

HIBBING MEMORIAL BUILDING ECONOMIC IMPACT STUDY

FINAL REPORT



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Daniel L. Erkkila, Ph.D.

College of Food, Agricultural and Natural Resource Sciences
North Central Research & Outreach Center
Grand Rapids, MN 55744

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Executive Summary

An estimate was made of the Hibbing Memorial Building's economic impacts to the St. Louis County area using proven input-output impact estimation techniques. Based on the most recent estimates of 2017 ice and dry-floor events, its annual operations and visitors spending in the area generated \$4.4 million in gross output, 52 jobs and \$2.5 million in value-added to the local economy. Impacts stemming from proposed ice and construction projects include nearly \$21 million in gross output and \$11 million in value-added. Local job impacts from construction include approximately 113 across the span of years required for completion. Growth of positive economic impact to the area from public and private investment projects could see annual gross output more than double to \$9.4 million.

Project Overview

The Hibbing Memorial Building is a long-standing icon of the City of Hibbing and its presence is believed to have a positive impact on the total health and economic viability of Hibbing and its surrounding area. As there have been no recent estimates of the economic impact of events held in the Memorial Building, the Blandin Leadership Cohort sought estimates of the economic impact of existing events. Also of interest are impacts from future upgrades under consideration that could meet the needs of residents and generate positive economic activity in the Hibbing area.¹

The Memorial Building complex currently includes a 4,000-seat arena that can host hockey, curling, basketball and a wide-range of dry-floor events. The complex also hosts a seven-sheet curling center that expands to thirteen total sheets for special events. The economic impact of the Memorial Building's current facilities centers on a wide-range of events normally hosted within a single calendar year. This economic assessment focuses on events for which estimates of visitor spending and non-local attendance can be enumerated, including youth hockey (e.g., Mite, Squirt, Peewee, and Bantam), high school and men's hockey and curling bonspiels. Dry-floor events like weddings and vendor shows are also included in this assessment.

Upgrades and new construction involving the Memorial Building raise the possibility of expanded and new event activities, which can also increase the level of economic impact to the community. Opportunities for facility enhancements were assessed in terms of their potential for added economic benefit.

Project Approach

Regional economic impacts are typically described by three components: direct, indirect and induced impacts or effects. Direct impacts are the immediate, first-round expenditures generated as firms expand production to supply the increased demand of their products or services. Indirect impacts are the intermediate sales as businesses buy inputs for their productive use. An example of this would include a restaurant replenishing food supplies or hiring services (e.g. accountants). Finally, induced impacts come from increased household income and the resulting expenditures of employees spending earnings in the local economy.

¹ Public input was gathered via community public forums (Fall 2016) and the Hibbing Memorial Expansion Questionnaire (Spring 2017).

Impact measures typically quantify the following:

- Gross Industry Output – total industry production (shipments plus net additions to inventory)
- Employment – annual average full and part-time jobs
- Total Value Added – value added to intermediate goods and services. Total of employee compensation plus self-employment income, plus other property income plus indirect business taxes.

Determination of the three components of impact, measured in gross output, employment and total value added were done with the help of the IMPLAN² forecasting model. IMPLAN is based on an input-output method of economic impact estimation that traces commodity flows from producers to intermediate and final consumers. Its level of detail is the county level (or aggregations of counties as appropriate) and is based on the U.S. Department of Commerce, Bureau of Economic Analysis conventions for input-output analyses.

A model of St. Louis County was constructed with IMPLAN using the most recent IMPLAN data for Minnesota (2015). The St. Louis County model served as the basis to estimate the impact of nonlocal annual visitors/event attendees to the Memorial Building on the local economy, as well as future planned facility upgrades.

Once the model was built, the economic impact of events/activities of interest were assessed. Memorial Building events and building construction were the two primary focus areas. For events, in addition to the estimate of nonlocal visitors for all events during the year, the daily spending profiles of these visitors during their stay in the area was needed. Updated spending data from a similar study in the Iron Range area (Erkkila and Qian, 2015) was used for hockey events. Impact assessment from other Memorial Building events were made to the extent spending and nonlocal attendee data was available. Data was collected and used based on a survey administered to Last Chance Bonspiel and Hope Springs run attendees (see Appendix). As noted, the economic impact of the Memorial Building's current facility focused on a wide-range of events normally hosted within a single calendar year. Planned renovations also provide economic stimulus to the local economy and were assessed based on construction plans, and associated building cost data provided by the city.

Impacts from Current Events

Ice Events

Hockey. Primarily youth hockey, a large number of tournaments are held in Hibbing for much of the calendar year. Based on a study of similar tournaments in the Iron Range area, per-person spending profiles were available to assess the impacts of an estimated 15,000 people-days of non-local visitors to the Hibbing area (i.e., # non-local attendees × # tournament nights = people-days). People-day estimates were provided by the city and 2014 spending values were updated to 2017 using consumer price indices. Table 1 reflects those annual impacts.

² IMPLAN (IMpact Analysis for PLANning) was originally developed for the USDA Forest Service for land and resource management planning. It is a sophisticated and flexible tool using federal and state data to allow for economic impact assessments and analyses. It is now managed and supported internationally by IMPLAN (Huntersville, NC).

Table 1. Annual economic impacts from 15,000 annual non-local hockey visitors staying overnight.

Impact Type	Gross Output (\$1000)	Jobs*	Value-added (\$1000)
<i>Direct</i>	1,546	23	835
<i>Indirect</i>	428	3	203
<i>Induced</i>	445	4	246
TOTAL	\$2,419	29	\$1,284

* Error due to rounding.

Last Chance Bonspiel. The Hibbing Curling Club annually hosts the Last Chance International Bonspiel during the month of April. Four events and up to 128 teams compete for prizes and fun. A survey was conducted in 2017 (see Appendix), generating over 70 usable surveys to determine daily spending by visitors from outside of the Hibbing area. Spending data and the 1,350 annual people-day estimate for this tourney were provided by the city. Table 2 reflects the estimated impacts from this annual event.

Table 2. Annual economic impacts from 1,350 non-local Last Chance Bonspiel visitors staying overnight.

Impact Type	Gross Output (\$1000)	Jobs*	Value-added (\$1000)
<i>Direct</i>	261	4	140
<i>Indirect</i>	69	1	33
<i>Induced</i>	78	1	43
TOTAL	\$408	5	\$216

* Error due to rounding.

Dry-floor Events

Several annual events are held that bring local and non-local attendees to the Hibbing Memorial Building. Table 3 reflects the combined annual impact from these events.

HOPE Spring 5K Run. Now in its sixth year, this event is designed to support Essentia Health cancer patients. A 5K walk/run and Kid's Fun Run takes place in April with the race start and finish line in the Hibbing Memorial Building. The run is limited to the first 600 runners and includes a pasta feed the night before the race. The 2017 survey mentioned earlier generated a pool of usable surveys that were used to estimate the spending of out-of-town participants and guests. Spending data and the 150 annual people-day estimate for this tourney were provided by the city.

Range Shrine Circus. In its thirty-third year, the Range Shrine Circus is a three-day event held in early May. It is not known how much of the attendance is made up of local residents versus non-local attendees and was therefore not considered in the impact assessment. What is known is that approximately \$40,000 in local retail sales happens annually before the circus leaves town headed to its next destination.

Weddings. Weddings have the potential to draw a significant number of out-of-town guests who spend money in the community. City staff estimated that 70 non-local guests stay for weddings held in the Hibbing Memorial Building. Using the wedding spending profile from the 2015 study in Grand Rapids as a guide, non-local guests were estimated to stay an average of 1.5 nights in the community (105 people-days).

Fraboni Food Vendor Show. L.G. Fraboni Sausage, Inc. and Fraboni's Wholesale Distributors, Inc. are the two companies that grew from a small garage-based sausage making enterprise in Hibbing. Every April it hosts a vendor show that draws a large crowd, with many staying in the area overnight for set-up and takedown. The city provided an estimate of 135 people-days of non-local visitation in the area. A modified spending profile based on spring visitors to the Itasca Area (Teng et al 2015) was used to assess the impact from visitors to this show.

Table 3. Annual economic impacts from current dry-floor events.

Impact Type	Gross Output (\$1000)	Jobs	Value-added (\$1000)
<i>Direct</i>	71	1	37
<i>Indirect</i>	23	< 1	11
<i>Induced</i>	19	< 1	11
TOTAL	\$113	1	\$59

Operations

The current annual operations budget of the Hibbing Memorial Building is \$836,000 (payroll, services and supplies), generating local economic activity from staffing, purchasing of goods and services for operating, and maintaining the facility. As a local government operation, a portion of the annual budget goes to payroll and, therefore, does not contribute to a direct economic impact as private industry does in the creation of goods or sold services. That said, a portion of the annual budget does go to enterprise activities. The economic impact from annual operations is displayed in Table 4.

Table 4. Annual economic impacts from operations of the Hibbing Memorial Building.

Impact Type	Gross Output (\$1000)	Jobs*	Value-added (\$1000)
<i>Direct</i>	673	12	613
<i>Indirect</i>	42	-	20
<i>Induced</i>	378	4	209
TOTAL	\$1,093	15	\$842

* Error due to rounding.

Current Events Impact Summary

Table 5 summarizes the total estimated annual economic impacts to the Hibbing area stemming from measurable ice and dry-floor events and operations of the Hibbing Memorial Building.

Table 5. Total annual economic impacts from measurable events at the Hibbing Memorial Building.

Impact Type	Gross Output (\$1000)	Jobs*	Value-added (\$1000)
<i>Direct</i>	2,746	40	1,683
<i>Indirect</i>	664	5	315
<i>Induced</i>	970	8	537
TOTAL	\$4,380	52	\$2,535

* Error due to rounding.



Virginia vs. Hibbing
February 16, 2010

Lindstrom

Hockey Night in Hibbing



Lindstrom

Historic Hibbing Memorial Building Last Chance Bonspiel

Impacts from Facility Upgrade Opportunities

New space options open the door to possibilities for growing the business of onsite events and, more broadly, tourism growth. The City of Hibbing has identified several possibilities examined below.

Second Ice Sheet

One phase of development considered is the construction of a second, full-size ice sheet that would upgrade the total arena occupancy by 500 – 1,000 seats. This addition would also allow for an increase of five additional sheets for curling events, raising the total amount of curling sheets to 18, plus increasing the total amount of area available for dry-floor events. This project stimulates economic activity with an immediate infusion of construction work to build this and once completed, there are opportunities to expand existing event offerings or add new ones, both leading to greater economic benefits.

Construction. Preliminary estimates for a new sheet of ice include \$5,240,000 in construction and \$650,000 in “soft costs” (architectural, engineering, financing, and legal fees, and other pre- and post-construction expenses). Table 6 reflects the economic impact from this construction activity in the community.

Table 6. Economic impacts from the construction of a second sheet of ice at the Hibbing Memorial Building.

Impact Type	Gross Output (\$1000)	Jobs	Value-added (\$1000)
<i>Direct</i>	5,890	47	3,186
<i>Indirect</i>	1,013	7	496
<i>Induced</i>	2,088	17	1,154
TOTAL	\$8,991	71	\$4,836

It is estimated that a second sheet of ice could lead to a 30% increase in total hockey participation and attendance, a 25% increase in curling registrations and attendance, and a 25% increase in dry-floor events. Those increases would increase all impacts (i.e., direct, indirect and induced) shown in Tables 1, 2 and 3 by the same percentages and are reflected in Table 7.

Table 7. Potential economic impacts from 25-percent growth in hockey, curling and dry-floor events.

Impact Type	Gross Output (\$1000)	Jobs*	Value-added (\$1000)
<i>Direct</i>			
Hockey	2,010	29	1,086
Curling	326	5	175
Dry Floor	89	1	46
Subtotal	\$2,425	35	\$1,307
<i>Indirect</i>			
Hockey	556	4	264
Curling	86	1	41
Dry Floor	29	< 1	1
Subtotal	\$671	5	\$306
<i>Induced</i>			
Hockey	579	5	320
Curling	98	1	54
Dry Floor	24	< 1	14
Subtotal	\$701	6	\$388
TOTAL			
<i>Direct</i>	2,350	34	1,669
<i>Indirect</i>	646	5	270
<i>Induced</i>	681	6	11
GRAND TOTAL	\$3,797	46	\$2,001

* Error due to rounding.

Multipurpose Building

Another phase of development under consideration reflects a more significant expansion of Memorial Building facilities by expanding the total footprint of the complex in central-Hibbing. This phase features the construction of a 27,000 ft² multipurpose building that would accommodate a wide-range of sports and recreation activities. This would similarly involve a considerable construction economic impact in the city, plus additional events including,

- The hosting of up to 10 annual 16-team basketball/volleyball tournaments
- The construction of a 80-room three-star or better hotel in close proximity to the Hibbing Memorial Building
- The construction of a 100-seat restaurant and bar similarly located near the Hibbing Memorial Building

Construction. Construction estimates of \$6,900,000 and “soft costs” of \$850,000 for a new Multipurpose Building stimulate the area economy as seen in Table 8.

Table 8. Potential one-time economic impacts from construction of a new Multipurpose Building.

Impact Type	Gross Output (\$1000)	Jobs	Value-added (\$1000)
<i>Direct</i>	7,750	61	4,192
<i>Indirect</i>	1,332	10	653
<i>Induced</i>	2,747	22	1,518
TOTAL	\$11,830	93	\$6,363

Basketball Tournaments. The possible expansion of the Memorial Building including a 27,000 sq. ft. multipurpose building opens up new sports event opportunities. The possibility, for example, of hosting ten 16-team basketball tournaments would add new spending to the local economy. The city provided the estimates of 320 people-days of non-local visitors per tournament, yielding 3,200 people-days for ten tournaments. How these visitors would spend while in the community is not known, it is reasonable to assume it could be similar to hockey tournaments. Using the spending profile from the Iron Range regional study in 2015, we could see the impacts shown in Table 9 as a measure of positive growth from new youth sports events like basketball.

Table 9. Potential economic impacts from new basketball events at the Hibbing Memorial Building.

Impact Type	Gross Output (\$1000)	Jobs	Value-added (\$1000)
<i>Direct</i>	301	4	161
<i>Indirect</i>	84	1	40
<i>Induced</i>	84	1	47
TOTAL	\$469	6	\$247

New Hotel and Restaurant. With expanded and improved facilities, the potential exists for an 80-room, three-star (or better) hotel in close proximity to the Hibbing Memorial Building. Further, the construction of a 100-seat fine dining facility also nearby is a possibility. While it is difficult to accurately predict visitor impacts, simple assumptions based on average occupancy rates and use annually can give an idea what is possible. Recent industry occupancy rates of 60-percent would mean 48 rooms in use daily, generating 17,520 room nights (80 rooms x 60% x 365 days). With two occupants per room, over 35,000 people-days are possible. Using the annual spending profile from the 2016 Itasca Area visitor study, the impact from these two new projects could lead to the impacts shown in Table 10.

Table 10. Potential annual economic impacts from a new hotel and restaurant in Hibbing.

Impact Type	Gross Output (\$1000)	Jobs	Value-added (\$1000)
<i>Direct</i>	3,364	47	1,829
<i>Indirect</i>	940	7	445
<i>Induced</i>	943	8	521
TOTAL	\$5,247	62	\$2,795

Facility Upgrade Opportunities Impact Summary

In summary, identified new-facility projects have the potential for large boosts to the Hibbing area economy. Those impacts come from the actual construction work lasting 12-24 months and from growth

and new events using those new facilities. Total one-time impacts suggest nearly \$21 million in gross output and 164 jobs could be involved from public and private investments, as seen in Table 11.

Table 11. One-time total economic impacts from identified facility upgrades to the Hibbing Memorial Building.

Impact Type	Gross Output (\$1000)	Jobs	Value-added (\$1000)
<i>Direct</i>	13,640	85	7,378
<i>Indirect</i>	2,345	13	755
<i>Induced</i>	4,835	15	2,672
TOTAL	\$20,820	113	\$11,199

These new investments in public and private facilities could see annual ongoing impacts stemming from increases (25% growth) in existing and new events (basketball) as seen summarized in Table 12 (excluding annual operations).

Table 12. Total projected annual economic impacts from identified facility upgrades to the Hibbing Memorial Building and private lodging and restaurant projects.

Impact Type	Gross Output (\$1000)	Jobs	Value-added (\$1000)
<i>Direct</i>	6,015	43	3,659
<i>Indirect</i>	1,670	7	755
<i>Induced</i>	1,708	1	579
TOTAL	\$9,393	51	\$4,993

References

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Appendix

Date _____

HIBBING MEMORIAL BUILDING EXPANSION QUESTIONNAIRE

1. What is the ZIPCODE of your primary residence? _____
ZIP/postal code
2. Is the Memorial Building your primary destination for this trip? Yes
 No, final destination is _____
3. What is the primary reason that you made this trip to the Memorial Building?
 Trade Show Community event Reception/party
 Business/convention/meet Entertainment Youth hockey
 High school hockey Curling Other _____
4. How many people (including you) are in your travel party on this trip? _____
4a. How many of your travel party are:
_____ under 12 _____ 12 – 17 _____ 18 – 25 _____ 26 – 39
_____ 40 – 55 _____ 56 – 70 _____ over 70
5. How many total nights do you plan to spend away from home on this trip? _____ nights day trip only?
6. How many of these nights will be in the Hibbing Area? _____ nights day trip to area only
6a. If you are staying in the Hibbing Area, how many nights are you staying in each the following types of accommodations? Not staying overnight in area
____ Hotel/motel ____ Resort/commercial cabin ____ RV ____ Your own vacation home
____ Tent ____ Vacation home of friend/relative ____ Bed & Breakfast ____ Home of friend/relative
7. Please estimate your travel group's spending in the Hibbing Area for the last 24 hours of your stay.
Lodging \$ _____ Restaurants/Bars \$ _____ Transportation (includes fuel) \$ _____ Misc. \$ _____
Groceries \$ _____ Shopping \$ _____ Recreation/attractions (includes guides/outfitting) \$ _____
Total \$ _____
- 7a. How many people are included in spending estimate? _____
8. Which of the following best describes your household?
 Two-parent family with children under 18 Couple (no children) Single (no children) Other
 Single-parent family with children under 18 Couple (grown children) Single (grown children)
9. What is the highest grade or year of school that you have completed?
 Less than High School Some college BA or BS degree
 High School graduate (or GED) Associate college degree Post graduate or professional school
10. You are: Male Female
11. In what year were you born? 19_____
12. Please provide us an estimate of you annual household income:
 Under \$25,000 \$40,001 - \$50,000 \$75,001 – \$90,000 \$120,001 - \$175,000
 \$25,000 - \$40,000 \$50,001 - \$75,000 \$90,001 - \$120,000 Over \$175,000

Thank You!