

Economic Impacts from IRA Civic Center Events and Proposed Developments 2017

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Executive Summary

In 2014, Grand Rapids city officials wanted to know the economic impact to the local economy from the annual operations of its IRA Civic Center. Volunteer surveyors were trained to administer a short survey throughout a 12-month period to people who traveled more than 50 miles to attend ice and dry-floor events at the Civic Center. Along with attendance estimates from city staff of non-local visitors, estimation was made of the economic impacts from IRA Civic Center use on the Itasca County economy. Continued and new use of the IRA Civic Center with new events led the city to want an update on the impacts of those uses, including the construction of an addition to the facility at the site that will bring new jobs. Total estimated economic impacts to the Itasca County economy that occur on an annual basis from IRA Civic Center operations and day/overnight visitors include:

- \$3.3 million in gross output
- Approximately 48 jobs (full and part-time)
- \$1.7 million in value-added

An expansion of the facility in partnership with local collaborators would generate nearly \$40 million in gross output, 327 jobs and \$21 million in value-added from construction work spread across an 18-20 month period. Increased IRA Civic Center operations and payroll per year added to the local economy from new employment earnings from daycare, early childhood and Boys and Girls Club staff at the site bring the total projected annual impacts to \$5.5 million in gross output, 78 jobs and \$2.9 million in value added.

Introduction

The City of Grand Rapids has over 200 acres of parks and open-space lands, and nearly 50 miles of city trails for recreational activities. One of the many opportunities the city creates for residents and visitors alike is the IRA Civic Center, a venue that can hold up to 4,000 people with 50,000 square feet of indoor exhibit space and a recently completed 20,000 square foot pavilion, for ice (hockey, figure skating) and dry floor events, including concerts, trade shows, wedding reception and banquets.

In 2014, the City contracted with the University to assess the impacts on the local economy from a variety of ice and dry-floor events at the IRA Civic Center¹. Increased usage and new development opportunities motivate the City to refresh the 2015 economic impact assessment, as well as evaluate impacts from new community (programmatic) opportunities and facility enhancements.

Economic Impacts Defined

Total regional economic impacts are typically described as the sum of direct, indirect, and induced impacts. Direct impacts are immediate, first-round expenditures generated as firms expand production to meet the increased demand for products or services. Indirect impacts involve spending by the business or industry for inputs it uses for production of goods and services. An example for the civic center might include the purchase of food supplies or the hiring of external repair services. Finally, induced impacts occur primarily from spending in the local economy by the households of civic center and supplier employees.

The impact measures of most interest typically quantify the following:

- Gross industry output—total industry production (shipments and net additions to inventory)

¹ "Assessing the Annual Economic Impact of the Grand Rapids IRA Civic Center" University of Minnesota Tourism Center, February 2015.

- Employment—annual average of full and part-time jobs
- Total value added—the summation of all enhancements to intermediate goods and services; total combining employee compensation, self-employment income, property income, and other indirect business taxes

Model and Methods

Determination of the three impact components—gross output, employment, and total value added—was carried out using 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. Detail is at the county level and is based on conventions for input-output analysis from the U.S. Department of Commerce’s Bureau of Economic Analysis.

A model of Itasca County was constructed with IMPLAN using the most recent data set for Minnesota (2016) and served as the basis for estimating the annual impact to the local economy from non-local visitors/attendees to IRA Civic Center events, construction of new facilities and employment effects from new jobs created.

Two primary assessments are made:

- IRA Civic Center: Update of the ice event impacts noted in the final 2015 report, including possible impacts from a planned bonspiel event in September.
- Kids Campus: Look at impacts stemming from a proposed facility investment addressing daycare/early childhood shortages and Boys and Girls Club space needs.

IRA Civic Center Events

Economic impact of hockey visitors

Estimates of attendance by non-local visitors to hockey events was believed to be similar to the last assessment. Then, city staff provided estimates of the total number of non-local attendees across all hockey events scheduled for the study period, based on first-hand knowledge and experience. Their estimate of the total number of non-local attendees, based on each tournament scheduled and its length, yielded 14,515 people-days of visitation (# non-local attendees × # tournament/overnights = people-days). The spending profile used in the past assessment was updated based on inflation and is presented in Table 1. This spending applied against the people-day estimate yields the economic impact results shown in Table 2.

Using Table 2 as an example for interpretation of impacts, it can be seen that:

- Direct impacts come from those businesses directly supporting the hockey guests in the area (e.g., expenditures at hotels and restaurants);
- Indirect impacts come from the suppliers to the directly impacted businesses (e.g., food wholesale businesses selling to restaurants); and
- Induced impacts come from the employees of direct (hospitality) and indirect (supplier) impacted businesses spending earnings in the community.

² IMPLAN (IMpact Analysis for PLANning) is a widely used and sophisticated (yet flexible) tool for economic impact assessments and analyses. It is based on data from federal and state data sources that portray economic interactions between industry sectors of local economies. It is managed and supported internationally by IMPLAN, Huntersville, NC.

Table 1. Average daily spending per-person by non-local hockey visitors.

Spending Category – Daily Visitor	Value (2018 \$)
Transportation	17.00
Grocery	4.25
Eating & Drinking	35.00
Shopping	10.60
Recreation	1.10
Misc. spending	5.30
Lodging	59.40
TOTAL	\$132.65

Table 2. Economic impacts of 14,515 annual non-local hockey visitors staying overnight (rounded).

Impact Type	Gross Output (\$ thousands)	Jobs	Value-added (\$ thousands)
<i>Direct</i>	1,496	23	773
<i>Indirect</i>	299	2	128
<i>Induced</i>	269	2	142
TOTAL	\$2,064	28	\$1,043

Using the current 2017 data for prediction, a reasonable estimate of impact for each additional team of 50 non-local people traveling to Grand Rapids to participate in a tournament could add an additional \$18 thousand in total gross output impact to the local economy.³

Economic impact of wedding visitors

City staff provided estimates for both the average number of wedding events hosted at the IRA Civic Center per year, as well as the number of non-local attendees. Their estimate of five events averaging 152 non-local guests multiplied by the survey estimate of an average of 1.7 overnight stays per event yielded 1,292 people-days annually for weddings. This value provided the basis for the impact assessment using the per-person spending pattern portrayed in Table 3, updated for inflation. The impact results are shown in Table 4.

Table 3. Average per-person per day spending of non-local wedding visitors at the Grand Rapids IRA Civic Center (rounded \$).

Spending Category	Value (2018 \$)
Transportation	62.60
Grocery	1.00
Eating & Drinking	29.70
Shopping	2.10
Recreation	2.10
Misc. spending	1.10
Lodging	62.60
TOTAL	\$161.20

³ Assuming 50 people staying an average of 2.5 nights = 125 people-days spending \$132.65 per person per day.

Table 4. Estimated economic impacts from 1,292 annual non-local wedding visitors staying overnight.

Impact Type	Gross Output (\$ thousands)	Jobs	Value-added (\$ thousands)
<i>Direct</i>	134	2	69
<i>Indirect</i>	27	-	12
<i>Induced</i>	24	-	13
TOTAL	\$184	2	\$93

Economic impact from bonspiel

The city is planning a curling bonspiel in September 2018 at the IRA Civic Center. The plans are to bring in 32 teams of four players each, with 16 teams being from out of the area and requiring a 2-night stay. That would mean 128 people-days from this tournament in spending locally. A recent study in Hibbing⁴ yielded a bonspiel spending profile that should closely reflect what could be expected based on a player survey in 2017 and is shown in Table 5. The possible impacts from this bonspiel is shown in Table 6.

Table 5. Average per-person per day spending of non-local bonspiel visitors at the Grand Rapids IRA Civic Center.

Spending Category	Value (2017 \$)
Transportation	19.72
Grocery	3.83
Eating & Drinking	93.39
Shopping	11.20
Recreation	11.26
Lodging	80.50
TOTAL	\$219.90

Table 6. Estimated annual economic impacts from 128 people-days of non-local participants at bonspiel.

Impact Type	Gross Output (\$ thousands)	Jobs	Value-added (\$ thousands)
<i>Direct</i>	25	1	13
<i>Indirect</i>	5	-	2
<i>Induced</i>	5	-	2
TOTAL	\$34	1	\$17

Similar to hockey, , a reasonable estimate of impact for each additional additional non-local curling team added to a spiel staying two nights brings an additional \$2,100 in gross output to the local economy.

Operations

The average annual operation budget of the IRA Civic Center is \$702,000, generating local economic activity from purchasing of goods and services for operating and maintaining the facility. The economic impact from operations is displayed in Table 5.

⁴ Erkkila, D.L. (2018). *Hibbing Memorial Building Economic Impact Study*. Final Report. Grand Rapids MN: University of Minnesota.

Table 7. Estimated economic impacts from annual IRA Civic Center operations.

Impact Type	Gross Output (\$ thousands)	Jobs	Value-added (\$ thousands)
<i>Direct</i>	702	15	416
<i>Indirect</i>	147	1	59
<i>Induced</i>	132	1	70
TOTAL	\$980	17	\$545

Summary of annual events

The updated estimate of annual impacts from events and operations for 2018 (including planned bonspiel) is shown in Table 8.

Table 8. Total estimated recurring economic impacts from 2018 IRA Civic Center events.*

Impact Type	Gross Output (\$ thousands)	Jobs	Value-added (\$ thousands)
<i>Direct</i>	2,357	41	1,271
<i>Indirect</i>	478	3	201
<i>Induced</i>	430	3	227
TOTAL	\$3,262	48	\$1,698

* Errors due to rounding.

New Investment

The City of Grand Rapids is partnering with the Boys and Girls Clubs, MacRostie Art Center and Invest Early in looking at a new facility that will provide, among other things, approximately 216 new childcare slots (ages 6 weeks to 5 years) at the proposed IRA Civic Center site. Immediate one-time economic impacts will come from the construction of a \$30 million facility to accommodate these programs, spread across an 18-24 month period. Further impacts come from the creation of new jobs to perform daycare and early childhood education for 216 children plus staffing new Boys and Girls Club programming. Added benefits will come from parents re-entering the workforce because of the new daycare and early childhood program availability.

Table 9 shows the estimated economic impacts resulting from a \$30 million facility investment spread across an 18-24 month construction schedule.

Table 9. Estimated one-time economic impacts from the construction of a new \$30 million facility in Grand Rapids spread across 18-24 scheduled months.

Impact Type	Gross Output (\$ million)	Jobs	Value-added (\$ million)
<i>Direct</i>	30.0	250	16.0
<i>Indirect</i>	2.8	19	1.3
<i>Induced</i>	7.0	59	3.7
TOTAL	\$39.9	327	\$21.0

The Kids Campus site is expected to be staffed with 10 early childhood classrooms open from 7am - 5:30pm M-F, including one infant, one toddler, five preschool with extended care options, and three preschool classrooms only. Estimates for staff costs were based on Invest Early current staff ratios and

salaries. Each room is expected to have one “Lead” (one-half are teacher licensed and one-half are unlicensed) and two Education Support Professionals (ESP).

The hourly rates of pay were based on an average of current staff and rate of pay includes benefits:

- Licensed Lead \$46.77
- Unlicensed Lead \$27.89
- ESP \$16.78

There are expected to be seven full-time Leads (35-40hrs/week), fourteen full-time ESPs (35-40hrs/week), three part-time Leads (30-34hrs/week) and six part-time ESPs (30-34hrs/week). The estimated total staff cost for one month (20 workdays) is \$140,067.00, yielding an approximate new \$1.7 million annual payroll.

New hiring for the Boys and Girls Club staff at the new location is expected to include:

- 1 Full-Time, 2080 hours, at \$15.50/hour
- 4 part-time, 1,560 hours each, at \$10.25/hour
- 6 part-time, 1,040 hours each, at \$10.25/hour

This equates to \$169,520 annually in new wages in the community. The economic impact of this combined with the Kids Campus staffing is shown in Table 10.

Table 10. Estimated annually recurring economic impacts from the addition of new jobs staffing a new daycare/early childhood facility in Grand Rapids.

Impact Type	Gross Output (\$ thousands)	Jobs	Value-added (\$ thousands)
<i>Direct</i>	-	-	-
<i>Indirect</i>	-	-	-
<i>Induced</i>	942	8	500
TOTAL	\$942	8	\$500

The value of \$942 thousand per year equates to the new disposable income from salaries after all federal, state and local taxes and the eight jobs are those connected to the industry sectors in Itasca County impacted by the new household spending of staff at the Kids Campus.

Shortage of daycare slots locally and across Minnesota have been widely reported in the media. These shortages have been reported to force some parents out of the workplace with no back-up options for childcare. What cannot be known, but is supported anecdotally, is the positive economic impact that can occur when unemployed parents of new daycare clients (children) re-enter the workplace.

Finally, it is anticipated that the additional space at the IRA Civic Center will require additional staffing to maintain and operate. It is expected that the civic center budget will expand to approximately \$902 thousand per year. That increases the positive economic impact as seen under current operations (Table 7). The projected new budget’s positive impacts are shown in Table 11.

Table 11. Estimated economic impacts from the proposed \$902 thousand annual IRA Civic Center operations after project completion.

Impact Type	Gross Output (\$ thousands)	Jobs	Value-added (\$ thousands)
<i>Direct</i>	902	20	535
<i>Indirect</i>	188	2	76
<i>Induced</i>	169	1	89
TOTAL	\$1,260	22	\$700

Summary

New proposed facility enhancements at the IRA Civic Center will generate construction impacts of nearly \$40 million in gross output, \$21 million in value added and contribute to 327 jobs in the construction and allied trade industries in the area spread across the duration of the building project.

A summary of projected recurring annual economic impacts from current and anticipated IRA Civic Center events and operations, plus the added annual impact from new jobs staffing a daycare and early childhood education facility (onsite) is shown in Table 12.

Table 12. Summary of projected recurring economic impacts from updated IRA Civic Center events, operations and new staffing in proposed daycare facility project.

Impact Category	Total Gross Output (\$ million)	Total Jobs	Total Value-added (\$ million)
<i>a. Updated Recurring 2018 Events</i>	3.3	48	1.7
<i>b. Proposed New On-going Operations</i>	1.3	22	0.7
<i>c. Proposed New Daycare Staffing</i>	0.9	8	0.5
TOTAL	\$5.5	78	\$2.9

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