

Institute for Public Policy  
and Economic Analysis

**An Assessment of the  
Economic Impact of the  
Spokane Public Facilities  
District in 2009 & 2010**

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## Executive Summary

The Spokane Public Facilities District (PFD) oversees three venues in the middle of the City of Spokane that host sports and entertainment events as well as conventions. To better understand the economic effects of the activities in its facilities, the PFD board contracted with Eastern Washington University's Institute for Public Policy & Economic Analysis (IPPEA) to analyze the most recent year. The 12 month period chosen began in February 1, 2009 and ended in January 31, 2010. The study area was the Spokane metropolitan statistical area, which is the same as Spokane County.

Data from the analysis first came from intercept surveys carried out by Strategic Research Associates of Spokane, who posed a set of questions to attendees. The questions covered residence, likely expenditures on several categories of goods and services, and for Spokane County residents, whether they would travel to another locale to attend the same event. Data also came from PFD monthly accounts for the study year. Seven events were surveyed, chosen by PFD and IPPEA staff to represent a typical set of event types over all three buildings. The surveyed events were: Lion King, Nutcracker, National Veteran Wheelchair Games, Spirit Convention, Disney on Ice, Keith Urban and the U.S. Figure Skating Championship.

The survey data were then applied to all events deemed to be regional or national in character, that is, capable of attracting out of county patrons in the study year. The allocation of the survey results was carried out jointly by PFD and IPPEA staff and covered 140 events. Fan spending at the Spokane Chiefs (hockey),

Spokane Shock (arena football) and the Washington State B High School Basketball tournament was not surveyed, however, and was derived from both internal PFD data and averages of the surveyed events. Estimates of convention center booth vendors' spending were based on a similar approach. Calculations based on surveys and PFD reports led to estimated direct spending by two types of attendees, out-of-county visitors and locals who would travel elsewhere to attend the event, as well as vendors.

Spending of local residents not among the above set was approximated in two ways: 1) locals attending regional or national events who would *not* travel out of county to attend the same events, and 2) locals at strictly local events. The latter generally consisted of consumer shows, high school or university graduations, and some meetings. Expenditures from these attendees were much more limited, and were estimated from receipts of the PFD from concessions & parking, as well as from average per capita per day food expenditures of the surveyed events.

The study employs two concepts of economic effect: *impact* and *contribution*. Impact calculations rest on the effects of "new dollars" injected into the Spokane economy from events at the PFD. Impact analysis consequently examines the spending by visitors as well as locals who would leave to attend the event elsewhere. The latter group is not always included in economic impact calculations. However, the defensive role played by an organization or business in keeping this spending in the local economy can be important, as this study illustrates.

Calculations of economic contribution count impact, and then add spending of two types of local activity. These latter two spending streams are associated with local dollars that might have been spent elsewhere in the local economy. The incremental economic effect might be one of simply substituting dollars spent on goods and services of the organization of interest (PFD) for spending elsewhere in the local economy. It is difficult to know whether this substitution effect occurs, although economic theory leads one to assume it does. Nonetheless, these activities are accounted for in the study as a parallel calculation, and since it is the sum of impact plus strictly local spending, contribution yields a larger result.

The analysis uses an input-output (I-O) model. Such a model measures the subsequent rounds of spending, once a good or service is purchased. It exploits detailed knowledge of inter-industry relationships that specify which sectors are input suppliers to other sectors. As a result, an initial round of spending, known as *direct* effects, leads a final accounting of spending, known as *total* effects. The ratio of total to direct effects yields the *multiplier*.

The study team employs a well-known national I-O model, Implan. The model provides users with county-level descriptions of the inter-industry relationships as well as fiscal (tax) rates. It is based on 440 sectors, not all of which might be present in any given county. Implan evaluates economic effects via four measures: Employment (part-time or full-time jobs), Labor Income, Output (final sales) and Value Added. The latter metric is the difference between the selling price of a good or service and the sum of its input costs. In addition, Implan calculates the tax impacts.

Total attendee days for the study year were 1,285,622. Estimates of the distribution of attendee days over that period at the Spokane PFD are:

- Out-of-county visitors: 385,917, or 30%
- Locals who would travel out of town to attend the same event: 111,689, or 8.7%
- Locals who would not travel out of town to attend the same event: 494,447, or 38.5%
- Locals attending strictly local events: 293,569, or 22.8%

The estimates of direct spending over the study year are:

- Out-of-county visitors: \$47.2M
- Local who would travel out of town to attend the same event: \$31.5M
- Locals who would not travel out of town to attend the same event: \$24.5M
- Locals attending strictly local events: \$7.3M

Via the I-O model, spending by the first two categories of attendees led to an estimated total *impact* of **\$63.0M** in the Spokane economy over the study year, as expressed by Value Added. Impacts, measured by Employment and Labor Income, were **1,411** (full- or part-time) and **\$38.9M**, respectively. The estimated impact of activities at the PFD as measured by Value Added represents slightly more than 0.4% of the U.S. Department of Commerce advance report of the size of the Spokane MSA private economy in that year. Resulting impact multipliers were 1.81, 1.77 and 1.42 for Value Added, Labor Income and Employment, respectively.

The size of the results depends critically on the implied spending by locals who would travel to

attend the same event elsewhere. Omitting the spending effects of this group leads to substantially lower results, for example \$41.3M in Value Added. The calculation of total *contribution* of activities at the PFD on the Spokane economy led to \$173.2M in Output, 2,277 in Employment and \$58.3 in Labor Income. Multipliers were similar.

As calculated by economic impact, the sectors in the local economy most affected by events at PFD were: Food Services & Drinking, Promoters of Performing Arts & Sports, Hotels & Motels, Real Estate Establishments and Retail Stores. The rank of these and a few other sectors shifted slightly, depending on the measure. In sum, 15 sectors constitute the field of top 10 sectors over the three I-O measures.

The impact calculation led to an estimate of total of state and local taxes raised by activities at the Spokane PFD over the study year of approximately **\$6.4M**. At \$3.7M, sales taxes made up the bulk of total state and local taxes. Property taxes was the other large category effected, showing an increase of \$1.8M in the economic impact calculations. At least \$3.1M of the total went to state government.

Comparing the Spokane PFD results to those of facilities elsewhere in the U.S. is not straightforward. Among of the dozens of economic impact/contribution studies, few cover an operation as diverse as the Spokane PFD. Two recent examples, however, were found in the literature. These studied the economic effects of the Charleston, SC, Area Convention Center Complex and the Portland, OR, Metropolitan Exposition Recreation Commission. Generally, the results, as expressed by multiplier values, were similar to those in this analysis.

The U.S. Figure Skating Championships was one of the marquee events at the PFD over the recent past. Due to its high profile and size, the study calculated its own economic impact. Total attendee days were approximately 160,000, and 77,000 of those were attributed to attendees with residences outside of Spokane County. Based on the specific survey of its attendees, the Championship led to an economic impact of **\$20.9M** in Valued Added to the county's economy. **\$12.9M** In Labor Income and **477** jobs (full- or part-time) were also attributable to the Championship. The list of top five affected sectors of the economy was similar to the list of the PFD's overall impact. State and local taxes attributable to the Championship were estimated to be **\$2.1M**, with the preponderance in sales and property taxes.

Similarly, the Best of Broadway production of Lion King was one of the highest profile events to take place in the INB Performing Arts Center in the recent past, so its impact was calculated as well. Based on its own survey, the Lion King was estimated have created an economic impact of **\$6.5M** in Valued Added to the Spokane economy. An estimated **\$4.1M** In Labor Income and **161** jobs (full- or part-time) were created as a result of the show. The list of top five affected sectors of the economy was also identical to the list of the PFD's overall impact, with a switching of a few places by sector. Taxes attributable to the Lion King were estimated to be approximately **\$0.64M**, with the same weight of local and state sales and property taxes as in the total PFD impact.

As in any study of this nature, there are ample opportunities for error. Most occur around the surveys. For example, how accurate are the spending responses generally, and of those from local residents to the question whether

they would travel to attend the same show elsewhere, specifically? Some have to do with sample size. While the total number of attendees interviewed was generally large, the numbers for sub-samples, especially for locals willing to travel, were small. In addition, errors can occur in the fit of the survey results to non-surveyed events. The study team has evaluated the possible biases and is of the opinion that they run both negatively and positively; hence, we did make any attempt to adjust the results. Interpretation of the economic results must be couched as “associated with” the PFD because the presence of the events in the facilities owes much to the promoters of sports and entertainment.

In sum, the results can be regarded as a good first approximation of the economic effects of the Spokane PFD. Should future studies be undertaken, this one will serve as a baseline. Further studies will also help answer the question of how representative this study year was of any given year of activity of the PFD.