

The Economic and Fiscal Impacts of Folly Beach on the Charleston Area and the State of South Carolina

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Prepared by

Raymond Rhodes, M.B.A., and Bing Pan, Ph.D.

Office of Tourism Analysis¹



¹To request the full report, contact **Dr. Bing Pan**, panb@cofc.edu, Office of Tourism Analysis, Department of Hospitality & Tourism Management, School of Business, College of Charleston.

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The views expressed herein are those of the authors and not necessarily those of the College of Charleston or the City of Folly Beach.

Executive Summary

Identifying and securing funding and support from legislators and other stakeholders is very challenging for a small municipality with limited resources that is indirectly competing against much larger coastal cities. For the City of Folly Beach, these challenges are further complicated by the undervaluation of the need to continue the timely renourishment of the beach areas so this unique natural asset can continue to generate various benefits for the Charleston area and for the State of South Carolina.

Therefore, this study documents important economic and fiscal impact at the Charleston metro and state levels associated with beach renourishment of Folly Beach, South Carolina. From an economic perspective, only non-resident visitors can inject “new dollars” into the Charleston area and the South Carolina economy. Thus, this study primarily focuses on economic and fiscal impacts of non-resident visitor spending that are relevant to the periodic renourishment of Folly Beach. We also projected future annual net economic impact and tax effects as the possible economic consequences if Folly Beach’s next scheduled beach renourishment project is not underway by 2020. In addition, economic values, not economic impacts, of selected Folly Beach renourishment benefits are provided.

Key findings include the following:

- The City of Folly Beach’s economy has had an **average annual growth rate of about 11%** since the end of Great Recession in 2009, a robust rate much higher than that of similar Charleston area beach communities as well as that of Charleston County.
- Based upon an analysis and subsequent extrapolation of data from a periodic Charleston area visitor survey conducted by the Office of Tourism Analysis (**OTA**) at the College of Charleston, the number of annual Charleston area visitor trips that included visiting Folly Beach was **estimated to be nearly 1 million** and this total represented **about 21% of all Charleston area visitor trips** during 2014. The overall average traveling party sizes, 2.5 adults, remained consistent with recent OTA survey results. Moreover, beach activities remained among the important reasons to visit as well as one of the most enjoyable aspects of a Charleston area visit.

- Including multiplier effects, estimated spending by Charleston visitors attributable to Folly Beach generated approximately **\$117 million** in business revenues that supported about **1,200 jobs** and provided nearly **\$40 million** in income including employee benefits for South Carolina residents in 2014.
- Charleston area visitor spending attributable to the City including its beach areas generated approximately **\$22 million** in annual tax revenues for the federal, state, and local governments during 2014. Also, these tax revenues not only include the usual tourist type taxes (e.g. accommodation taxes, etc.) but include various property taxes and other indirect taxes paid by tourism oriented businesses.
- If there are future renourishment delays beyond of the year 2020, this could lead to a net loss of nearly **\$26 million** in total sales at the state level along with the related accumulative net loss of **\$6.5 million** in local and state taxes.
- The economic value of one recreational beach day was conservatively estimated at about \$6.15 per person, and the extrapolation of this value leads to an estimated annual total economic recreational value of the City's beach being **\$4.5 million in 2014**, which includes both non-resident and resident recreational beach users.
- Charleston area households would collectively place an annual **\$4.2 million** value on protecting the marine turtle species that depend upon Folly's beach as nesting habitat.
- Additional economic values related to Folly Beach renourishment projects included providing storm damage reduction/protection of beach front properties and structures that had an approximate total market value of **\$465.2 million** (2013 dollars). This total value includes important government infrastructure assets vital to public beach access, such as Charleston County's popular Folly Beach County Park and the Folly Beach Fishing Pier, and beach front parking lots and walkovers that the City has been proactively maintaining.
- The periodic renourishment of the Folly Beach has helped maintain, if not improve, appreciation rates of the City's front beach private property value. This effort thus benefits property owners and enhances the City's tax base and dedicated tourism funds needed to proactively manage Folly's unique beach.

In summary, this study's findings clearly indicate that substantial amounts of the economic impacts and related tax revenues are generated by Charleston area non-resident visitors. These impacts are attributable to their visits to Folly Beach and were generally coupled to periodic renourishment of Folly Beach. These economic impacts, including tax revenues and economic values of beach renourishment benefits as positive economic externalities, can obviously flow far beyond the City's jurisdiction and therefore benefit Charleston area and South Carolina residents, **not just Folly Beach residents**. However, a forecast of possible economic effects if the next scheduled periodic renourishment project was delayed beyond 2020 has the **potential of translating into significant net job and income losses** in the Charleston area and at the state level. In addition, the market and non-market economic benefits derived from beach renourishment would also be in jeopardy over time if renourishment is delayed.