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Economic Impact of the Disneyland Recreation Complex on the City of Anaheim

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THE ECONOMIC IMPACT OF THE
DISNEYLAND RECREATION COMPLEX
ON THE CITY OF ANAHEIM
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June 30, 1964

e.r.a.
ECONOMICS RESEARCH ASSOCIATES
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June 30, 1964

Thank you Mr. Mayor,
Members of the City Council
and Planning Commission
City of Anaheim

Gentlemen:

The following analysis highlights the story of Disneyland economic impact within the City of Anaheim. It accurately and objectively derives a measurement of what the Park and its satellite attractions and services have brought to the City from regional and local markets and from a tourism which ranges the entire country and the world. The total impact is much larger than that shown in this report - which is concerned only with effect dispersed within the city limits of Anaheim.

In summary, this report identifies the 1955-1964 economic impact to Anaheim of approximately $560 million. It measures annual impact presently slightly above $60 million. In each case the total estimate is derived from the following constituent elements: in-park sales, retail trade and service sales in Anaheim generated outside the park, wholesale trade purchases in Anaheim, construction expenditures, property tax payments to the City of Anaheim, and Anaheim sales tax collections generated by the Disneyland recreation complex.

The analysis shows that a $46 million private investment in the Park brought twelve times that amount of economic activity to the City of Anaheim in the first decade of its operation. A conclusion of the work is that the class of enterprise represented by the Park - a basic generator and importer of outside money - results in an economic multiplier effect in the community as volatile and substantial as any to be found in our economy.

A secondary conclusion of this analysis and prior work which led to its development is that the Disneyland investment is the prime force back of the total commercial recreation impact in Anaheim. It is investment in the Park - and not its satellite services which generated the largest part of the twelve times multiplier mentioned above. On the order of 80 to 85 per cent of the total impact is derived directly from the Park, the remainder from its satellites.
The conclusion of this work is that the highest and best use of the CR property in the vicinity of the Park is for those investments which add to the basic drawing power of the total recreation complex.

The total economic effect is so large and so dispersed in the community that the primary beneficiary of the activity is the entire population. Under these circumstances, public interest is served by enhancing and encouraging expansion of the basic recreation generating developments in the Code (a) category of CR property. Expansion of this dynamic base directly benefits the entire stream of economic activity in all of Anaheim. Other satellite uses add to the economy but their effect as multipliers is substantially smaller.

We hope that this report will add to a greater understanding of the economic forces at work within the Anaheim recreation industry.

We will be happy to clarify and enlarge upon these findings at any time.

Sincerely yours,

Harrison A. Price
President

HAP:lw

Enclosure
Introduction

In May of 1964, E. R. A. was requested by the management of Disneyland to prepare a measurement of the basic economic impact and contribution of the Park and its neighboring recreation and service facilities on the community of Anaheim. The purpose of the inquiry, as defined in discussions with the Park management, City Officials, and the Anaheim Area Visitor and Convention Bureau is to determine what role Anaheim commercial recreation plays in the economy of its home city and whether such activity is the highest and best use of the commercial recreation (CR) property in which it is located. The property under consideration is the approximate 1,000 acres surrounding Disneyland in which the CR Variance allows three categories of use:

(a) Basic recreation activity drawing visitors to the area.

(b) Supporting service facilities catering to the needs of visitors.

(c) Headquarters business facilities of regional and national companies benefiting from enhanced freeway exposure.

E. R. A. has considerable background with which to approach the subject. For about a decade the firm has undertaken economic studies of a wide variety concerning Disneyland's operation. In 1961, the firm conducted a survey of the impact of commercial recreation on the economy of the Greater Anaheim area for the Anaheim Area Visitor and Convention Bureau. In this study, E. R. A. computed that recreational activities generated $85,700,000 annually in retail and service sales in the Greater Anaheim area (Anaheim, Garden Grove, Buena Park). This amount was 27.6 per cent of total retail and service sales in the area in 1960. The main recreational attractions in the Greater Anaheim area at that time were Disneyland and Knott's Berry Farm. Disneyland with its supporting activities generated a majority of the figure. The City of Anaheim alone gained an estimated $46,000,000 in retail and service sales from this composite recreational activity.

In 1963, after the conclusion of the Seattle World's Fair, E. R. A. was retained to measure the economic impact of this one season spectacle
which drew 9,600,000 admissions. Findings of this work were as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction expenditures</td>
<td>$66,800,000</td>
</tr>
<tr>
<td>In-grounds visitor expenditures</td>
<td>$83,300,000</td>
</tr>
<tr>
<td>Visitor expenditures off-site</td>
<td>$136,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$286,100,000</strong></td>
</tr>
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The conclusion drawn from these studies and similar impact studies prepared for the California World's Fair in Long Beach, HemisFair in San Antonio, the San Jacinto Tramway in Palm Springs, and other recreation industry generators throughout the country is that this class of cash business drawing from a wide region outside its site, has a greater economic velocity and multiplier effect on its environment than any other known industry. The ratio of total generated expenditures in the area of the site to in-park visitor expenditures and investment levels is extremely high. Such operations are truly and almost totally basic generators of employment, construction activity, retail trade, tax revenues, and other elements of economic life.

Quoting a recent Wall Street Journal article, 240 tourist families staying overnight in an area each night for a year have a local economic impact greater than a million dollar manufacturing payroll.

With this background as a starting point, the following paragraphs endeavor to place the recreation economic impact associated with Disneyland in clear perspective as a basis for: (1) understanding its contribution to the economic well being of the City, and (2) evaluating highest and best use within the three allowable categories of CR property in Anaheim.

**Annual Economic Impact**

The Disneyland recreational complex generates larger attendances and revenues than any similar attraction in the world. Its impact on Anaheim is necessarily spectacular.
As measured in prior work, recreation impact in Anaheim generated $46,000,000 in retail and service sales in 1961\(^1\). Since that time Disneyland has been materially enlarged (nearly $12,000,000 of additional construction), and attendance has increased. Benefiting from this catalytic activity, the Disneyland Hotel has become a major center of tourism and conventions, and surrounding hotels, motels, restaurants (the Melodyland Theater, and other facilities) have experienced financial growth and success. It is likely that the amount of retail and service sales generated by the Park has increased at least in proportion to total sales in the City. Probably, therefore, Disneyland and its neighboring supporting activities generate between one-fourth and one-third of total retail sales in Anaheim. Retail and service sales in Anaheim generated by recreational activities now amount to $50 million, more than $400 per Anaheim resident. All classes of sales and service directly benefit from this stimulus.

In addition to generating retail trade, commercial recreation also boosts the economy in other ways — it increases construction volumes, wholesale trade, and tax revenues. Its contribution in these areas is estimated as follows:

1. **Construction volumes.** The total capital investment in Disneyland itself over the past ten years is estimated at $46.3 million. In addition, it was estimated in 1961 that the total value of recreational and supporting activities (motels, restaurants, etc.) in the Greater Anaheim area was $200 million. At a conservative 3 per cent\(^2\) annual rate of growth, total value in 1964 is nearly $225 million. If this rate of growth continues, construction volume due to recreation may be expected to approximate $7 million annually for new construction and $5 million for renovation of existing facilities. A large share of this recreational contribution to the Greater Anaheim area may be expected to take place in Anaheim itself. The


\(^2\) Some authorities predict that recreational facilities will grow as much as 7 per cent per year.
annual volume of construction in Anaheim due primarily to Disneyland is estimated at between $8 and $10 million annually.

2. Current purchases. Disneyland and its supporting institutions also purchase an estimated $1.5 million of their current inventory and supplies in the Anaheim market. This figure will increase with the development of the wholesaling function in Anaheim.

3. Taxes. Recreational facilities pay an estimated $600,000 in property taxes annually in Anaheim and generate an additional $200,000 in sales tax which is returned to the City. Not estimated are property taxes on residential and commercial property outside of the recreation industry which were built because of the recreation stimulus of the Disneyland complex.

Table I shows the estimated benefit to the City of Anaheim from recreational facilities. These benefits are believed to be derived principally from Disneyland.

Ten-Year Economic Impact

Disneyland is now completing its tenth year of operation. Its impact on the Anaheim area exclusive of prestige and the large complex of support facilities that have grown up around it may best be seen by the following summary of ten years of performance (1964 figures are estimated). Table II shows the ten years of operation. Highlights of the summary are:

---

1/ The impact figures are based on the 1961 E.R.A. report entitled "Impact of Recreation on the Economy of the Greater Anaheim Area." The study was based on sales and sales seasonality as reported by sales tax reports for the City of Anaheim. Although the preponderance of the impact is believed to result from Disneyland, the study method did not allow for a separate determination.
Table I
ANNUAL IMPACT OF RECREATIONAL FACILITIES ON THE CITY OF ANAHEIM (millions)

1. Annual retail and services sales generated by recreational facilities $50.0
2. Construction volumes - annual 9.0
3. Current purchases - annual 1.5
4. Taxes, recreation industry property taxes, and generated sales taxes 0.8

Total $61.3

Table II

TEN-YEAR SUMMARY OF DISNEYLAND OPERATIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Admissions (millions)</th>
<th>Total Sales in Disneyland (millions)</th>
<th>Investment in Design and Construction (millions)</th>
<th>Property Tax to Anaheim (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>3.8</td>
<td>$19.4</td>
<td>$17.0</td>
<td>$103</td>
</tr>
<tr>
<td>1956</td>
<td>4.4</td>
<td>22.9</td>
<td>1.5</td>
<td>112</td>
</tr>
<tr>
<td>1957</td>
<td>4.3</td>
<td>22.8</td>
<td>1.8</td>
<td>123</td>
</tr>
<tr>
<td>1958</td>
<td>5.0</td>
<td>27.0</td>
<td>3.3</td>
<td>143</td>
</tr>
<tr>
<td>1959</td>
<td>4.9</td>
<td>27.0</td>
<td>7.3</td>
<td>188</td>
</tr>
<tr>
<td>1960</td>
<td>4.7</td>
<td>26.3</td>
<td>3.6</td>
<td>209</td>
</tr>
<tr>
<td>1961</td>
<td>5.1</td>
<td>29.0</td>
<td>2.5</td>
<td>225</td>
</tr>
<tr>
<td>1962</td>
<td>5.6</td>
<td>32.5</td>
<td>5.0</td>
<td>255</td>
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<tr>
<td>1963</td>
<td>5.6</td>
<td>33.0</td>
<td>3.3</td>
<td>275</td>
</tr>
<tr>
<td>1964</td>
<td>5.6</td>
<td>33.6</td>
<td>1.0</td>
<td>281</td>
</tr>
<tr>
<td></td>
<td><strong>Ten-Year Totals</strong></td>
<td><strong>49.0</strong></td>
<td><strong>$273.5</strong></td>
<td><strong>$1,914</strong></td>
</tr>
</tbody>
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Source: Disneyland, and Economics Research Associates; 1964 figures estimated.
1. In its ten years of operation, Disneyland has attracted 49,000,000 visitors. This is equivalent to a quarter of the United States population and is three times the population of California, or 6-1/2 times the population of metropolitan Los Angeles. The attendance at Disneyland over this period has been larger than the attendance at any one-season World's Fair ever held, and is five times greater than attendance at Seattle.

2. Visitors spend between $5 and $6 per capita in the Park -- an amount previously unheard-of at recreational attractions. Assuming that 38 per cent of the total revenue is paid out to employees, Disneyland by itself has directly released $104 million to the local consumer market -- more than $10 million per year, or the equivalent of 1,500, $7,000 salaries per year.

3. Investment in construction and design has totaled nearly $50 million -- the largest private investment in recreation in history. Since the Park opened, additional construction and renovation have averaged $3.25 million per year, offering additional employment in the field of construction.

4. Disneyland has paid nearly $2 million in property tax to the City of Anaheim -- in addition to added millions by increasing the value of surrounding land (an effect ignored in this analysis). It is the single largest property taxpayer in the City.

The following is a summary of these various measures of direct impact on Anaheim over the past decade:
1. Total visitor sales in Disneyland $273,500,000
2. Visitor and recreation industry employee expenditures in Anaheim 161,400,000
3. Disneyland construction investment 46,300,000
4. Disneyland generated construction in Anaheim 54,000,000
5. Disneyland and support establishment wholesale trade in Anaheim 15,000,000
6. Disneyland property tax payments 1,900,000
7. Direct property tax payments of other recreation and support facilities 2,300,000
8. Generated Sales Tax Revenues 1,800,000

Total Ten-Year Impact 1955-1964 $556,200,000

Thus in ten years, the catalytic, self-generating economic effect of recreation associated with Disneyland has brought well over one-half billion dollars into the economy of the City of Anaheim.

Other Aspects of Economic Impact

Not all of the values of Disneyland to Anaheim are measurable in dollar increments. Disneyland has helped Anaheim become the most important community focus in the County in many segments of economic life. Indicative of this fact: (1) the success of the Melodyland Theater is due to its county-wide drawing power; (2) the same influences will operate on the new convention facility -- without Disneyland the opportunities available for this facility would be dramatically diminished; (3) another example of this focusing effect is the placement of major airline ticket agencies. Of the four major airlines which have ticket offices in Orange County, three have located in the Disneyland Hotel and the fourth at the Saga Hotel. No other airline ticket offices exist in the county.
Other intangible benefits go beyond county boundaries. The City of Anaheim has become known throughout the United States and in distant parts of the world as the home of this unique attraction. Even to other residents of the Los Angeles Metropolitan Area, Anaheim is set apart from other Orange County communities as a center of attractive hotels, motels, restaurants, etc., which were originally constructed to take advantage of the business center which Disneyland created.

The economic contribution thus made by Disneyland through the prestige it lends is not entirely measurable. But it is clear that the Park is the center -- not only economically but psychologically -- of a large portion of Anaheim's reputation and favorable image.

Other Data Shown in the 1961 Impact Study

The original study of the economic impact of recreation on the Greater Anaheim area contained additional data significant to an understanding of Park impact. Although the data were compiled in 1961 and probably understate the effect of recreational activities in 1964, they are meaningful in demonstrating the unusual economic circumstances in which Anaheim exists.

1. Figure 1 shows that in 1958 (the last business census date), expenditures by visitors in commercial recreation and tourist attractions in Orange County exceeded those in the 57 remaining counties of California combined, and those in each of the 49 remaining states in the country.

2. Nearly 30 per cent of the total recreation impact in Orange County accrues to the City of Anaheim. This is shown in Figure 2.
Figure 1

EXPENDITURES BY VISITORS IN COMMERCIAL RECREATION ATTRACTIONS, 1958
Figure 2

1961 DOLLAR SALES VOLUME GENERATED IN RECREATIONAL ACTIVITIES IN SELECTED AREAS OF ORANGE COUNTY