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TO: Marc Reckmann, Cannon Beach Fire and Rescue

FROM: Bob Whelan and Andrew Dyke

SUBJECT: Estimate of Annual Food & Beverage Sales in Cannon Beach

This analysis estimates the 2019 dollar sales in Cannon Beach of “food away from home” and the portion of those sales made to non-residents. Food away from home is the term used by the U.S. Census and restaurant industry describing food and beverages (F&B) sold by the food service industry. Food away from home is distinguished from “food at home,” which are purchases of groceries taken home and prepared or dispensed there.

The food service industry is composed of subsectors such as full-service restaurants, limited-service restaurants, bars, snack shops and coffee shops, and the like.

The Cannon Beach Rural Fire Protection District is considering a proposal for the City of Cannon Beach to tax sales of food away from home to help fund the District’s operations. The District believes that most of those sales are made to non-residents who also make-up a high proportion of the District’s emergency service calls. By taxing sales of food away from home, the District believes the cost burden of their services would be more equitably shared between residents and non-residents.

In this research a resident is a household living in the 97110 ZIP code. A local F&B establishment is one located within the city limits of Cannon Beach.

Since Oregon law (ORS 473.190) gives state government the exclusive right to tax malt and other alcoholic liquors, this analysis excludes alcoholic beverage sales.

This analysis estimates 2019 sales because 2020 sales were adversely affected by the COVID pandemic.

There is no public data on the sales of individual private businesses. However, a number of sources do report sales and payroll aggregated to geographies larger than the City of Cannon Beach. Using these sources and the relationships between sales and payrolls of various industry subsectors, ECONorthwest estimated 2019 food and beverage sales as described above.

The best data source is the Oregon Employment Department (OED). They provided 2019 payroll and employment for each food service establishment in Cannon Beach. The data come from unemployment tax filings. Confidentiality precludes disclosure of any data from which a person could approximate the payroll of a single private business. As such, sales numbers in this memo are aggregated according to the type of business. As required, ECONorthwest will delete the original OED data shortly after this analysis is complete.

In addition to OED, the analysis used the most current statistics available from the following sources:

- The 2019 U.S. Consumer Expenditure Survey of household spending on food away from home by household income from the U.S. Bureau of Labor Statistics (BLS).
- 2017 Oregon, Clatsop County, Astoria, Seaside, and Warrenton food service industry sales, total payroll, and employment from the 2017 U.S. Economic Census. Note that the U.S. Census did not release data for Cannon Beach, but that data is included in the countywide totals.
- The product-level sales of the food services industry in Oregon from the 2012 Economic Census. ECONorthwest used this source to find the proportion of total sales that come from sales of food and non-alcoholic beverages. This was done for each subsector.
- The number of resident household living in the Cannon Beach ZIP code by various income ranges. This data come from Claritas, Inc. — a major market research data company.
- USDA report, “America’s Eating Habits: Food Away from Home” September 2018.
- CDC study, “Beyond neighborhood food environments: distance traveled to food establishments in 5 US cities, 2009 - 2011.”
- Clatsop County Department of Public Health, which maintains a list of food service establishments.
- Restaurant employer-paid FICA, Medicare, unemployment insurance, and workers’ comp as a percentage of W-2 payroll.

The OED classifies businesses by the standard industry code system known as NAICS. Businesses have leeway assigning codes. This complicates analysis and interpretation of the data. For example, a businessowner might write the wrong code down on tax forms. It doesn’t affect their taxes, but it can cause an analysis like this one to undercount or overcount. OED periodically checks and eventually corrects these.

Also, the most appropriate code to use for a given business is a matter of opinion. For example, a brewpub might classify itself as a beer manufacturer, as a full-service restaurant, or as a bar. All three are correct. To capture any potential miscalculations, ECONorthwest checked the OED data against food service establishments inspected by the Clatsop County Health Department and doing simple internet searches.

Types of establishments not accounted for in this research were caterers, schools, vending machine operators, non-employer businesses, conference centers, private clubs, and hotels that offer complimentary breakfasts. Collectively, their food away from home sales are not material.

Four subsectors under the food services industry are counted. They are:

1. Full service restaurants (*i.e.*, that offer table service).
2. Limited service restaurants, which may have tables, but it is up to patrons to bring the food to their tables and buss them.
3. Snack and nonalcoholic beverage bars, which includes coffee shops and the like.
4. Drinking places

For each establishment drawn from the OED and Health Department lists, ECONorthwest assigned a subsector. Using the Census data showing the sales-to-payroll ratios of subsectors, each businesses' sales were approximated. Using the product-level data by subsector from the Oregon census, the F&B sales, which would be taxable under the District's plan, was calculated.

Resident purchases of food away from home was determined using the BLS consumer expenditure data by income and the number of Cannon Beach households by income group. CDC survey data on the relationship between distance from home and where consumers eat out shows that 68 percent of all trips to food venues are within a three-mile radius of home. This was used to split Cannon Beach resident food away from home purchases from being in town and not. Subtracted from total F&B sold at Cannon Beach establishments yields an estimate of spending by non-locals.

Due to confidentiality of OED data, the results on Table 1 breakout only the full-service restaurant subsector. Limited service, snack places, coffeeshops, taverns, and others are combined. The analysis indicates that Cannon Beach food service businesses sold approximately \$41.5 million in non-alcoholic food and beverages to non-residents in 2019 and \$1.7 million to local residents.

Table 1: Estimated F&B away from home sales at Cannon Beach establishments, 2019

Total estimated 2019 sales at:	
Full-service restaurants	\$45,887,000
Other eating & drinking places	9,177,000
Total sales of businesses	\$55,064,000
Non-alcoholic F&B sales to:	
Cannon Beach residents	\$1,701,000
Non-residents	41,458,000
Total non-alcoholic F&B sales	\$43,159,000