

X. COMMUNITY ECONOMY

Issue Statement

Economic considerations play an integral role in the development of every community. Park City's challenge is to remain competitive in the changing recreational market, which provides the vast majority of the City's municipal revenue, while providing a quality living experience for residents. Park City's tourism economy began in the 1960's when the United Park City Mining Company, using federal economic development funds, built the first ski lifts on Treasure Mountain, the present Park City Mountain Resort. Tourism is undergoing significant changes due to demographics, technology, transportation and communication. Tourism is subject to variations based on the annual weather patterns and the economy at large.

- **Tourism is Park City's major industry providing over 2/3 of municipal general fund revenues.**
- **Our resort economy supports a high level of services and facilities that benefit both visitors and residents.**

Park City has many impressive community amenities for a town of such a small population. Many of the benefits enjoyed by residents are attributed to the revenues derived from the tourism industry. Community facilities such as the Library, Racquet Club and the Municipal Golf Course are all examples of the quality facilities that tourism revenue supports. Well maintained streets, enhanced police protection and increasing access to technology infrastructure are products of the resort economy.

- **Park City is the center of the County's Tourism economy, but the City's share of tourism revenue is not growing as fast as Summit County's.**

In order for the community to continue enjoying these benefits and amenities we must maintain a viable and healthy tourism economy. In order to achieve this goal, we must strike a balance between development pressures, recreational activities and the natural environment to ensure that we are maintaining the quality of life that continues to attract visitors and residents alike.

Discussion

Park City's Economy

A mountain ski resort community like Park City has a unique economic relationship to the surrounding area. The composition of Park City's local economy and the character of the revenues that support local government deviate markedly from traditional patterns found across Utah or in the rest of the country, including other resort towns.

Consequently, generalizations drawn from regional or national experience may not apply in Park City. For example, the assertion that residential development does not pay its own way may not be true in Park City, especially for high value second homes. Or, the presumption that greater diversity in our economic base would lead to greater economic efficiency may not be true if increased diversity intensifies demand for scarce labor and housing and competes with our primary economic resource, winter recreation. The following overview of Park City's economic base and its relationship to revenues for local government is offered as a backdrop for understanding.

Economic Base Theory.

The heart of *economic base theory* is the proposition that the well being of a local economy ultimately depends on outside demand for its products. More precisely, whether an area grows or declines economically depends on how it performs as an exporter. Exports may be in the form of goods and services, including labor, that flow out of the region to buyers, or in the case of Park City, purchases inside the city by buyers whose money was made elsewhere. Export industries constitute the *economic base*, or *basic sector* of a local economy.

Other economic activities support the basic sector and its employees and their families. The supporting activities, such as trade, personal services, products for local markets, and production of inputs for the basic sector, together comprise the non-basic or service sector.

If demand for "exports" increases, the basic sector expands. This, in turn, generates an expansion in the supporting activities of the service sector. The ratio of basic to service activity is called the base ratio. If the base ratio is 1:2, every new dollar of export sales in the basic sector is assumed to lead to two new dollars of sales in the nonbasic sector. If the base ratio is 1:2, *the base multiplier* is 3. This means that when export sales increase by one dollar, it multiplies to a total of three dollars, including new money in both basic and service sectors. Thus, multiplying any change in the basic sector by the base multiplier yields an estimate of the total economic change.

Economic base theory is a better descriptive than analytical tool. Determining with precision what constitute the basic and service sectors is often difficult in practice. The following discussion about the source and flow of money in the Park City economy may yield a better understanding of our local economy.

Park City's depends on the following inter-related industries for the majority of its economic base:

- Recreation and Tourism,
- Construction, Development, Real Estate and Associated Services, and
- High Wealth Households and Second Homes.

Recreation and Tourism

Tourism is the major industry in Park City with its skiing, lodging facilities and restaurants contributing significantly to the local economy. The City has approximately 100 restaurants, 191 shops, 16 private art galleries, one community arts center, and a community museum.

Tourism growth is strong in Summit County; according to the Utah Travel Council, travel and recreation-related employment has increased by roughly 6.4 percent a year since 1993 and transient room taxes (an indicator of overnight stays), have increased by an average 10.4 percent a year. The number of lodging nights is increasing, as well as attendance at major festivals and special events,¹ suggesting strong growth in visitation.

Tourism plays a significant role in the economic base of Summit County, currently providing 5,700 jobs 40 percent of the 14,300 jobs countywide.²

Tourism provides jobs for people in Park City with an annual payroll of approximately \$150 million. Tourism also indirectly supports several other industries, such as construction, insurance, building supplies, furniture and automotive.

1. Lodging nights have increased at an average annual rate of 10.3 percent since 1995.

2. Utah Travel Council, Division of Travel Development, *1999 Economic and Travel Industry Profiles for Utah Counties*.

Visitor spending totals roughly \$351 million in Summit County, 77% of these expenditures occur in Park City.



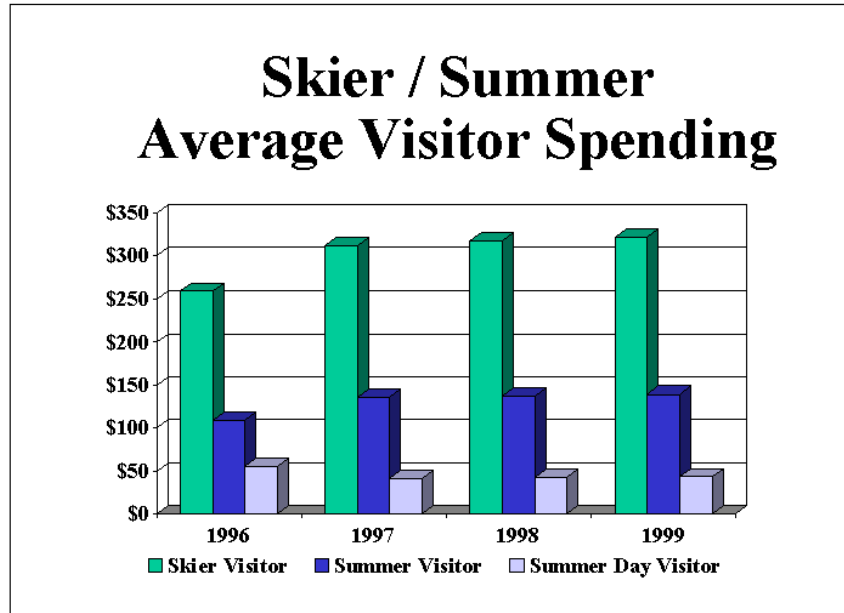
Local government revenues to the City, County and School district that are attributable to tourism exceeded \$43 million in 1999. The \$23.6 million received by the City is approximately two thirds of the total budget.

	Park City Municipal Corporation	Summit County	Park City School District
Total	\$43	\$23,638,812	\$9,784,127

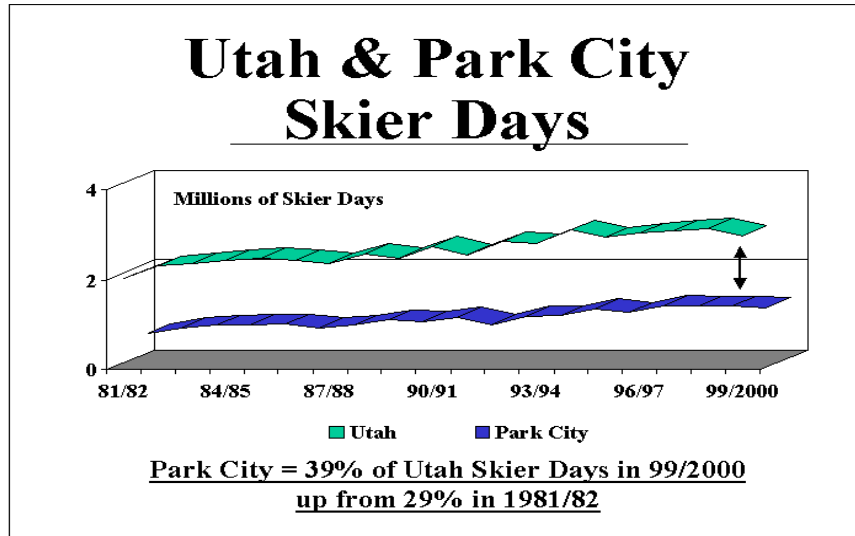
Wikstrom Economic and Planning Consultants 2000

Over the past five years, overnight visitors to Park city have remained relatively constant but the economic contribution which tourism makes in the Park City community has grown dramatically. Non-primary residences (“second homes”) in the county are currently valued at over \$2.8 billion.

Average skier visitor spending was \$322 per day and average summer visitor spending was \$139 per day in 1999.

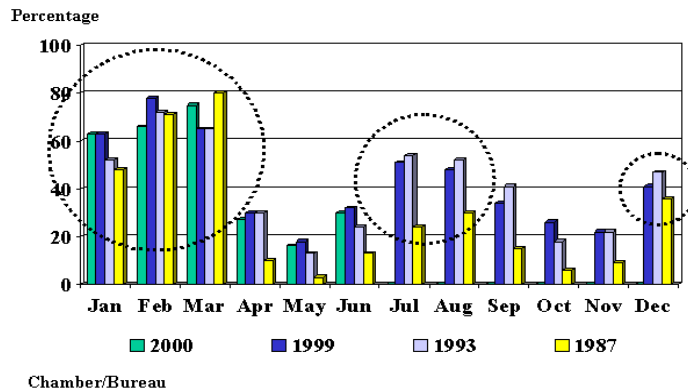


While skier days have leveled out, or as in the case of 1999, dropped, Park City's share of skiers, compared to the State as a whole, continues to rise, up 10% since 1981-82.



Highest lodging occupancy rates in park City are seen from January to March. High occupancy rates in July and August reflect the growing increase in summer recreation travel.

Occupancy By Month



Special annual events also contribute greatly to Park City’s economy. Events such as the Sundance Film Festival draw approximately 13,500 out-of-state visitors and 7,300 in-state visitors. The GM Park City Art Festival drew approximately 80,000 visitors over two days in 2000. Revenues from these events (\$17.4 million from Sundance in 1999) add significantly to the revenues of the City particularly when the ski industry may be experiencing a decrease in skier days. Even as important as these events are to be local economy, they still represent a comparatively small percentage of the City’s revenues when compared to money derived from winter tourism.

Park City Special Events

Event	Est. Attendance
NORBA Nationals	6,000 over three days
GM Art Festival	80,000 over two days
IAMA Folk & Bluegrass	3,500
Utah Symphony	19,200
Novell Showdown Senior PGA	60,000 over seven days
Fidelity Intl Jazz Festival	10,000
Concerts in the Park	900 weekly
Sundance Film Festival	13, 500 out of state 7,300 local

Construction, Development, Real Estate and Associated Services

Closely connected to the tourist and ski industries in Park City is the real estate and construction industry. Construction and development contribute directly to municipal revenues.

During the past ten years, permit value of construction within the City has gone from a low of \$51 million in 1990 to a high of \$119 million in 1999. The permit valuation in 2000 dropped to \$85 million.

There has been a 9% average annual increase in permit value of construction since 1990.



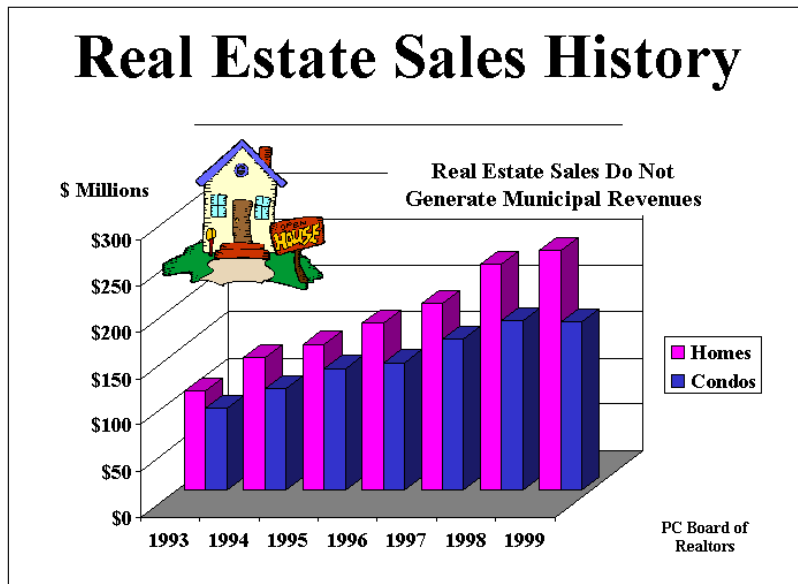
Note: permit value of construction reflects approximately two-thirds of the actual value of property.

Source: park City Municipal Building Department 2001

Although real estate and associated services do not contribute significantly to the City's municipal budget the industry and ancillary services such as finance and insurance agencies add to the overall employment and prosperity of our economy.

Over the past five years, approximately 50% of the building activity was in residential construction and 50% in commercial construction and remodels. The residential construction breaks down into approximately 85% for single family homes and 15% for multi-family. In 1999 there was a total volume of sales of over \$300 million in home sales. This is a 200 % increase since 1993.

Easy access to Salt Lake City and strong demand for recreational oriented housing has fueled construction for single family homes in Park City and Summit County. The median house price in Park City in 1999 was \$636,000 for a single family home and \$386,000 for a multi-family unit compared to \$270,000 and \$122,500 respectively in 1992.

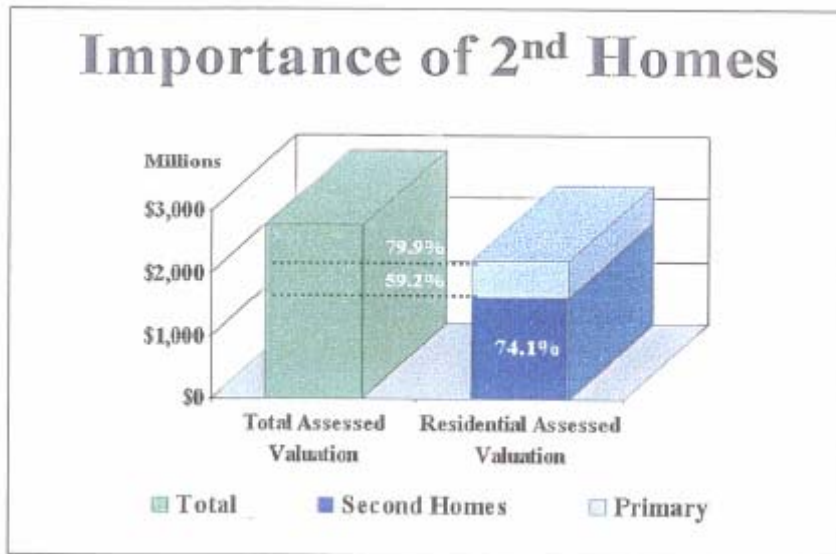


High Wealth Second Home Households

Second homes in Park City represent roughly 60 percent of the City's \$2,8 billion in taxable value.³ Commercial properties represent roughly 9.4 percent of taxable value.

Property tax revenue attributable to tourism is calculated based on these two components; second homes and commercial properties:

- 1) second homes are 60 percent of all property tax revenues collected; and
- 2) visitor-related commercial properties are 5.8 percent (62 percent times 9.4 percent) of revenues collected.



³ Source of Park City taxable value is the 1999 CAFR High Wealth Second Home Households

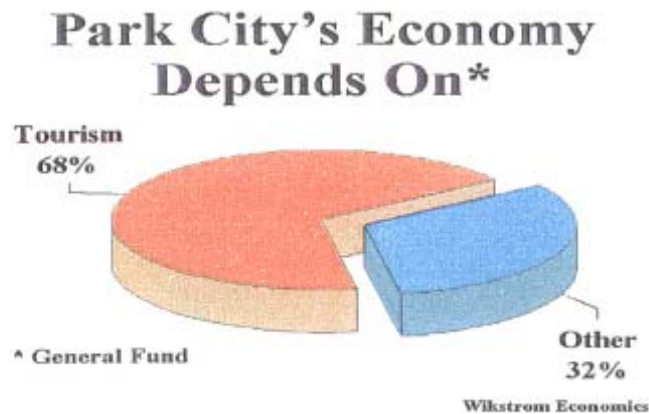
Commercial properties are also tourist-related. Calculations by Wikstrom Economic and Planning Consultants show 100 percent of lodging/resort and 65 percent of retail space as tourist-dependent for a rough estimate of \$165 million, or 62 percent of all commercial properties. Another important benefit of second homes in Park City is that the State taxes second homes at a higher rate than primary residences so the revenues collected are greater than those of primary single family homes.

High Value primary housing reflects the attractiveness of Park City to high income employers and the wealthy retired, most of whom earned their incomes outside of Park City.

The Municipal Budget

According to Park City’s Comprehensive Annual Financial report, Approximately 68% of Park City’s general fund operation budget is tied to Resort and Tourism industries

Tourism accounts for roughly 68 percent of the total General Fund revenues of nearly \$15 million in the year 2000 – primarily through property taxes, sales taxes, resort taxes and fees from construction-related businesses.

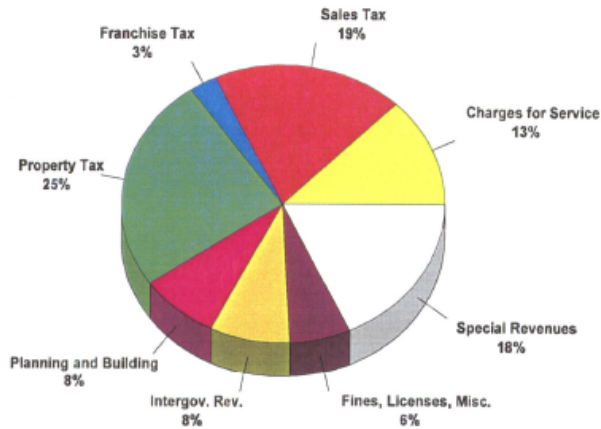


Revenue impacts are summarized by three major service providers in the area: Park City Municipal Corporation, Summit County and Park City School District. The tourism-related revenues that flow to the Park City School District are limited to property taxes. Park City and Summit County, however, receive revenues from a number of sources including sales-tax related taxes (local option sales tax, resort tax, restaurant tax, transient room tax, transit tax and franchise tax), property taxes, fees, fines and grants.

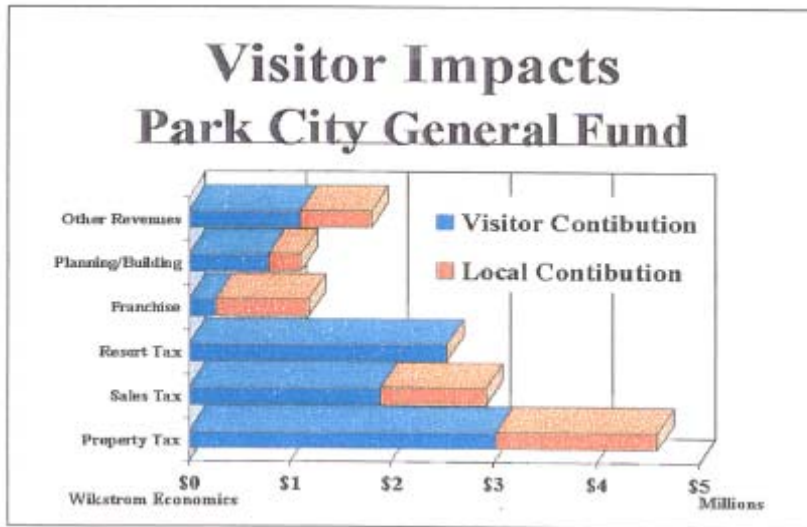
Sales Tax - Who Gets What	
For Every \$1 Spent in Park City, Sales Taxes are Paid to:	
<u>City</u>	<u>2¢</u>
State	5.25¢
<u>County Collects</u>	
Meals	1¢
Rooms	3¢

Property Tax - Who Gets What	
For Every \$1 of Property Tax Collected in Park City	
<u>City</u>	<u>24¢</u>
School District	46.7¢
County	14.2¢
Fire District	10¢
Weber Water	1.4¢
State Collect	3.7¢

*Park City Municipal Corporation
Typical Annual Revenue*



The revenue for a typical year reveals that property tax and sales tax generate the largest amount of revenue to Park City. Wikstrom’s analysis directly attributes this revenue to our regional recreation tourism industry.



Approximately 40% of the revenues received directly from tourism is in turn put back into services that support the industry. The City spends these general fund dollars on infrastructure maintenance and improvements, public safety, water and sewer systems and other indirect services that allows the tourism industry to provide quality services.

While the City fully supports our current economic sources, it is important to look for opportunities to broaden and diversify our economic base provided new sources are compatible with and expand our tourist based economy.

The following policies and subsequent action plans have been developed to guide the community while considering activities and projects which will affect our tourist economy.

Intent

Park City's economic base depends on skiing, tourism, arts, and recreation. Retail, lodges, services, professionals, and nonprofit organizations also support and are supported by the resort economy. Essential to long-term viability is the unique, varied, high quality, and welcoming experience Park City offers to both residents and a diverse visitor population.

Park City wants to provide excellence in mountain recreation for residents and visitors alike. Market preference surveys reveal that both groups prefer a lively, small scale downtown with diverse and unique shops and varied choices of accommodations, including small lodges and abundant recreational activities. To this end our goals include the following steps to support a world class resort community:

- Expanding the tourism base to meet new industry desires and needs,
- Catering to destination oriented recreation,
- Supporting quality in experience over quality,
- Caring for our sensitive alpine environment, which forms the aesthetic core of the recreational tourism business, by supporting comprehensive planning to protect the natural and man-made environment,
- Balancing community and tourism needs by developing attractions and programs that help to provide a desirable quality of life for our residents,
- Planning to promote a standard of excellence in the on-mountain experience for the 21st century by insuring sustainable growth, and the best in design,
- Building on our economy in such a way that compatible, ancillary economic sectors can also grow and prosper.

A vibrant economy requires positive working relationships between people and institutions, especially between the private and public sectors. Therefore, we must foster mutual respect, civility, and cooperation, and continually improve our capacity to work together for the common good and local support for the local economy. The economy as a whole benefits when local businesses strengthen their positions by maximizing benefit and profit locally. Park City should support local businesses in their efforts to grow and expand. Regionally and nationally owned businesses that maintain our community's character and reinvest in the community also should be supported to ensure the long term successes of our economic vigor.

The *Community Economic Elements* recommends methods to achieve these goals. Success in developing this balance will include policy efforts on:

- Recreation and Tourism
- Special Events
- Annexation
- Balanced economy to ensure overall fiscal stability
- 2002 Winter Olympics Legacy
- Vital Retail

Policies

Recreation and Tourism Development Policies:

- Recognize that the Park City area is home to three world class ski resorts which are the largest employers and taxpayers in the City and Summit County.
- Maintain and improve the resort ambience which includes adequate opportunities for recreation, shopping, dining and culture.
- Promote cooperation among the various major employers, business groups and the residents of Park City, including the resorts, lodging associations, restaurant owners and operators.
- Recognize potential conflicts between our resident population and economic growth resulting from the increase in tourism and mitigate these conflicts to the extent possible.
- Emphasize the community as an attraction for tourists while recognizing the tourist economy results in many of amenities desired by our residents.
- Encourage a variety of recreation opportunities with good seasonal variation.

- Promote activities during the non-peak winter season to increase variation.
- Historic and cultural tourism is an important component of the City's economy and should be enhanced as opportunities become available.

Special Events Policies:

- Recognize that special events are important to augment the City's economy, particularly during the shoulder seasons.
- Promote special events that are compatible with Park City's image as a resort community.
- Implement reasonable measures to minimize adverse impacts on the resident population from special events may be necessary in some situations.
- Enhance the festival and resort atmosphere with special events throughout all seasons.

Annexation Policies:

- In concert with adjacent counties, consider the regional impact when considering new areas of annexation.
- Consider the fiscal impacts of the proposed development and the overall costs to the City and the region.
- Ensure that community benefits derived from annexations are tangible and contribute to rather than dilute Park City's recreation and tourist atmosphere and economy.

Balanced Economy Policies:

- Remain competitive in the market by implementing changes, expansions and improvements to existing facilities.
- Support local ownership of businesses as well as externally-owned businesses that serve and enhance the tourism economy and provide employment opportunities to local resident.
- Examining ways to diversity the economy in order to broaden the long term economic health of the community without competing with established tourism based businesses.
- Support additional technology businesses that enhance our economy and are compatible with our community character.

- Regularly evaluate programs and services provided by the City to assure cost effective delivery to the public.

2002 Olympic Winter Games Legacy Policies:

- Capitalize on the positive tourist attraction of the 2002 Winter Olympics during and after the event to promote Park City as an all season resort community.
- Work to ensure that the Winter Olympics are successful for visitors and residents.
- Provide opportunities for our citizens to participate in welcoming visitors and in celebrating the Olympics events in and near our community.
- Support efforts to minimize disruption to business during the year of the Winter Olympics.

Vital Retail Policies:

- Preserve a diverse, independent retail base in the Historic Main Street core and in other retail areas of the City.
- Support Historic Downtown as a unique focal point for the community, a place where people want to shop, visit and live.
- Protect the unique historic character of Main Street as a cultural economic draw.
- Work with retailers at large to ensure that the overall health of the City's retail base is promoted and enhanced.
- Work with the adjacent counties to enhance the region's retail base collectively.
- Plan for lively informal plazas or gathering spots that draw residents and visitors to retail areas.
- Create a unique Main Street experience on Main Street.

Actions

Recreation and Tourism Development Actions:

- Expand resort venues and activities such as hiking trails, golf, ice skating, cross country skiing and back country experiences.
- Plan both winter and summer activities to enhance a year round recreation and tourism atmosphere.
- Continue to support the Chamber of Commerce's marketing efforts that promote Park City's recreational and tourist activities.
- Support and encourage the ski resorts to integrate their recreational facilities and programs in order to enhance the winter visitor's overall skiing experience.
- Continue to enhance the promotion of Park City as a community with unique historic and cultural characteristics unique to this region.

Special Events Actions:

- Evaluate the appropriateness and cost-benefit effectiveness of the various existing and proposed festivals and special events.
- Develop a program of review for improving existing events and adding new ones.
- Schedule major special events in the community when the resort economy is not in peak ski season.
- Enhance the visitors overall experience by encouraging a variety of events and experiences throughout the year.
- Work regionally to attract events.
- Investigate opportunities that promote events that occur annually.
- Promote activities that encourage longer visitor stays within the community.

Annexation Actions:

- Improve dialogue and inter-local agreements with the adjacent counties in order to regionally share the benefits and impacts of annexed growth areas.
- Encourage projects that accentuate positive revenues to the City and that minimize the required cost of services.
- Develop a review mechanism in the City's annexation ordinance to ensure that community benefits add tangible value to the community and general public.

Balanced Economy Actions:

- Work with other jurisdictions and the Chamber of Commerce to develop a regional approach for protecting and improving the tourism economy.
- Study the City's programs and resources and find ways to expand revenue without detracting from quality of service.
- Develop ways to track changes in our economy and to monitor undue dependence on any one section of the economy.
- Establish long range planning goals in order to achieve diversification in the tourism economy.
- Identify service industries, such as health care, technology and other sectors of the emerging economy that may capitalize on existing recreational aspects of the economy but will broaden our revenue sources.

2002 Olympic Winter Games Legacy Actions:

- Work with Chamber of Commerce to assist affected business owners and to continue promotional marketing strategies.
- Capitalize on the Winter Olympic events by promoting Park City, developing or upgrading general infrastructure such as roads, transit and telecommunications, and establishing cultural legacies from the Olympics for the City and region.

Vital Retail Actions:

- Work with the Historic Main Street Business Alliance to develop partnerships that ensure the long term economic health of the Old Town commercial core.
- Highlight, in conjunction with the Chamber of Commerce, the benefits of locating retail and office commerce to the Prospector and Ironhorse and Resort areas.
- Implement the Main Street and Swede Alley Task Force recommendations for street improvements that enhance the retail core.
- Encourage general retail, restaurant, business offices, and other tourist related businesses in the Historic Main Street core in order to maintain a strong tourism presence.
- Temporary or transient real estate project offices should be encouraged to locate in other areas of the City in order to Main Street to retain its primary functions. Real estate offices on Main Street should be encouraged to share space with retail outlets or community organizations.

Reference and Technical Documents:

1. Economic Impacts of Tourist, Volume 1, Revenue Impacts. Wikstrom Economic & Planning Consultants, October 2000
2. Park City Profile. Park city Chamber Bureau, July 2000
3. Year End Summaries and Comparables. Park City Building Department, January 2000
4. Park City's Economy – Myths and Realities, PCMC, October, 2000