

The Economic Engine Report

An Economic Analysis on the Regional Impact of an
Entertainment and Sports Complex

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Prepared by:



Capitol | PFG

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The Economic Engine Report

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EXECUTIVE SUMMARY

The Economic Engine Report was commissioned by *Think Big Sacramento*, which is a regionally based organization consisting of over seventy community leaders from around the region and Co-Chaired by State Senators Ted Gaines and Darrell Steinberg. *Think Big Sacramento* is committed to identifying a path forward to developing a world class entertainment and sports facility in downtown Sacramento that will put the taxpayers first when it comes to considering approaches that will support regional economic development.

The Economic Engine Report specifically analyzes whether an Entertainment and Sports Complex located on Sacramento City-owned land at the Railyards would serve as an economic engine for both the City of Sacramento and the entire Sacramento region.

The Economic Engine Report's core conclusion is that an Entertainment and Sports Complex located in downtown Sacramento will have a catalytic economic impact on the entire region, including over \$7 billion of economic activity over thirty years.

The *Report's* five key findings include the following:

- The Entertainment and Sports Complex will generate just over \$157 million in revenue for the entire region on an annual basis, including \$100 million in downtown Sacramento, \$116 million in the City of Sacramento, \$131 million in the County of Sacramento and in \$157 million in the greater Sacramento region.
- Given that the facility's operating costs will be covered by the direct revenue generated within the arena, over a thirty year period the Sacramento region will receive over \$7 billion in economic activity.
- An Entertainment and Sports Complex will attract 3.1 million new visitors to Downtown Sacramento on an annual basis.
- Hotels located within walking distance of the facility in Downtown Sacramento will see an increase of over 300,000 guests who choose to spend at least one night in a downtown hotel.
- Fiscal benefits for government agencies created by 3.1 million new visitors will include approximately \$6.7 million annually generated by \$5.8 million in sales taxes and over \$900,000 in transient occupancy taxes. Additional revenue would be expected to be generated by increases in other sources of government revenue such as property taxes.

Over the last decade, cities and regions across the country have sought to locate entertainment and sports complexes in downtown, urban areas because of the catalytic economic impact that can be generated by such facilities -- and the fact that as many were made possible by public funding, that it was critical the public investment translated into meaningful economic benefits. Presently, all but three of the franchises in the National Basketball Association, have facilities located in downtown markets. The three teams that do not are the Detroit Pistons (who are seeking to re-locate to downtown Detroit); the Golden State Warriors (who have reportedly explored relocating to a downtown location); and the Sacramento Kings.



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Based on the understanding that an Entertainment and Sports Complex in downtown Sacramento will be developed as the result of a public-private partnership, involving the contribution of public resources, it is critical to determine whether such a facility will generate a healthy return on the public's investment ("ROI"). ***The Economic Engine Report*** identifies the significant ROI that would be generated as the result of a downtown Entertainment and Sports Complex.

First, from a pure hard cost economic return perspective, \$7 billion over thirty years, including covering development costs in the first three years of operation, represents an extremely strong return on the public investment as measured by economic activity.

Second, basing a facility downtown will be consistent with cutting edge urban planning principles and economic development models being practiced throughout the world. The positives will include returning life to a presently non-active community; re-energizing Downtown Sacramento at a moment in time when community life in the United States is being increasingly defined around vibrant urban cores; and supporting best practices when it comes to sustainability.

And, third, the Entertainment and Sports Complex will support the civic nature of the Sacramento region by providing a facility capable of attracting a wide and diverse array of entertainment and sports programming that, in addition to creating economic activity and generating revenue, will contribute to the entire region. The ability to attract top tier concert performers and large scale conventions as well as NCAA tournaments and family events, will make the Sacramento region a stronger community for its people and also serve as the type of regional community asset that will attract new businesses, bring in new people (and help keep our existing people here) while promoting the region's brand throughout the country and the world.



INTRODUCTION

ABOUT CAPITOL PFG AND THE REPORT'S AUTHOR

Capitol Public Finance Group, LLC, ("Capitol PFG") is a full service, independent public finance consulting firm headquartered in Sacramento, with a satellite office in Orange County. The firm provides comprehensive financial consulting services to public agencies located in California to help them achieve the best financial solutions for their community.

In general, Capitol PFG's services include analytical work related to the development and implementation of financing plans for cash flow, capital facilities and equipment needs. Staff has experience with various types of economic analysis as well as facility and funding mechanisms including construction project delivery methods, facilities master planning, development mitigation and impact fee studies, State funding and bond financed projects.

Capitol PFG's staff has experience with over \$5.1 billion of financings for approximately 100 public agencies located throughout California. These financings have ranged in size from approximately \$50,000 to over \$100 million. In all, Capitol PFG staff has worked as a Financial Advisor on approximately 575 financings, including bond anticipation notes, general obligation bonds, Mello-Roos bonds, lease-type financings such as Certificates of Participation, Build America Bonds, and Qualified School Construction Bonds.

In addition, Capitol PFG has an impressive history of implementing innovative financial transactions that best serve the public interest. For two consecutive years, Capitol PFG financings were awarded the Far West Deal of the Year Award by *The Bond Buyer*, a century old, national daily public finance publication. In 2008, the Yuba Levee Financing Authority received the honors for a Levee Improvement Financing, and in 2009, the Chawanakee Unified School District won the award for the financing of Minarets High School. Both award winning transactions were designed, structured and negotiated by Capitol PFG. The Deal of the Year Award recognizes financings that are innovative and reduce risk to the public agency.

Capitol PFG is approved for the State Treasurer's Financial Advisory Financing Pool, and assists the *California Debt and Investment Advisory Commission's* Education Unit by speaking on current practices in school debt financing, including cash flow and bridge financings.

The Report's Author

Cathleen M. Dominico

Managing Partner, Client Relations and Business Planning

Cathy has eleven years of municipal finance experience as a Financial Advisor and has directly served over 100 California public agencies. She is an expert in financial and facilities planning, bond measure preparation, tax base demographic, economic analysis, and the formation of financing districts such as Mello-Roos districts. Cathy has structured and assisted with the implementation of a variety of financing mechanisms, including Certificates of Participation, Lease Revenue Bonds, GO Bonds, and Mello-Roos Bonds, among others.

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In 2005, Ms. Dominico, along with her two business partners, formed Capitol Public Finance Group, which exclusively serves public agencies throughout California in a variety of their financial needs. At Capitol PFG, Cathy is responsible for long range economic, financial and facilities planning and the creation of financial strategies to meet the long-term client objectives. Additionally, Cathy specializes in implementing communication and presentation strategies to ensure a complete understanding of financial plans.

Ms. Dominico has been a featured public speaker at public agency professional organization conferences, including the California Fire Districts Association, Coalition of Adequate School Housing, and Small School Districts Association, among others. She has held various client organized employee training in the areas of financial and facilities planning. Ms. Dominico received his Bachelor of Science degree from the University of California, Davis in Managerial Economics.

SCOPE OF REPORT AND ANALYSIS

The Economic Engine Report was prepared to evaluate the economic and fiscal benefits attributable to a new Entertainment and Sports Complex as it relates to businesses that will benefit from foot traffic generated both before and after events. It is expected that 200 events per year at the Complex with parking dispersed throughout the neighborhood will result in significant economic benefits to Downtown Sacramento businesses. Furthermore, as spending trickles through the economy, the economic benefits of the Complex will reach the greater Sacramento region.

This Report will summarize the Entertainment and Sports Complex project as proposed, provide information related to the location of the Complex and the greater Downtown Sacramento area. Such background information is essential to understanding the context of the analysis and the current state of the economy in this particular geography. The Report will also identify national and global urban planning principles that are proposed to be considered and implemented as part of both the development of the Complex and the



larger redevelopment of Downtown Sacramento. This background information lays the foundation for the economic benefits that can be achieved from the Complex to the benefit of the local Downtown Sacramento economy, the City of Sacramento, County of Sacramento and the greater Sacramento region. The Report will conclude with some specific examples of other successful entertainment and sports facilities that were constructed in cities throughout the United States, including: Kansas City, Memphis, Oklahoma City and Columbus.

THE THRESHOLD REPORT

In January 2010, Capitol PFG prepared a preliminary economic analysis, called *The Threshold Report* for the Sacramento First Task Force. The *Threshold Report* was intended to address three key threshold questions regarding the potential economic impact

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that the construction and operations of an entertainment and sports complex can have in Sacramento, California, specifically: (1) How many jobs can be created? (2) How much immediate economic activity can be generated? (3) Have other cities, with similarities to Sacramento, seen such a facility serve as a larger, long-term economic catalyst?

The **Threshold Report** showed that the construction of a new Entertainment and Sports Complex could create over 3,700 jobs, with an additional 375 jobs during operations, above the jobs in existence at the current arena facility. The new Complex would generate \$556 million in total spending and \$11.3 million in fiscal benefits to government agencies during the construction period. Furthermore, the new Complex would generate \$25 million in total annual spending and \$775,000 in annual fiscal benefits to government agencies during ongoing operations, above and beyond what exists at the City's current arena.



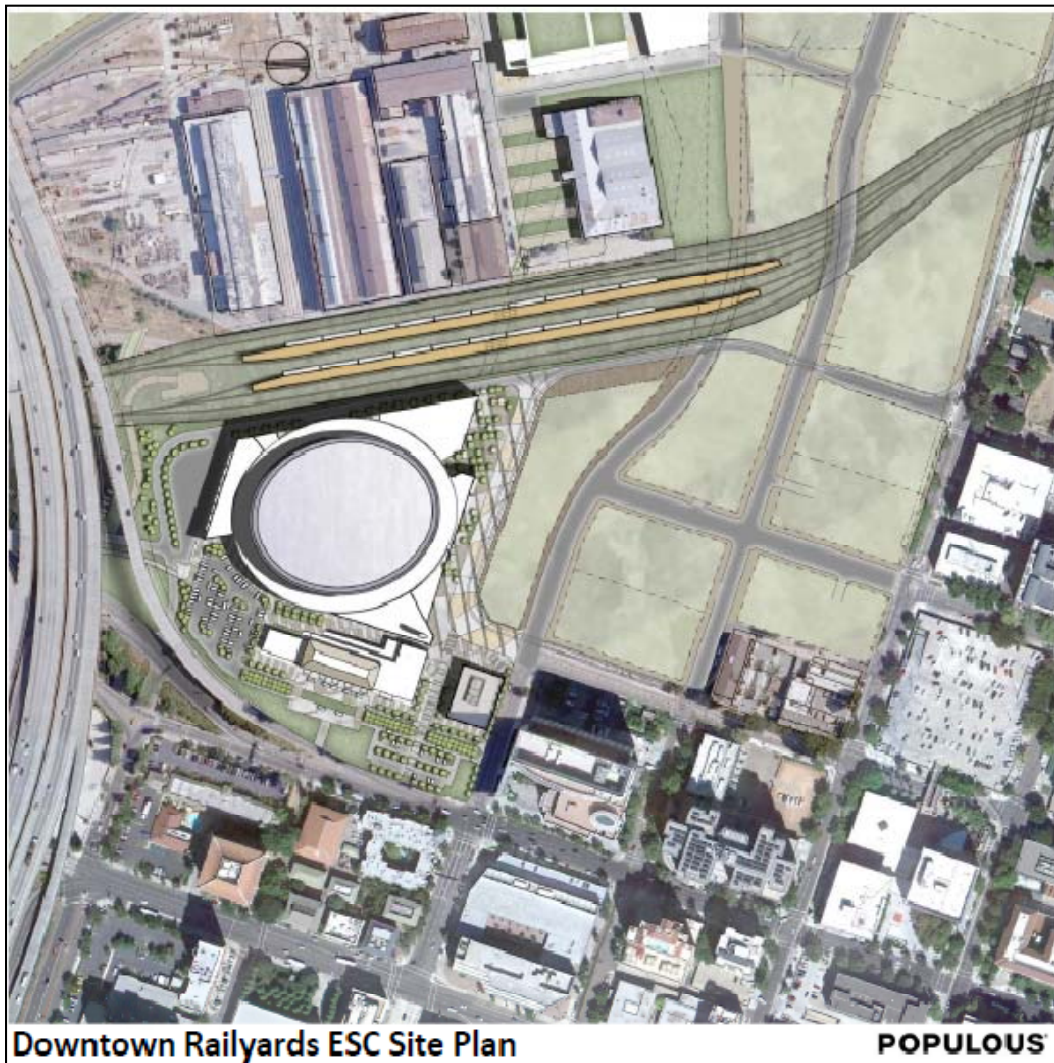
BACKGROUND INFORMATION

PROPOSED PROJECT INFORMATION

The Entertainment and Sports Complex under consideration for Sacramento is proposed to be approximately 675,000 square feet, with a capacity of 18,594 for basketball events. The Complex would be located adjacent to the current Amtrak station (and future Intermodal transit facility) in Downtown Sacramento, on I Street between 3rd Street and 5th Street, just east of Interstate 5 in the "Railyards" development area.

Such a facility would be designed so that public transportation, specifically Light Rail, would stop at the entrance to the Complex, to enhance public transportation options and reduce the reliance on on-site parking. **Figure 1** shows the proposed site location of the Entertainment and Sports Complex.

FIGURE 1



Source: ICON-Taylor Team as presented to the Sacramento City Council May 26, 2011.

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It is anticipated that the primary tenant of the Complex would be the Sacramento Kings of the National Basketball Association (“NBA”). In addition to 45 Sacramento Kings NBA basketball events, the Complex would host an addition 155 non-NBA basketball events, such as premier concerts, including feature acts such as Paul McCartney or Lady Gaga, family events such as the Circus or Disney On Ice, sports activities such as bull-riding or Ultimate Fighting Championship, performances such as Cirque du Soleil, and other activities and events. Such events would draw a variety of age, ethnic and social groups to the downtown area, resulting in approximately 3.1 million people attending events in the Complex on an annual basis.

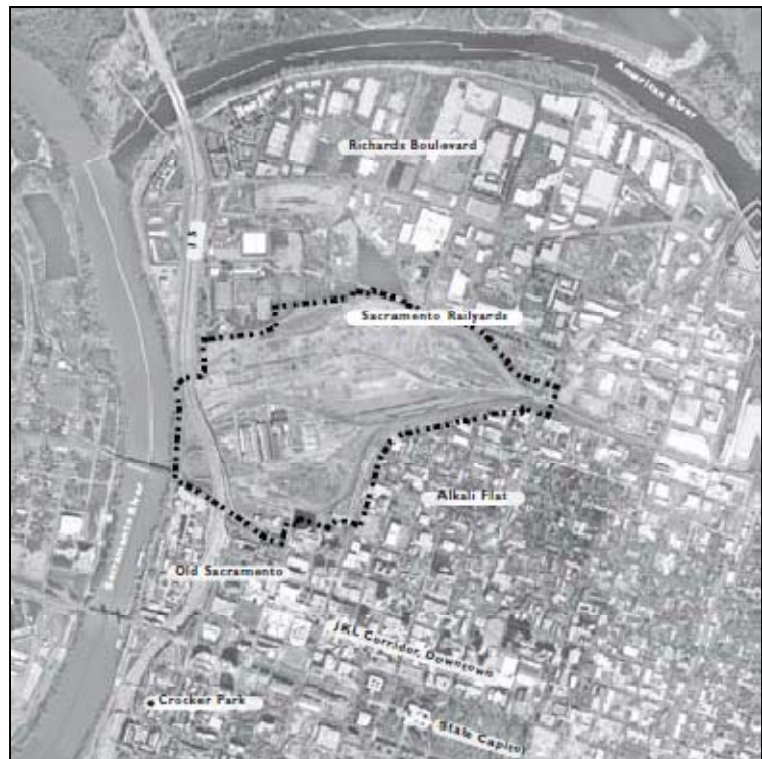
Within one quarter mile of the Complex, approximately 8,000 to 10,000 parking spaces would be available for event attendees. With parking close to the Complex, yet intermixed throughout other Downtown Sacramento establishments, the Complex is expected to generate foot traffic to Downtown businesses both before and after events.

A main feature of this proposed site location is that the Entertainment and Sports Complex will be integrally connected to restaurants, bars, retail and other consumer activities which event attendees can enjoy before and after the events themselves. This is further magnified by the fact that event attendees would have to walk past such retail establishments to get to vehicle parking lots and structures. This location is in direct contrast to what Sacramento has previously experienced with its existing arena, located in the midst of an expanse of parking with all retail establishments on the outskirts of the foot traffic generated from events.

THE RAILYARDS

The Sacramento Railyards Specific Plan calls for the development of a 244-acre site in Downtown Sacramento strategically located along the edge of the Central Business District. The Specific Plan envisions the development project as an “opportunity to reinforce and expand the role of the Central City as Sacramento’s regional center for business, commerce, government, entertainment, housing, education and culture, and to create a transit-oriented mixed-use district as an integral extension of the Central Business District and as a key tourism destination.”

The Railyards planning area is located immediately north of Downtown Sacramento’s Central Business District, east of the Sacramento River, south of North B Street, and west of the Federal courthouse. The site is situated between the confluence of the Sacramento and American Rivers.



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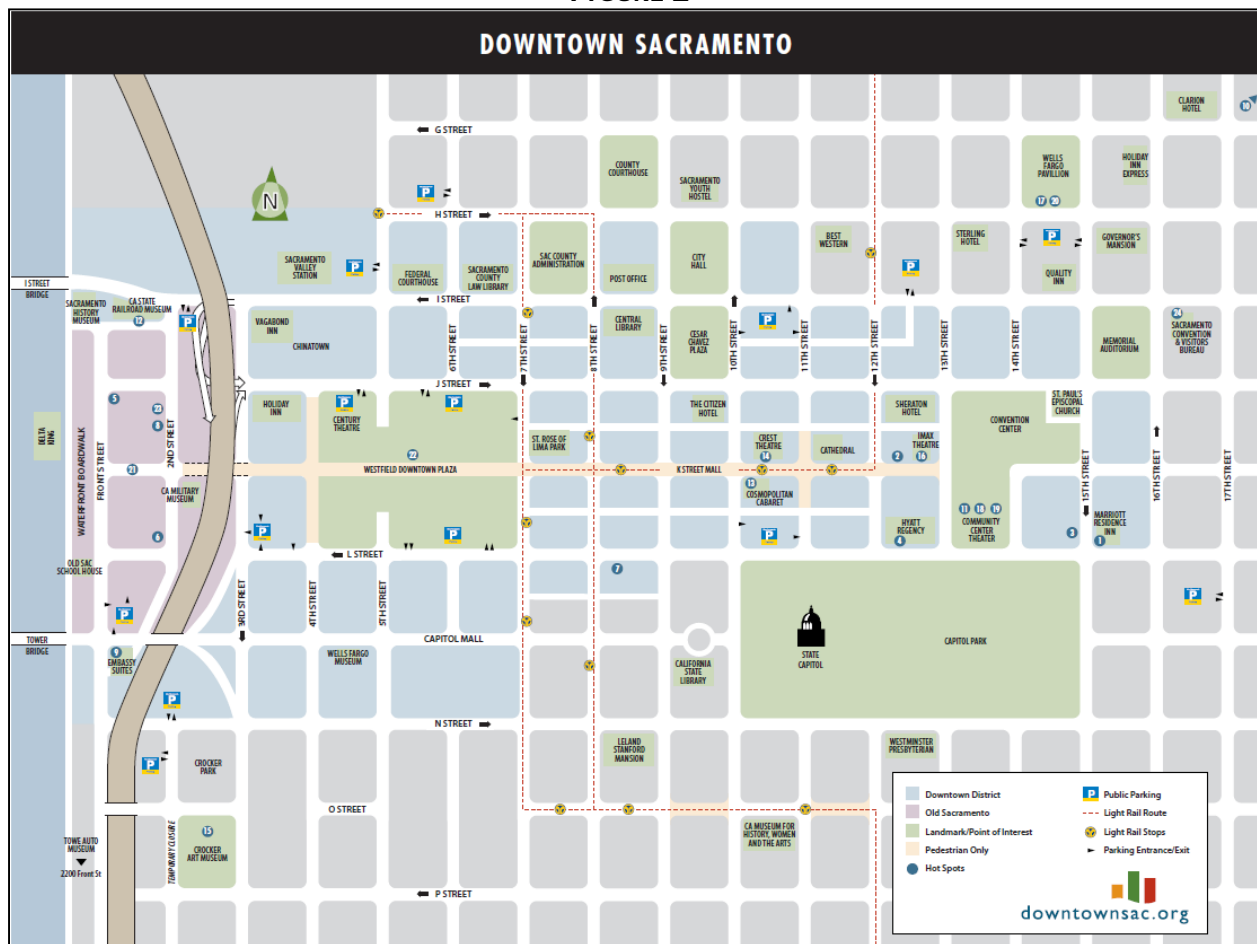
This development project is intended to be a 24-hour mixed use urban environment that will not “close down after 5 p.m.” and be a walkable and bikable community with close access to transit. One of the main Specific Plan Objectives is for the development to provide “a range of complementary uses – including cultural, office, hospitality, entertainment, retail, residential, educational and open space – and a mixture of housing products . . .” It is the hope that this urban infill parcel will enable the City of Sacramento to move away from the patterns of decentralization and suburban sprawl and re-establish Downtown as the cultural, commercial and community hub for the entire region.

At build-out, the Railyards project will contain:

- 10,000 – 12,501 residential units
- up to 1.38 million square feet of retail/entertainment space
- 2.83 million square feet of office space
- 480,000 square feet of historic and cultural space
- 1,100 hotel rooms
- Approximately 41.2 acres of parks and open space

DOWNTOWN SACRAMENTO

FIGURE 2



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Downtown Sacramento, California's capital city, strives to be the center of government, business and cultural activities for the six-county metropolitan region. Downtown Sacramento is considered to be the area east of the Interstate 5, to 16th Street on the east, to N Street on the South, and H Street on the North, as shown in **Figure 2**.

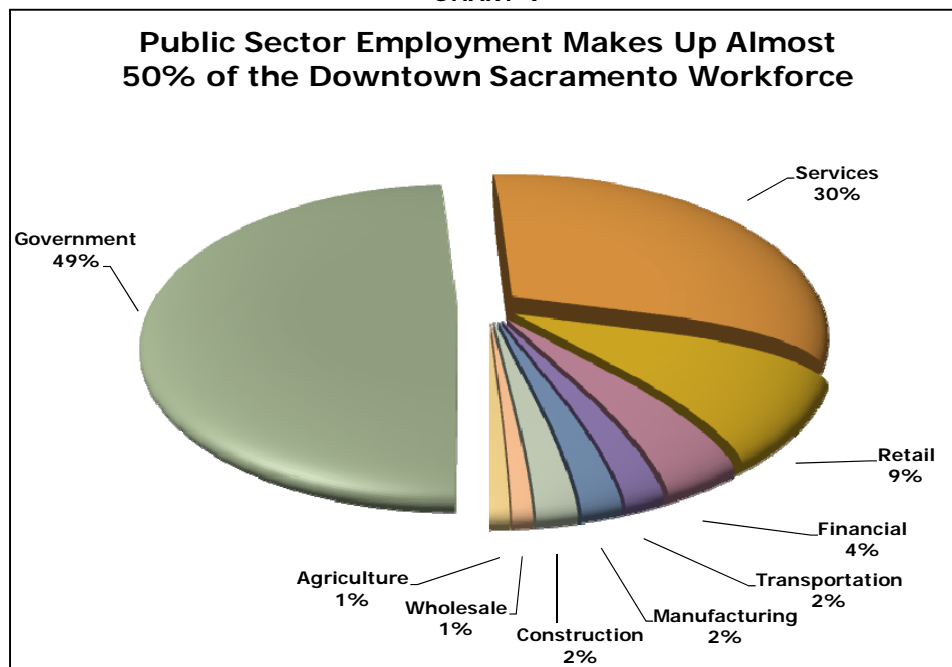


Historically, Downtown Sacramento has been the commercial and government center of the region, as well as the location of the State Capitol. From the Gold Rush days to the development of the Transcontinental Railroad, Sacramento was the central hub of the region. However, as the surrounding suburbs grew, the vitality of Downtown Sacramento waned. The development of the Railyards can enhance the Downtown region and again make it the main employment, entertainment and cultural destination for the region.

According to data from the Downtown Sacramento Partnership, approximately 4.6 million visitors attend various Downtown events each year; many of these are repeat visitors. A new Entertainment and Sports Complex would increase this number to approximately 8 million visitors each year.

The 2,000-acre core of the Central City includes approximately 530 blocks of commercial and residential development. Downtown Sacramento is the region's largest employment center, with an estimated 93,000 workers in the overall Downtown. As shown in **Chart 1**, the public sector makes up nearly 50% of the workforce, followed by professional Services with 30%.

CHART 1



Source: *Downtown Sacramento Partnership 2010 Annual Report, CoStar.*



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Downtown has experienced significant changes over the past decade, with a goal of becoming a vibrant urban community. But, additional revitalization and development is necessary in order to achieve this goal. Downtown has a variety of assets and the urban framework that distinguishes it from the surrounding suburbs, making it a regional destination. Some of Downtown Sacramento's assets include:

- Retail services
- Entertainment and cultural activities
- The State Capitol
- Riverfront access
- Street grid system
- Walkable streets
- Mass transit systems
- Infill development opportunities
- Nearby residential neighborhoods

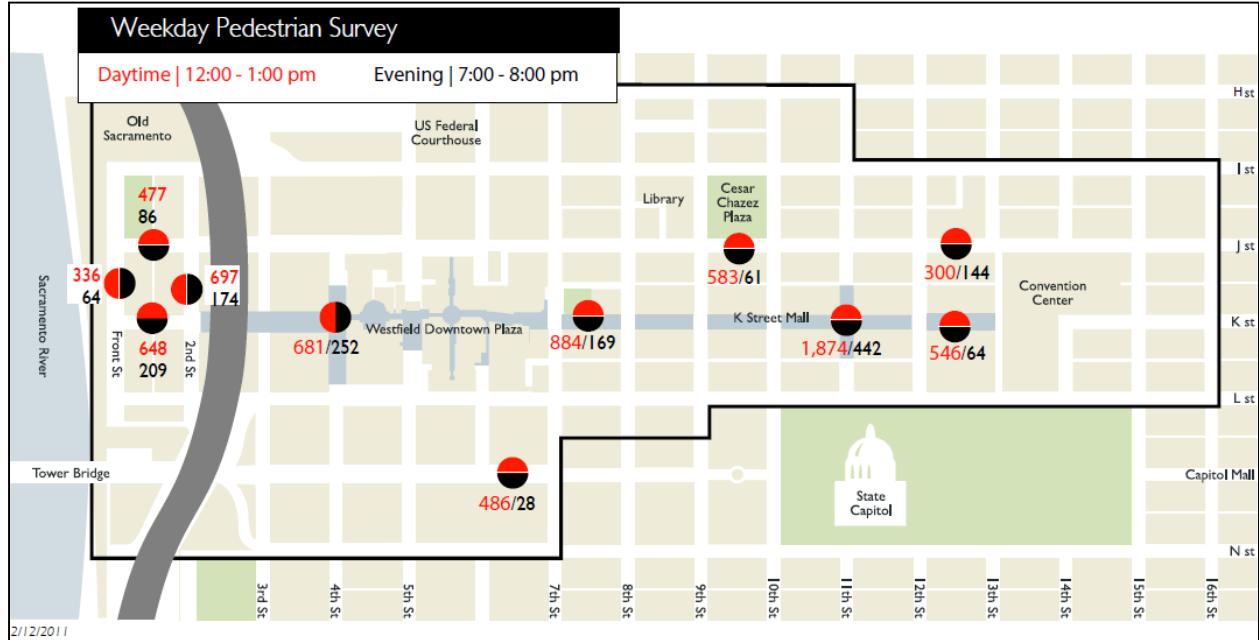
However, the Downtown area is lacking housing in the city center, a lively nightlife and a vibrant retail shopping district. There are very few residents living in the Downtown core, with approximately 220 market-rate dwellings, all rentals, and 700 single-room occupancy residences. There are only 18,000 residents within one mile of the core. Additionally, there is perceived safety concern in the Downtown area, especially in the evenings when the offices and government buildings are closed. There is a clear distinction between the activity in Downtown Sacramento during weekday business hours and the evenings and weekends. Cultural and entertainment venues are needed during these off-hours to generate foot traffic through the Downtown area, to make Sacramento's downtown the center of urban life an activity in the region.



Pedestrians in Downtown Sacramento

A pedestrian survey conducted by the Downtown Sacramento Partnership demonstrates that there is a significant difference between the number of people in Downtown Sacramento during the daytime as compared to evenings on the weekdays. As shown in **Figure 3**, based on data from February 2011, during the weekday, daytime hours, pedestrian counts in key areas of Downtown Sacramento are three to five times higher than the pedestrian counts in the same locations during the evening hours.

FIGURE 3

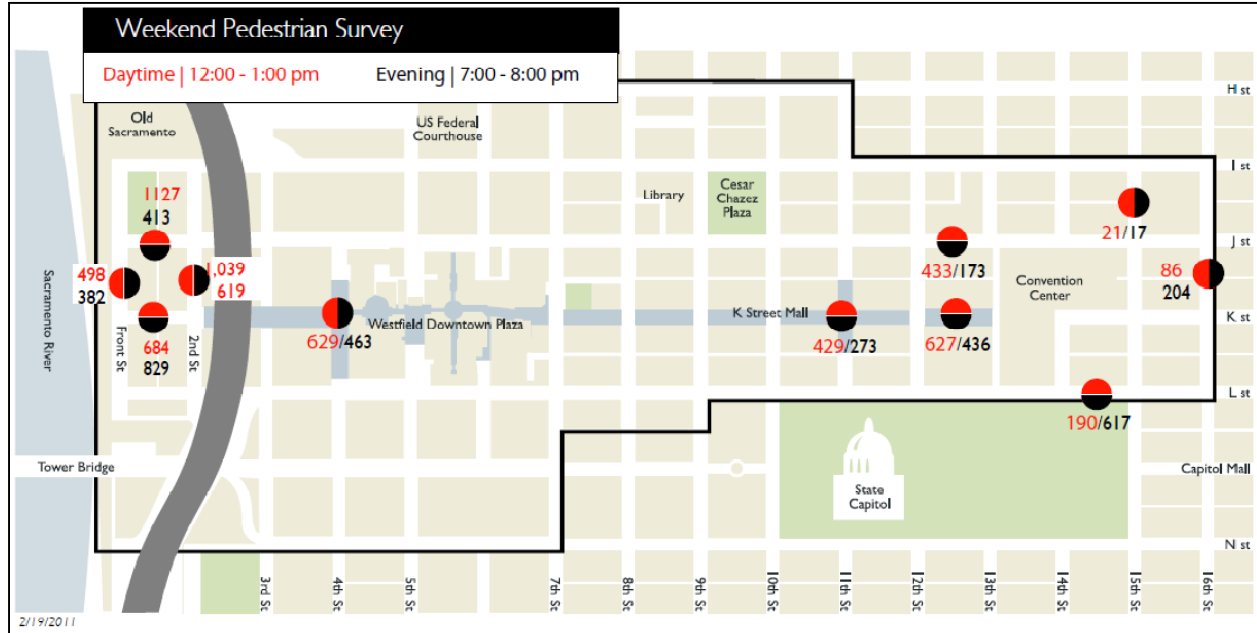


Source: Downtown Sacramento Partnership, February 2011.

For example, the intersection of 4th and K Street, just west of Downtown Plaza mall, shows a pedestrian count of 681 people during the daytime, with just 252 people in the evenings, meaning the daytime has almost three times the pedestrians as in the evenings. Even more drastic a difference on the east side of Downtown Plaza, on the west end of K Street Mall, pedestrian counts were 884 during the daytime, with a drop to 169 in the evening, meaning that the daytime has over five times the pedestrians as in the evenings.

The weekend pedestrian survey also shows a discrepancy between daytime and evening activity, although not as drastic. As shown in **Figure 4**, there are one and a half to two times the number of pedestrians in the daytime as in the evenings.

FIGURE 4



Source: Downtown Sacramento Partnership, February 2011.

This survey demonstrates the need to create evening destinations in Downtown Sacramento to draw people to the area, thereby increasing foot traffic and creating new customers for Downtown retail and restaurant establishments. This type of activity could generate significant economic benefits to the region.

Foot Traffic from a New Entertainment and Sports Complex

Within walking distance of the proposed Entertainment and Sports Complex are several businesses that will benefit from the approximate 3.1 million people that will attend events at the Complex. Both before and after events, attendees will walk through Downtown Sacramento, familiarizing themselves with the restaurants, retail and other businesses and will patronize some of the businesses both before and after events.

The types of businesses that can benefit from increased foot traffic include: entertainment venues, bars and nightclubs, service businesses, hotels/motels/inns, restaurants and dining establishments, and shopping/retail businesses.

To identify the existing businesses that will benefit from an Entertainment and Sports Complex located in the Railyards development, we have evaluated the businesses at three different intervals from the Complex: (1) within ¼ mile of the Complex, (2) within ½ mile of the Complex, and (3) within 1 mile of the Complex. Businesses within each radius will benefit from the existence of the Complex, although to varying degrees.

Figure 5 shows the area of Downtown Sacramento that was analyzed to determine the number of businesses that would benefit from increased foot traffic generated from Entertainment and Sports Complex events. Although there are businesses located within the survey area but north of the Railyards project, near Richards Boulevard, based on the current traffic patterns and walkability, businesses in the Richards Boulevard area were excluded from the analysis.

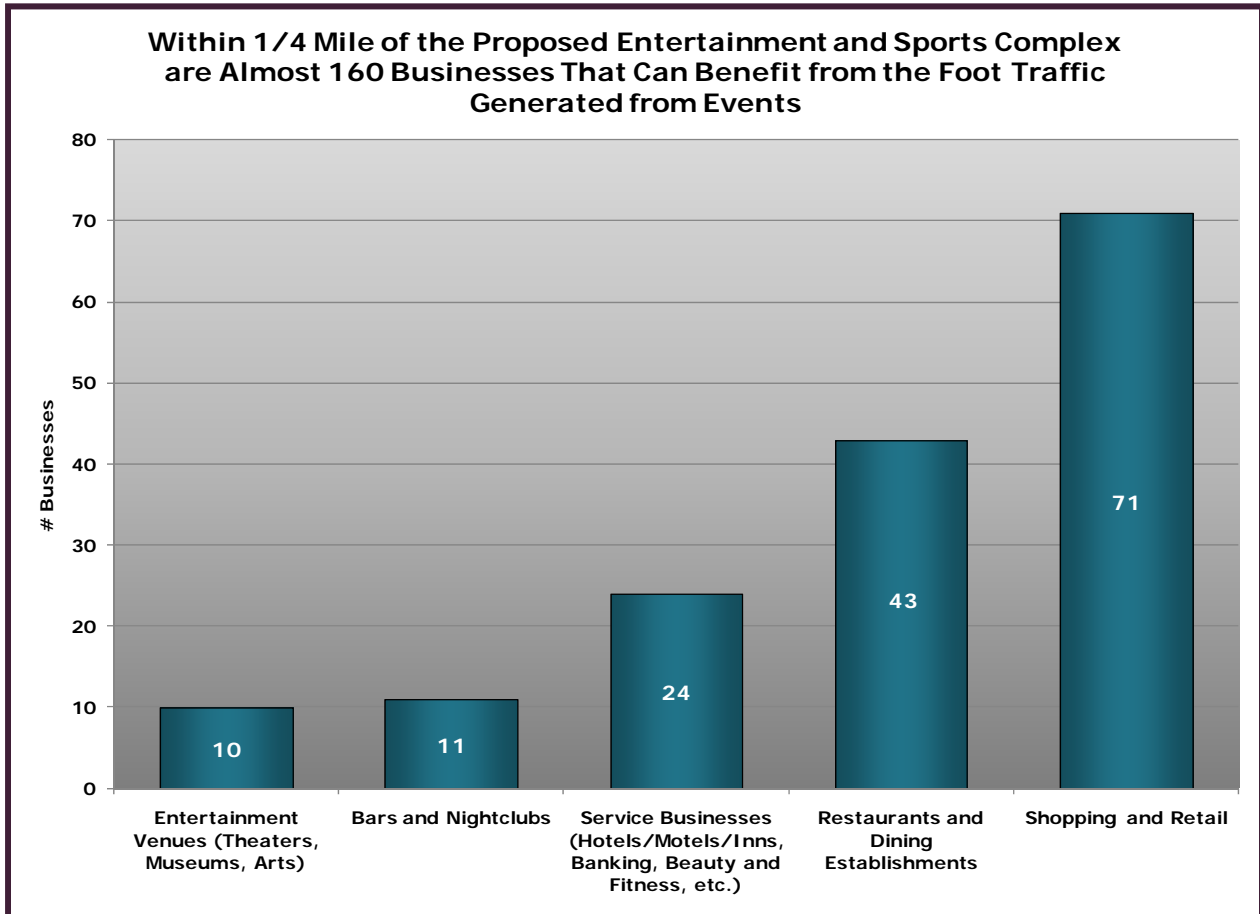
FIGURE 5



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As shown in **Chart 2**, there are almost 160 businesses within one quarter mile of the proposed Complex that would benefit from the increased foot traffic generated from events, with over 70 retail and shopping businesses and 43 restaurant and dining establishments.

CHART 2



Source: Downtown Sacramento Partnership, Capitol PFG.

In addition to the businesses already in existence, an Entertainment and Sports Complex with an expected 3.1 million visitors annually, will likely generate a demand for additional businesses within the immediate vicinity of the Complex. As 8,000 to 10,000 parking spaces will be made available within one quarter mile of the Complex, it would be expected that businesses will find this to be a prime location for development. The largest economic impact of an Entertainment and Sports Complex will likely be within this quarter mile radius of the Complex.

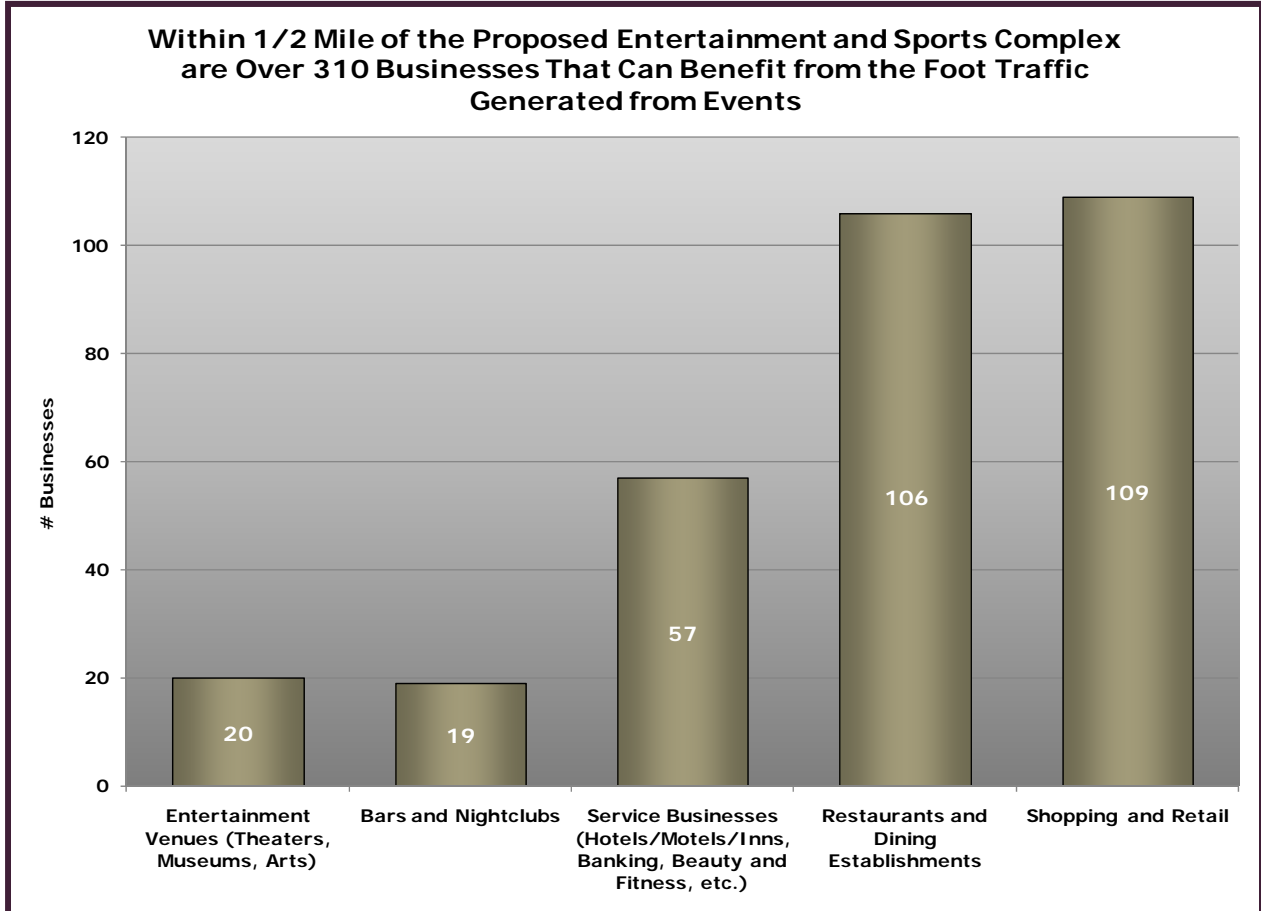
The Entertainment and Sports Complex could act as an anchor and catalyst for the larger development of the Railyards Specific Plan which would further enhance Downtown Sacramento as an area for people to live, work and play. The ancillary development is an important component of the overall development plan in order to generate significant economic and fiscal benefits to the region.



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When looking at businesses within one half mile of the proposed Entertainment and Sports Complex, as shown in **Chart 3**, over 310 businesses can benefit from increased foot traffic, including over 60 additional restaurants and dining establishments, when compared to the quarter mile radius.

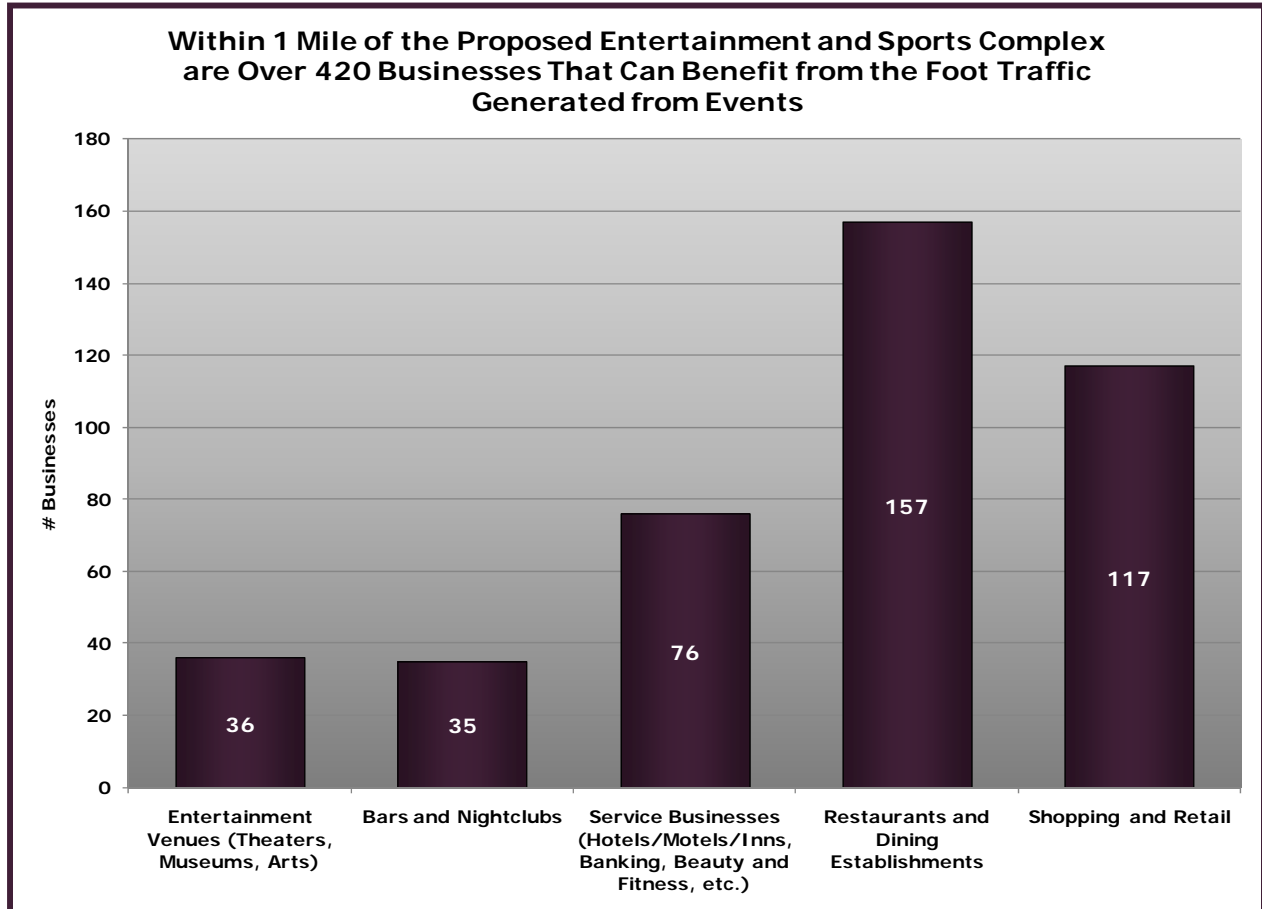
CHART 3



Source: Downtown Sacramento Partnership, Capitol PFG.

Furthermore, when expanding the radius to one mile of the Entertainment and Sports Complex, over 420 businesses can benefit from increased foot traffic generated from events, as shown in **Chart 4**.

CHART 4



Source: Downtown Sacramento Partnership, Capitol PFG.

Sacramento Convention Center

According to the California Travel and Tourism Commission, travelers, tourists and visitors spent \$2.4 billion in Sacramento County in 2008. The travel tourism workforce accounted for 27,000 jobs in the County. The Sacramento Convention Center Complex hosted 453 conventions and 800,000 conventioners visited in 2009-10, generating approximately \$7.5 million in revenue, according to Sacramento Convention, Culture & Leisure.

The best convention cities have a variety of amenities to attract conventioners. According to Paul Shigley of the California Planning and Development Report, "a good convention city has a wide variety of restaurants, coffee houses and watering holes, decent entertainment options, parks or multi-use paths for early-morning or late-afternoon exercise, and maybe some specialty shopping . . . a convention city also should have good hotels, comfortable meeting facilities, wireless access everywhere, a decent airport and some public transit." Increasing the entertainment options as well as ancillary development that will occur as a result of creating a venue that will draw over 3.1 million attendees each year will increase



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the attraction to hold larger conventions in Sacramento, thus further increasing the economic benefits to local hotels, restaurants and other retail establishments.

“The primary goal of the Sacramento Convention Center Complex is to enhance the economic and cultural vitality of the Sacramento Community by driving hotel, restaurant and retail businesses in the downtown area,” as stated by a report prepared by the UC Davis MBA Consulting Center for the Downtown Sacramento Partnership. Although hotel occupancy in the Sacramento area saw a small increase both in average daily room rates and room occupancy over the first four months of 2011, average occupancy was 61.6%, with an average daily rate of \$93.32, based on research by PKF Consulting USA in San Francisco. Increasing hotel occupancy is an important component of the economic benefits received from tourism.



The convention center targets “Group A” events, which are defined as major conventions, with over 525 room nights and the use of convention center spaces. “Group B” events back-fill space not taken by “Group A” events, as these “Group B” events have a more modest hotel demand, thus generate less economic activity. According to the UC Davis MBA Consulting Center report, the industry average occupancy for a convention facility that is at full capacity is 75%-85%, since large events cannot be booked back-to-back due to the required set up time

and facility maintenance requirements.

The Sacramento Convention Center currently operates at approximately 65% of capacity on an annual basis. So although there is little room for additional events, enhancing the activities available in Downtown Sacramento could enable the Convention Center to attract additional “Group A” events, replacing some “Group B” events, thus increasing economic activity through additional hotel stays as well as restaurant and retail activity.

The linkage between an Entertainment and Sports Complex and an increase in convention center bookings can be demonstrated by successes in Indianapolis. Meeting and Conventions magazine credits Conseco Fieldhouse Sports and Exhibition facility and Lucas Oil Stadium with helping to drive growth in the Indianapolis convention market.

Downtown Sacramento Partnership

The Downtown Sacramento Partnership is a private, non-profit organization dedicated to the improvement of Sacramento’s central business district. This organization’s mission is “to establish Downtown Sacramento as the vibrant arts, entertainment, business and cultural destination of the greater Sacramento region through effective public-private collaboration for the benefit of residents, visitors and investors.” The board of this organization is made up of Downtown business leaders as well as public officials. As this organization’s purpose is to improve Downtown it is important to consider their strategic vision and plan for the future to ensure that any development project will fit within their model.

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One of the primary strategies of this organization is to “make Downtown a place for entertainment and cultural activities, promoting Downtown as a



regional destination and extending hours of use into evening and weekend hours.” In order to accomplish this goal, Downtown Sacramento is in need of multiple destinations of interest to a variety of people in the region, targeting a range of age, ethnic and social groups.

The addition of an Entertainment and Sports Complex that will include evening events bringing over 3.1 million people to the downtown area each year will aid in meeting this organizations objectives.

The Downtown Sacramento Partnership commissioned a Retail Strategy & Implementation Plan in December of 2009. This study states that “retail is a critical component of a healthy urban district, contributing significantly to economic development and helping make downtown a gathering place for people living throughout the market.” The key finding of their study shows that Downtown Sacramento has a strong market, but doesn’t have the product to support the market. In order to serve the regional population, Downtown Sacramento needs to “(1) give residents a reason to come Downtown; (2) persuade those already coming to do so more frequently and to spend more on each visit; and (3) offer stores and restaurants that Downtown workers wish to patronize.” An Entertainment and Sports Complex will meet the first target area identified by giving people a reason to come Downtown.

URBAN PLANNING PRINCIPLES

Over the past 20 years there has been an amazing renaissance in downtowns across the United States. From 1990 to 2000 the number of households living in a sample of 45 U.S. downtowns increased by 13% and continued growth was experienced throughout the beginning of the 21st century, according to The Brookings Institution.

There are significant fiscal and financial motivations for downtown revitalization. A vibrant downtown means more residents and more jobs, in both the downtown itself and eventually in other parts of the city. It also means more out-of-town and suburban visitors bringing more outside money into the area. Further, experience shows that “the most expensive real estate in a metropolitan area is increasingly found in revitalized downtowns,” according to Christopher Leinberger a partner in Arcadia Land Co., a new urbanism development company.

Cities with vibrant downtowns have a better shot of recruiting or retaining the “creative class” of workers. In order to achieve this vibrant downtown, a mix of development types along with entertainment venues is needed. The downtown area needs to be viewed as pedestrian friendly and should start with the establishment urban entertainment venues and retail that are within walking distance of one another. Arenas, performing arts centers and stadiums can act as an urban entertainment catalyst as there is significant economic spin-off within walking distance of such facilities. These venues can be augmented with movie

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theaters, restaurants, nightclubs and specialty retail venues. Once such facilities are in place, the area becomes a desirable place to live, spurring residential development.

Many studies have been conducted related to the economic viability of sports facilities to trigger further economic benefits to a region. Some economists argue that such facilities only redirect spending from one activity to another, thereby producing little economic benefit. However, those studies do not address a key purpose for building such facilities. The main rationale for developing these facilities is to re-invigorate and revitalize specific neighborhoods, specifically downtowns, as such a facility in conjunction with other venues acts as a catalyst for redevelopment of a city's downtown core.

Successful downtowns have multiple traffic generators within short walking distance of each other and ancillary retail venues. Nearly all the successful downtowns have been able to extend their life beyond 5:00 p.m. as they boast strong and growing restaurant and nightclub sectors. Entertainment projects act as an anchor to these areas as they are crucial to bringing people back into the core city.

Overall, it takes a combination of a safe, walkable downtown in conjunction with entertainment venues strategically located as an anchor to several restaurant, nightclub and specialty retail venues to revitalize a downtown. The revitalization attracts residents to the area, producing a strong workforce, which in turn, attracts businesses to an area bringing jobs and boosting the overall economy.



ECONOMIC AND FISCAL ANALYSIS

3.1 MILLION ANNUAL VISITORS WILL CREATE ECONOMIC BENEFITS FOR THE REGION

An important goal for the development of a successful entertainment and sports complex would be to provide complementary establishments for visitors to frequent such as restaurants, bars and retail stores.

Direct economic impacts of an Entertainment and Sports Complex on local businesses and the entire region can be estimated using information obtaining in studies from cities with existing arenas. Additionally, as there are subsequent “rounds” of re-spending in the economy, the secondary economic impacts can be calculated using multipliers. Such multipliers capture what are called indirect and induced effects. These are the secondary changes in economic activity within the region that result from the re-circulation of the money spent by visitors within the local economy. There are two types of secondary effects:

- Indirect Effects – the changes in sales, income and jobs for firms that supply goods and services to those businesses that sell directly to the visitor.
- Induced Effects – the changes in economic activity in the region resulting from household spending of income earned through a direct or indirect effect of the visitor spending.

There are four general areas of spending that will occur outside an Entertainment and Sports Complex to the economic benefit of the region:

- 1) Food & Beverage
- 2) Retail
- 3) Transportation
- 4) Lodging



Based on data from studies conducted for other similar facilities throughout the Country, with facilities located in an integrated downtown area, it is estimated that event visitors will spend on average \$20 per person on food and beverages, other retail, and travel and transportation before and after events at the Complex. Additionally, we can estimate that approximately 10% of the annual visitors will stay overnight at a local hotel, motel or inn, which will add approximately \$102 per person to their spending both before and after the event.

With approximately 45 NBA basketball events plus 155 other events held at the Complex, an estimated 3.1 million visitors will attend events at the Complex each year. This assumes an average per game attendance of 17,300 for NBA basketball events, which is equal to the NBA average per game attendance figures, and an average per event attendance of 15,000 for all other Complex events.

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These estimated 3.1 million visitors will spend in total approximately \$93.6 million each year before and after Complex events, as shown in **Table 1**.

TABLE 1

Potential Spending Outside Entertainment and Sports Complex	
Event Visitors	
Spending Allocation	Per Capita Spending*
Food & Beverage	\$10
Other Retail	\$5
Travel & Transportation	\$5
Total	\$20
# Annual Visitors NBA Basketball	778,500
# Annual Visitors Other Events	2,325,000
Total Annual Visitors	3,103,500
Total Event Visitor Spending	\$62,070,000
Overnight Visitors	
Spending Allocation	Additional Per Capita Spending*
Hotel/Motel/Inn (\$93.32/rm)**	\$47
Food & Beverage	\$40
Other Retail	\$15
Total	\$102
Total Overnight Visitors (10% of Total)	310,350
Total Additional Overnight Visitor Spending	\$31,550,181
Total Annual Spending	\$93,620,181
<small>* Per Capita Spending estimated based on data from other arenas, including Memphis, Kansas City and Dallas.</small>	
<small>** Average room rate for Sacramento for 1st quarter of 2011 based on research by PKF Consulting USA in San Francisco.</small>	

This spending will impact the local economy in a variety of ways, and the quantifiable economic impact will vary based on the specific study area considered.

As there are varying degrees of benefit related to the development of the Complex on different areas throughout the Sacramento region, we have evaluated the economic impacts for four different geographic regions: (1) Downtown Sacramento, (2) City of Sacramento, (3) County of Sacramento, and (4) Greater Sacramento Region (including El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba Counties).

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When comparing expenditures outside of the Entertainment and Sports Complex there is an important differentiation between a facility integrated into a downtown atmosphere with pedestrian friendly streets and businesses strategically located to interact with visitors to the Complex as compared to the City of Sacramento's existing facility which is essentially a parking lot with an arena located in the middle. In order for visitors to patronize local retail establishments near the current arena, they would have to drive to the retail establishment, then get back in their cars and park at the arena. With the proposed downtown Complex, visitors could park once, visit one of the local retail establishments, then attend an event at the Complex. Having businesses easily accessible will increase the likelihood of event attendees spending outside the Complex.

This can be further magnified as the proposed Entertainment and Sports Complex is part of a larger mixed-use development project that will include over 10,000 housing units. Having a downtown district where people can live, work and have entertainment options will increase the economic vitality of the area.

Downtown Sacramento

For a new Entertainment and Sports Complex located in the proposed Railyards development, we can estimate economic impacts to the businesses specifically in Downtown Sacramento. Currently, the City of Sacramento does have a facility that attracts visitors to arena events; however, the facility is not located in Downtown Sacramento. So, any spending in the Downtown area would be considered to be new spending for that specific area.

Economic multipliers are used to estimate the overall economic benefits on a particular region, however, the IMPLAN multipliers are not available specific to the Downtown geography. Therefore, adjustments were made to 2008 IMPLAN multipliers for Sacramento County.

A portion of sales dollars include marginal costs that will never reach the Sacramento economy as overhead is paid by retailers to various wholesalers, transporters and producers. Therefore, total spending was adjusted to reflect the portion of spending that was not absorbed into the Sacramento economy. As a result, the potential gross annual spending in Downtown Sacramento is estimated to be approximately \$99.7 million per year. This is adjusted to account for spending of Downtown residents, which would not be considered visitor spending, with a resulting net annual spending potential of \$99.2 million in Downtown Sacramento, as shown in **Table 2**.

TABLE 2

Potential Annual Spending/Economic Impacts for Downtown Sacramento	
Total Annual Spending	\$93,620,181
Gross Direct Annual Spending	\$70,215,136
Gross Indirect Annual Spending	\$14,043,027
Gross Induced Annual Spending	\$15,447,330
Total Gross Annual Spending - Downtown Sacramento	\$99,705,493
Less: Spending by Downtown Sacramento Residents	(\$520,717)
Less: Existing Arena Spending Impacts	\$0
Total Net Annual Spending - Downtown Sacramento	\$99,184,776

Data Source: IMPLAN 2008 coefficients, Capitol PFG.

The analysis identifies “potential” spending as this is what each visitor would spend on average if there are retail, food and beverage and transportation options available to them. The business mix currently in Downtown Sacramento, within the immediate vicinity of the proposed Complex may not be sufficient to accommodate such a level of spending. However, the proposed Railyards development project in conjunction with other proposed improvements to Downtown Sacramento will likely create sufficient businesses to benefit from the desired spending. This further enforces the need for an integrated plan of supporting business development in conjunction with the development of a new Entertainment and Sports Complex in order for the full economic benefits of the Complex to be realized.

The spending estimates provided in **Table 2** are annual estimates. Thus, over the thirty year useful life of an Entertainment and Sports Complex, **Downtown Sacramento will see upwards of \$4.5 billion of total gross economic activity**, equating to approximately \$3 billion on a net present value basis. The cumulative economic activity assumes an annual inflationary increase of 2.74%, equal to the average annual change in the California Consumer Price Index for San Francisco-Oakland-San Jose.

City of Sacramento

When expanding the analysis to look at the economic benefits to the City of Sacramento overall, adjustments to the economic analysis should be made in order to account for spending before and after events at the City’s existing arena. As previously indicated, a differentiation must be made between a facility integrated into a downtown environment with businesses strategically located within walking distance of the Complex as compared to the City’s existing facility where the businesses are located nearby, but event visitors would need to get in a car and drive to their establishments. Therefore, it is expected that an integrated downtown Complex will generate more spending both before and after events as compared to the existing arena.

As with the Downtown Sacramento portion of the analysis, adjustments were made to the IMPLAN 2008 multipliers for Sacramento County to estimate the specific benefits to the City of Sacramento.

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As shown in **Table 3**, gross annual spending would be approximately \$116.1 million. However, after adjusting for spending by existing City of Sacramento residents as well as spending by visitors to the existing arena, the potential net annual spending is estimated to be approximately \$59.4 million.

TABLE 3

Potential Annual Spending/Economic Impacts for the City of Sacramento	
Total Annual Spending	\$93,620,181
Gross Direct Annual Spending	\$73,023,741
Gross Indirect Annual Spending	\$18,986,173
Gross Induced Annual Spending	\$24,097,835
Total Gross Annual Spending - City of Sacramento	\$116,107,748
Less: Spending by City of Sacramento Residents	(\$17,176,481)
Less: Existing Arena Spending Impacts	(\$39,572,507)
Total Net Annual Spending - City of Sacramento	\$59,358,760

Data Source: IMPLAN 2008 coefficients, Capitol PFG.

Over the thirty year useful life of the Entertainment and Sports Complex, **the City of Sacramento will see almost \$5.3 billion of total gross economic activity**, equating to approximately \$3.4 billion on a net present value basis. As previously described, the cumulative economic activity assumes an annual inflationary increase of 2.74%, equal to the average annual change in the California Consumer Price Index for San Francisco-Oakland-San Jose.

County of Sacramento

When expanding the analysis to include the entire County of Sacramento, gross annual spending is estimated at approximately \$131.1 million per year. After adjusting for spending by existing County residents, so only visitor spending is accounted for, as well as an adjustment for spending already occurring before and after events at the existing arena, net annual spending is estimated at approximately \$43.3 million, as shown in **Table 4**.



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TABLE 4

Potential Annual Spending/Economic Impacts for the County of Sacramento	
Total Annual Spending	\$93,620,181
Gross Direct Annual Spending	\$74,896,145
Gross Indirect Annual Spending	\$23,217,805
Gross Induced Annual Spending	\$32,954,304
Total Gross Annual Spending - County of Sacramento	\$131,068,253
Less: Spending by County of Sacramento Residents	(\$58,980,714)
Less: Existing Arena Spending Impacts	(\$28,835,016)
Total Net Annual Spending - County of Sacramento	\$43,252,524

Data Source: IMPLAN 2008 coefficients, Capitol PFG.

Over the thirty year useful life of the Entertainment and Sports Complex, **the County of Sacramento will see almost \$6 billion of total gross economic activity**, equating to approximately \$3.8 billion on a net present value basis. As previously described, the cumulative economic activity assumes an annual inflationary increase of 2.74%, equal to the average annual change in the California Consumer Price Index for San Francisco-Oakland-San Jose.

Greater Sacramento Region

The Sacramento region is made up El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba Counties. Due to the size and location of each of these Counties, a new Entertainment and Sports Complex will provide overall economic benefits to each of these areas.

When expanding the analysis to include the greater Sacramento region, gross annual spending is estimated at approximately \$157.5 million per year. After adjusting for spending by existing regional residents, so only visitor spending is accounted for, as well as an adjustment for spending already occurring before and after events at the existing arena, net annual spending is estimated at approximately \$24.6 million, as shown in **Table 5**.

TABLE 5

Potential Annual Spending/Economic Impacts for the Greater Sacramento Region	
Total Annual Spending	\$93,620,181
Gross Direct Annual Spending	\$79,577,154
Gross Indirect Annual Spending	\$35,013,948
Gross Induced Annual Spending	\$42,971,663
Total Gross Annual Spending - Greater Sacramento Region	\$157,562,765
Less: Spending by Greater Sacramento Region Residents	(\$116,596,446)
Less: Existing Arena Spending Impacts	(\$16,386,528)
Total Net Annual Spending - Greater Sacramento Region	\$24,579,791

Data Source: IMPLAN 2008 coefficients, Capitol PFG.

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Over the thirty year useful life of the Entertainment and Sports Complex, ***the greater Sacramento region will see almost \$7.2 billion of total gross economic activity***, equating to approximately \$4.6 billion on a net present value basis. As previously described, the cumulative economic activity assumes an annual inflationary increase of 2.74%, equal to the average annual change in the California Consumer Price Index for San Francisco-Oakland-San Jose.

Economic Impacts Summary

TABLE 6

Summary of Potential Economic Impacts of a New Entertainment and Sports Complex				
Geographic Area	Gross Annual Spending	Net Annual Spending	Total Gross Spending Over 30 Years	NPV of Total Gross Spending Over 30 Years
Downtown Sacramento	\$99,705,493	\$99,184,776	\$4,548,689,756	\$2,907,004,872
City of Sacramento	\$116,107,748	\$59,358,760	\$5,296,981,254	\$3,385,227,646
County of Sacramento	\$131,068,253	\$43,252,524	\$5,979,498,271	\$3,821,414,856
Greater Sacramento Region	\$157,562,765	\$24,579,791	\$7,188,211,136	\$4,593,886,573

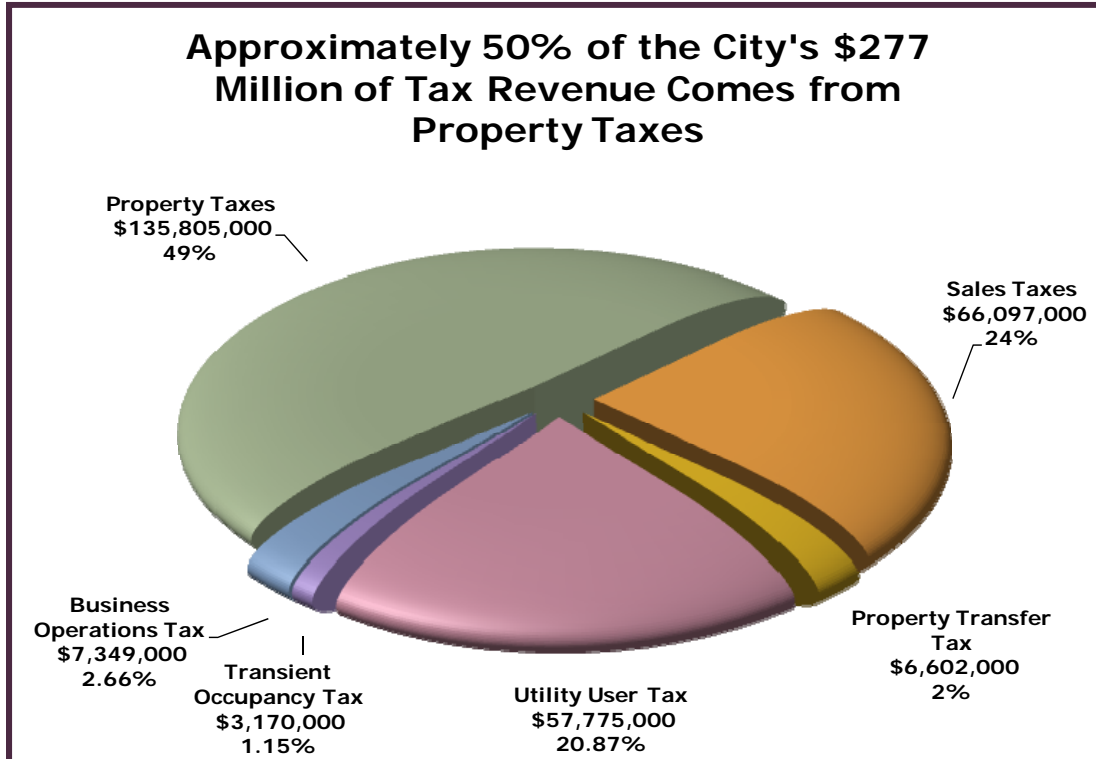
In summary, a New Entertainment and Sports Complex would bring approximately \$157.6 million in gross annual spending to the Sacramento region both before and after events at the Complex, and approximately \$99.7 million specifically to Downtown Sacramento. When considering net annual spending, Downtown Sacramento would significantly benefit with net annual spending of approximately \$99.2 million, as shown in **Table 6**. Furthermore, as the facility has a useful life of at least thirty years, the region will see a total of over \$7 billion of gross economic activity over thirty years. That equates to almost \$4.6 billion in present value dollars.

3.1 MILLION ANNUAL VISITORS WILL CREATE FISCAL BENEFITS FOR GOVERNMENT AGENCIES

In addition to the economic impacts of a new Entertainment and Sports Complex, such a facility will generate tax dollars to the benefit of a variety of local agencies as well as the State. Direct spending alone will increase the sales tax revenue received by the City, County and State governments. It is expected that event attendees will purchase food and beverages along with other retail purchases both before and after events. Furthermore, a portion of event attendees will spend the night in town, generating revenues for local hotels, motels or inns. These purchases and lodging will increase the sales tax and Transient Occupancy Tax received by government agencies. Furthermore, as additional development occurs to respond to the increased demand for retail, additional revenue will be generated for local government through property taxes, property transfer taxes, utility user taxes, and business operations taxes.

For Fiscal Year 2011-12, the City has budgeted approximately \$277 million in total tax revenue. As shown in **Chart 5**, the City receives almost 50% of its tax revenue from property taxes.

CHART 5



Source: City of Sacramento 2011-12 Budget.

Sales Taxes

The City of Sacramento is allocated a full 1% of the sales taxes generated from within the City. Senate Bill 1096 as amended by Assembly Bill 2115 "flipped" $\frac{1}{4}$ of the 1% sales tax revenue for an equal dollar amount of property tax revenue. So, although the City is entitled to a full 1% of the sales tax revenue, the actual funding source of the sales tax category of money is $\frac{3}{4}$ % sales tax and $\frac{1}{4}$ % property taxes. Additionally, Proposition 172 authorized a $\frac{1}{2}$ % sales tax to support public safety services. The City of Sacramento receives a portion of this Proposition 172 money.

The potential net annual spending from event visitors before and after events at the proposed Entertainment and Sports Complex could generate approximately \$59.4 million in net direct, indirect and induced spending within the City of Sacramento. As shown in **Table 7**, this would result in approximately \$47.5 million in taxable sales each year, generating over \$800,000 in additional sales tax revenue to the City of Sacramento annually, including almost \$60,000 in Proposition 172 public safety funds each year. Additionally, the taxable sales would generate almost \$5 million per year in sales tax revenue annually distributed to other government agencies, mostly the State. In total, approximately \$5.8 million in total sales tax revenue would be generated from visitor spending before and after events at the Complex.



TABLE 7

Sales Tax Revenue Estimates	
Visitor Spending	\$93,620,181
Estimated Taxable Sales	\$74,896,145
6% Sales Taxes Deposited in State's General Fund	\$4,493,769
0.25% Sales Taxes Deposited into 2004 Economic Recovery Fund	\$187,240
1% Sales Taxes Generated from Direct Spending	\$748,961
Less: Property Tax In-Lieu of Sales Tax	(\$187,240)
Total Annual Sales Taxes Generated from Direct Spending	\$561,721
Annual Property Taxes In-Lieu of Sales Taxes	\$187,240
Proposition 172 Public Safety Funds	\$374,481
City of Sacramento Share of Proposition 172 Funds	\$59,917
Total Annual Sales Tax Revenue to the City of Sacramento	\$808,878
Total Annual Sales Tax Revenue Distributed to Other Government Agencies	\$4,995,573

Over the 30 year useful life of the Entertainment and Sports Complex, this would result in a total of approximately \$37 million in additional sales tax revenue to the City of Sacramento, equating to approximately \$23.5 million on a net present value basis. Additionally, the \$5 million per year in sales tax revenue distributed to other government agencies would result in a total of approximately \$228 million in additional sales tax revenue, equating to approximately \$146 million on a net present value basis.

Transient Occupancy Tax

A Transient Occupancy Tax is a tax imposed on hotels, motels and similar facilities for short-term stays. It is imposed as a percentage of the rents charged for such lodging. In Sacramento, there is a 12% tax on all such lodging. This revenue source is restricted for costs associated with the Sacramento Convention Center and Visitor's Bureau and the Metro Arts Chamber.

With a potential 310,000 overnight visitors per year attending events at the proposed new Entertainment and Sports Complex, the City could see an additional \$900,000 in transient occupancy tax revenue from lodging, as shown in **Table 8**.

TABLE 8

Transient Occupancy Tax Revenue Estimates	
Number of Overnight Visitors	310,350
Lodging Expenditure Per Visitor Less TOT	\$41
Total Lodging Expenditure	\$12,743,219
Less: Existing Visitor Lodging	(\$5,097,288)
Net Lodging Expenditure	\$7,645,932
12% Transient Occupancy Tax Tax	\$917,512

Over the 30 year useful life of the Entertainment and Sports Complex, this would result in a total of just under \$42 million in additional revenue to the City of Sacramento, equating to almost \$27 million on a net present value basis.

Other Revenues

Property Taxes

Property tax revenue generated from the area around the proposed Entertainment and Sports Complex support a variety of public agencies, including: the City of Sacramento, County of Sacramento, Sacramento City Unified School District, the Downtown Redevelopment Project Area, County Library, Sacramento Metro Fire Department, Los Rios Community College District, among others. All property tax revenue remains local, meaning, it does not go to the State.

Each property owner pays 1% of the "assessed value" of their property in general property taxes, which are then divided among all the various taxing entities. Assessed value of property was based on the 1978 values set through Proposition 13, and then adjusted annually to reflect the lesser of 2% or the change in the California Consumer Price Index. Assessed value can also increase based on the value of any improvements to property. Once a property is sold, the assessed value is reset to the market value of the property.

As development occurs, both with improvements to property and transfer of ownership, the assessed value will increase, thereby generating more property tax revenue to be distributed to the local government agencies. In order to support visitors to a new Entertainment and Sports Complex, additional development will occur in Downtown Sacramento. This additional development will create additional property tax revenue which will be divided among all the local taxing entities, including the schools, community colleges, fire department, library, county and city.

Property Transfer Taxes

As real property transfers ownership, a tax is imposed for the benefit of both the City and County of Sacramento. The City has established a tax rate of \$2.75 per \$1,000 of assessed value. Additionally, the County has established a tax rate of \$0.55 per \$1,000 of assessed value.

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Again, as new development occurs to support a new Entertainment and Sports Complex, property transfer tax revenue will be received by the City and County of Sacramento.

Utility User Taxes

Utility user taxes are imposed on customers of gas, electric and cable television utility providers at the rate of 7.5% of utility charges and communications services providers at the rate of 7% of communications charges.

New businesses located in Downtown Sacramento will increase utility usage and the resulting utility user tax that is passed along to consumers, thus increasing revenues to the City.

Business Operations Taxes

The City of Sacramento imposes a business operations tax based on gross receipts of each business in the City. For businesses with gross receipts of \$10,000 or less, there is a flat \$30 fee. For businesses with gross receipts in excess of \$10,000, there is a fee of \$30 plus \$0.0004 for every dollar in excess of \$10,000, up to \$5,000.

The City could see additional business operations tax revenue both due to an increase in gross receipts and additional businesses locating in Downtown Sacramento.

CASE STUDIES

The analysis contained in this Report is based on a proposed facility and estimates of the potential economic benefits that could be achieved from the development of such a project as event visitors spend on retail and other services both before and after events. However, many cities throughout the United States have experienced successful revitalization and economic benefits as a result of similar projects. These cities can provide as an example for Sacramento to make such a project a true success.

KANSAS CITY

In the early 1990s, Kansas City's urban core saw empty office space and littered parking lots. Motorists traveled through the downtown into other communities for work, entertainment and living, usually because there was nothing downtown to draw them in. Compounding the problem, many businesses led an out-migration by relocating to other areas of the metropolitan area. Peripheral areas of Kansas City remained healthy, but not downtown.

Today, Downtown Kansas City may be one of the most remarkable examples of urban rebirth. An approximate \$4.5 billion downtown expansion began in 2005, including a \$276 million arena called the Sprint Center, the \$850 million entertainment district called the Power and Light District, a \$150 million convention center expansion, and the \$138 million H&R Block world headquarters, according to the Kansas City Urban Renewal Business Report.



The revitalized Downtown Kansas City was designed as a place to live, as well as work and play. An important part of this concepts was a goal of new housing units within the Downtown, as well as supporting amenities such as a grocery store, expanded convention center, entertainment facilities and ground-level retail. A public-private partnership is a main credit for the success.

Kansas City's Power and Light District, a pedestrian-friendly none-block entertainment, retail and residential development between the convention center, hotels and the Sprint



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Center draws thousands of locals to downtown and helps to attract conventions to the city. The Power and Light District contains more than 40 restaurants and shops, live entertainment and events nearly every night and a covered courtyard that can hold 11,000 guests.

Pollstar magazine rated the Sprint Center is the fifth-busiest arena in the nation and 12th-busiest in the world, as reported by the Sacramento Bee in March of 2011. The 19,000 square foot facility has hosted the Big 12 college basketball tournament and several other concerts and events, despite the fact that Kansas City does not have a professional basketball or hockey team that calls the Sprint Center its home. It has, however, turned at least a 16% profit every year since it opened in 2007.

MEMPHIS

The construction of Fed Ex Forum in Memphis was something that was hotly debated about 10 years ago. But, with its opening in 2004, the City of Memphis got an NBA basketball team, the Grizzlies, countless college basketball games, and more than 100 special events every year. The Forum hosts 45 Memphis Grizzlies NBA basketball events along with approximately 130 other events.



The Memphis Chamber of Commerce commissioned a study in September 2010 that indicated that on an annual basis, the Fed Ex Forum generates \$223 million in economic benefits to the Memphis community and creates 1,374 full-time equivalent jobs. The analysis estimates that visitors spend approximately \$23.40 per person outside the Fed Ex Forum before and after events to the benefit of the local businesses.

The area around the Fed Ex Forum has experienced a significant amount of development including new hotels and restaurants as part of the sports and entertainment district that was created. The Fed Ex Forum has a capacity of 18,500 and an attached parking garage with 1,800 spaces. The facility is located ½ block south of the historic Beale Street in downtown Memphis and ties directly into the surrounding area with outdoor entertainment and party areas and a 35,000 square foot exterior plaza.

OKLAHOMA CITY

In the mid-1990's Oklahoma City launched a downtown development plan, the Metropolitan Area Projects (MAPS) plan, ultimately leading to approximately \$350 million in city revenues being spent on infrastructure. MAPS consists of nine distinct components, including: fairgrounds renovation (completed in 1997), the construction of a new 15,000 seat AAA baseball park (completed in 1998), a bus trolley system (completed in 1999), a mile long Bricktown Canal (completed in 1999), convention center renovation (completed in 1999), Civic Center Music Hall renovations (completed in 2001), the construction of a new 20,000

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seat multi-purpose arena (completed in 2002), a new library and learning center (completed in 2003) and the North Canadian River project (completed in 2003).

MAPS projects have provided a platform for approximately \$5 billion in private investment since its inception. Some of these improvements include new and restored hotels, a thriving entertainment district in Bricktown, and new residential development in the Central Business District and Deep Deuce area.

The Ford Center Arena, costing \$87.7 million, was completed in 2002 as part of the MAPS plan. In 2008, the City's voters approved \$100 million to upgrade the Ford Center and \$21 million to construct a new basketball practice facility to accommodate an NBA team, the Thunder.

The City commissioned an economic analysis in 2003, 2005 and 2009 to determine the impacts of the MAPS projects. The three studies found that property values grew dramatically as did office space rentals as a result of the overall MAPS projects. The report states that "games at the Ford Center . . . are a big boost for the restaurants and clubs. The theater and Bass Pro (Shop retail store) "anchors" on the southern edge of the area promise to create a more stable customer base . . . as will the increasing number of year-round residents nearby and the expanded event schedule at the Ford Center." Private investment increased the entertainment venues available, including a large theater complex, a significant investment in restaurants and nightlife, and large specialty retail shops.



COLUMBUS

Over the past 10-15 years, much has changed in the area of Columbus now commonly known as the Arena District. Where there once was a crumbling state prison and little economic or community value, there is now a thriving economic engine and a point-of-pride for the Central Ohio area. The driving force in the remarkable transition of Columbus has been the establishment and operation of the Columbus Blue Jackets of the National Hockey League (NHL) and the construction and operation of the Nationwide Arena. Additionally, baseball made its debut in the Arena District in 2009, with the construction of a \$55 million stadium that is the home of the minor-league Columbus Clippers.

A study was conducted by the John Glenn School of Public Affairs at The Ohio State University, analyzing the gross impact of the Blue Jackets and the Nationwide Arena on the Central Ohio area. The report indicates that "Nationwide Arena and the surrounding area have . . . become a prime destination for visitors to Columbus."

Some of the major findings of the study include an identification of more than \$850 million of spending in central Ohio directly attributable to the Arena events since the facility opened in 2000. Additionally, on average 159 full time employees and 972 part time employees can be attributed to the Arena. Researchers at the Glenn School were able to identify

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business investments in the Arena District totaling more than \$630 million. As a result of those investments, more than 170 businesses operate in the Arena District.

The Study also reports that valuations for properties in the Area District area increased from \$21 per square foot in 1998 to \$76 per square foot in 2008. This increase is more than 12 times the average increase of 22% for property valuations in the zip code comprising of most of the downtown Columbus area, according to an economics professor at Ohio State University.

The Nationwide Arena is home to the Columbus Blue Jackets, Columbus Destroyers, an arena football team, as well as approximately 40 non-hockey and non-football events. Since the arena opened in 2000, the Ohio State University report estimates that \$159.6 million has been spent by visitors to Columbus on hotels and restaurants. Overnight guests spend an average of \$186.08 per person per day on hotels and restaurants.

The construction of the Nationwide Arena has been a boon to the neighboring Greater Columbus Convention Center, and is a link to the central business district, the Ohio Statehouse and Short North, a trendy amalgamation of art galleries, residences, restaurants and shops. With the construction of apartments and condominiums, the Arena District has brought hundreds of residents to downtown and helped redefine the local office market with 1.2 million square feet of office space.



SUMMARY AND CONCLUSIONS

An Entertainment and Sports Complex in Downtown Sacramento can significantly revitalize the downtown core and, in conjunction with other development projects, create a vibrant destination for the Sacramento region. An Entertainment and Sports Complex can be a major foot traffic generator that will bring people to the downtown area during the time of day in which there are currently minimal pedestrians. Increasing foot traffic will be a boon to restaurant and retail establishments located within walking distance from the Complex.

Overall, this report identified five key findings including:

- The Entertainment and Sports Complex will generate just over \$157 million in revenue for the entire region on an annual basis, including \$99,705,493 in downtown Sacramento, \$116,107,748 in the City of Sacramento, \$131,068,253 in the County of Sacramento and in \$157,562,765 in the greater Sacramento region.
- Given that the facility's operating costs will be covered by the direct revenue generated within the arena, over a thirty year period the Sacramento region will receive over \$7 billion in economic activity.
- An Entertainment and Sports Complex will attract 3.1 million new visitors to Downtown Sacramento on an annual basis.
- Hotels located within walking distance of the facility in Downtown Sacramento will see an increase of over 300,000 guests who choose to spend at least one night in a downtown hotel.
- Fiscal benefits for government agencies created by 3.1 million new visitors will include approximately \$6.7 million annually generated by \$5.8 in sales taxes and over \$900,000 in transient occupancy taxes. Additional revenue would be expected to be generated by increases in other sources of government revenue such as property taxes.

As with any planned development project, it takes several types of facilities to attract a variety of age, ethnic and social groups to a particular area. Having entertainment venues acting as foot traffic generators, complimented by restaurant and retail establishments with easy transportation access can create a vibrant urban environment, thus attracting new residents to the downtown core. New residents provide a strong workforce, and can attract new businesses to the area. It is the co-dependence of these factors that will make Downtown Sacramento a destination for people throughout the region to live, work and play.

Sacramento has a unique opportunity to boost itself out of an economic downturn and enhance the economic vitality entire region. The development of a new Entertainment and Sports Complex can act as an economic catalyst for businesses in Downtown Sacramento, thus revitalizing the area and again making it the regional center for business, commerce, government, entertainment, housing, education and culture.

