

MARKET ANALYSIS

City of Northfield

Northfield Ice Arena Feasibility Study

Economic Impact Assessment

The economic portion of the study was developed to identify the proposed Northfield Ice Arena’s role in contributing to the economic health of the Northfield area. A major goal of the Northfield Ice Arena is to provide quality recreation and sport opportunities and to promote healthy lifestyles for area residents. Beyond this, the proposed Northfield Ice Arena plays an important role in impacting the local economy by managing facilities that enhance the quality of life, by purchasing local goods and services, by providing many job opportunities, and by supplement and enhance the tourism efforts to attract visitors to Northfield.

In 2000, The University of Wisconsin Extension authored a *Study for Economic Impact of Youth Hockey Tournaments: A Case Study of the La Crosse and Onalaska Ice Rinks*. Marc Schultz, CRD Educator and Steven Deller, Professor of Community Development Economist built a case that quantified the economic impact from the LaCrosse and Onlaska Ice Rinks. While this report is a dated, the basic foundation of tracking and assessing the economic benefits is still valid.

It must be remembered that calculating economic impact is not an exact science and represents an educated estimate of assessing the value from hosting events in a community. There are many different expense categories that make up the average spent by visitors including lodging, restaurants, grocery, fuel and souvenirs. Schultz and Deller reported that the combined average spending per day for for LaCrosse and Onlaska communities was about \$220 per day. While it is recognized that LaCrosse and Onlaska are not Northfield, the results of the UW Extension study can be used as a variable in calculating the daily average expenditure per visitor. This assessment represents a conservative approach to projecting economic impact. Only activity participants are included in the tourism equation. These projections do not include estimating parents and spectators during special events.

Primary economic impact is defined in two ways: facility impacts include salary and wages paid to employees, goods and services purchased by the community center. Also, special events generate raw tourism dollars as a result of activities the community center could host (estimated). The estimates provided reflect the economic impact on an annual basis.

Summary of Primary Impacts	Conservative	Moderate
<u>Facility</u>		
Personnel Services	\$ 126,842	\$ 126,842
Contractual Services	\$ 102,450	\$ 102,450
Supplies and Materials	\$ 31,000	\$ 31,000
<u>Special Events</u>		
Hockey Tournaments	\$ 390,860	\$ 480,670
Total Annual Primary Impacts	\$ 651,152	\$ 740,962

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Secondary impact is defined as spin off impacts, which include taxes paid by employees, school district benefits, sales tax generated, employee purchases of goods and services and tourism roll-over impact within the community. Disposable income is the salary and wages paid to employees, who in turn, purchase local goods and services. The concept of using secondary impacts as a means as a key element in assessing the overall economic impact is supported by an article published by Daniel J Stynes, Professor Emeritus, Department of Community, Agriculture, Recreation and Resource Studies at Michigan State University that discusses the concept of secondary impact and roll-over of tourism dollars. Professor Stynes illustrates,

“Tourism has a variety of economic impacts. Tourists contribute to sales, profits, jobs, tax revenues, and income in an area. The most direct effects occur within the primary tourism sectors --lodging, restaurants transportation, amusements, and retail trade. Through secondary effects, tourism affects most sectors of the economy. An economic impact analysis of tourism activity normally focuses on changes in sales, income, and employment in a region resulting from tourism activity.

A simple tourism impact scenario illustrates. Let’s say a region attracts an additional 100 tourists, each spending \$100 per day. That’s \$10,000 in new spending per day in the area. If sustained over a 100 day season, the region would accumulate a million dollars in new sales. The million dollars in spending would be distributed to lodging, restaurant, amusement and retail trade sectors in proportion to how the visitor spends the \$100. Perhaps 30% of the million dollars would leak out of the region immediately to cover the costs of goods purchased by tourists that are not made in the local area (only the retail margins for such items should normally be included as direct sales effects). The remaining \$700,000 in direct sales might yield \$350,000 in income within tourism industries and support 20 direct tourism jobs. Tourism industries are labor and income intensive, translating a high proportion of sales into income and corresponding jobs.

The tourism industry, in turn, buys goods and services from other businesses in the area, and pays out most of the \$350,000 in income as wages and salaries to its employees. This creates secondary economic effects in the region. The study might use a sales multiplier of 2.0 to indicate that each dollar of direct sales generates another dollar in secondary sales in this region. Through multiplier effects, the \$700,000 in direct sales produces \$1.4 million in total sales. These secondary sales create additional income and employment, resulting in a total impact on the region of \$1.4 million in sales, \$650,000 in income and 35 jobs. While hypothetical, the numbers used here are fairly typical of what one might find in a tourism economic impact study. A more complete study might identify which sectors receive the direct and secondary effects and possibly identify differences in spending and impacts of distinct subgroups of tourists (market segments). One can also estimate the tax effects of this spending by applying local tax rates to the appropriate changes in sales or income. Instead of focusing on visitor spending, one could also estimate impacts of construction or government activity associated with tourism.”

With this information in mind, it is possible to calculate the secondary impact from operating a rink from an operations and tourism perspective. As a result, the following secondary impacts can be identified. The conservative column uses the average daily expenditures from the UW

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Extension study in 2000. The Moderate column takes the base information from the UW Extension study and adds an inflationary factor.

Summary of Secondary Impacts	Conservative	Moderate
Sales tax generated from disposable income of employees ¹	\$ 6,060	\$ 6,060
Sales tax generated from tourism (special events) ²	\$ 28,728	\$ 35,329
Employee disposable income ³	\$ 82,447	\$ 82,447
Special event roll-over ⁴	\$ 586,290 ⁵	\$ 961,340 ⁶
Total Annual Secondary Impact	\$ 703,525	\$1,085,176
 Tourism Summary		
Primary Impact	\$ 651,152	\$ 740,962
Secondary Impact	\$ 703,525	\$1,085,176
 Total Annual Economic Impact	 \$1,354,677	 \$1,826,138

¹ Based on sales tax rate for disposable income (\$126,842).

² Based on a sales tax rate of 7.35% on tourism generated.

³ Based on salaries paid to employees less 35% for housing/shelter costs identified in the market analysis section of the report

⁴ Based on a roll-over rate of 1.5 (conservative) or 2 (moderate) of tourism generated. It should be noted the roll-over rate varies drastically within the tourism industry. Roll-over rates range from 1 to 7 times within the tourism industry.

⁵ Roll over calculated at 1.5 times

⁶ Roll over calculated at 2 times

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Event Planning Worksheet⁷

Conservative

Event/Sport	Participants	Rev/Day ⁸	Daily Rev	Days	Event Rev
⁹ Squirt Hockey- overnight	72	\$220/day	\$15,840	2	\$ 31,680
¹⁰ Squirt Hockey – day	47	\$65/day	\$ 3,055	2	\$ 6,110
Squirt Hockey- overnight	153	\$220/day	\$33,660	2	\$ 67,320
Squirt Hockey – day	102	\$65/day	\$ 6,630	2	\$ 13,260
Peewee Hockey- overnight	72	\$220/day	\$15,840	2	\$ 31,680
Peewee Hockey – day	47	\$65/day	\$ 3,055	2	\$ 6,110
Peewee Hockey- overnight	153	\$220/day	\$33,660	2	\$ 67,320
Peewee Hockey – day	102	\$65/day	\$ 6,630	2	\$ 13,260
Bantam Hockey- overnight	72	\$220/day	\$15,840	2	\$ 31,680
Bantam Hockey- day	47	\$65/day	\$ 3,055	2	\$ 6,110
Bantam Hockey- A/AA	72	\$220/day	\$15,840	2	\$ 31,680
Bantam Hockey- A/AA	47	\$65/day	\$ 3,055	2	\$ 6,110
State/Regional- overnight	119	\$220/day	\$26,180	3	\$ 78,540
Total					\$390,860

Moderate

Event/Sport	Participants	Rev/Day	Daily Rev	Days	Event Rev
Squirt Hockey- overnight	72	\$270/day	\$19,440	2	\$ 38,880
Squirt Hockey – day	47	\$80/day	\$ 3,760	2	\$ 7,720
Squirt Hockey- overnight	153	\$270/day	\$41,310	2	\$ 82,620
Squirt Hockey – day	102	\$80/day	\$ 8,160	2	\$ 16,320
Peewee Hockey- overnight	72	\$270/day	\$19,440	2	\$ 38,880
Peewee Hockey – day	47	\$80/day	\$ 3,760	2	\$ 7,720
Peewee Hockey- overnight	153	\$270/day	\$41,310	2	\$ 82,620
Peewee Hockey – day	102	\$80/day	\$ 8,160	2	\$ 16,320
Bantam Hockey- overnight	72	\$270/day	\$19,440	2	\$ 38,880
Bantam Hockey- day	47	\$80/day	\$ 3,055	2	\$ 7,720
Bantam Hockey- A/AA	72	\$270/day	\$19,440	2	\$ 38,880
Bantam Hockey- A/AA	47	\$80/day	\$ 3,760	2	\$ 7,720
State/Regional- overnight	119	\$270/day	\$32,130	3	\$ 96,390

⁷ Calculation reflect two tournaments that includes access to St. Olaf College Ice Arena. Using St. Olaf Ice Arena will double the size of the tournament. Two sixteen team tournaments included and the other are eight team tournaments (7 visiting teams). Seven tournaments per year.

⁹ Four Teams stay overnight

¹⁰ Three Teams are 'day visitors' would be teams that are closer and drive home

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Total

\$480,670

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