenses in La Quinta

Amounts in number of units



Source: City of La Quinta

Vacation Rentals Trends

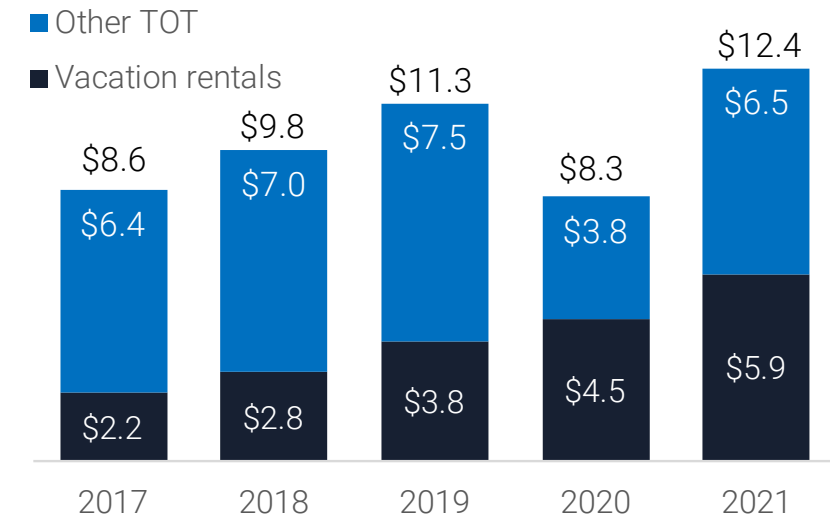
Vacation rentals as a share of the total visitor economy

Vacation rentals accounted for 48% of TOT revenues in 2021

- The vacation rentals markets expanded in 2020 and 2021. TOT revenues driven by vacation rentals increased 19% and 31% in 2020 and 2021, reaching \$4.5 million and \$5.9 million, respectively.

Transient Occupancy Tax Revenues to the General Fund

Amounts in millions of nominal dollars



Sources: City of La Quinta, Tourism Economics

Vacation Rentals Trends

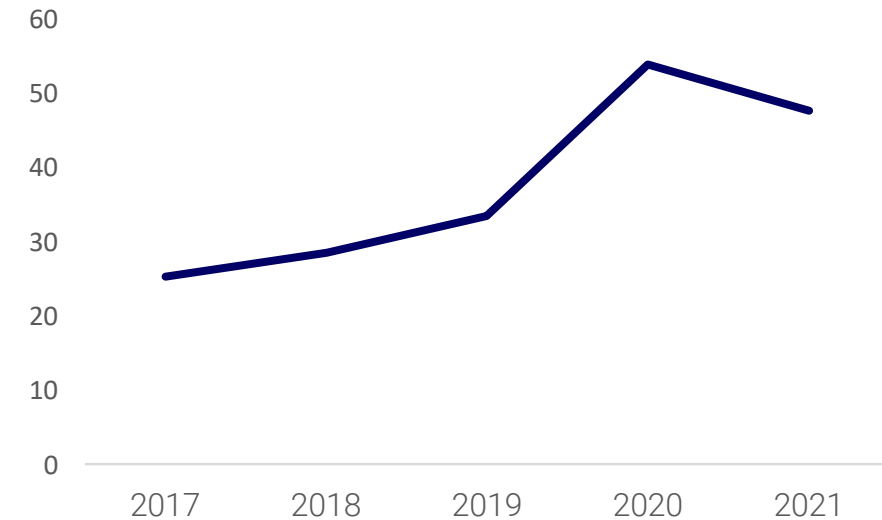
Vacation rentals as a share of the total visitor economy

Vacation rentals are driving growth in TOT revenues

- Vacation rentals are accounting for an increasing share of total TOT revenues. In 2017, the vacation rental share was 25% of the total and peaked at 54% in 2020, as other TOT fell. As other TOT recovered in 2021, the vacation rental share was lower at 48% of total TOT.

Vacation Rental Transient Occupancy Tax (TOT) Revenues Share

Share of total TOT to the General Fund, %



Sources: City of La Quinta, Tourism Economics

Vacation Rental Economy Trends

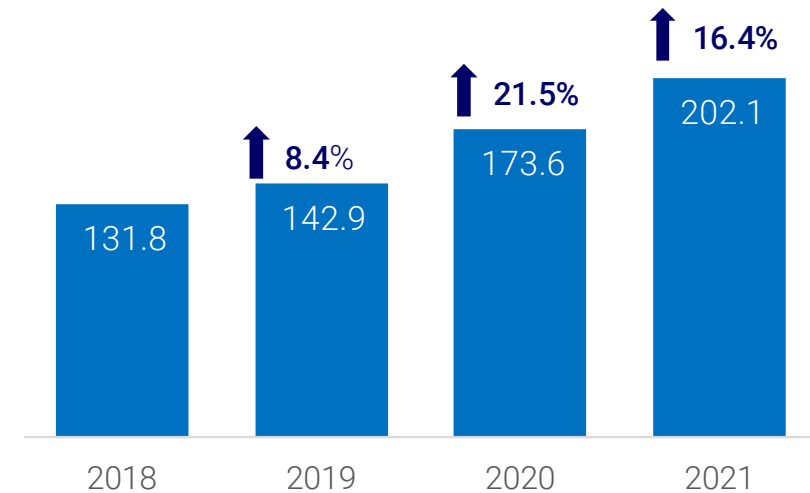
Vacation rental visitor volume

The volume of visitors staying in vacation rentals was rising

- Vacation rental visitor volume in La Quinta reached an estimated 202,100 in 2021, representing an 16.4% increase over 2020 visitation.
- Since 2017, volume has expanded 20.5% per year on average, and this rate of growth is unlikely to be sustained in the future.

Vacation Rental Visitor Volume to La Quinta

Visitors in thousands



Sources: City of La Quinta, Tourism Economics

Vacation Rental Economy Trends

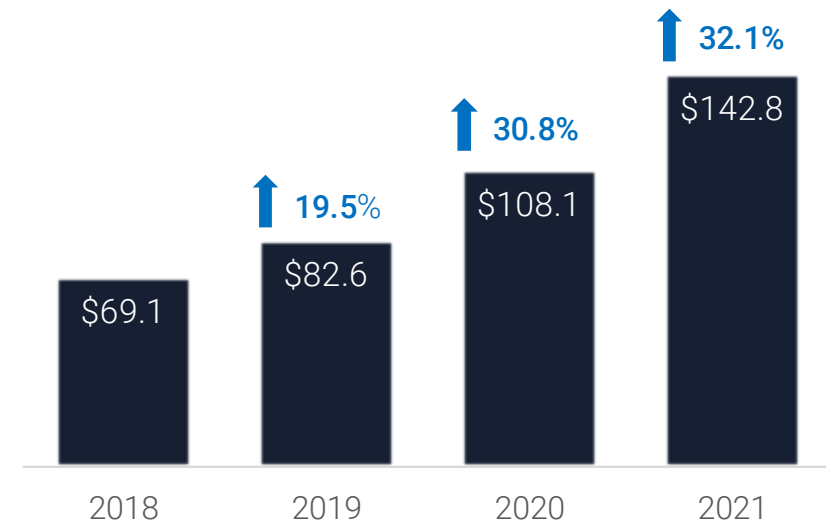
Vacation rental visitor spending

Vacation rental visitor spending expanded 32.1% in 2021

- Vacation rental visitor spending continued to expand, driven by higher overnight visitor volume and rising prices.
- Total direct visitor spending reached nearly \$143 million in 2021, representing an 32.1% increase over 2020 spending levels, and nearly 20% per year on average.
- On average, vacation rental visitors spent \$706 per person on their trip to La Quinta.

Vacation Rental Visitor Spending

Amounts in millions of nominal dollars



Sources: City of La Quinta, Tourism Economics

Vacation Rental Economy Trends

Vacation rental spending by category

Visitor spending expanded 32.1% in 2021

- As in the total tourism economy, growth in direct vacation rental visitor spending in 2021 was led by accommodations, which expanded 37.4% over 2020 spending levels. This higher level of direct spending included rising prices for vacation rentals.

La Quinta Visitor Spending by Segment

Amounts in millions of nominal dollars

	2018	2019	2020	2021	2021 Growth
Total visitor spending	\$69.1	\$82.6	\$108.1	\$142.8	32.1%
Accommodation	\$40.8	\$51.4	\$70.6	\$97.0	37.4%
Food and beverage	\$10.6	\$12.0	\$15.3	\$18.4	20.1%
Retail	\$6.8	\$7.2	\$8.4	\$10.2	21.8%
Recreation	\$6.0	\$6.5	\$7.4	\$8.7	16.5%
Transportation	\$5.1	\$5.5	\$6.3	\$8.5	35.0%

Sources: City of La Quinta, Tourism Economics

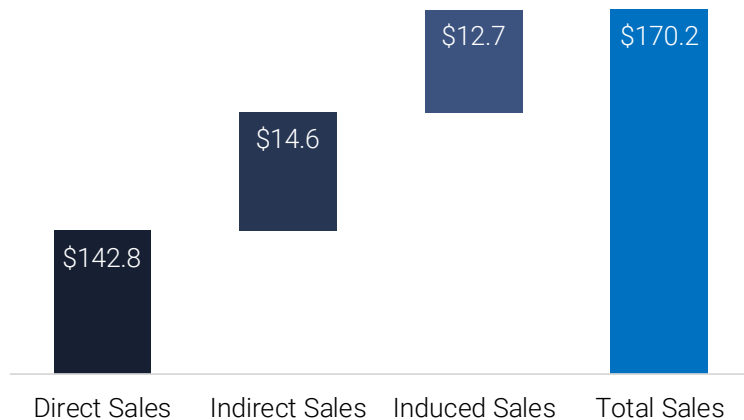
Economic Impacts

Business sales impacts by industry

- Vacation rental visitors to La Quinta spent nearly \$143 million in the City in 2021.
- This supported a total of \$170 million in total business sales when indirect and induced impacts are considered.

Summary Business Sales Impacts

(\$ millions) 2021



Business Sales Impacts by Industry

(\$ millions) 2021

	Direct Business Sales	Indirect Business Sales	Induced Business Sales	Total Business Sales
Total, all industries	\$142.8	\$14.6	\$12.7	\$170.2
By industry				
Lodging	97.0	0.0	0.0	\$97.0
Food & Beverage	17.7	0.4	1.1	\$19.2
Retail Trade	15.7	0.4	1.7	\$17.8
Finance, Ins and RE	1.5	5.2	4.1	\$10.8
Recreation and Ent.	8.7	0.8	0.2	\$9.6
Business Services	0.0	3.3	1.0	\$4.2
Other Transport	2.3	0.9	0.3	\$3.4
Education and Health Care	0.0	0.0	1.8	\$1.8
Construction and Utilities	0.0	1.2	0.2	\$1.4
Personal Services	0.0	0.5	0.9	\$1.4
Wholesale Trade	0.0	0.6	0.6	\$1.2
Communications	0.0	0.6	0.4	\$1.0
Government	0.0	0.6	0.4	\$1.0
Manufacturing	0.0	0.2	0.1	\$0.3
Air Transport	0.0	0.0	0.0	\$0.0
Agriculture, Fishing, Mining	0.0	0.0	0.0	\$0.0

Source: Tourism Economics

Economic Impacts

Personal income impacts by industry

Visitors generated \$14.8 million in direct personal income and \$21.1 million in total personal income when indirect and induced impacts are considered. Personal income generated by visitor spending in the City, including salaries, wages, rental income, and business owners' income.

Summary Personal Income Impacts

(\$ millions) 2021



Personal Income Impacts by Industry

(\$ millions) 2021

	Direct Personal Income	Indirect Personal Income	Induced Personal Income	Total Personal Income
Total, all industries	\$14.8	\$3.0	\$3.3	\$21.1
By industry				
Food & Beverage	7.3	0.2	0.4	\$7.9
Recreation and Ent.	3.3	0.1	0.1	\$3.5
Retail Trade	2.1	0.1	0.6	\$2.8
Lodging	1.6	0.0	0.0	\$1.6
Business Services	0.0	0.9	0.2	\$1.1
Education and Health Care	0.0	0.0	0.9	\$1.0
Other Transport	0.5	0.3	0.1	\$0.8
Finance, Ins and RE	0.0	0.5	0.2	\$0.7
Personal Services	0.0	0.3	0.4	\$0.7
Construction and Utilities	0.0	0.3	0.1	\$0.4
Government	0.0	0.2	0.1	\$0.3
Wholesale Trade	0.0	0.1	0.1	\$0.2
Communications	0.0	0.1	0.0	\$0.1
Manufacturing	0.0	0.0	0.0	\$0.0
Agriculture, Fishing, Mining	0.0	0.0	0.0	\$0.0
Air Transport	0.0	0.0	0.0	\$0.0

Source: Tourism Economics

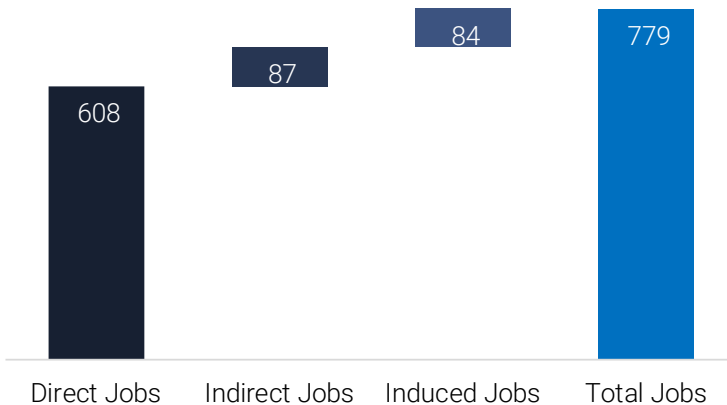
Economic Impacts

Employment impacts by industry

Vacation rental visitor spending supported a total of 779 jobs when indirect and induced impacts are considered.

Summary Employment Impacts

(number of jobs) 2021



Employment Impacts by Industry

(Number of jobs) 2021

	Direct Employment	Indirect Employment	Induced Employment	Total Employment
Total, all industries	608	87	84	779
By industry				
Food & Beverage	222	5	15	242
Recreation and Ent.	139	13	3	155
Lodging	128	0	0	128
Retail Trade	72	3	17	92
Other Transport	45	6	3	54
Finance, Ins and RE	2	22	7	31
Business Services	0	23	6	29
Education and Health Care	0	0	17	17
Personal Services	0	6	12	18
Construction and Utilities	0	5	1	6
Government	0	2	1	3
Wholesale Trade	0	1	1	2
Communications	0	1	1	2
Manufacturing	0	0	0	0
Agriculture, Fishing, Mining	0	0	0	0
Air Transport	0	0	0	0

Source: Tourism Economics

Fiscal (Tax) Impacts

Tax impacts by industry

- Total tax revenues driven by vacation rental visitors and their spending amounted to \$27.1 million in (CY) 2021.
- State and local tax revenues totaled \$18.3 million in (CY) 2021, consisting primarily of sales tax and transient occupancy tax (TOT).

Fiscal (tax) Impacts

(\$ millions) 2021

Total tax revenues	\$27.1
Local	\$9.7
Sales	\$1.7
Lodging	\$7.2
Other Taxes and Fees	\$0.8
State	\$8.6
Sales	\$5.7
Personal income	\$0.9
Social Security	\$0.1
Corporate	\$1.0
Other Taxes and Fees	\$0.9
Federal	\$8.8
Personal Income	\$2.3
Corporate	\$2.2
Indirect business	\$1.0
Social Security	\$3.4

Source: Tourism Economics



5 Potential Impact of Proposed Changes to Vacation Rental Regulations

Proposed Change to Regulations

Current City law bans the issuance of new permits for short-term vacation rentals in non-exempt areas of the City. Renewals of permits are allowed annually if an owner of a residential dwelling already had a vacation rental permit on or before August 4, 2020.

The proposed change to regulations would prohibit all vacation rental permit renewals in the non-exempt areas of the City after December 31, 2024. If the measure is adopted, new permits and renewals would only be allowed in the exempt areas of the City. In the non-exempt areas, new and renewal permits would be allowed only for residential dwellings, where the owner lives on-site or in the dwelling throughout the rental occupant's stay.

The baseline scenario assumes current law which prohibits new permits in the non-exempt areas. As a result, some attrition in number of permits is likely as turnover in the housing market occurs, permits do not transfer, and some owners opt not to renew a permit. We assume 2% attrition of permits per year which implies about 740 active permits in the non-exempt areas by 2031. Permit density in the exempt areas is assumed to reach 45% in 2031, and the number of housing units to expand by 4% per year, just over historical rate of household formation in the La Quinta. For the exempt areas, this implies just over 600 rental permits in 2031.

In both scenarios, real per person visitor spending growth of 1% per year is assumed. The key difference between the baseline and the alternate scenario with the proposed change is the prohibition of registrations in the non-exempt areas effective in 2025.

Potential impacts assessed:

1. Change in visitor volume to La Quinta
2. Change in visitor spending in La Quinta
3. Change in tax revenues generated from visitor spending
4. Impacts on employment generated by visitor spending in the City
5. Impacts on income generated by visitor spending in the City

Proposed Change to Regulations

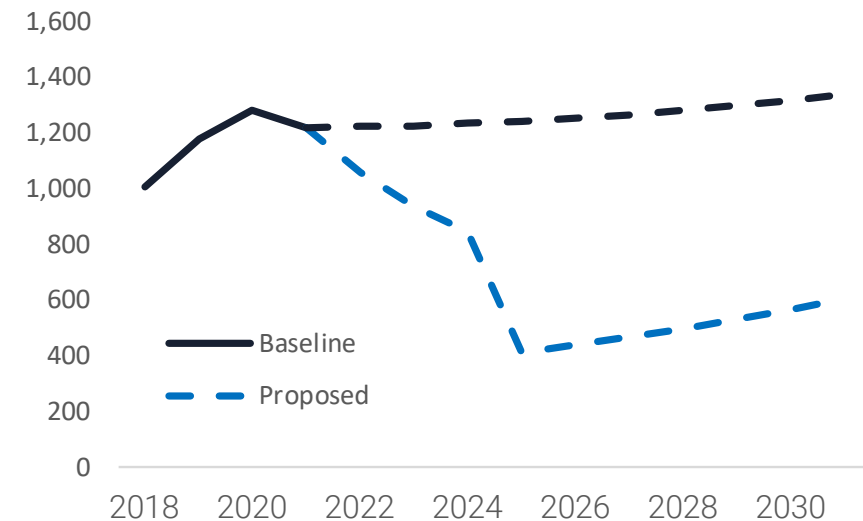
The proposed change will reduce the tourism inventory

The stock of units and rooms would be significantly lower

- If adopted, the proposed measure would reduce the inventory of available units from more than 1,200 to an estimated 400, using annual averages. The level of permits has been below 1,200 since September of 2021. Permit levels would recover to just over 600 by 2031.
- The reduction would occur even before the ban in non-exempt areas is binding after December 31, 2024.
- Registrants in the non-exempt areas are decreasing at a pace of approximately 20% annually, and this is assumed to continue in 2023 and 2024.
- Registrations in the exempt areas have recently been increasing, and this is likely to continue as the area is built out, and units come online and property owners seek vacation rental permits.
- The reduction in units in the non-exempt areas is significantly greater than the number of new registrations likely to come online in the exempt areas.
- As a result, the total number of registrations is likely to drop significantly by 2025, then slowly increase over the long-term. A density of permits in the exempt areas is assumed to reach 45% 10 years out.

Registered Vacation Rental Units

Number of units



Sources: City of La Quinta, Tourism Economics

Proposed Change to Regulations

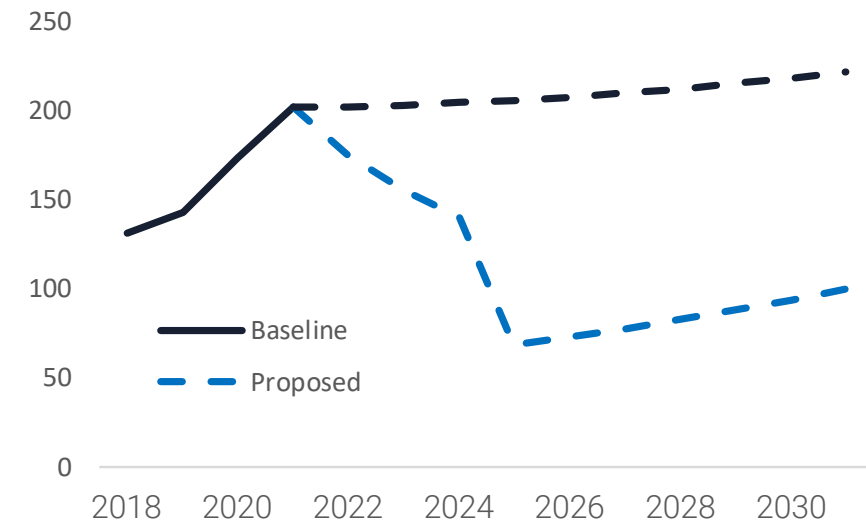
The proposed change will reduce the tourism inventory

Lower inventory will lead to reduction in visitor volume

- A significantly lower hospitality inventory will likely lead to lower levels of visitors to La Quinta.
- While some demand may shift to hotels, the market is sufficiently different such that any shift will likely be minimal.
- The potential for lodging demand to spill over into neighboring communities is also possible, however the existing lodging inventory is sufficiently far away that this kind of shifting is also unlikely. One would have to go approximately 7-8 miles out of La Quinta in order to make up for the lost inventory that would result from the proposed measure.
- Reduced volume is estimated proportionally with lower unit inventory and would correspond to 138,000 fewer visitors in 2025 and 122,000 fewer visitors in 2031, versus the baseline.

Vacation Rental Visitor Volume

Amounts in thousands of visitors



Sources: AirDNA, City of La Quinta, Tourism Economics

Proposed Change to Regulations

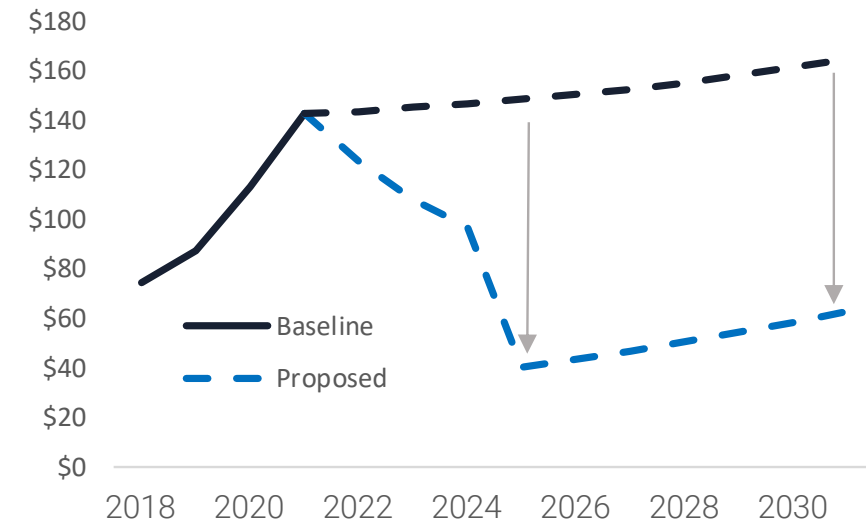
The proposed change will reduce the tourism inventory

Fewer visitors will translate to less visitor spending

- Reduced volume would drive lower spending, corresponding to \$108 million less spending in 2025 and \$102 million less in spending in 2031, versus the baseline.

Vacation Rental Visitor Spending

Amounts in millions of \$2021 dollars



Sources: AirDNA, City of La Quinta, Tourism Economics

Impacts of The Proposed Changes

The proposed change will reduce visitor volume

Fewer available vacation rentals will likely reduce visitor volume and spending in La Quinta

- The proposed change will reduce registered units and available vacation rentals. With units only available in the exempt areas, an estimated 606 units will be available in 2031.
- This level of units corresponds to 100,000 annual vacation rental visitors, 122,000 less than the baseline, and \$63 million in visitor spending, \$102 million less than the baseline.
- On average, the impacts average to 105,000 fewer visitors and \$84 million less in visitor spending per year over 10 years.

Changes in VR units, visitor volume, and visitor spending attributable to proposed vacation rental regulations

	2025 (4 yrs)		2031 (10 yrs)	
Registered VR units	412		606	
Difference from baseline	-832	-66.9%	-737	-54.9%
Total visitor volume, ths	68.2		100.3	
Difference from baseline	-137.8	-66.9%	-122.1	-54.9%
Direct visitor spending, \$mils	\$40.4		\$63.1	
Difference from baseline	-\$108.3	-72.8%	-\$101.8	-61.8%

Source: Tourism Economics

Impacts of The Proposed Changes

The proposed change will reduce economic benefits that ripple throughout the economy

Less direct visitor spending would result in a potential loss of \$121 million in total lost business sales

- With less direct visitor spending, the benefits that ripple through the local economy would also be lower by approximately 62% versus the baseline.
- In 2031, vacation rental-generated total business sales would be lower by \$121 million, about 530 fewer jobs would be driven by vacation rentals, \$16.5 million less in income would be earned, and \$9.5 million less in local tax revenues, all versus the baseline.
- In annual terms, these correspond to lower business sales of \$100 million, about 445 fewer jobs driven by vacation rentals, \$13 million less in income, and would be earned, \$8 million less in local tax revenues on average per year.

Reduced economic impacts attributable to proposed vacation rental limits and regulations

Amounts in millions of \$2021 dollars and number of jobs

	2025 (4 yrs)		2031 (10 yrs)	
Direct spending, \$mils	\$40.4		\$63.1	
Reduction in visitor spending	-\$108.3	-72.8%	-\$101.8	-61.8%
Total business sales, \$mils	\$48.1		\$75.2	
Reduction in total business sales	-\$129.1	-72.8%	-\$121.4	-61.8%
Employment	216		328	
Reduction in employment	-580	-72.8%	-530	-61.8%
Personal income, \$mils	\$6.2		\$10.2	
Reduction in personal income	-\$16.6	-72.8%	-\$16.5	-61.8%
Local tax revenues, \$mils	\$3.8		\$5.9	
Reduction in local tax revenues	-\$10.1	-72.8%	-\$9.5	-61.8%

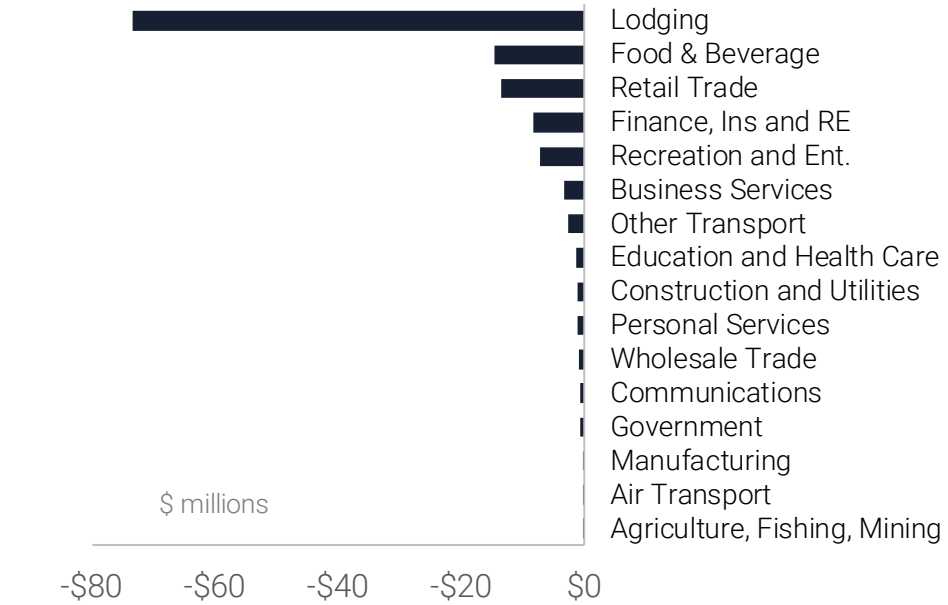
Source: Tourism Economics

Economic Impacts - Business Sales

Lost sales impacts by industry

The lost sales impacts would be distributed across various industries in the local economy. Lodging, food, and retail would experience the most losses. The total reduced economic impact across all industries would amount to nearly \$121 million in lost business sales in 2031.

Lost sales impacts attributable to proposed vacation rental limits and regulations, by industry
 (\$2021 millions) 2021



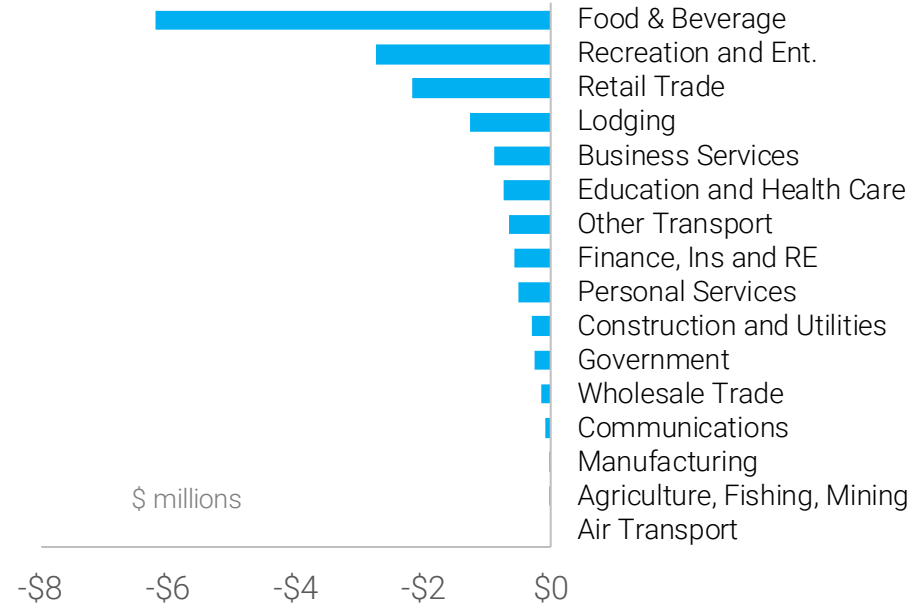
Source: Tourism Economics

Economic Impacts – Personal Income

Personal income impacts by industry

Personal income impacts would be felt most in retail, food and beverage, and recreation. The total impact would amount to just over \$13 million in lost personal income in 2031.

Lost personal income impacts attributable to proposed vacation rental limits and regulations, by industry
 (\$2021 millions) 2021



Source: Tourism Economics

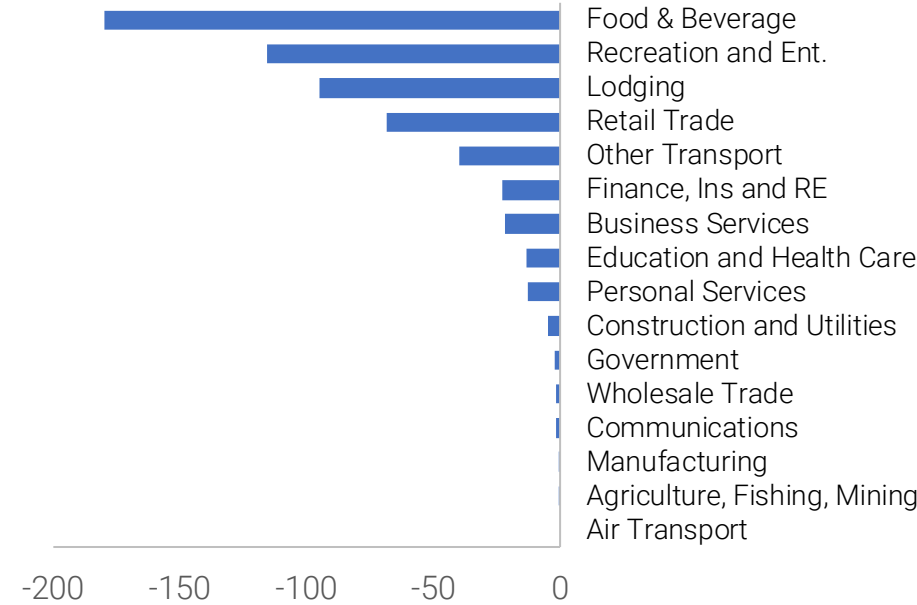
Economic Impacts – Employment

Employment impacts by industry

The jobs impacts would also be distributed across most industries in the local economy. Job losses would be most severe in food, recreation, and lodging. The total impact would amount to 530 fewer jobs in the City economy.

Lost employment impacts attributable to proposed vacation rental limits and regulations, by industry

(Jobs) 2021



Source: Tourism Economics

Impacts on Local Government

City of La Quinta Revenues

City revenues would be lower

- Total City revenues would be lower by approximately \$9.5 million by 2031 versus the baseline.
- While money is fungible and the City would have the ability to shift priorities, raise other revenues, or reduce public services, this level of lower revenues would be available to balance the budget.
- Annually, on average, the impact to the City would be \$8 million less in revenues.

Total City Revenues and Budget Impacts

Amounts in millions of \$2021, and number of jobs

	2025 (4 yrs)		2031 (10 yrs)	
Total Revenues, \$mils	\$53.1		\$65.9	
Difference from baseline	-\$10.1	-16.0%	-\$9.5	-12.6%
City FTE Staff	76		86	
Difference from baseline	-14	-16.0%	-12	-12.6%
City staff, police, and fire, \$mils	\$6.7		\$8.3	
Difference from baseline	-\$1.3	-16.0%	-\$1.2	-12.6%

Source: Tourism Economics

6

Appendix: Detailed Tables and Charts Covering 2021

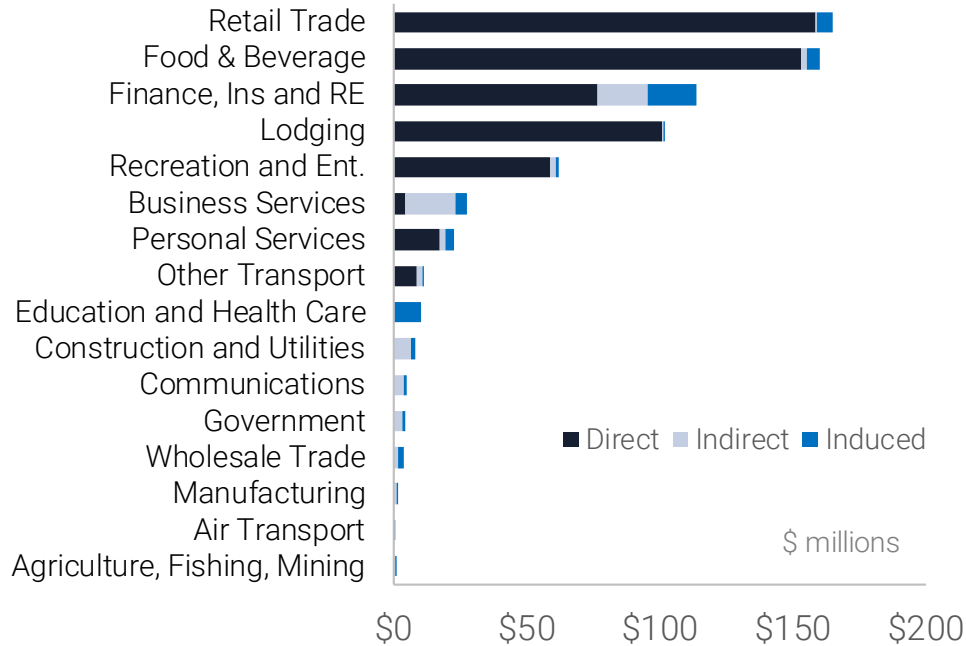
Total Tourism Economic Impacts

Business sales impacts by industry

- While the majority of sales are in industries directly serving visitors, approximately \$38 million in business sales were in finance, insurance and real estate as a result of selling to tourism businesses.
- Total indirect and induced benefits sum to more than \$120 million in business sales.

Business Sales Impacts by Industry

(\$2021 millions) 2021



Source: Tourism Economics

Total Tourism Economic Impacts

Personal income impacts by industry

Visitors generated \$102 million in direct personal income and \$137 million in total personal income when indirect and induced impacts are considered.

Summary Personal Income Impacts

(\$2021 millions) 2021



Personal Income Impacts by Industry

(\$2021 millions) 2021

	Direct Personal Income	Indirect Personal Income	Induced Personal Income	Total Personal Income
Total, all industries	\$101.6	\$17.6	\$18.0	\$137.2
By industry				
Food & Beverage	38.3	1.0	1.9	\$41.3
Lodging	18.3	0.1	0.2	\$18.6
Recreation and Ent.	17.0	0.6	0.4	\$18.1
Retail Trade	14.6	0.2	2.7	\$17.4
Personal Services	7.2	1.4	1.7	\$10.4
Business Services	1.1	6.0	1.4	\$8.4
Finance, Ins and RE	2.8	2.3	1.2	\$6.3
Education and Health Care	0.0	0.0	6.2	\$6.2
Other Transport	2.2	0.8	0.3	\$3.3
Government	0.0	1.7	0.6	\$2.3
Construction and Utilities	0.0	1.8	0.5	\$2.3
Wholesale Trade	0.0	0.4	0.5	\$1.0
Communications	0.0	0.8	0.2	\$0.9
Manufacturing	0.0	0.2	0.1	\$0.3
Agriculture, Fishing, Mining	0.0	0.1	0.1	\$0.1
Air Transport	0.0	0.0	0.1	\$0.1

Source: Tourism Economics

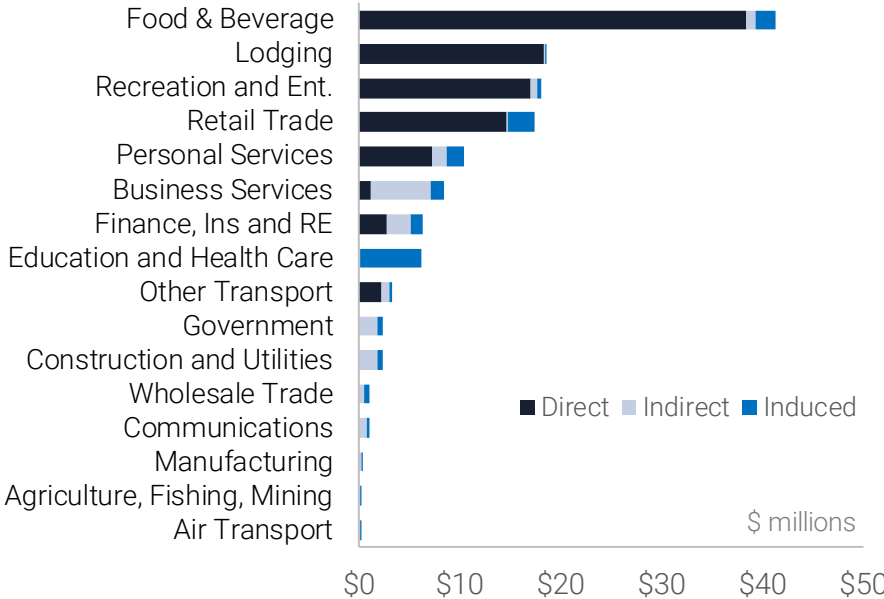
Total Tourism Economic Impacts

Personal income impacts by industry

Most pronounced personal income impacts are the direct result of visitor spending in retail, food and beverage, recreation, and lodging.

Personal Income Impacts by Industry

(\$2021 millions) 2021



Source: Tourism Economics

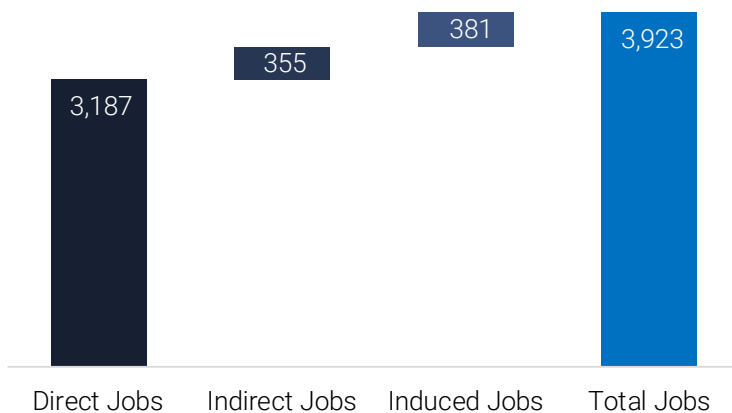
Total Tourism Economic Impacts

Employment impacts by industry

Visitor spending supported a total of 3,923 jobs when indirect and induced impacts are considered.

Summary Employment Impacts

(number of jobs) 2021



Employment Impacts by Industry

Number of jobs, 2021

	Direct Employment	Indirect Employment	Induced Employment	Total Employment
Total, all industries	3,187	355	381	3,923
By industry				
Food & Beverage	1386	37	65	1,488
Recreation and Ent.	592	24	15	631
Retail Trade	446	5	66	517
Lodging	455	3	4	462
Finance, Ins and RE	116	60	39	215
Personal Services	148	23	41	212
Business Services	17	129	30	176
Education and Health Care	0	1	93	94
Other Transport	27	12	4	43
Construction and Utilities	0	18	4	22
Government	0	15	6	21
Communications	0	16	3	19
Wholesale Trade	0	5	7	12
Manufacturing	0	4	2	6
Agriculture, Fishing, Mining	0	2	1	3
Air Transport	0	1	1	2

Source: Tourism Economics

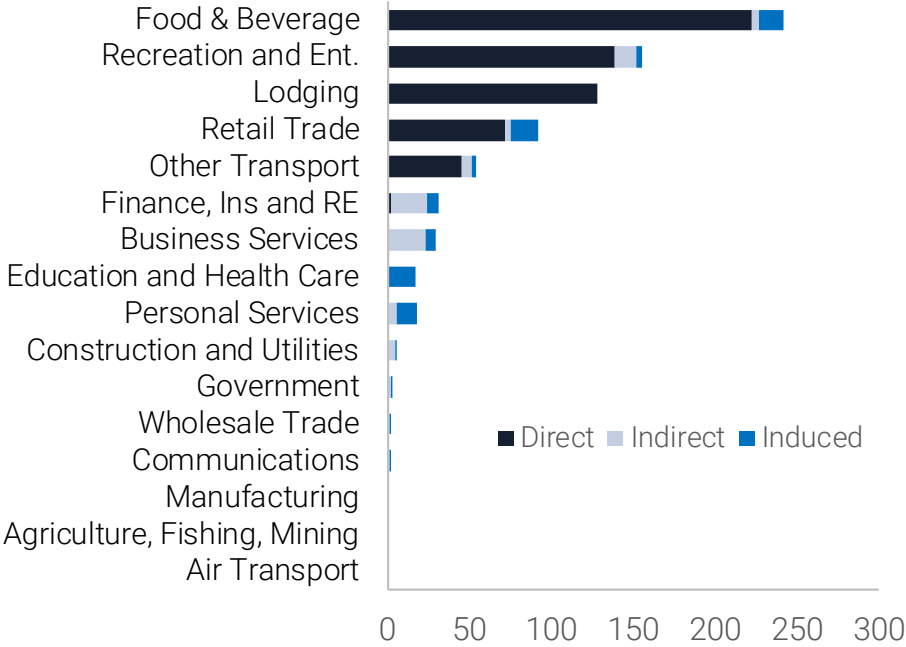
Total Tourism Economic Impacts

Employment impacts by industry

- As a labor-intensive collection of services, visitor spending drives jobs across sectors in La Quinta.
- The 3,923 jobs supported span every sector of the economy, either directly or indirectly.
- The most significant indirect impacts come in business services, education and healthcare, and FIRE.

Employment Impacts by Industry

Number of jobs, 2021



Source: Tourism Economics

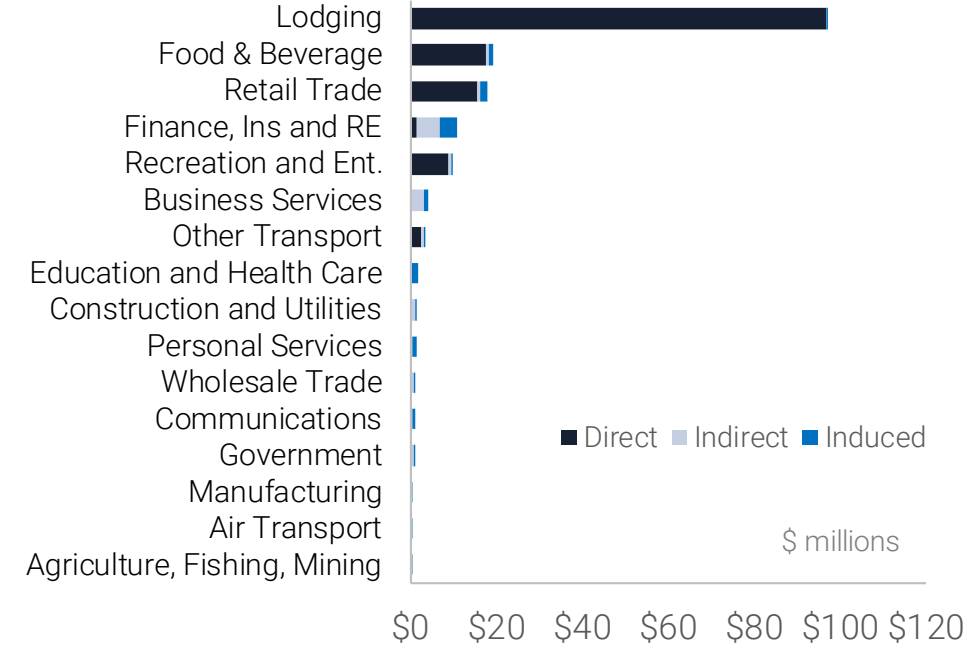
Vacation Rental Economic Impacts

Business sales impacts by industry

- While the majority of sales are in industries directly serving visitors, approximately \$8.4 million in business sales were in finance, insurance and real estate as a result of selling to tourism businesses.
- Total indirect and induced benefits sum to more than \$27.4 million in business sales.

Business Sales Impacts by Industry

(\$2021 millions) 2021

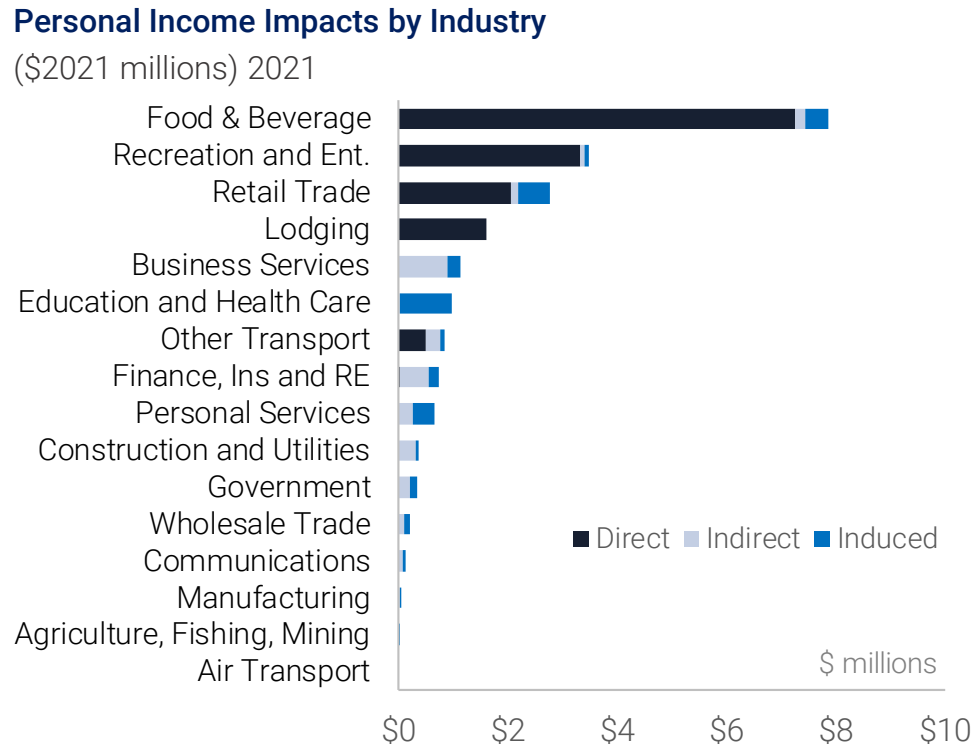


Source: Tourism Economics

Vacation Rental Economic Impacts

Personal income impacts by industry

Most pronounced personal income impacts are the direct result of visitor spending in food and beverage, recreation, and retail.



Source: Tourism Economics

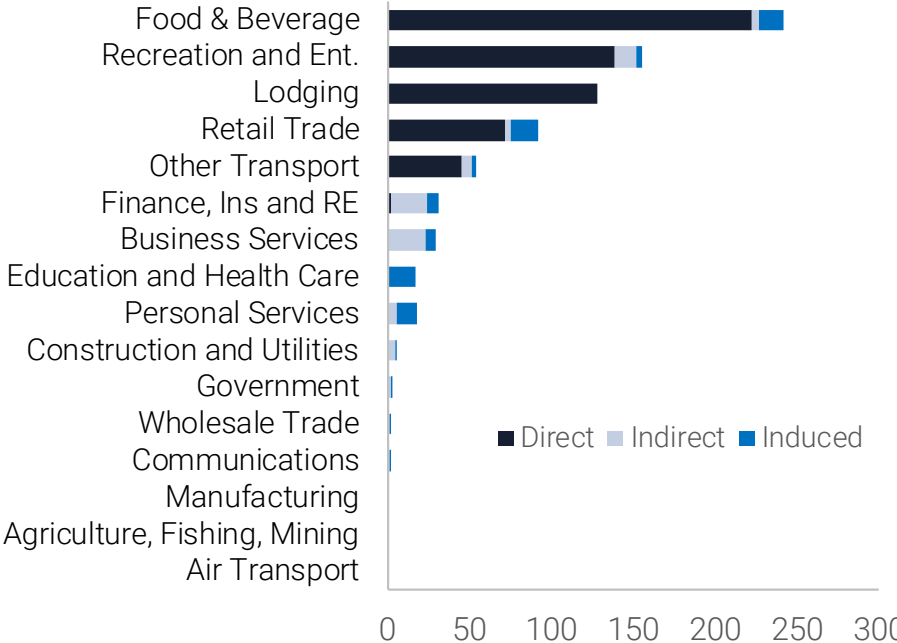
Vacation Rental Economic Impacts

Employment impacts by industry

- Vacation rental visitor spending drives jobs across sectors in La Quinta.
- The 779 jobs supported span every sector of the economy, either directly or indirectly.
- The most significant indirect impacts come in business services, education and healthcare, and FIRE.

Employment Impacts by Industry

Number of Jobs, 2021



Source: Tourism Economics

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients. More than 500 companies, associations, and destination work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, City, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts, and analytical tools on 200 countries, 100 industrial sectors, and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social, and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington D.C., we employ over 250 full-time staff, including 150 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

For more information:

info@tourismeconomics.com