

**Economic Benefits
of the
Kingston Sports and Entertainment Centre
(LVEC)**

Kingston Economic Development Corporation
April 29, 2005



KEDCO
KINGSTON ECONOMIC
Development Corporation

Introduction

This section will examine the economic benefits of building and operating a Large Venue Entertainment Complex (LVEC) in Kingston's downtown core. While such analyses are highly complex, Kingston has the advantage of being able to draw on the solid experience of a number other Ontario cities such as London, Sarnia, Barrie and Brampton that have constructed similar facilities.

The economic benefits can be measured in a number of ways. We will look at the tangible benefits such as increased spending, investment, business activity and job creation. We will also look at the intangible benefits – the vitality of the city, our sense of civic pride, our competitiveness with other Ontario jurisdictions, and what we want Kingston to be in the years ahead.

Benefits

Economic Impact
Employment
Local Tax Base
Incremental Investment
Keeping the OHL
Increased Tourism
Staying Competitive
Civic Pride
New Image/Positioning

ECONOMIC IMPACT ANALYSIS

(i) Overview

The projected numbers for the Kingston LVEC are:

Cost	\$37.3 million (excluding land)
Number of events/year	80+
Capacity	5,000 for ice-related events 6,800 for non-ice
Annual total attendance	300,000
Average attendance/event	3,750-4,000
Annual on-site revenue	\$9 million (ticket sales, concessions, etc.)
Average on-site spend/attendee	\$30

(ii) Direct Employment Benefits

Construction Employment

LVEC will create an **average 750 construction jobs** over the scheduled 18 months of the build. (Source: Toronto Construction Association, which estimates that 20 person years of employment are created for each \$1 million in construction cost.)

LVEC Employment

Once LVEC is operational, it will employ approximately **12 full-time and 200 part-time workers** (based on similar estimates by Henson Consulting Ltd. for the proposed Oshawa Centre).

(iii) LVEC Spin-offs

1. Multiplier Effect

The projected \$9 million in LVEC revenue a year will flow directly into the local economy, but there will also be a 'ripple' effect as this money spurs new investment, job creation, and additional consumer spending.

One way to estimate this broader economic impact is to multiply the direct revenue by a reasonable and accepted factor. For this analysis, we have used factors of between 1.2 and 3.0 in order to identify a possible range. These multipliers are ratios which summarize the total economic benefits of a change in the local economy such as the building of a new manufacturing facility, relocation of a corporate head office, a public policy change or in our case, the building of a world-class sports and entertainment complex. (Source: Miller, W.P. and Armbruster, T. Economic Multipliers: How Communities Can Use Them for Planning. University of Arkansas. Extension Service Printing Services)

Multipliers work on the assumption that there are direct or immediate, indirect and induced effects.

The direct benefits derived from the LVEC would be the total impact of attracted or retained spending on the site (the \$9.0 million cited). The multiplier effect or indirect benefit would occur off-site as spending at community restaurants, hotels, retail outlets and other businesses circulates through the local Kingston economy. Induced effects occur when local households spend some of the additional income they receive in the local area (Source: Miller as above)

Multipliers usually range from 1.0 to 3.0 and vary by the amount of economic activity overall in the area -- the intensity of the interaction of other businesses and industries with the initial economic stimulus and the change in economic activity. (Source: Hughes. D.W. Policy Uses of Economic Multipliers Impact Analysis. Choices. Second Quarter 2003.)

Assumptions

1. onsite annual ticket sales - range of \$7million (driven combination events, revenue from naming rights, sale of privates suites and club seats)
2. onsite food & beverage sales - range of \$2 million (also includes sale of novelties, pro shop, etc.)
3. total revenue base, therefore, is \$9 million on-site
3. a range of multipliers (1.49, 1.75 and 2.5) have been used within an accepted range of 1.0 to 3.0)
4. the conservative 1.49 multiplier is drawn from study by the Bureau of Statistics for the North West Territories which provided multipliers for projects in the arts, entertainment and recreation.

Findings

- Total direct new spending in the community on-site at LVEC would be \$9.0 million annually.
- Under the economic multiplier model, the **annual** impact on the overall economy is estimated to range from \$13.4 million to \$22.5 million.
- The benefit appears to be largely to the hospitality sector/tourism sector.

Economic Multiplier Analysis

Total Revenue Base	Multiplier	Annual Impact on Economy (GDP)
\$9.0 million	1.49	\$13.4 million
\$9.0 million	1.75	\$15.8
\$9.0 million	2.5	\$22.5 million

2. Economic Modelling – Overall Impact on GDP

To validate our economic multiplier analysis, KEDCO asked the Ontario Ministry of Tourism and Recreation to use their Tourism Regional Economic Impact (TREIM) computer investment model to provide another statistical perspective on the economic impact – direct, indirect, and induced – of the construction of the LVEC on Frontenac County. The TREIM model looked at Gross Domestic Product, Labour Income and Government Tax Revenue.

The results of the modeling are in the chart below and show that KEDCO's multiplier effect in terms of the gain to the economy is conservative, but in the ballpark of the government's calculations. The TREIM model suggests that the GDP benefit is \$26,600,000 versus KEDCO's \$22,500,000. The TREIM model also provided input on overall labour income which, according to the model, will be \$19,500,000 and government tax revenue which will be \$11,200,000. The model also shows the direct, indirect and induced benefits.

TREIM Analysis - Economic Impact of Kingston LVEC in Frontenac County (\$000)

	Total	Direct	Indirect	Induced
Ttl Investment	\$37,300			
GDP	\$26,600	\$17,200	\$3,200	\$6,200
Labour Income	\$19,500	\$13,800	\$2,200	\$3,500
Government Tax Revenue	\$11,200	\$ 7,200	\$1,000	\$3,000

** Ontario Ministry of Tourism and Recreation April 2005*

3. Tourism Spending

Another way to look at the impact on the broader economy is to estimate what additional tourism dollars will likely flow to Kingston as a result of the LVEC.

Kingston now attracts more than 2.2 million visitors a year who spend \$230 million. (Source: Statistics Canada, 2003.) Based on these figures, the average visitor spends about \$100.

This is reflected in the range of average spending per visitor at various Kingston events. For example, out-of-town visitors attending the Buskers event each spend an average of about \$80 on local accommodation, food, shopping, etc. Visitors attending the Limestone City Blues Festival, and those at the Kids For Kids Hockey Tournament, each spend an average of about \$150 at local restaurants, hotels, and shops. (Sources: TREIM Model, Ontario Ministry of Tourism and Recreation, economic impact of the Kingston Buskers Rendezvous, Kingston B.I.A. data on the direct benefits of the "Kids

for Kids Hockey Tournament”, and a 2003 Audience Profile and Impact, 8020Info Inc., August 2003)

Out-of-town visitors account for about 40 per cent of total attendance at the Buskers event, 60 per cent of total attendance at the Limestone City Blues Festival, and almost 70 per cent of total attendance at the Kids For Kids Hockey Tournament.

Conservatively estimating that 25 per cent of the 300,000 LVEC attendees will be out-of-town visitors, and that each of these visitors will spend an average of \$100 on local amenities, the benefit to the overall Kingston economy will be **increased tourism expenditures of \$7.5 million a year.** (300,000 x.25 x \$100)

Increased tourism expenditures resulting from LVEC will be concentrated primarily during the winter months, helping to offset this traditionally slower period for local businesses. Currently, for example, the downtown restaurants and nightclubs have a total capacity of approximately 20,000 seats, but operate at only about one-quarter of that capacity during November and December. Experience in London, Ontario, and Winnipeg, Manitoba, has shown that restaurant sales have increased significantly (between 30 and 50 per cent) as a result of sports and entertainment centres being built in those cities. (Source: London Free Press, March 23, 2005; Winnipeg Free Press, December 4, 2004.)

Kingston Actual Spending Patterns of Out-of-towners

	Kids for Kids Hockey Tournament	Buskers Rendezvous	Limestone City Blues Fest	Stats Canada 2003
Ttl attendance	6,237	100,000	10,000 paid 2,000 unpaid	
Ttl out-of-towners	4,312	42,400	6,000	
% ttl	69	42	60	
Ttl spending/person	\$176	\$81	\$154	\$103

4. Tourism Employment

It is estimated that increased tourism spending (noted above) will result in **more than 150 full-time-equivalent jobs** being created in the Kingston area, primarily in the tourism industry. (Source: Extrapolation of figures contained in the TREIM study of the Buskers event.) Based on the Tourism Economic Impact Model of the Buskers event, which generated \$3,434,000 in direct new spending and created 76 new full-time jobs, we developed a multiplier of 2.2. This multiplier was then applied to the \$7.5 million/year in increased tourism expenditures (anticipated from the operation of the LVEC) in order to determine the number of jobs. (\$7.5 million divided by \$3.4 million x 76 full-time jobs)

5. Incremental Investment

In other cities where similar sports and entertainment centres have been built, the evidence shows that there has been **significant new investment in residential, retail and office development**. This investment has helped rejuvenate/energize the cities' cores, broaden their municipal tax base, and create attractive and people-friendly spaces downtown.

Since the opening of the John Labatt Centre in London, Ontario, for example:

- there has been more than a 40-per-cent increase in housing stock in the area surrounding the JLC
- office and retail vacancies in the area are now at their lowest level in more than a decade
- building permits have reached an all-time high

6. Staying Competitive

Progressive communities across Ontario have been upgrading their recreational and entertainment infrastructure. Over the past eight years, six modern sports and entertainment venues have been constructed in the province – in Barrie, Sarnia, London, Brampton, Mississauga, and Guelph. In addition, new facilities are planned for Oshawa, Sault Ste. Marie, Windsor and Toronto (for the St. Mike's Majors).

A number of these centres are comparable in size to Kingston (114,195 population) – Barrie (103,710), Sarnia (70,876), Guelph (106,170), Sault Ste. Marie (74,566) and London (336,539). (Source: Statistics Canada, 2001 Census, Census Metropolitan Area.)

7. Anchoring the OHL in the Community

It is proposed that the new facility would become the home of the Kingston Frontenacs of the Ontario Hockey League (OHL). The Kingston Memorial Centre does not meet League requirements that teams play in home arenas of at least 4,000 seats. This raises the serious proposition of Kingston without the presence of the OHL.

The LVEC, with its proposed 5,000 seats for hockey events, offers strong potential to keep the Frontenacs in Kingston based on evidence from other OHL franchises. Sarnia, Barrie and London have witnessed extremely positive impacts as a result of new investment in similar facilities.

The Sarnia Stingers have sold out every game since the opening of the new centre in 1998. Their attendance numbers have increased from 2,000 to 4,200 per game -- an increase of 110 per cent.

London provides even more evidence. Since the opening of the John Labatt Centre in 2003, game attendance for the London Knights has increased from 3,000 to sell-outs of more than 9,000 during the 2004-2005 season.

Attendance figures for the Frontenacs at the Memorial Centre have been in the range of 1,800 to 2,000 per game. At the new LVEC, it is estimated that the team could see attendance increase to 4,000 for regular games and 4,800 for play-offs. This would provide a boost to revenues and help anchor the Frontenacs in the city.

Lift in Attendance at OHL Games due to New Facility

Franchise	Old Facility	New Facility
Sarnia Stingers	2,000/game	4,200/game +110%
London Knights	3,000/game	9,000/game (2004/05) +200%
Kingston Frontenacs	1,800-2,000/game	4,000/game (projected) +100-122%

8. Improved Image

Kingstonians are very proud of their downtown, with 84 per cent in a recent BIA survey indicating that they see the downtown core as the heart of the city and almost 91 per cent seeing it as the city's heritage and cultural district. (Source: Downtown Kingston! B.I.A. Market Analysis, December 31st, 2004. 8020Info Inc. – Consultants) In fact, Kingston is considered to have one of the best downtown cores in Canada.

LVEC would become a source of civic pride and energize the community by drawing attention and focus to this great asset. Kingston would be seen as progressive, a great place to live and visit, and a good investment locale. LVEC would enhance the quality of life for residents, helping to attract and retain a talented labour pool in today's highly competitive market.

As the Mayor's Task Force on LVEC recommended in its report: "It [the LVEC] should be developed in such a way that it becomes a catalyst for future economic development and a source of community pride."

9. An economic opportunity

Investment in the LVEC in conjunction with the other capital investments that the city is undertaking presents an opportunity to not only depict Kingston as a vibrant and energetic community, but to begin the process of positioning Kingston as an important centre – as the hub of Eastern Ontario – much in the same way that London is now seen as the hub of southwestern Ontario.

The John Labatt Centre (JLC) in London which “shattered its attendance and revenue estimates in 2004” has proven to be an outstanding success. (Source: London Free Press, March 23, 2005.) Revenues were 100 per cent higher than anticipated at almost \$13 million and the centre drew 600,000 people – 50 per cent more than the projection of 400,000. (Source: National Post, December 11, 2004.)

John Labatt Centre in London

	Projected	Actual
# of events	80	121
Attendance	400,000	600,000
Revenue	\$6 million	\$13 million

The JLC has been able to attract top-notch talent (Sting, Cher, Sarah McLachlan, Disney on Ice, Stars on Ice, Nickelback) and to draw attendance from Windsor and Detroit, which are two hours away.

At the present time, Kingston does not have a venue to attract world-class talent.

The Kingston LVEC would be the only facility of its kind in Eastern Ontario between Oshawa and Ottawa, drawing from a population of 1,392,346 and with little or no competition. (Eastern Ontario includes Renfrew, Lennox and Addington, Lanark, Frontenac, Leeds and Grenville, Prescott and Russell, Stormont, Dundas and Glengarry as well as the City of Ottawa.)

Also it should be noted that Kingston is only a two-hour drive from the eastern edge of Toronto and within driving distance of Ottawa and Syracuse, New York. (Source: Statistics Canada, 2001 Census data.)