

ECONOMIC AND FISCAL IMPACT ANALYSIS

This section analyzes the incremental and total benefit that would be generated by event activities at the proposed Erie Bayfront Convention Center and Hotel upon stabilization. It also reviews the potential economic and fiscal impacts induced through the construction of the phase one building program. The analysis is based on the convention center demand and operating projections prepared by Johnson Consulting and the proposed 207-room hotel operating projections prepared by HVS International.

Summary of Findings

Table 1 summarizes the estimated economic and fiscal impact of the proposed Convention Center and Hotel, from annual operations based on the facilities' stabilized operations, and from the construction activity.

Table 1

Erie Bayfront Convention Center and Hotel Economic and Fiscal Impact (\$Millions) - Stabilized Year			
	Convention Center*	Hotel	Total
From Operations			
Economic Impact			
Direct Spending	\$20.8	\$11.1	\$31.9
Indirect Spending	2.6	1.4	4.0
Induced Spending	8.0	3.9	11.9
Total	\$31.3	\$16.3	\$47.7
Personal Income	\$3.7	\$2.5	\$6.2
Employment (in FTE)	205	200	405
Fiscal Impact			
Sales Tax	\$1.0	\$0.6	\$1.6
Hotel Occupancy Tax	0.2	0.2	0.4
From Construction			
Economic Impact			
Direct Spending	\$17.6	\$11.5	\$29.1
Indirect and Induced Spending	0.3	0.4	0.7
Total	\$17.9	\$11.9	\$29.8
Personal Income	\$2.4	\$2.7	\$5.1
Employment (in FTE)	49	54	102
Fiscal Impact			
Sales Tax	\$1.2	\$0.8	\$2.0

**Includes transfer impact and net new impact.
Source: Johnson Consulting*

Based on these figures, there is a rationale for public interest and support of such projects.

Table 2 shows the number of permanent employees both on-site and off-site that are projected to be added by the Convention Center and Hotel.

Table 2

Erie Bayfront Convention Center and Hotel					
Projected Total Permanent Employment					
	Convention Center		Hotel		Total
	On-site	Off-site	On-site	Off-site	
Employment (in FTE)	24	181	112	88	405

Source: Johnson Consulting

As shown in the table, 24 and 112 full time equivalents (FTE) employees will be added by the Convention Center and the Hotel, respectively. Off-site employment is projected to be 181 FTEs for the Convention Center and 88 for the Hotel for a total of 405 on- and off-site.

Definitions

For the purpose of this analysis, impact totals are discussed in terms of the Erie County area economy. The levels of impacts are described as follows:

- **Direct impacts** - are an expression of the spending that occurs as a direct result of the events and activities that occur in the convention headquarters hotel. For example, a convention attendee’s or hotel guest’s expenditures on hotel rooms and meals are a direct economic impact.
- **Indirect impacts** - consist of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct spending in the proposed convention center and hotel. For example, a hotel guest’s direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that are within the local, regional, or state economies is counted as an indirect economic impact.
- **Induced impacts** - represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the attendee’s or hotel guest’s visit. The

amount of the increased income the waiter spends in the local economy is considered an induced impact.

- **Personal income** - measures increased employee and worker compensation related to the events being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expresses how the employees of local businesses share in the increased outputs.
- **Employment impact** - measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the convention headquarters hotel. Employment impact is stated in a number of full-time equivalent jobs.

This analysis differentiates impacts from spending by people coming from out-of-town and by local residents, as defined below:

- **Net New Spending** - is spending by out-of-town attendees, exhibitors, and other visitors who come from outside the subject area, i.e., Erie County, which represents the amount of "new dollars" that flow into the County economy.
- **Transfer Spending** - In strict economic terms, spending by those who live in the market area represents "transfer" spending. For example, a resident of the Erie County who attends a seminar at the Erie Bayfront Convention Center would transfer income from one sector of the County's economy to another, and therefore is not bringing new dollars into the County economy. Nevertheless, they are part of the economic activities attributable to the Convention Center.

Therefore, the analysis will present total impacts of the proposed Erie Bayfront Convention Center and Hotel as expressed through the net new spending to Erie County plus transfer spending.

Economic Impact Analysis – Convention Center

In the stabilized year of operation (Year 2014), Erie Bayfront Convention Center is projected to host a total of 224 events, generating approximately 118,300 attendees. As the stabilized year represents what should be the effective level of performance for the facility, the economic impacts are based on this year. Table 3 summarizes the event demand by type of events.

Table 3

Erie Bayfront Convention Center Projected Event Demand and Attendance - Year 2014		
	# of Events	# of Attendees
Conventions and Trade Shows	18	13,800
Consumer Shows	17	48,000
Corporate Events	60	23,300
Meetings and Conferences	77	13,300
Banquets and Social Events	52	19,900
Total	224	118,300

Source: Johnson Consulting

The number of attendees, in combination with length of stay in the local market represents the two primary indicators of event impacts. Accordingly, Johnson Consulting, drawing on prior experience in similar markets, developed estimates of local and non-local person-days. "Person-days," or the number of days that an attendee spends in the market (person-days), serves as the basis of the economic impact estimate. Based on the attendance figures presented above, Johnson Consulting estimated the number of person-days that resulted from the activities hosted on the Convention Center.

Table 4 shows the assumptions that are utilized to estimate the number of person-days and room nights generated from the Convention Center events. These assumptions include event length, spouse/ guest factor, and visitor origin, which are derived from experience with similar facilities in comparable markets, adjusted to reflect the Erie market. The table also shows the resulting number of person-days. The number of person-days are differentiated between local and non-local, i.e., from within Erie County and from outside Erie County. The estimated number of room nights corresponds to room night estimates in the Feasibility Study for the Proposed Erie County Convention Hotel as prepared by HVS International.

Table 4

Erie Bayfront Convention Center								
Assumptions for and Estimates of Person-Days and Room Nights								
	Average Event Length	Spouse/ Guest Factor	Attendee Origin		# of Person-Days			# of Room Nights
			% from Erie County	% from Outside County	Total	Local (From Erie County)	Non- Local (From Outside County)	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Conventions and Trade Shows	3.3	50%	7%	93%	70,800	6,800	64,000	na
Consumer Shows	2.6	20%	90%	10%	45,500	36,200	9,300	na
Corporate Events	1.0	20%	75%	25%	28,400	20,300	8,100	na
Meetings and Conferences	1.0	10%	50%	50%	14,300	7,100	7,200	na
Banquets and Social Events	1.0	20%	75%	25%	19,700	14,800	4,900	na
Total					178,700	85,200	93,500	35,010

Notes:
 Column (b) indicates the percentage of attendees who bring a spouse/ guest to the event.
 For Conventions, Trade Shows, Consumer Shows, and Corporate Events, columns (e) through (h) include person-days and room nights from exhibitors.
 Source: Johnson Consulting

As shown in the table, events at the Convention Center are estimated to generate approximately 85,200 local person-days and 93,500 person-days from out-of-County visitors. The number of person-days includes spouses or guests of the event attendees, which bring a significant addition to the potential spending impacts. According to the HVS study, the non-local attendance is projected to generate 35,010 room nights.

As the basis for direct spending estimates for the economic impact analysis, Johnson Consulting used the average daily spending per attendee by type of events as shown in Table 5. The average daily spending assumptions are derived from a spending data survey from the International Association of Convention and Visitor Bureaus (IACVB), Johnson Consulting’s experience with similar projects in comparably sized markets, as well as the HVS hotel study for spending on lodging. The spending amounts below are shown in 2004 dollars.

Table 5

Average Daily Spending per Attendee (in 2004 Dollars)				
	Conventions and Trade Shows	Consumer Shows	Corporate Events	Conferences/ Meetings/ Banquets
Type of Spending				
Tickets/ Entertainment	\$10.90	\$4.40	\$8.70	\$7.60
Transportation	20.00	8.00	16.00	14.00
Eating and Drinking	64.40	25.80	51.50	45.10
Lodging	103.44	103.44	103.44	103.44
Shopping	25.00	10.00	20.00	17.50
Other	6.30	2.50	5.00	4.40
Total- Day-Trip	\$126.60	\$50.70	\$101.20	\$88.60
Total- Overnight	\$230.04	\$154.14	\$204.64	\$192.04

Source: IACVB, Johnson Consulting

As the table shows, the estimated average daily spending for Convention Center attendees ranges from \$50.70 to \$126.60 per day (excluding lodging). For attendees that incur lodging, that expenditure is estimated to be \$103.44 per room night, based on the estimated ADR for the meeting and group segment as presented in the hotel study by HVS International (\$119.92 in 2009, discounted back to 2004 dollars by three percent annually, Section 9 Page 8, of the HVS Study).

Table 6 shows the estimated economic impact of the proposed Erie Bayfront Convention Center events. Johnson Consulting utilized the IMPLAN input-output model to estimate indirect and induced impacts, as well as the increase in personal income and employment. IMPLAN is a nationally recognized model commonly used to estimate economic impacts. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy. The indirect and induced spending, personal income, and employment effects represent the estimated changes in the flow of income and goods caused by the direct spending associated with the Convention Center.

Table 6

Erie Bayfront Convention Center Economic Impact (\$Millions) - Stabilized Year			
	From Transfer Spending by Locals (a)	Net New to City (b)	Gross Total (c)
Convention Center			
Direct Spending	\$6.7	\$14.1	\$20.8
Indirect Spending	0.8	1.8	2.6
Induced Spending	2.8	5.2	8.0
Total	\$10.3	\$21.1	\$31.3
Personal Income	\$1.25	\$2.42	\$3.7
Employment (in FTE)	63	142	205
<i>Notes:</i>			
<i>Column (a) represents economic impact from spending by County residents.</i>			
<i>Column (b) represents economic impact from spending by all out-of-County visitors.</i>			
<i>Column (c) = Column (a) + Column (b).</i>			
<i>Source: Johnson Consulting</i>			

As shown in the table, Johnson Consulting projects, that in their stabilized year of operation, the proposed Erie Bayfront Convention Center is estimated to generate approximately \$31.3 million in total direct, indirect, and induced spending, \$3.6 million in earnings, and support for the equivalent of 205 full-time jobs, including impacts from both transfer spending and net new spending. This includes on-site Convention Center employees of approximately 24 full time equivalents by the facility's year of stabilization.

Economic Impact Analysis - Hotel

The economic (and fiscal) impact analysis focuses on the proposed 207-room hotel's stabilized year of operation. As shown in the proforma prepared by HVS International, the hotel's occupancy rate stabilizes at 67 percent, resulting in 50,622 occupied room nights. The hotel's market segmentation is projected to stabilize at 42.7 percent meeting and group, 36.5 percent commercial, and 20.8 percent leisure (Section 8 Page 8 of the HVS study). Therefore, the 50,622 room nights consist of 21,616 meeting and group room nights, 18,477 commercial room nights, and 10,529 leisure room nights.

Please note that the meeting and group room nights include those which are generated by the convention center events, and therefore are already included in the convention center impact calculation. It is assumed that the convention hotel

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captures 30.6 percent of the 35,010 convention center-generated room nights, or 10,713 room nights. These room nights are already accounted for in the convention center impact calculation as shown in Table 4 previously. The remaining 24,297 room nights are captured by other hotels in the market. Room nights related to in-house meetings and/ or others in the hotel (not Convention Center related) are 10,903. To avoid double counting, only these 10,903 room nights are included in this hotel impact analysis.

Assuming that the average length of stay per occupied night is 1.2 days across all segments and the average number of guests per room is 1.4, 1.2, and 1.7 for meeting and group, commercial, and leisure segment, respectively, the 50,622 occupied room nights translate to 66,400 guest-days, total. By definition, these hotel guest-days are all non-local, i.e., from outside Erie County. Table 7 summarizes the calculation.

Table 7

Erie Convention Center Hotel Statistics and Assumptions - Stabilized Year					
	Meetings and Group		Commercial	Leisure	Total
# of Occupied Room Nights					50,622
Market Segmentation	42.7%		36.5%	20.8%	
→ # of Occupied Room Nights per Segment	21,616		18,477	10,529	
	↙	↘			
	CC-related	In-House and Other	↓	↓	
# of Occupied Room Nights per Segment	10,713*	10,903	18,477	10,529	
x Avg Length of Stay per Night (in # of Days)	na	1.2	1.2	1.2	
x Avg # of Guests per Room	na	1.4	1.2	1.7	
= Estimated # of Guest-Days	na**	18,300	26,600	21,500	66,400

**Based on the hotel's 30.6 percent market share of the 33,700 convention center room nights.*
***Already included in the convention center's person-days calculation in Table 2.*
 Source: Johnson Consulting

Again, multiplying the number of occupied room nights and the estimated number of guest-days with the average daily rate (ADR) and average daily spending per guest, total amount of guest spending can be estimated. ADR is estimated to be \$103.44 for meeting and group, \$93.13 for commercial, and \$83.96 for leisure, based on the rates shown in the Rate Forecast table in Section 9 Page 8 of the HVS study, discounted back to 2004 dollars. In addition to lodging, it is assumed that each guest incurs daily expenditures for recreation, transportation, meals, shopping, and other. Table 8 shows the estimated average daily spending per guest.

Table 8

Average Daily Spending per Guest (in 2004 Dollars)			
	Meeting and Group	Commercial	Leisure
Type of Spending			
Tickets/ Entertainment	\$10.90	\$0.00	\$27.30
Transportation	20.00	20.00	20.00
Eating and Drinking	64.40	64.40	32.20
Lodging	103.44	93.13	83.96
Shopping	25.00	25.00	25.00
Other	6.30	6.30	6.30
Total	\$230.04	\$208.83	\$194.76

Source: IACVB, Johnson Consulting

As the table shows, the estimated average daily spending for hotel guests ranges from \$194.76 to \$230.04 per day, including lodging.

Table 9 shows the estimated economic impact of the proposed Convention Hotel, based on the same IMPLAN model utilized for the Convention Center impact analysis.

Table 9

Erie Bayfront Convention Hotel Economic Impact (\$Millions) - Stabilized Year			
	From Transfer Spending by Locals	Net New to County	Gross Total
	(a)	(b)	(c)
Hotel			
Direct Spending	\$0.0	\$11.1	\$11.1
Indirect Spending	0.0	1.4	1.4
Induced Spending	0.0	3.9	3.9
Total	\$0.0	\$16.3	\$16.3
Personal Income	\$0.0	\$2.5	\$2.5
Employment (in FTE)	0	200	200

Notes:
 Column (a) represents economic impact from spending by County residents.
 Column (b) represents economic impact from spending by all out-of-County visitors.
 Column (c) = Column (a) + Column (b).
 Source: Johnson Consulting

As shown in the table, Johnson Consulting projects, that in their stabilized year of operation, the proposed Convention Hotel is estimated to generate approximately \$16.3 million in total direct, indirect, and induced spending, \$2.5 million in earnings, and support for the equivalent of 88 full-time jobs off-site, all of which are net new impact to Erie County. Additionally, approximately 112 full time equivalent positions will be generated on-site, including 17 management positions, according to White Lodging. Total employment generated by the Convention Hotel is estimated to be approximately 200 full time equivalents.

Fiscal Impact Analysis

Fiscal impacts are tax revenues that result from the spending and income related to the activities at the proposed Erie Bayfront Convention Center and Hotel. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. Like the annual spending estimates on which they are based, fiscal impacts are based on event demand and attendance in their stabilized year of operation.

The fiscal impacts are the public sector's return of investment. Fiscal impacts provide a partial offset to the capital and operating expenditures required to support the development of the facility. Although the incremental tax revenues cannot be expected to pay for a publicly-funded project in full, fiscal impacts are important because they improve the ability of the public sector to pay for the project. The overall economic impacts, including the fiscal impacts, provide a rationale for public participation in a project.

Based on the gross spending shown in Table 6 and Table 9, Johnson Consulting estimated the fiscal impacts from two major categories of tax revenues that are directly affected by event attendees' activity: State Sales Tax and County Hotel Occupancy Tax.

- *General Sales/Use Tax* - is 6.00 percent,
- *Hotel/Motel Tax* - is 5.00 percent, in addition to the 6.00 percent sales tax.

Not included in the analysis at this point are property tax and income tax estimates. Spending outside the Erie Bayfront Convention Center and Hotel would increase some of the values of commercial establishments in the area, which result in increased property tax supported by the project.

Table 10 summarizes the fiscal impact estimates from general sales tax and hotel occupancy tax.

Table 10

Erie Convention Center and Hotel Estimated Fiscal Impacts (\$000's)						
	Taxable Spending		Tax Rates	Tax Revenues		
	Convention Center	Hotel		Convention Center	Hotel	Total
General Sales Tax	\$16,597	\$9,395	6.00%	\$996	\$564	\$1,560
Hotel/ Motel Tax	3,621	3,733	5.00%	181	187	368
Total				\$1,177	\$750	\$1,927

**In addition to the 6 percent general sales tax.
Source: Johnson Consulting*

As the table shows, direct spending generated by events at the proposed Erie Bayfront Convention Center are projected to result in approximately \$1.2 million in tax revenues. Tax revenues from the Convention Hotel are projected to be approximately \$750,000.

Erie County is likely to incur expenses related to providing services to the improved facilities that are not estimated in this analysis. These expenses include police and fire protection, emergency medical services, traffic control, street maintenance, sanitation, and other ongoing operating expenses required to maintain the environment around the facility. While many of these costs are charged back to facility users, inevitably these costs would, to some extent, decrease the overall fiscal benefit to the public sector.

Construction Impact

In addition to the ongoing impacts from the operation of the facilities, the construction of the Erie Bayfront Convention Center and Hotel would create a one-time influx of spending. The construction spending also results in employment in many sectors of the local economy.

Table 11 shows the total direct spending and the estimated indirect and induced impacts that the construction of the facilities would generate to the local economy. The estimate is based on the following development costs:

- Convention Center: \$40 million hard cost, \$44 million total cost,
- Convention Hotel: \$24.3 million hard cost, \$28.7 million total cost.

The estimate also assumes that 60 percent of costs are attributable to labor and 40 percent of costs are reflected in materials, upon which the fiscal impact estimate is based.

Table 11

Estimated Economic and Fiscal Impacts of Construction Activity			
	Convention Center	Hotel	Total
Economic Impact			
Direct Construction Spending*	\$17,600	\$11,480	\$29,080
Indirect Spending	340	374	715
Induced Spending	1,527	1,679	3,206
Total Spending	\$19,467	\$13,534	\$33,001
Personal Income	\$2,441	\$2,685	\$5,126
Employment (in FTE)	49	54	102
Fiscal Impact			
General Sales Tax	\$1,168	\$812	\$1,980
<i>*From spending on materials only.</i>			
<i>Source: Johnson Consulting</i>			

As shown on the table, the construction activity of the Convention Center is projected to account for total direct, indirect, and induced spending of \$19.4 million, increased earnings of \$2.4 million, and the equivalent support of 49 jobs. The construction activity of the Convention Hotel is projected to bring total direct, indirect, and induced spending of \$13.5 million, increased earnings of \$2.6 million, and the equivalent support of 54 jobs. These jobs are counted in "job-years," each representing one-year of work for one person because construction is a one-time event rather than an ongoing operation. The estimated fiscal impact from the six percent sales tax applied to the total spending is approximately \$1.2 million and \$812,000 from the construction of the Convention Center and the Convention Hotel, respectively.