

TECHNICAL APPENDIX



INTRODUCTION

The purpose of this Technical Appendix is to provide a detailed description of the methodologies and results of Berk & Associates' analysis of the economic and fiscal benefits of the King County Events Center. The structure of this appendix will mirror that of the analysis, which is comprised of four separate, but interwoven, pieces of analysis:

1. Analysis of event schedule and attendance;
2. Analysis of spending;
3. Analysis of economic benefits; and
4. Analysis of fiscal (tax) benefits.

Throughout the analysis, spending is divided along three different axes:

Spending Axis 1: At-Risk | Not At-Risk

A number of events that would likely be hosted at the new Events Center could be hosted elsewhere in the region, while others are unlikely to happen without the new facility. The true economic value of the new building will be related only to the events that would otherwise not occur in the region.

A further dimension of risk revolves around redirected local spending. It is tempting to think that locally-generated spending on At-Risk events will be recaptured through redistribution effects. In reality, however, it is almost certain that some of these re-spent dollars will miss (or "leak" out of) the local economy.

Spending Axis 2: Local Money | New Money

Geography matters when considering economic impacts. Therefore, this analysis parses spending to distinguish between "New Money" (or dollars that originate outside the area of study) and local money (dollars spent by *local* residents who attend Arena events).

From a modeling perspective, three categories of spending generate positive economic impacts: (1) spending from out-of-area visitors; (2) other imported dollars such as shared league revenues; or (3) local spending that could be diverted to out-of-area expenditures (or to local uses that generate fewer economic impacts). To be conservative, this analysis only labels the first two of these three categories as "New Money."

From a state perspective, new money focuses on event spending or league revenues that originate out of state. From a King County perspective, the impacts associated with New Money could be larger, since they are related to dollars that are imported into the County, including dollars from other parts of the state. From the City of Renton perspective, virtually all of the potential activity in the proposed Events Center could be considered net new spending.

Spending Axis 3: Core Schedule | Potential Additions

The facility event and attendance assumptions are divided into a Core Schedule, which is a relatively narrow definition of the events for the new facility, and Potential Additional Events, which add incremental activity that could fill out the remaining schedule. The core schedule includes the Seattle Sonics and Storm regular seasons, all concerts and entertainment events, one low impact convention (e.g. consumer show), and five large

corporate meetings. Potential additions include Sonics and Storm playoffs, the NHL and its playoffs, two high impact conventions, five more large corporate meetings, and one high-impact sports event (e.g. NCAA tournament).

The overall analysis is built on a foundation of secondary sources. Key sources include:

- KeyArena Economic Impact Assessment prepared for Seattle Center by William Beyers and GMA Research Corporation;
- Preliminary event analysis from the ICON Venue Group;
- 2004 Convention Expenditure & Impact Study produced for the International Association of Convention & Visitor Bureaus; and
- Operating pro formas from the Seattle Sonics and Storm.

EVENT SCHEDULE AND ATTENDANCE

Event Schedule

The analysis includes both a core schedule of events and potential additions to the core schedule, all of which are shown in Exhibit 1 below. Because some events are assumed to not happen in all years (Sonics playoffs, for example), the maximum number of event days in a year will be greater than the average number of event days. The core schedule contains an average of 153 event days, and adding all 70 average potential additional event days yields a grand total of 223 average event days each year.

Exhibit 1: Event Schedule

Core Events	% At Risk	Maximum Event Days	Frequency	Average Event Days
Sonics	100%	43	100%	43.0
Storm	100%	18	100%	18.0
Large Concert	0%	8	100%	8.0
Med Concert	0%	9	100%	9.0
Small Concert	0%	8	100%	8.0
Other Entertainment	0%	52	100%	52.0
Corporate Meetings	100%	10	100%	10.0
Consumer Show	0%	5	100%	5.0
Total		153		153.0
Pro Sports		61		61.0
Concerts/Entertainment		77		77.0
Conventions		15		15.0
NCAA/High-Impact Sports		0		0.0
Total at Risk		71		71.0

Additional Potential	% At Risk	Maximum Event Days	Frequency	Average Event Days
Sonics Playoffs	100%	5	50%	2.5
Storm Playoffs	100%	4	50%	2.0
NHL	100%	45	100%	45.0
NHL Playoffs	100%	5	50%	2.5
Corporate Meetings	100%	10	100%	10.0
High-Impact Convention	100%	6	100%	6.0
NCAA/High-Impact Sports	50%	4	50%	2.0
Total		79		70.0
Pro Sports		59		52.0
Concerts/Entertainment		0		0.0
Conventions		16		16.0
NCAA/High-Impact Sports		4		2.0
Total at Risk		77		69.0

Grand Total	232	223.0
Pro Sports	120	113.0
Concerts/Entertainment	77	77.0
Conventions	31	31.0
NCAA/High-Impact Sports	4	2.0
Grand Total at Risk	148	140.0

Core events include the following:

- Sonics;
- Storm;
- Concerts & other entertainment;
- Large-scale corporate meetings; and
- Consumer trade shows.

The core schedule is based in large part on a preliminary event analysis from the ICON Venue Group, with five additional event days added to account for large corporate meetings. The schedule of potential additions, developed through discussions with the City of Renton, includes:

- Sonics playoffs;
- Storm playoffs;
- NHL regular season and playoffs;
- Additional corporate meetings;
- High-impact conventions; and
- NCAA tournaments & other high-impact sports.

An important distinction among event types is whether each event type is “At-Risk” to leave the region if the new Events Center is not built. At-Risk events include Sonics and Storm games, NHL games, and large corporate meetings, none of which can currently be hosted at any of the region’s facilities. Furthermore, the Seattle Convention and Visitor’s Bureau cites date availability as its number one reason for lost convention room nights. Therefore high-impact conventions are considered At-Risk events, since the Events Center would add capacity during the already-full peak convention season.

Attendance and Visitor Origins

For the most part, average attendance per event day is based on the ICON Group’s event analysis, with the following exceptions:

- The assumed Sonics average attendance (15,000) is based on historical trends. Furthermore, only 2 out of the 30 NBA teams have average attendance less than 15,000 for the 2006-07 season (as of April 1, 2007).
 - To be conservative, no attendance increase is assumed related to the new Events Center and its corresponding larger capacity.
- NHL attendance is assumed to mirror Sonics attendance. Of the 30 NHL teams, 23 have average attendance greater than 15,000 for the 2006-07 season (as of April 1, 2007).
- Convention and corporate meeting attendance is based on a 2004 Convention Expenditure & Impact Study by the International Association of Convention & Visitor Bureaus (IACVB).

In order to determine the amount of spending that is “new” to the county or to the state, it is necessary to estimate what proportion of the total visitors to an event are visiting from outside the county or outside the state. Proportions of visitor origins for professional sports are based on a 2005 KeyArena Economic Impact Assessment prepared for Seattle Center. The assessment surveyed 601 visitors to KeyArena, and it included a question regarding the visitor’s location of origin.

For conventions and corporate meetings, origin proportions are based on the IACVB Study. Other visitor origin proportions are based on Berk & Associates estimates, using the KeyArena and IACVB figures to triangulate appropriate assumptions.

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Combining the event schedule, average attendance figures, and visitor origin proportions allows the development of attendance estimates for total visitors, new visitors to the state, and new visitors to the county. These attendance estimates are shown below in Exhibit 2.

Exhibit 2: Attendance

Core Events	% At-Risk	Average Event Days	Average Attendance per Event Day	Average Attendance per Year	% Within King County	Within King County	% Rest of Washington	Rest of Washington	% Out of State	Out of State
Sonics	100%	43.0	15,000	645,000	64%	415,380	28%	181,245	8%	48,375
Storm	100%	18.0	6,000	108,000	64%	69,552	28%	30,348	8%	8,100
Large Concert	0%	8.0	14,900	119,200	59%	70,894	36%	43,091	4%	5,215
Med Concert	0%	9.0	10,000	90,000	63%	56,511	35%	31,914	2%	1,575
Small Concert	0%	8.0	5,300	42,400	65%	27,560	35%	14,840	0%	0
Other Entertainment	0%	52.0	8,750	455,000	65%	295,750	35%	159,250	0%	0
Corporate Meetings	100%	10.0	6,975	69,750	10%	6,975	10%	6,975	80%	55,800
Low-Impact Convention	0%	5.0	3,500	17,500	65%	11,375	35%	6,125	0%	0
Total		153.0	10,110	1,546,850	62%	953,997	31%	473,788	8%	119,065
Pro Sports		61.0	12,344	753,000	64%	484,932	28%	211,593	8%	56,475
Concerts/Entertainment		77.0	9,177	706,600	64%	450,715	35%	249,095	1%	6,790
Conventions		15.0	5,817	87,250	21%	18,350	15%	13,100	64%	55,800
NCAA/High-Impact Sports		0.0	0	0		0		0		0
Total at Risk		71.0	11,588	822,750	60%	491,907	27%	218,568	14%	112,275
% of Total		46%		53%		52%		46%		94%

Additional Potential	% At-Risk	Average Event Days	Average Attendance per Event Day	Average Attendance per Year	% Within King County	Within King County	% Rest of Washington	Rest of Washington	% Out of State	Out of State
Sonics Playoffs	100%	2.5	17,500	43,750	64%	28,175	28%	12,294	8%	3,281
Storm Playoffs	100%	2.0	12,000	24,000	64%	15,456	28%	6,744	8%	1,800
NHL	100%	45.0	15,000	675,000	64%	434,700	28%	189,675	8%	50,625
NHL Playoffs	100%	2.5	17,500	43,750	64%	28,175	28%	12,294	8%	3,281
Corporate Meetings	100%	10.0	6,975	69,750	10%	6,975	10%	6,975	80%	55,800
High-Impact Convention	100%	6.0	9,300	55,800	10%	5,580	10%	5,580	80%	44,640
NCAA/High-Impact Sports	50%	2.0	15,000	30,000	20%	6,000	20%	6,000	60%	18,000
Total		70.0	13,458	942,050	56%	525,061	25%	239,562	19%	177,428
Pro Sports		52.0	13,822	718,750	70%	506,506	31%	221,007	8%	58,988
Concerts/Entertainment		0.0	0	0		0		0		0
Conventions		16.0	7,847	125,550	10%	12,555	10%	12,555	80%	100,440
NCAA/High-Impact Sports		2.0	15,000	30,000	20%	6,000	20%	6,000	60%	18,000
Total at Risk		69.0	13,436	927,050	56%	522,061	26%	236,562	18%	168,428
% of Total		99%		98%		99%		99%		95%

Grand Total		223.0	11,161	2,488,900	59.4%	1,479,058	28.7%	713,349	11.9%	296,493
Pro Sports		113.0	13,024	1,471,750	67.4%	991,438	29.4%	432,600	7.8%	115,463
Concerts/Entertainment		77.0	9,177	706,600	63.8%	450,715	35.3%	249,095	1.0%	6,790
Conventions		31.0	6,865	212,800	14.5%	30,905	12.1%	25,655	73.4%	156,240
NCAA/High-Impact Sports		2.0	15,000	30,000	20.0%	6,000	20.0%	6,000	60.0%	18,000
Grand Total At Risk		140.0	12,499	1,749,800	57.9%	1,013,968	26.0%	455,130	16.0%	280,703
% of Total		63%		70%		69%		64%		95%

SPENDING

There are a variety of spending types tracked in this analysis, including:

- Fan (or, in the case of conventions and corporate meetings, participant) spending on-site at the event;
- Fan spending off-site;
- Non-fan spending off-site (such as visiting NBA teams);
- Business spending (and revenues); and
- Spending on Events Center construction.

Fan Spending

Fans spend money both on-site at the event, and off-site away from the event. On-site spending categories include:

- Tickets;
- Concessions; and
- Parking.

Off-site spending categories include:

- Lodging;
- Local Travel;
- Food/Beverage;
- Retail/Entertainment; and
- Other Services.

The 2005 KeyArena survey asked visitors for information about spending related to their visit. For nearly all events, the KeyArena spending trends are used to model fan spending for the new Events Center.

The KeyArena report included one table of spending data aggregated by location of origin and another table aggregated by type of event (sports or concert). To develop spending assumptions at a level of detail that includes both location of origin and type of event, the data on spending by type of event is used as the average, and the data on spending by location of origin is used to determine the distribution of that spending across different geographic areas. The spending figures are also updated to 2007 dollars.

The following four exhibits display the detailed spending assumptions for each different type of event modeled. Beneath each exhibit is a series of bullets describing any areas of adjustment to the KeyArena spending figures. One adjustment affects all event types: a discount of 40% is made to parking prices to reflect the fact that parking in Renton would likely be less expensive than parking in Seattle.

Exhibit 3: Event Profile – Pro Sports

	Sonics/NHL	Storm/Other Sports
Average Attendance	15,000	6,000
% of Attendees from King County	64.4%	64.4%
% of Attendees from Other Washington	28.1%	28.1%
% of Attendees from Out-of-State	7.5%	7.5%
Average Non-Fan Attendees	59	33

Sonics/NHL

	Origin of Visitor			Implied Composite	Non-Fan
	Within King County	Rest of Washington	Out of State		
Average Spending per Visitor					
Total	\$77.70	\$105.92	\$141.83	\$91.29	\$381.42
On-Site	\$56.56	\$73.10	\$85.64	\$64.24	\$0.00
Ticket	\$41.98	\$59.45	\$64.44	\$49.43	\$0.00
Concession	\$10.37	\$11.63	\$19.20	\$11.39	\$0.00
Parking	\$4.20	\$2.01	\$1.99	\$3.42	\$0.00
Off-Site	\$21.14	\$32.82	\$56.19	\$27.05	\$381.42
Lodging	\$0.21	\$3.05	\$17.60	\$2.31	\$250.00
Local Travel	\$0.54	\$1.02	\$2.99	\$0.86	\$25.42
Food/Beverage	\$9.32	\$16.49	\$16.17	\$11.85	\$106.00
Retail/Entertainment	\$6.40	\$9.70	\$12.32	\$7.77	\$0.00
Other	\$4.67	\$2.56	\$7.11	\$4.26	\$0.00

Storm/Other Sports

	Origin of Visitor			Implied Composite	Non-Fan
	Within King County	Rest of Washington	Out of State		
Average Spending per Visitor					
Total	\$60.74	\$81.90	\$115.79	\$72.15	\$345.42
On-Site	\$39.60	\$49.08	\$59.60	\$45.10	\$0.00
Ticket	\$25.02	\$35.43	\$38.41	\$30.29	\$0.00
Concession	\$10.37	\$11.63	\$19.20	\$11.39	\$0.00
Parking	\$4.20	\$2.01	\$1.99	\$3.42	\$0.00
Off-Site	\$21.14	\$32.82	\$56.19	\$27.05	\$345.42
Lodging	\$0.21	\$3.05	\$17.60	\$2.31	\$250.00
Local Travel	\$0.54	\$1.02	\$2.99	\$0.86	\$25.42
Food/Beverage	\$9.32	\$16.49	\$16.17	\$11.85	\$70.00
Retail/Entertainment	\$6.40	\$9.70	\$12.32	\$7.77	\$0.00
Other	\$4.67	\$2.56	\$7.11	\$4.26	\$0.00

- Adjustments are made to Sonics and Storm ticket prices to reflect the differentials in ticket prices for these two events, and NHL ticket prices are assumed to mirror those of the Sonics.
- Playoff tickets are assumed to have an average cost 15% higher than regular season tickets.

Exhibit 4: Event Profile – Concerts/Entertainment

	High-Impact	Low-Impact
Average Attendance	14,900	7,435
% of Attendees from King County	42.9%	65.0%
% of Attendees from Other Washington	39.6%	35.0%
% of Attendees from Out-of-State	17.5%	0.0%
Average Non-Fan Attendees	0	0

	High-Impact	Low-Impact
Event Distribution		
Large Concert	25%	75%
Medium Concert	10%	90%
Small Concert	0%	100%

High-Impact

	Origin of Visitor		
	Within King County	Rest of Washington	Out of State
Average Spending per Visitor			
Total	\$178.97	\$256.88	\$324.86
On-Site	\$151.42	\$211.49	\$234.16
Ticket	\$140.48	\$198.93	\$215.62
Concession	\$8.98	\$10.99	\$16.97
Parking	\$1.97	\$1.57	\$1.56
Off-Site	\$27.55	\$45.39	\$90.71
Lodging	\$0.47	\$6.95	\$40.14
Local Travel	\$0.56	\$1.06	\$3.09
Food/Beverage	\$10.08	\$17.84	\$17.49
Retail/Entertainment	\$11.07	\$16.58	\$21.56
Other	\$5.36	\$2.97	\$8.42

Low-Impact

	Origin of Visitor		
	Within King County	Rest of Washington	Out of State
Average Spending per Visitor			
Total	\$63.96	\$94.01	\$148.32
On-Site	\$36.41	\$48.62	\$57.61
Ticket	\$25.46	\$36.06	\$39.08
Concession	\$8.98	\$10.99	\$16.97
Parking	\$1.97	\$1.57	\$1.56
Off-Site	\$27.55	\$45.39	\$90.71
Lodging	\$0.47	\$6.95	\$40.14
Local Travel	\$0.56	\$1.06	\$3.09
Food/Beverage	\$10.08	\$17.84	\$17.49
Retail/Entertainment	\$11.07	\$16.58	\$21.56
Other	\$5.36	\$2.97	\$8.42

Composite

	Origin of Visitor			Implied Composite
	Within King County	Rest of Washington	Out of State	
Average Spending per Visitor				
Total	\$77.53	\$114.35	\$206.57	\$91.75
On-Site	\$46.98	\$64.03	\$106.00	\$53.56
Ticket	\$34.84	\$50.10	\$85.46	\$40.71
Concession	\$9.95	\$12.18	\$18.82	\$10.82
Parking	\$2.18	\$1.74	\$1.73	\$2.02
Off-Site	\$30.55	\$50.32	\$100.57	\$38.19
Lodging	\$0.53	\$7.70	\$44.51	\$3.48
Local Travel	\$0.62	\$1.17	\$3.43	\$0.84
Food/Beverage	\$11.18	\$19.78	\$19.39	\$14.29
Retail/Entertainment	\$12.28	\$18.38	\$23.90	\$14.54
Other	\$5.94	\$3.29	\$9.34	\$5.04

- Adjustments are made to high-impact and low-impact concert ticket prices. Because two of the three concerts surveyed as part of the KeyArena Study were high-impact concerts (U2 and Paul McCartney), the data are available to support differential ticket pricing for these different types of concerts.

Exhibit 5: Event Profile – Conventions/Corporate Meetings

	High-Impact	Consumer Shows	Corporate Meetings
Average Attendance	9,300	3,500	6,975
% of Attendees from King County	10.0%	65.0%	10.0%
% of Attendees from Other Washington	10.0%	35.0%	10.0%
% of Attendees from Out-of-State	80.0%	0.0%	80.0%
Average Non-Fan Attendees	0	0	0

High-Impact Conventions

	Origin of Visitor			Implied Composite
	Within King County	Rest of Washington	Out of State	
Average Spending per Visitor				
Total	\$43.07	\$405.59	\$405.59	\$369.34
On-Site	\$5.03	\$16.29	\$16.29	\$15.17
Ticket	\$0.00	\$0.00	\$0.00	\$0.00
Concession	\$0.00	\$0.00	\$0.00	\$0.00
Parking	\$5.03	\$16.29	\$16.29	\$15.17
Off-Site	\$38.04	\$389.29	\$389.29	\$354.17
Lodging	\$0.00	\$219.49	\$219.49	\$197.54
Local Travel	\$4.60	\$14.90	\$14.90	\$13.87
Food/Beverage	\$33.44	\$108.35	\$108.35	\$100.86
Retail/Entertainment	\$0.00	\$46.55	\$46.55	\$41.90
Other	\$0.00	\$0.00	\$0.00	\$0.00

Consumer Shows

	Origin of Visitor			Implied Composite
	Within King County	Rest of Washington	Out of State	
Average Spending per Visitor				
Total	\$63.96	\$94.01	\$148.32	\$74.48
On-Site	\$36.41	\$48.62	\$57.61	\$40.68
Ticket	\$25.46	\$36.06	\$39.08	\$29.17
Concession	\$8.98	\$10.99	\$16.97	\$9.68
Parking	\$1.97	\$1.57	\$1.56	\$1.83
Off-Site	\$27.55	\$45.39	\$90.71	\$33.79
Lodging	\$0.47	\$6.95	\$40.14	\$2.74
Local Travel	\$0.56	\$1.06	\$3.09	\$0.73
Food/Beverage	\$10.08	\$17.84	\$17.49	\$12.80
Retail/Entertainment	\$11.07	\$16.58	\$21.56	\$13.00
Other	\$5.36	\$2.97	\$8.42	\$4.52

Corporate Meetings

	Origin of Visitor			Implied Composite
	Within King County	Rest of Washington	Out of State	
Average Spending per Visitor				
Total	\$21.53	\$202.79	\$202.79	\$184.67
On-Site	\$2.51	\$8.15	\$8.15	\$7.58
Ticket	\$0.00	\$0.00	\$0.00	\$0.00
Concession	\$0.00	\$0.00	\$0.00	\$0.00
Parking	\$2.51	\$8.15	\$8.15	\$7.58
Off-Site	\$19.02	\$194.65	\$194.65	\$177.08
Lodging	\$0.00	\$109.74	\$109.74	\$98.77
Local Travel	\$2.30	\$7.45	\$7.45	\$6.93
Food/Beverage	\$16.72	\$54.18	\$54.18	\$50.43
Retail/Entertainment	\$0.00	\$23.28	\$23.28	\$20.95
Other	\$0.00	\$0.00	\$0.00	\$0.00

- Consumer show spending patterns are assumed to mirror those of low-impact concerts and other entertainment.
- Spending patterns for high-impact conventions and corporate meetings are not based on the KeyArena figures, but instead on the IACVB Study. To be conservative, attendees at corporate meetings are assumed to spend half the amounts spent by attendees at high-impact conventions.

Exhibit 6: Event Profile – High-Impact Sports

Average Attendance	15,000
% of Attendees from King County	20.0%
% of Attendees from Other Washington	20.0%
% of Attendees from Out-of-State	60.0%
Average Non-Fan Attendees	0

Average Spending per Visitor	Origin of Visitor			Implied Composite
	Within King County	Rest of Washington	Out of State	
Total	\$100.09	\$141.45	\$206.76	\$172.36
On-Site	\$67.29	\$88.27	\$103.80	\$93.39
Ticket	\$47.85	\$67.76	\$73.45	\$67.19
Concession	\$13.95	\$16.12	\$26.00	\$21.61
Parking	\$5.49	\$4.39	\$4.34	\$4.58
Off-Site	\$32.80	\$53.18	\$102.96	\$78.98
Lodging	\$0.51	\$7.44	\$42.98	\$27.38
Local Travel	\$0.76	\$1.42	\$4.17	\$2.94
Food/Beverage	\$13.01	\$23.00	\$22.55	\$20.73
Retail/Entertainment	\$11.59	\$17.48	\$22.42	\$19.26
Other	\$6.95	\$3.84	\$10.84	\$8.66

- While the distribution of spending at NCAA tournaments and other high-impact sports events mirrors the distribution of spending at the KeyArena, overall spending figures for these events are based on an average from three economic impact studies related to NCAA tournaments.

Non-Fan Off-Site Spending

Non-fan participant spending is off-site spending by persons other than fans. For example, when visiting teams come to the region to play the Sonics, the players, coaches, and staff all spend money on lodging, food, and other items.

Because pro sports is the only event type where data is available regarding the number of potential non-fan participants and their spending, pro sports is the only event type where any non-fan spending is assumed. These spending figures are contained in Exhibit 3 above. Overall non-fan spending estimates are likely conservative, considering that other events (such as concerts) will also have non-fan participants who will spend money on lodging, food and beverage, and other local goods and services.

Total Event Spending

Total event spending (shown below in Exhibit 7 and including both fan and non-fan spending) is calculated for each event at three levels of geography: inside King County; other Washington; and out-of-state. Spending is calculated using the attendance and spending patterns described above for each event and geography.

Exhibit 7: Event-Related Spending Detail

Event Spending - One Year of Core Events (2007\$ M)

	Total				Pro Sports				Concerts				Conventions				NCAA/High-Impact Sports			
	All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events	
	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA
Total	139.8	80.0	43.4	20.3	67.2	67.2	30.7	9.0	58.5	0.0	0.0	0.0	14.2	12.9	12.7	11.3	0.0	0.0	0.0	0.0
On-Site	81.0	46.1	19.9	5.1	45.6	45.6	19.4	4.6	34.1	0.0	0.0	0.0	1.2	0.5	0.5	0.5	0.0	0.0	0.0	0.0
Ticket	60.9	34.5	15.3	3.4	34.5	34.5	15.3	3.4	25.9	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Concession	15.6	8.6	3.5	1.1	8.6	8.6	3.5	1.1	6.9	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Parking	4.4	3.1	1.1	0.6	2.6	2.6	0.5	0.1	1.3	0.0	0.0	0.0	0.6	0.5	0.5	0.5	0.0	0.0	0.0	0.0
Off-Site	58.8	33.9	23.5	15.2	21.5	21.5	11.3	4.3	24.3	0.0	0.0	0.0	12.9	12.4	12.2	10.9	0.0	0.0	0.0	0.0
Lodging	11.7	9.4	9.3	7.9	2.5	2.5	2.4	1.8	2.2	0.0	0.0	0.0	6.9	6.9	6.9	6.1	0.0	0.0	0.0	0.0
Local Travel	1.8	1.2	0.9	0.7	0.7	0.7	0.5	0.2	0.5	0.0	0.0	0.0	0.5	0.5	0.5	0.4	0.0	0.0	0.0	0.0
Food/Beverage	22.1	12.8	8.1	4.2	9.2	9.2	4.7	1.2	9.1	0.0	0.0	0.0	3.7	3.5	3.4	3.0	0.0	0.0	0.0	0.0
Retail/Entertainment	16.8	7.5	4.2	2.0	5.9	5.9	2.7	0.7	9.3	0.0	0.0	0.0	1.7	1.5	1.5	1.3	0.0	0.0	0.0	0.0
Other	6.5	3.2	0.9	0.4	3.2	3.2	0.9	0.4	3.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Event Spending - One Year of Potential Extras (2007\$ M)

	Total				Pro Sports				Concerts				Conventions				NCAA/High-Impact Sports			
	All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events	
	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA
Total	127.0	121.8	75.6	44.2	83.2	83.2	37.9	11.0	0.0	0.0	0.0	0.0	33.5	33.5	33.1	29.4	10.3	5.2	4.6	3.7
On - One Year of Site	64.4	61.6	28.2	8.9	57.5	57.5	24.5	5.8	0.0	0.0	0.0	0.0	1.4	1.4	1.3	1.2	5.6	2.8	2.4	1.9
Ticket	48.2	46.2	21.3	5.7	44.2	44.2	19.6	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	2.0	1.7	1.3
Concession	11.5	10.9	4.8	1.8	10.2	10.2	4.2	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.6	0.6	0.5
Parking	4.7	4.6	2.1	1.4	3.1	3.1	0.6	0.1	0.0	0.0	0.0	0.0	1.4	1.4	1.3	1.2	0.3	0.1	0.1	0.1
Off - One Year of Site	62.6	60.2	47.4	35.3	25.7	25.7	13.5	5.2	0.0	0.0	0.0	0.0	32.1	32.1	31.8	28.2	4.7	2.4	2.2	1.9
Lodging	22.6	21.8	21.7	18.9	3.1	3.1	2.9	2.2	0.0	0.0	0.0	0.0	17.9	17.9	17.9	15.9	1.6	0.8	0.8	0.8
Local Travel	2.3	2.2	1.9	1.5	0.9	0.9	0.6	0.3	0.0	0.0	0.0	0.0	1.3	1.3	1.2	1.1	0.2	0.1	0.1	0.1
Food/Beverage	21.4	20.7	15.0	9.7	11.0	11.0	5.6	1.4	0.0	0.0	0.0	0.0	9.1	9.1	8.8	7.9	1.2	0.6	0.5	0.4
Retail/Entertainment	11.9	11.4	7.6	4.6	7.0	7.0	3.3	0.8	0.0	0.0	0.0	0.0	3.8	3.8	3.8	3.4	1.2	0.6	0.5	0.4
Other	4.3	4.1	1.3	0.7	3.8	3.8	1.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.3	0.2	0.2

Event Spending - One Year of Grand Total (2007\$ M)

	Total				Pro Sports				Concerts				Conventions				NCAA/High-Impact Sports			
	All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events		All Events		At Risk Events	
	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA	Total	New to	KC	WA
Total	266.8	201.9	119.0	64.5	150.3	150.3	68.6	20.0	58.5	0.0	0.0	0.0	47.7	46.4	45.8	40.7	10.3	5.2	4.6	3.7
On-Site	145.4	107.8	48.1	14.0	103.1	103.1	43.8	10.4	34.1	0.0	0.0	0.0	2.6	1.9	1.8	1.6	5.6	2.8	2.4	1.9
Ticket	109.1	80.6	36.6	9.1	78.6	78.6	34.9	7.8	25.9	0.0	0.0	0.0	0.5	0.0	0.0	0.0	4.0	2.0	1.7	1.3
Concession	27.2	19.5	8.3	2.8	18.8	18.8	7.8	2.4	6.9	0.0	0.0	0.0	0.2	0.0	0.0	0.0	1.3	0.6	0.6	0.5
Parking	9.2	7.7	3.1	2.0	5.7	5.7	1.2	0.2	1.3	0.0	0.0	0.0	1.9	1.9	1.8	1.6	0.3	0.1	0.1	0.1
Off-Site	121.4	94.1	70.9	50.5	47.3	47.3	24.8	9.6	24.3	0.0	0.0	0.0	45.1	44.5	44.0	39.1	4.7	2.4	2.2	1.9
Lodging	34.3	31.2	31.0	26.8	5.6	5.6	5.4	3.9	2.2	0.0	0.0	0.0	24.8	24.8	24.8	22.0	1.6	0.8	0.8	0.8
Local Travel	4.1	3.4	2.8	2.1	1.6	1.6	1.0	0.5	0.5	0.0	0.0	0.0	1.8	1.7	1.7	1.5	0.2	0.1	0.1	0.1
Food/Beverage	43.5	33.5	23.1	13.9	20.2	20.2	10.3	2.7	9.1	0.0	0.0	0.0	12.9	12.7	12.2	10.9	1.2	0.6	0.5	0.4
Retail/Entertainment	28.7	18.7	11.8	6.6	12.8	12.8	6.0	1.5	9.3	0.0	0.0	0.0	5.5	5.3	5.3	4.7	1.2	0.6	0.5	0.4
Other	10.8	7.3	2.3	1.1	7.0	7.0	2.1	0.9	3.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.5	0.3	0.2	0.2

Business Spending (and Revenues)

For the purposes of calculating tax revenues, it is necessary to calculate both the spending and the revenue associated with operating the Events Center. Revenue in the form of tickets, concessions, and parking is already captured in the fan spending described above. However, the Events Center operator will also receive the following revenues:

- Naming and sponsorship rights;
- League revenue-sharing; and
- Local media agreements.

While all naming rights and revenue-sharing revenues are considered new to the state and county (because these revenues would not flow into the area in the absence of an NBA franchise operating in the state), none of the local media revenues are considered new to either area. Estimates of these revenues are developed using operating pro formas from the Seattle Sonics and Storm. A potential NHL franchise is estimated to generate 50% of NBA league revenue-sharing and local media revenues, and 10% of naming and sponsorship rights revenues. Due to confidentiality agreements, no detailed tables of these revenues are contained in this report.

A large number of categories of business spending are estimated as well, and they fall into two major categories:

1. Spending Related to Sports Franchises

This spending includes the following sub-categories:

- Staff salaries and benefits;
- Contract employees;
- Marketing;
- Press and public relations;
- Photographic/art services;
- Professional services;
- Transportation; and
- Lodging.

For the core schedule, which includes the Sonics and Storm, estimates of most of these expenditures are developed using operating pro formas from the Seattle Sonics and Storm. An exception is the estimate for contract employees (players and coaches), which are developed using salary information from ESPN.com. While contract employees make up the majority of total business spending, it is assumed that only 25% of these salaries are spent locally and have economic impacts.

If an NHL franchise comes to the Events Center, the expenditures listed above are expected to increase. Recognizing the potential for large economies of scale in staffing, an increase of just 20% is assumed for staff salary and benefit expenditures related to an NHL team. This assumption is based on a common ownership group for both the NBA and NHL franchises in the Events Center. Estimates for NHL contract employees are also developed using salary information from ESPN.com. For the remaining sub-categories, an 80% expenditure increase is assumed, recognizing the potential for small economies of scale.

2. Other Events Center Operating Expenditures

This spending includes the following sub-categories:

- Banking;
- Insurance;
- Janitorial/protective;
- Food and beverage service;
- Set/costume/exhibit rental;
- Equipment rental;
- Other services;
- Printing;
- Production materials;
- Supplies;
- Maintenance;
- Other;
- HVAC; and
- Utilities.

For both the core schedule and potential extra events, these expenditures are estimated using the current rates of spending per event day. As event days increase, these costs increase correspondingly.

Spending on Events Center Construction

Estimates of construction spending are developed using figures provided by the ICON Venue Group, including direct construction costs of \$390 million out of a total development cost estimate of \$500 million. Construction spending is then allocated over a three-year period (2008-2010). To be conservative, no ongoing capital investments in the Events Center are considered in this analysis.

ECONOMIC IMPACTS

Approach

The economic impact analysis estimates the direct, indirect, and induced economic effects associated with the potential construction of a King County Events Center. The economic impact analysis is evaluated from three major perspectives, representing combinations of the spending axes described above:

- **All Economic Activity (Total Money).** This perspective identifies the total statewide economic activity associated with operations at and around the proposed Events Center. This measure captures the total economic effects but does not exclude the spending that would occur regardless of whether the Events Center is constructed.
- **At-Risk Economic Activity (Total Money).** The At-Risk perspective identifies the total economic effects of the activities of the proposed Events Center that are tied to the construction of the Events Center. In other words, this perspective excludes those activities that are likely to occur in the state regardless if the proposed Events Center is constructed.
- **At-Risk Economic Activity (New Money).** The At-Risk estimate is further evaluated to account for the portion of New Money impacts that originate outside the region and would not flow to the region if the activities at the proposed Events Center are not present in the economy. This At-Risk, New Money perspective is evaluated for both the King County and Washington State study areas.

- **King County Study Area.** Since the site is proposed for King County, most of the effects identified in the statewide analysis will be experienced in communities around the proposed facility. As a result, potential economic effects are assessed from a County perspective—identifying the distribution of Events Center-related spending within the County. The County New Money spending includes spending from outside the county, both within and outside the state, as these dollars are all new to the county.
- **Statewide Study Area.** The Washington State perspective identifies the effects of new demand from outside the state; however, it does not count transfers of demand from one part of the state to another as new impacts to the state.

The Distinction Between Expenditures and Economic Impacts

If the goal of an economic impact analysis is to get a realistic view of how a given action will affect a regional economy, then it is important to understand the mechanisms by which that effect will be felt in the region. Input-output models are designed to identify impacts of newly introduced demand in a local economy. In other words, input-output models show economic impacts at the point of production, translating new demand into additional sales (and production) of local goods and services.

This focus on economic effects means that input/output models make a clear distinction between new expenditures in an area and new demand for local goods and services. In economic terms, expenditures only impact the local economy to the extent that those expenditures drive demand for some local economic component of production. For example, a new dollar spent has a direct economic effect in a region only to the extent that some portion of the production of the good or service purchased occurs in that same region. The difference between the dollar spent and the amount that accrues to local entities is referred to in input/output models as the margin.

This analysis includes two areas where margins come into play—where a difference exists between expenditures and economic effects. These two areas are (1) expenditures that take place at the proposed Events Center and (2) expected retail expenditures.

In the case of the Events Center, estimates of economic effects are based on estimates of expenditures or revenues that flow out of the Events Center and accrue to local entities. These Events Center expenditures or revenues include:

- Expenditures for day-to-day operation;
- Local salaries paid by the Events Center and tenants, both full-time and part-time;
- Wholesale purchases for concession and merchandising sales at the track; and
- Other local goods and services.

Analysis of Economic Effects

The estimate of economic effects (output, jobs, and labor income) of the proposed King County Events Center is based on estimates of expenditures and revenues that flow out of the activities at the Events Center and accrue to local, county, and state entities. Within this framework, direct economic effects stem from the spending of two groups:

1. Off-site visitors/fans spending. This category includes the off-site Events Center spending of fans and visitors to the Events Center and accounts for spending on lodging, local travel, food/beverage, entertainment, and shopping. Included in this description is the spending of non-fan participants, such as visiting sport teams.

2. On-site Events Center expenditures. This category accounts for the operational expenses of the Events Center. Included in this description are the purchases for goods and services, and wage income made by the businesses.

The expenditures of these two groups are used as the inputs for the various scenarios of input-output models created for the analysis. The impacts of their expenditures are evaluated for the four combinations described above:

- All Economic Activity (Total Money);
- At-Risk Economic Activity (Total Money);
- King County At-Risk Economic Activity (New Money); and
- Statewide At-Risk Economic Activity (New Money).

Statewide and County Impacts

Statewide economic impacts are modeled using the Washington State Input-Output Model developed for the Washington State Office of Financial Management (NAICS, Simple Analysis).

The county-level impact estimates are made by using a King County-specific version of the statewide model. The county-specific model is created using a procedure designed to scale the total statewide economic output relative to the King County economy. Total jobs and wage income are calculated in the same fashion as the State model.

The King County specific input/output model is based on the Washington State Input-Output model, with the economic impacts for each segment of the economy scaled to the King County level based on IMPLAN economic modeling software (Type II Multipliers). Utilizing the same direct inputs for both the State and the County, industry sector-specific economic outputs are produced. The outputs are then used to generate a total economic output ratio that compares the figures for King County and for Washington State.

The IMPLAN industry-specific ratios are used to scale the total economic outputs generated in the Washington State Input-Output Model to a County version. This design scales the multiplier effects to a level that approximately captures the county-level share of the multiplier effects. Multiplier effects refer to the indirect effect of new demand (purchases made by the source industry from suppliers and service providers) and induced effects (demand for locally produced goods and services that stems from re-spending of income earned at each stage in the process). Thus, the County multipliers are substantially smaller than the State version.

IMPLAN's sectoring scheme is more diffuse than the Washington Input-Output Model but can be aggregated to the same level of the State model by aggregating NAICS industry codes for the respective industry sectors.

Retail Margins

The Washington State Input-Output Model requires the input of changes of industry output to be stripped of their retail margins. Typically only a small portion of a dollar spent for a retail purchase in a store goes to local

producers. IMPLAN is used to estimate the margin for retail sales of general merchandise. The IMPLAN model estimates that 59% of the average retail expenditure accrues to producers outside of Washington State and the Puget Sound Region. The remaining 41% accrues to local production factors.

This analysis uses IMPLAN's 41% local margin factor to allocate retail purchases to the State and County economies. This analysis uses margin on retail expenditures by businesses at the Events Center and off-site retail purchases by fans/visitors.

Ongoing Event-Related Activity

Direct Economic Activity: Off-site Visitor/Fan Spending

Exhibit 8 summarizes the distribution of direct off-site spending made by fans and visitors to the Events Center. This spending is then assigned to the appropriate industry sector in the input-output model as a change to total economic output. The spending is organized by both the Core and Potential Events Schedule.

Lodging and Food/Beverage account for the majority of total spending and represent an even larger share of the total At-Risk spending, reflecting the greater average spend for out-of-county and out-of-state fans/visitors. The distributions of off-site fan spending for all three At-Risk New Money scenarios highlight the impact of the spending patterns of out-of-county and out-of-state fans/visitors.

Exhibit 8: Direct Off-site Fan/Visitor Spending

Distribution of Direct Off-site Spending			
	Core Events	Potential Events	Total
All Activity Total			
Total Direct Spending	\$56.8	\$63.7	\$120.4
Lodging	22.8%	39.4%	31.6%
Local Travel	3.4%	4.0%	3.7%
Food/Beverage	43.1%	37.2%	40.0%
Entertainment	7.6%	5.6%	6.5%
Shopping	10.3%	6.2%	8.2%
Other Services	12.7%	7.6%	10.0%
At-Risk Total			
Total Direct Spending	\$34.1	\$61.3	\$95.5
Lodging	30.6%	39.4%	36.2%
Local Travel	3.9%	4.0%	4.0%
Food/Beverage	41.4%	37.5%	38.9%
Entertainment	6.7%	5.5%	6.0%
Shopping	7.0%	6.1%	6.4%
Other Services	10.4%	7.4%	8.5%
County At-Risk (new money)			
Total Direct Spending	\$21.3	\$43.2	\$64.4
Lodging	43.7%	50.0%	48.0%
Local Travel	2.4%	2.4%	2.4%
Food/Beverage	38.1%	34.6%	35.7%
Entertainment	5.5%	4.6%	4.9%
Shopping	5.9%	5.3%	5.5%
Other Services	4.4%	3.1%	3.5%
State At-Risk (new money)			
Total Direct Spending	\$15.9	\$36.8	\$52.7
Lodging	55.2%	56.8%	56.3%
Local Travel	4.6%	4.4%	4.5%
Food/Beverage	29.7%	29.2%	29.3%
Entertainment	3.4%	3.2%	3.3%
Shopping	4.3%	4.4%	4.4%
Other Services	2.8%	2.0%	2.3%

Source: Berk & Associates

Direct Economic Activity: On-site Events Center Spending

Exhibit 9 summarizes the distribution of direct business expenditures made by businesses operating at the Events Center. The expenditures are assigned to the appropriate industry sector in the input-output model as a change to total economic output. The spending is organized by both the Core and Potential Schedule.

The amount spent on labor income accounts for the majority of total business spending. Labor expenditures include both salaries and benefits paid to staff, and the salaries paid to contract employees. Contract employee salaries represent the contract payments made to professional sports players and coaches. A 75% discount is applied to the total salaries of the contract employees to account for the fact that many players are not full-time residents of the county or the state and are unlikely to spend a high percentage of their income in the region. A similar discount on contract employee income was used in the KeyArena Report.

All Other Business Expenditures is a roll-up of business expenditure categories described in the KeyArena Report. Estimates of these expenses are estimated using operating pro formas from the Seattle Sonics and Storm. While the pro formas do not use the exact same categories as the KeyArena Report, there is sufficient overlap at a general level to make the conversion. Once converted, the expenses are allocated to more specific spending categories using the distribution pattern described in the KeyArena Report. These include the categories described in the Business Spending section of this appendix.

All At-Risk on-site business expenditures are discounted to account for the fact that some business expenditures (such as equipment rental) are likely to transfer to other venues in the region if the Events Center is not developed. Therefore, not all of these expenditures are At-Risk.

On-site business expenditures (both labor and other expenses) for both the County and the State At-Risk, New Money scenarios are further discounted to reflect a percentage of imported business revenue from the league revenue, naming rights, non-local media, ticket sales, concessions, and parking tied to those events. The discount attempts to scale the on-site business expenses to reflect only the portion that is likely to be funded from fan/visitor spending that originates outside the respective study area (County or State).

Exhibit 9: Direct On-site Business Expenditures

Distribution of Direct On-site Business Expenditures			
	Core Events	Potential Events	Total
All Activity Total			
Total Direct Spending	\$50.9	\$40.9	\$91.8
Labor Income	\$31.5	\$26.8	\$58.3
All Other Business Expenditures	\$19.5	\$14.1	\$33.6
At-Risk Total			
Total Direct Spending	\$49.1	\$40.6	\$89.7
Labor Income	\$31.5	\$26.8	\$58.3
All Other Business Expenditures	\$17.7	\$13.8	\$31.5
County At-Risk (new money)			
Total Direct Spending	\$31.0	\$23.1	\$54.1
Labor Income	\$19.8	\$15.2	\$35.1
All Other Business Spending	\$11.2	\$7.9	\$19.0
State At-Risk (new money)			
Total Direct Spending	\$21.1	\$14.1	\$35.2
Labor Income	\$13.5	\$9.3	\$22.8
All Other Business Expenditures	\$7.6	\$4.8	\$12.4

Source: Berk & Associates

Summary Economic Impacts

Exhibit 10 through Exhibit 13 present detailed summaries of the direct, indirect and induced effects on economic output, employment, and income of the four perspectives analyzed:

- All Economic Activity (Total Money);
- At-Risk Economic Activity (Total Money);
- King County At-Risk Economic Activity (New Money); and
- Statewide At-Risk Economic Activity (New Money).

Exhibit 10: All Activity

Economic Impacts: All Economic Activity				
	Total	Core Events	Extra Events	
Total Output	\$406,400,689	\$204,236,009	\$202,164,680	
Direct - off-site spending	\$120,422,473	\$56,767,996	\$63,654,477	
Direct - on-site arena expenditures	\$91,849,730	\$50,938,053	\$40,911,677	
Induced and Indirect	\$194,128,486	\$96,529,959	\$97,598,527	
Total Jobs	5,799	2,875	2,923	
Direct - off-site spending	2,551	1,207	1,344	
Direct - on-site arena expenditures	361	204	157	
Induced and Indirect	2,887	1,464	1,423	
Total Wages	\$204,061,483	\$104,467,557	\$99,593,926	
Direct - off-site spending	\$45,729,302	\$21,429,984	\$24,299,318	
Direct - on-site arena expenditures	\$71,300,254	\$38,915,131	\$32,385,123	
Induced and Indirect	\$87,031,927	\$44,122,442	\$42,909,485	

Source: Berk & Associates

Exhibit 11: At-Risk Activity

Economic Impacts: All At-Risk Economic Activity				
	Total	Core Events	Extra Events	
Total Output	\$349,182,549	\$152,535,193	\$196,647,355	
Direct - off-site spending	\$95,463,903	\$34,147,697	\$61,316,207	
Direct - on-site arena expenditures	\$89,747,775	\$49,144,995	\$40,602,780	
Induced and Indirect	\$163,970,870	\$69,242,502	\$94,728,368	
Total Jobs	4,937	2,090	2,847	
Direct - off-site spending	2,022	727	1,295	
Direct - on-site arena expenditures	360	200	161	
Induced and Indirect	2,555	1,163	1,392	
Total Wages	\$184,138,579	\$86,395,435	\$97,743,145	
Direct - off-site spending	\$36,364,275	\$12,962,697	\$23,401,578	
Direct - on-site arena expenditures	\$70,909,802	\$38,514,097	\$32,395,705	
Induced and Indirect	\$76,864,502	\$34,918,641	\$41,945,862	

Source: Berk & Associates

Exhibit 12: King County At-Risk Activity

Economic Impacts: King County At-Risk Economic Activity (new money)				
	Total	Core Events	Extra Events	
Total Output	\$191,585,924	\$81,713,049	\$109,872,875	
Direct - off-site spending	\$64,447,705	\$21,252,302	\$43,195,403	
Direct - on-site arena expenditures	\$54,082,858	\$30,981,516	\$23,101,342	
Induced and Indirect	\$73,055,361	\$29,479,231	\$43,576,131	
Total Jobs	2,778	1,134	1,644	
Direct - off-site spending	1,370	454	916	
Direct - on-site arena expenditures	217	126	91	
Induced and Indirect	1,191	554	636	
Total Wages	\$104,623,785	\$49,430,462	\$55,193,323	
Direct - off-site spending	\$24,747,076	\$8,134,092	\$16,612,983	
Direct - on-site arena expenditures	\$42,711,535	\$24,279,688	\$18,431,847	
Induced and Indirect	\$37,165,174	\$17,016,682	\$20,148,492	

Source: Berk & Associates

Exhibit 13: Statewide At-Risk Activity

Economic Impacts: Statewide At-Risk Economic Activity (new money)			
	Total	Core Events	Extra Events
Total Output	\$169,892,223	\$68,122,336	\$101,769,887
Direct - off-site spending	\$52,691,671	\$15,870,003	\$36,821,668
Direct - on-site arena expenditures	\$35,197,927	\$21,080,897	\$14,117,030
Induced and Indirect	\$82,002,625	\$31,171,436	\$50,831,189
Total Jobs	2,437	932	1,506
Direct - off-site spending	1,094	329	764
Direct - on-site arena expenditures	141	86	56
Induced and Indirect	1,202	517	686
Total Wages	\$84,377,125	\$38,158,723	\$46,218,402
Direct - off-site spending	\$20,327,374	\$6,118,039	\$14,209,335
Direct - on-site arena expenditures	\$27,784,283	\$16,520,741	\$11,263,542
Induced and Indirect	\$36,265,468	\$15,519,943	\$20,745,525

Source: Berk & Associates

FISCAL (TAX) BENEFITS

Spending flows into different tax bases in different ways, depending on both the taxing entity and the type of spending. Those tax bases are then taxed at the appropriate rate for each jurisdiction and tax type.

Analysis of Tax Base Impacts: Allocation by Taxing Entity

In order to properly calculate tax revenues, it is necessary to estimate what proportion of off-site spending is happening in the City of Renton and in King County (it is assumed that all off-site spending occurs in Washington state).

Exhibit 14 displays assumptions about the location of off-site spending and the effects of those assumptions on each jurisdiction's share of off-site spending:

Exhibit 14: Off-Site Spending Allocation by Taxing Entity

Off-Site Event Spending by Spending Location: One Year of Core Schedule (2007\$ M)

	Total	In Ren. %	In Ren.	Rest of County %	Rest of County	County Total %	County Total	Out of County Total %	Out of County Total
Total	33.9		15.9		14.1		30.0		3.9
Lodging	9.4	40%	3.8	50%	4.7	90%	8.5	10%	0.9
Local Travel	1.2	25%	0.3	25%	0.3	50%	0.6	50%	0.6
Food/Beverage	12.8	60%	7.7	30%	3.8	90%	11.5	10%	1.3
Retail/Entertainment	7.3	40%	2.9	50%	3.7	90%	6.6	10%	0.7
Other	3.2	40%	1.3	50%	1.6	90%	2.9	10%	0.3

Off-Site Event Spending by Spending Location: One Year of Potential Extras (2007\$ M)

	Total	In Ren. %	In Ren.	Rest of County %	Rest of County	County Total %	County Total	Out of County Total %	Out of County Total
Total	60.2		27.9		25.4		53.3		6.9
Lodging	21.8	40%	8.7	50%	10.9	90%	19.6	10%	2.2
Local Travel	2.2	25%	0.6	25%	0.6	50%	1.1	50%	1.1
Food/Beverage	20.7	60%	12.4	30%	6.2	90%	18.7	10%	2.1
Retail/Entertainment	11.4	40%	4.5	50%	5.7	90%	10.2	10%	1.1
Other	4.1	40%	1.6	50%	2.0	90%	3.7	10%	0.4

Off-Site Event Spending by Spending Location: One Year of Grand Total (2007\$ M)

	Total	In Ren. %	In Ren.	Rest of County %	Rest of County	County Total %	County Total	Out of County Total %	Out of County Total
Total	94.1		43.8		39.5		83.3		10.8
Lodging	31.2	40%	12.5	50%	15.6	90%	28.1	10%	3.1
Local Travel	3.4	25%	0.9	25%	0.9	50%	1.7	50%	1.7
Food/Beverage	33.5	60%	20.1	30%	10.0	90%	30.1	10%	3.3
Retail/Entertainment	18.7	40%	7.5	50%	9.3	90%	16.8	10%	1.9
Other	7.3	40%	2.9	50%	3.6	90%	6.6	10%	0.7

Analysis of Tax Base Impacts: Allocation by Spending Type

The following types of spending are tracked in this analysis:

Retail Spending

This spending flows into both the taxable retail sales base, as well as the retail portion of the gross business income tax base. The following categories of spending/revenue are included:

- Visitor spending: Concessions;
- Visitor spending: Parking;
- Visitor spending: Lodging;
- Visitor spending: Local travel;
- Visitor spending: Food/Beverage;
- Visitor spending: Entertainment;
- Visitor spending: Shopping;
- Business spending: Janitorial/protective;
- Business spending: Lodging;
- Business spending: Purchases food and beverage service;
- Business spending: Set/costume/exhibit rental;
- Business spending: Equipment rental;
- Business spending: Printing;
- Business spending: Production Materials;
- Business spending: Supplies; and
- Business spending: Other.

Only 50% of the visitor spending on local travel is included in gross business income, and none of this spending is counted in the taxable retail sales base. Furthermore, lodging is tracked separately in the taxable retail sales base because it is taxed at a different rate than non-lodging retail sales.

Services Spending

This spending flows into the service portion of the gross business income tax base and does not flow into the taxable retail sales base. The following categories of spending/revenue are included:

- Visitor spending: Tickets;
- Visitor spending: Other;
- Business revenue: Local media agreements;
- Business revenue: League revenue-sharing;
- Business revenue: Naming rights/sponsorship;
- Business revenue: Miscellaneous Revenue;
- Business spending: Marketing;
- Business spending: Press and public relations;
- Business spending: Photographic/art services;
- Business spending: Banking;
- Business spending: Insurance;
- Business spending: Professional services;
- Business spending: Other services;
- Business spending: Maintenance; and
- Business spending: HVAC.

Construction Spending

Construction expenditures flow into the gross business income tax base in the year those expenditures take place. These same expenditures flow into the taxable retail sales base more slowly, under the assumption that

sales tax payments will be deferred until five years after they are incurred, and then paid back over a ten-year period.

Admissions Tax (City Level)

While an admissions tax base is developed in the analysis using visitor spending on tickets, it is assumed that tickets to the King County Events Center will be exempt from any admissions tax. Therefore, the local admissions tax rate is assumed to be 0% for the purposes of this analysis.

Utility Tax (City Level)

Estimates of the Events Center's utility spending are based on operating pro formas from the Seattle Sonics and Storm. Utility spending is then adjusted depending on the number of event days in a given year.

Business License Tax (City Level)

Renton's business license tax is based on the number of employees working at each business. The number of jobs is estimated using current average wages per staff employee (provided by the Seattle Sonics and Storm) and total wages from the operating pro forma. The number of jobs is only expected to change in the future if an NHL team is added. In that case, a 20% increase in the number of jobs is assumed, which matches the expenditure assumptions discussed previously.

Calculating Taxes

With the tax bases properly allocated by taxing entity and spending type, calculating tax revenues becomes a matter of applying the proper tax rates to each spending type in each jurisdiction. Exhibit 15 (shown over three pages below) displays these tax revenues for the first year of operations and as a net present value over 25 years of facility operations based on attendee and Events Center spending. The tax table includes total taxes collected on all event-related activity, taxes only on the At-Risk events, and taxes collected on the "New Money" portion of the At-Risk events. The analysis assumes that the new facility will be exempt from property and leasehold taxes, commercial parking taxes and the local admissions tax.

The following taxing entities are analyzed:

- The **State General Fund** collects B&O tax and sales tax on direct and indirect economic activity associated with the events.
- **King County** receives its share of local sales tax on direct and indirect activity plus the Metro Transit sales tax portion.
- The **City of Renton** gains from all of the on-site spending and some of the off-site spending through increases in taxable retail sales, plus the business license tax and utility taxes. The analysis assumes that the Event Center would be exempt from the current City admissions tax of 5%.
- **Other Local** taxes in King County represent a combination of local spending that would be outside Renton and shares of sales taxes that are dedicated to specific purposes or jurisdictions.

Along with the direct ongoing taxes, taxes on indirect and induced effects are also estimated. Estimates of the tax impacts of indirect and induced spending were made using the industry outputs from the Washington Input-Output model and reports of actual statewide tax collections by industry. For taxable retail sales impacts, the Department of Revenue reports total gross business income and taxable retail sales by industry. State Business

& Occupation (B&O) taxes are treated similarly. Since there are multiple B&O tax rates it was necessary to calculate an effective average B&O tax rate for each industry using actual gross business income and B&O collections by industry from DOR.

Exhibit 15: Fiscal (Tax) Benefit Detail

Taxes: All Events - Core Schedule (2007\$ M)

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
TOTAL						
All Jurisdictions	11.3	204.3	7.8	146.5	4.3	90.7

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
STATE						
Total	9.1	161.3	6.1	112.1	2.8	59.8
Direct One-Time Construction	0.4	14.6	0.4	14.6	0.2	13.7
B&O Tax	0.4	1.7	0.4	1.7	0.2	0.8
Sales Tax	0.0	12.9	0.0	12.9	0.0	12.9
Direct Ongoing	7.0	116.0	4.5	74.5	2.0	32.8
B&O Tax	2.6	43.2	2.0	33.0	1.2	18.9
Sales Tax	4.3	72.7	2.5	41.6	0.8	13.9
Indirect Total	1.7	30.7	1.2	22.9	0.6	13.3
B&O Tax	0.6	8.4	0.4	5.4	0.2	2.1
Sales Tax	1.1	22.3	0.8	17.5	0.4	11.2

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
COUNTY						
Total	0.8	15.2	0.5	10.9	0.4	8.5
Direct One-Time Construction	0.0	0.3	0.0	0.3	0.0	0.3
Sales Tax	0.0	0.3	0.0	0.3	0.0	0.3
Direct Ongoing	0.3	4.9	0.2	3.6	0.2	3.2
Sales Tax	0.3	4.9	0.2	3.6	0.2	3.2
Indirect Total	0.1	1.4	0.1	1.2	0.0	0.3
Sales Tax	0.1	1.4	0.1	1.2	0.0	0.3
Transit	0.4	8.6	0.2	5.8	0.2	4.7

Arena-Related Gross/N

	Year 1	25-Year NPV (6%)
CITY		
Total	0.6	12.5
Direct One-Time Construction	0.0	1.7
Sales Tax	0.0	1.7
Direct Ongoing	0.6	10.9
Admissions Tax	0.0	0.0
Sales Tax	0.4	8.8
Business License Tax	0.0	0.5
Utility Tax	0.1	1.6

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
Other Local Taxes						
Total	0.9	15.3	0.6	11.0	0.5	9.9
Sound Transit	0.2	3.8	0.1	2.6	0.1	2.1
Criminal Justice	0.0	1.0	0.0	0.6	0.0	0.5
State Convention Center	0.4	6.4	0.3	5.2	0.3	5.1
Other Cities in King County	0.2	4.1	0.2	2.6	0.1	2.2

Taxes: All Events - Potential Extras (2007\$ M)

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
TOTAL	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
All Jurisdictions	3.1	136.1	2.7	132.4	2.0	81.9

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
STATE	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
Total	2.0	95.8	1.7	93.0	1.1	46.2
Direct Ongoing	1.6	75.6	1.4	73.8	0.8	35.2
B&O Tax	0.3	21.8	0.2	21.4	0.1	9.0
Sales Tax	1.3	53.8	1.1	52.4	0.7	26.1
Indirect Total	0.4	20.2	0.4	19.2	0.3	11.0
B&O Tax	0.1	5.5	0.1	5.2	0.0	2.4
Sales Tax	0.3	14.7	0.3	14.0	0.2	8.6

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
COUNTY	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
Total	0.4	14.3	0.3	13.9	0.3	11.1
Direct Ongoing	0.2	6.5	0.2	6.4	0.2	6.0
Sales Tax	0.2	6.5	0.2	6.4	0.2	6.0
Indirect Total	0.0	1.8	0.0	1.7	0.0	0.2
Sales Tax	0.0	1.8	0.0	1.7	0.0	0.2
Transit	0.2	6.0	0.1	5.8	0.1	4.9

Arena-Related Gross/N

CITY	Year 1	25-Year NPV (6%)
Direct Ongoing	0.2	8.0
Admissions Tax	0.0	0.0
Sales Tax	0.2	7.4
Business License Tax	0.0	0.1
Utility Tax	0.0	0.5

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
Other Local Taxes	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
Total	0.5	18.0	0.5	17.6	0.4	16.7
Sound Transit	0.1	2.6	0.1	2.6	0.1	2.2
Criminal Justice	0.0	0.7	0.0	0.6	0.0	0.5
State Convention Center	0.3	10.3	0.3	10.0	0.3	10.0
Other Cities in King County	0.1	4.5	0.1	4.4	0.1	4.0

Taxes: All Events - Grand Total (2007\$ M)

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
TOTAL						
All Jurisdictions	14.4	340.4	10.5	279.0	6.3	172.6

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
STATE						
Total	11.1	257.1	7.8	205.0	3.9	105.9
Direct One-Time Construction	0.4	14.6	0.4	14.6	0.2	13.7
B&O Tax	0.4	1.7	0.4	1.7	0.2	0.8
Sales Tax	0.0	12.9	0.0	12.9	0.0	12.9
Direct Ongoing	8.6	191.6	5.9	148.3	2.8	68.0
B&O Tax	2.9	65.0	2.3	54.3	1.3	27.9
Sales Tax	5.6	126.6	3.6	94.0	1.6	40.1
Indirect Total	2.1	50.8	1.5	42.1	0.9	24.3
B&O Tax	0.6	13.9	0.4	10.6	0.2	4.5
Sales Tax	1.5	37.0	1.1	31.5	0.7	19.8

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
COUNTY						
Total	1.2	29.5	0.9	24.8	0.7	19.6
Direct One-Time Construction	0.0	0.3	0.0	0.3	0.0	0.3
Sales Tax	0.0	0.3	0.0	0.3	0.0	0.3
Direct Ongoing	0.5	11.4	0.4	10.0	0.4	9.2
Sales Tax	0.5	11.4	0.4	10.0	0.4	9.2
Indirect Total	0.1	3.1	0.1	3.0	0.0	0.4
Sales Tax	0.1	3.1	0.1	3.0	0.0	0.4
Transit	0.6	14.6	0.4	11.6	0.3	9.6

Arena-Related Gross/N

	Year 1	25-Year NPV (6%)
CITY		
Total	0.8	20.5
Direct One-Time Construction	0.0	1.7
Sales Tax	0.0	1.7
Direct Ongoing	0.8	18.8
Admissions Tax	0.0	0.0
Sales Tax	0.6	16.2
Business License Tax	0.0	0.5
Utility Tax	0.1	2.1

	Total- All Events		Total- At-Risk Events		New- At-Risk Events	
	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)	Year 1	25-Year NPV (6%)
Other Local Taxes						
Total	1.4	33.3	1.1	28.6	1.0	26.6
Sound Transit	0.3	6.5	0.2	5.2	0.1	4.3
Criminal Justice	0.1	1.6	0.0	1.3	0.0	1.1
State Convention Center	0.7	16.7	0.6	15.2	0.6	15.1
Other Cities in King County	0.4	8.6	0.3	7.0	0.2	6.2