

**ECONOMIC IMPACT ANALYSIS OF
HP PAVILION, SHARKS ICE AT SAN JOSE, AND
THREE PRIMARY EVENTS
(A PRIMARY STUDY)**

Prepared for the City of San Jose

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1.0 EXECUTIVE SUMMARY

The City of San Jose (“City”) retained SportsEconomics, LLC (“SportsEconomics”) to evaluate the economic and fiscal benefits to the City of San Jose associated with the operations of HP Pavilion, Sharks Ice at San Jose, and three primary events in those facilities. This analysis presents estimates of the quantifiable impacts and a discussion of qualitative benefits to the City currently generated as a result of the events hosted at the facilities each year. The study’s key findings are presented in this Executive Summary. The full Report must be read in its entirety, including the limiting conditions provided at the end of the Report, to understand the background, methods and assumptions underlying the study’s findings.

One purpose of this Report was to estimate the total gross economic impact of three primary events hosted at HP Pavilion and Sharks Ice at San Jose (“Sharks Ice”) from January through March of 2007. In an effort to estimate the annual impact of similar cultural and sporting events hosted at the HP Pavilion, the following events were selected to be representative: (1) San Jose Sharks game, January 20, (2) CAHA Tier Hockey Weekend (Sharks Ice) February 9-11, 2007, and the (3) 2007 NCAA Men's Basketball Western Regional Tournament March 22 and 24, 2007. The data for each of these event types was then used to estimate the impacts of similar events which are hosted at the HP Pavilion each year. A primary reason why these three events were chosen was to provide important baseline visitor spending data that will be used as input for the Economic Impact Tool that is being developed for the City of San Jose. These events are viewed as representative of the kinds of events that happen and could happen throughout the year at HP Pavilion (where it will not be feasible to do primary surveys for every single event going forward). This Report will present the findings for all three of the events described above, and cumulative impact of both facilities.

For the purposes of this Report, quantifiable effects are characterized in terms of ***economic impacts*** and ***fiscal impacts***. ***Economic impacts*** are subdivided into three stages of impact: *direct*, *indirect*, and *induced* impacts. Each of these is further sub-divided into a type of impact: *total output*, *earnings* or *income*, *employment*, and *fiscal* effects.

The assumptions underlying the economic and fiscal impacts presented herein are based on a combination of sources including historical operations, fan intercept surveys, discussions with facility and event managers, discussions with representatives from the City of San Jose Office of Economic Development and Silicon Valley Sports & Entertainment, and using SportsEconomics’ expertise and industry knowledge, among other sources. Projections of impact are made by SportsEconomics based on the aforementioned sources.

Section 2.0 of this Report describes economic impact concepts. Section 3.0 provides the specific findings for the three primary events. Section 4.0 discusses the cumulative economic impact of all events hosted at HP Pavilion and Sharks Ice, while Section 5.0 measures the economic impact of the management of those facilities. Section 6.0 details the construction impacts resulting from building HP Pavilion and Sharks Ice. Section 7.0 summarizes the total economic impact of the facilities (essentially aggregates findings from Sections 4.0 and 5.0). Section 8.0 discusses limitations of the study, including sources of economic impact that are not accounted for, thus making the estimates here conservative.

SUMMARY OF ECONOMIC IMPACTS

The estimates of spending and related impacts presented in this Report are based on the operations of the San Jose Sharks franchise and other events annually hosted at the HP Pavilion and Sharks Ice. These operating estimates are based on a variety of data, including information provided by a financial audit of the San Jose Sharks, discussions with event and facility operators, the results of participant surveys at events, and other such information.

Throughout this report, the estimated economic impacts are presented in terms of City impacts. It should be noted that impacts are also generated to the County of Santa Clara and the State of California that are not described in this report. The following chart provides a summary of the annual spending and resulting impacts associated with the on-going annual operations of the HP Pavilion and Sharks Ice facilities.

Exhibit 1-1: Overview of Estimated Economic Impacts

Categories	Total in HPP ¹	Sharks Ice Events ¹	Total of HPP + Sharks Ice (counting management spending) ¹
Total Direct Spending	\$92,086,963	\$7,160,843	\$117,513,461
Indirect Spending	\$58,687,564	\$5,125,821	\$73,272,737
Total Economic Impact	\$150,774,527	\$12,286,665	\$190,786,198

KEY HIGHLIGHTS: ECONOMIC IMPACT

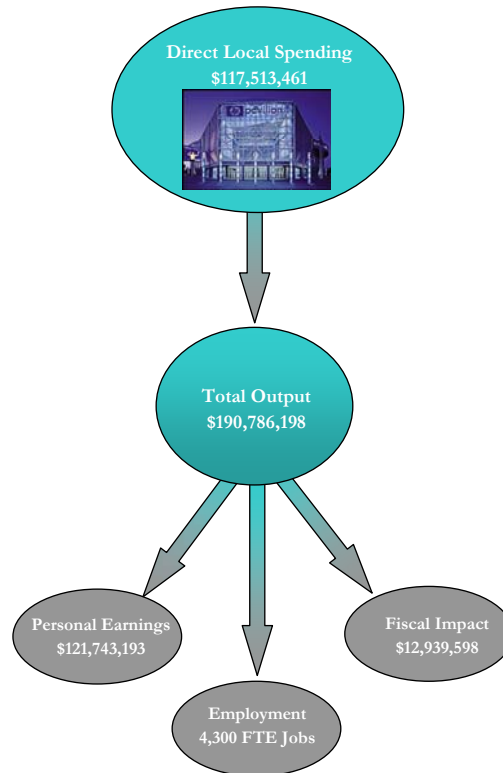
The two facilities generated considerable economic impacts for the City. Moreover, substantial tax revenues were also generated. These estimates are conservative because they do not count spending by any local residents of San Jose in conjunction with attending events at HP Pavilion or Sharks Ice. There is new research showing that some local residents “vacation at home” by spending money in town that they would have spent outside of the community, thus adding to economic impact.¹

- In 2007, the combined directed spending by incremental visitors to events hosted at the HP Pavilion and Sharks Ice was about \$90.0 million, which in turn generates approximately \$190.8 million in total economic impact output. Of that, about \$121.7 million goes to local residents as income, creating nearly 4,300 FTE jobs, as shown in Exhibit 1-2. Total annual fiscal impact is about \$12.9 million.

¹ “The Importance of Import Substitution in Marathon Economic Impact Analysis” in the *International Journal of Sport Finance*, Vol. 2, No. 2, 2007.

The research states that local spending of somewhere close to 20% ought to be counted for larger profile events. Some of the events that take place in HP Pavilion might be considered larger profile events.

Exhibit 1-2: HP Pavilion and Sharks Ice Recurring Annual Economic and Fiscal Impacts²



- Of the total economic output, incremental spending by the management of HP Pavilion and Sharks Ice amounts to nearly \$18.3 million, which leads to a total economic impact of the management of the facilities of \$27.7 million. Approximately \$17.7 million of this is kept as earnings within the City of San Jose from the 700 FTE jobs generated by the management of the facilities. Additionally, the total fiscal impact from the management of HP Pavilion and Sharks Ice at San Jose is approximately \$8.1 million per year. These impacts are additive to the economic impact of the events in the facilities, as this represents the economic and fiscal impacts due to the operations of the facilities themselves (excluding the impact from the actual events).
- As shown in Exhibit 1-3, below, the cumulative attendance at HP Pavilion and Sharks Ice was over 1.6 million during 2006-07. Of these, there were approximately 1.0 million unique, incremental visitors who came from out of town to events at the facilities because those events were being hosted in San Jose.

² Does not include spending inside the facility, but includes spending by facility management within the City of San Jose.

Exhibit 1-3: Cumulative Annual Attendance at HP Pavilion and Sharks Ice

Categories	San Jose Sharks	Other Events in HPP	Total in HPP	Sharks Ice Events	Total of HPP + Sharks Ice
Total Attendance	769,536	813,307	1,582,843	23,013	1,605,856
Number of Unique Attendees (individual people attending event)	769,536	NA	NA	NA	NA
Local Residents who Attended Event (not Visitors)	212,271	NA	NA	NA	NA
Total Number of Unique Visitors Participating in Event Activities	557,265	NA	NA	NA	NA
Number of Non-Incremental Visitors	102,072	NA	NA	NA	NA
Number of "Relevant" Visitors: Count Towards Economic Impact	455,193	520,907	976,100	16,513	992,612

- As shown in Exhibit 1-4, below, incremental visitors spent \$85 in the City of San Jose (outside of the facilities) during their 1.3 day visit to the City. This resulted in \$90.0 million in direct spending by incremental visitors, which, combined with non-spectator and facility spending, generated approximately \$190.8 million in total economic impact output.

Exhibit 1-4

Categories	San Jose Sharks ¹	Other Events in HPP ¹	Total in HPP ¹	Sharks Ice Events ¹	Total of HPP + Sharks Ice (counting management spending) ¹
Number of "Relevant" Visitors: Count Towards Economic Impact	455,193	520,907	976,100	16,513	992,612
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Facility	\$84	\$87	\$85	\$403	\$85
Total Relevant Visitor Spending Outside of Event	\$38,306,176	\$45,066,801	\$83,372,977	\$6,660,343	\$90,033,320
Corporate/Team/Media/Sponsor/Vendor/ Management	\$1,342,698	\$7,371,288	\$8,713,986	\$500,500	\$27,480,141
Total Direct Spending	\$39,648,874	\$52,438,089	\$92,086,963	\$7,160,843	\$117,513,461
Indirect Spending	\$26,165,332	\$32,522,232	\$58,687,564	\$5,125,821	\$73,272,737
Total Economic Impact	\$65,814,206	\$84,960,321	\$150,774,527	\$12,286,665	\$190,786,198

¹ Does not include spending inside of the facilities, but does count spending by both the facilities management (and concessionaire) within the City of San Jose.

- In addition to these economic impacts, the HP Pavilion and Sharks Ice generate fiscal impacts by generating tax revenues for the City of San Jose. The following Exhibit summarizes annual tax revenues estimated to result from Team and facility operations.




Exhibit 1-5

Fiscal Impact Categories	Total in HPP ¹	Sharks Ice Events ¹	Total of HPP + Sharks Ice (counting management spending) ¹
Direct Taxation	\$3,208,810	\$271,043	\$11,285,896
Indirect Taxation	\$1,324,528	\$115,685	\$1,653,703
Total Fiscal Impact	\$4,533,338	\$386,728	\$12,939,598

¹ Does not include spending inside of the facilities, but does count spending by both the facilities management (and concessionaire) within the City of San Jose.

- The impact from the 2007 regular season of the San Jose Sharks was nearly \$113.7 million when accounting for inside facility spending. Of that, about \$72.6 million goes to local residents as income, creating nearly 2,413 FTE jobs, as shown in Exhibit 1-6. Total annual fiscal impact was about \$2.4 million.

Exhibit 1-6: Impact of San Jose Sharks' 2007 Season

Sources of Direct Spending		
<i>Spectator, Out-of-Facility</i>	<i>Spectator, In-Facility</i>	<i>Organizations</i>
		
\$38,306,176	\$35,267,686	\$1,342,698

↓

Indirect Spending	
<i>Out-of-Facility</i>	<i>In-Facility</i>
\$26,165,332	\$12,632,190

↓




Total Economic Impact	
<i>Out-of-Facility</i>	<i>In-Facility</i>
\$65,814,206	\$47,899,875

↓

Economic Impact – Earnings & Employment	
<i>Earnings</i>	<i>Employment</i>
\$72,602,311	2,413 FTE

- The impact from the 2007 Men's Western Regional Basketball Tournament hosted at the HP Pavilion was nearly \$18.2 million when accounting for inside facility spending. Of that, about \$11.6 million goes to local residents as income, creating nearly 379 FTE jobs, as shown in Exhibit 1-7. Total annual fiscal impact was about \$445.1 thousand.

Exhibit 1-7: Impact of NCAA Men's Western Regional Basketball Tournament

Sources of Direct Spending		
<i>Spectator, Out-of-Facility</i>	<i>Spectator, In-Facility</i>	<i>Organizations</i>
		
\$7,422,308	\$4,469,064	\$635,030

↓

Indirect Spending	
<i>Out-of-Facility</i>	<i>In-Facility</i>
\$4,701,298	\$1,600,731

↓

Total Economic Impact	
<i>Out-of-Facility</i>	<i>In-Facility</i>
\$12,123,606	\$6,069,794

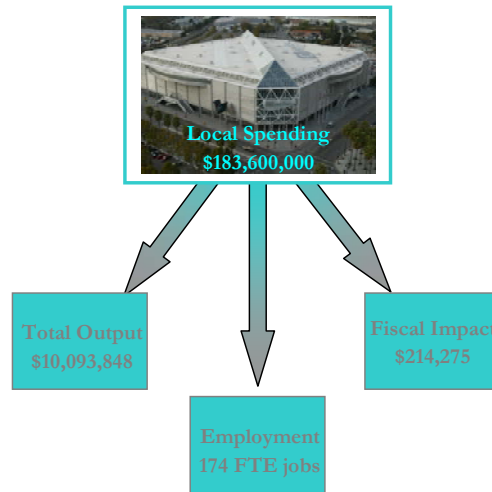
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Economic Impact – Earnings & Employment	
<i>Earnings</i>	<i>Employment</i>
\$11,590,364	379 FTE

KEY HIGHLIGHTS: CONSTRUCTION IMPACT

- As shown in Exhibit 1-8, the economic impact of the construction period of the HP Pavilion and Sharks Ice were \$183.6 million. Construction spending impacts are for the entire construction period and are non-recurring and do not include renovations that may have taken place since the original facility was built. As described in Section 6.0, the one-time impact associated with the construction of the HP Pavilion and Sharks Ice is \$10.1 million in total output, \$8.3 million in personal earnings, and the creation of 174 new FTE jobs. Additionally, the fiscal impact to the City of San Jose is about \$214.3 thousand.

Exhibit 1-8



2.0 ECONOMIC IMPACT METHODOLOGIES & CONCEPTS

One purpose of economic impact analysis is to provide the public with relevant information regarding the return on an investment in a project or event. The management of financial resources is decided directly by government officials or indirectly by citizen voting. Economic impact provides a metric for comparison to other possible investment projects or events, or, in this case, comparison with similar investments the City could have made into other properties.

Economic impact is based on the theory that a dollar flowing into a local economy from outside of the local economy is a benefit to the locality. In order to measure economic impact, the cause of the impact must first be identified. The most important underlying principle in evaluating economic impact is to measure new economic benefits that accrue to the region that would not have otherwise occurred. While this sounds simple, part of the difficulty lays in measuring what would have happened to the region without the events having taken place, or without the facility being constructed, considering that the situation is purely hypothetical.

The financial return for residents is in the form of new jobs, new earnings, and new tax revenues that occur because of the occurrence of the events at HP Pavilion each year.³ These new earnings, for instance, are generated for residents who are not directly associated with the event, facility, or team, but who are the beneficiaries of the positive externalities that the events at HP Pavilion can provide to the San Jose community. Positive externalities, or overflow benefits, are those benefits that are produced by an event, but are not captured by the event owners or facility being used. When a visitor comes to the City of San Jose to watch an event at the HP Pavilion, they may spend money at local food establishments, gas stations, retail stores, etc. This spending benefits the owners and employees of those establishments thereby creating a positive direct economic impact.

An important concept that is determined early in a study is the geographic area of impact. Generally, the geographic region upon which the economic impact is measured is the region that is considering funding part of the event costs. In this way, the proper cost-benefit analysis is performed. If the local government partially funds an event or facility, then the residents of the region pay for the investment. The correct comparison is to determine the benefits that the local region receives, not some other city, county, or state or combination thereof.

The area of impact is a significant factor in determining the amount of economic impact that occurs. As an example, imagine a resident of Cupertino who typically spends his entertainment dollars attending the movies near home. This person, for instance, may decide to attend an event in the HP Pavilion instead of his usual entertainment habits near home. In this case, he is adding new money to the City of San Jose and providing a positive economic impact, as his spending would have otherwise occurred in Cupertino. However, he is not adding new money to the Santa Clara MSA because it includes Cupertino, and this spending is therefore considered substituted, displaced, or redirected spending. Thus, he is providing zero economic impact for the

³ Additionally, having local major cultural and sporting events at a facility enhances community and civic pride. This is known as psychic impact and is discussed in Section 6.1.

MSA, but positive impact for the City of San Jose. On the other hand, a resident of Berkeley would provide economic impact for the City, County, and MSA since Berkeley lies outside of all of these geographies. For the purposes of this study, the geographic area of impact is the City of San Jose.

Because spending by local residents is considered to be displaced spending and is not counted as part of economic impact, it is very important to delineate attendees into visitors and local residents. There is a further delineation of visitors into: (1) visitors who were already in town for another reason, but decided to attend an event at the HP Pavilion anyway (“casual” visitors), (2) visitors who would have come to town during another nearby time period, but instead opted to attend an event at HP Pavilion during this time period forgoing coming to town another time (“time-switchers”), and (3) visitors who are in town because of the event and would not have otherwise come to town. This latter group, referred to as “relevant visitors”, constitutes visitors whose spending is fully counted as being part of direct spending economic impact. The spending by “casual” visitors and “time-switchers” is not counted as new spending.

Economic benefit is measured through direct spending, which has two different components. The first component is visitor spending. For example, how much are people spending because of events hosted at the HP Pavilion? This also includes how much they are spending for their entire stay on restaurants, retail, transportation, etc. Another component is organizational spending. How much is spent by event organizers to run these events, accounting for the source of funding for the events? Additionally, how much is spent by Silicon Valley Sports & Entertainment (“SVSE”) in the operations of the facility and the events hosted there each year? If the City is partially funding a local event, than those expenditures should not be counted as part of economic impact since the City could have spent that money elsewhere within the community. Care is taken to avoid double-counting of spending by spectators inside of an event coupled with the event organizers spending in town (see Section 2.1 for more details). Some vendors within an event are local businesses and thus spending by visitors on those vendors provides economic impact. However, spending by visitors on vendors who are not local does not necessarily provide local economic impact. To account for this issue economic impact is measured in two ways, one counting all visitors spending inside of an event and another not counting it at all. This provides the upper and lower bounds for economic impact.

For the purposes of this Report, quantifiable impacts are in the form of *economic impacts* which are subdivided into three stages of impact: *direct*, *indirect*, and *induced* impacts. Each of these is further sub-divided into a type of impact: *total output*, *earnings or income*, *employment*, and *fiscal* effects. Descriptions of each term follow.

2.1 DIRECT SPENDING METHODOLOGY

Direct spending is measured for spending in the City that would not otherwise occur without the presence of the events hosted at the HP Pavilion (or Sharks Ice at San Jose). This spending will be derived from:

- Visiting spectator spending outside of the events (at local restaurants, retail stores, etc.); and
- Visiting teams/artists/corporations/sponsors and other event participants' spending.

Each of these expenditure categories are adjusted for spending that occurs outside of the City. This Report utilizes *primary research* (surveys and direct data gathering during the events) to estimate spending. Many economic impact studies double-count the spending of the event organizers locally in order to produce the event and the spending by event spectators inside of the event. However, some of the spending inside of an event may go to locally-based vendors (thus providing economic impact). The economic impact findings are discussed in Section 3.0.

2.2 INDIRECT AND INDUCED SPENDING METHODOLOGY

The economic output that results from the direct spending during an event subsequently affects many other industries and workers. For instance, when a group of visitors attends an event at the HP Pavilion, they may spend money in a local restaurant before the event. The restaurant will disburse some of this money to pay employees, to purchase food, to pay utilities, and so on. The food wholesaler will pay the farmer who then purchases clothing at the local retail store. These additional expenditures continue through the successive rounds until the money either leaks out of the local economy or is saved within the local economy for a significant period of time.

The *indirect* economic impacts are those that occur in the local region or area of impact (City of San Jose) that is the re-spending of the initial visitor expenditures. Indirect spending arises from the need of one industry to purchase goods or services from other industries to produce its output. When one business that is a direct recipient of event-related spending purchases goods from another business within the City in order to produce its output, the second business also realizes economic benefit through the “ripple” (or indirect effect) of the initial expenditure. For example, when attendees purchase food at the HP Pavilion, the concessionaire must purchase goods from producers/manufacturers in order to maintain inventory levels. To the extent this “re-spending” occurs in the San Jose economy, the initial dollars spent with the concessionaire have secondary effects on the local economy. Indirect impacts occur in various industries including: the wholesale industry as purchases of food and merchandise products are made; the transportation industry as the products are shipped from purchaser to buyer; and the manufacturing industry as products used to service the venue and racing teams are produced. The summation of each successive round of re-spending constitutes the indirect impact estimate.

In this study, expenditures made by the event organizer to host and manage the event and expenditures made by the vendors to offer concessions and merchandise during the event are included as indirect spending. Some of the direct spending by spectators and participants on tickets, participation fees, concessions, merchandise, etc. is then re-spent by the event organizer to host the event. In other words, the cause for the event organizer's spending is based on the direct revenues it generates from spectators and participants. The round of spending by the event organizer is the second round, and is thus indirect spending. This is also true for vendors.

The *induced* economic impact is the effect of the direct and indirect economic impact on earnings and employment. Induced effects occur when the income levels of residents rise as a result of increased economic activity and a portion of the increased income is re-spent within the local economy. As the initial spending and subsequent re-spending occurs, a portion is retained as income to local residents and employees, and as local, regional, and state taxes. This indirect spending results in increased economic activity, which leads to increases in employment and which increases household income levels and allows for additional household spending (the "induced effect"). These impacts will be reported in terms of employment and earnings impacts.

2.3 MULTIPLIER EFFECT TO MEASURE INDIRECT AND INDUCED IMPACTS

As previously noted, direct spending stimulates additional spending, referred to as the indirect effect. Direct spending also increases economic activity, which increases resident income levels (associated with new and existing jobs), resulting in additional spending within the local economies, referred to as the induced effect. These secondary indirect and induced effects are referred to as the "multiplier effects" of the initial direct spending. These effects are measured through the application of economic multipliers, which quantify the extent that dollars introduced to a local or regional economy are re-spent on goods and services within the local economy.

The concept of multipliers is based on the theory that part of a dollar injected into a local economy will be re-spent locally, thereby affecting more than the original recipient of the dollar. Multipliers are derived by tracing the interrelationships of industries within a specified economy to understand the impact that a dollar spent in a given industry has on other industries in that economy. A business that is an initial recipient of new spending will purchase goods and services from other producers. These purchases comprise the indirect effect of the initial expenditure. This process is repeated until subsequent purchases are made from producers that are not a part of the San Jose economy (i.e., a producer imports an input from another city, state, or country) and the flow of money within the San Jose economy ceases (or "leakage" occurs). The businesses, hotels, and organizations that receive the initial direct spending generally re-spend it in five ways:

- With other private sector businesses in the same local economy on inventory, maintenance, etc.;
- With employees who reside in the same local economy as wages, tips, etc.;
- With local government as sales taxes or property taxes;
- With non-local governments as sales taxes or taxes on profits;
- With employees, business, or organizations who reside outside of the local economy.

The first three items are types of spending that re-circulate throughout the local economy. These last two categories of spending are considered “leakages” outside of the geographic region and reflect the notion that a region is not economically isolated, but engages in commerce with other regions. The larger and more diverse the geographic region, the less leakage there is, all else equal.

Using the above five scenarios, input-output tables are created that disaggregate an economy into industries and examine the flow of goods and services among them. Multipliers are then mathematically derived which uniquely describe the change in output for each and every industry as a result of the injection of one dollar of direct impact into any of those industries. The process allows a separate multiplier to be applied for each of the 528 industry groups.

The size of a given economy’s multiplier is directly related to its geographic size, population and diversity of its industrial and commercial base. A larger population is generally able to support a more diverse economic base and more products are likely to be manufactured and purchased locally. Therefore, money injected into an economy with a larger population is re-spent more often, causing greater changes in local business volume. Conversely, a smaller defined local geographic region implies that more event attendees are visitors, as described above. However, smaller geographic areas suffer from a greater degree of “leakage” because a smaller geographic region is less self-sufficient than a larger region.

In this Report, direct spending is used to estimate indirect spending by using multipliers from a regional economic impact model based on the USDA Forest Service IMPLAN (Impact Analysis for PLANning), now supplied by MIG (Minnesota IMPLAN Group).⁴ IMPLAN produces a report that provides multipliers for over 500 sectors of economic activity at the city, county, region, and state level, using data provided by the U.S. Department Bureau of Economic Analysis.

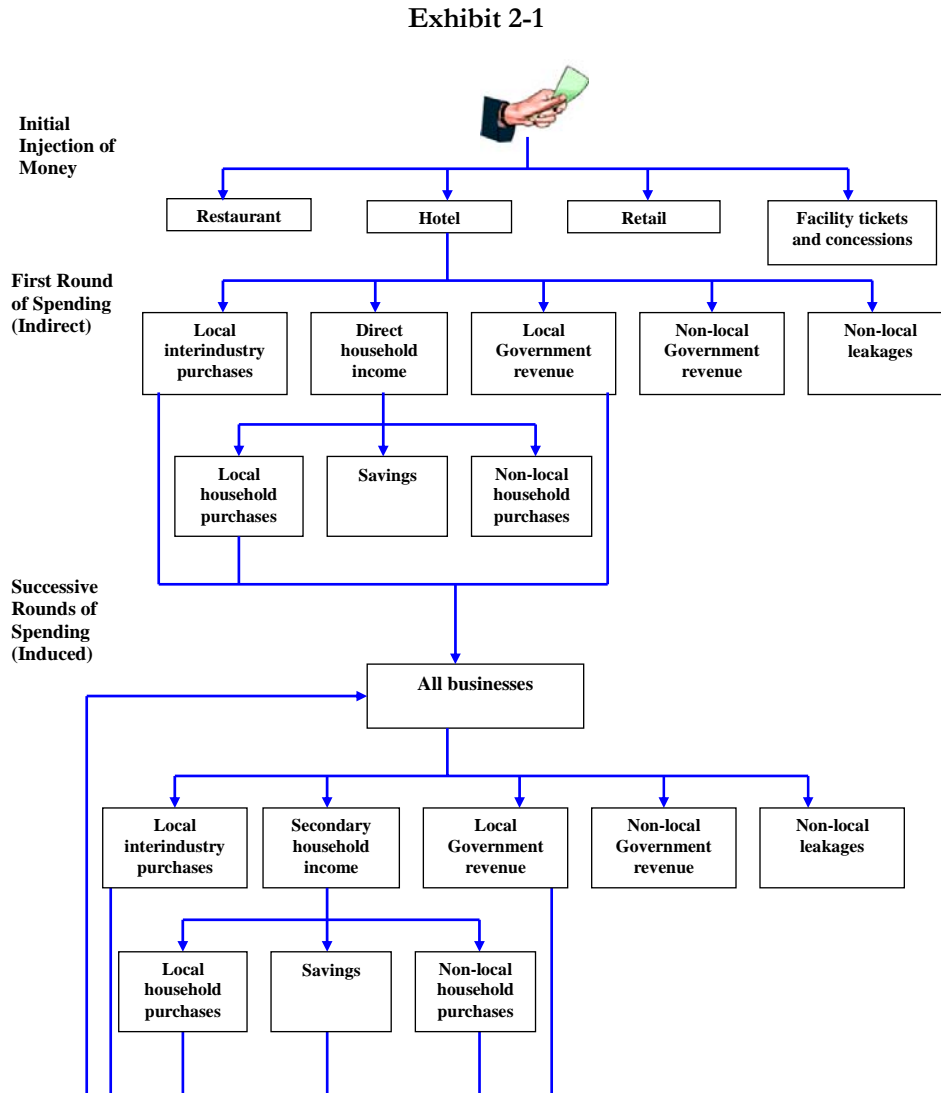
The following represents an example of multiplier effects within a locality. If a group of spectators from outside of the City visits San Jose because of an event at the HP Pavilion and spends \$1,000 in the community, or if this money is spent by one of the exhibitors affiliated with the event that is headquartered outside of the City (e.g., Comcast), then this initial direct expenditure stimulates economic activity and creates additional business spending, employment, household income, and government revenue in the City. The initial spending (by the visitor or exhibitor) is called the *direct impact* and the ripple effect is termed the *multiplier effect*.⁵

The local theatre, restaurants, retail stores, transportation, and others who receive the initial injection of money will spend it in one of the five ways listed above. The remaining portion of the initial spending that does not leak

⁴ Once estimates of direct spending are calculated, these estimates are entered into IMPLAN to obtain the total economic impact estimates. IMPLAN is a statistical software package that helps to calculate the total economic impact of various phenomena. The detailed matrix of multipliers imbedded in the IMPLAN software help to calculate the various spin-off impacts that originate from the initial direct injection of non-local money into a given region. Specifically, IMPLAN generates the following gross economic impact estimates: the short-term impact upon local spending and the long-term impact upon value-added. This long-term impact is comprised of additional local income; additional business taxes; and additional property-type income.

⁵ To be clear, the multiplier effect leads to the calculation of the indirect and induced impacts.

out of the economy is then spent in one of the same five ways and the chain of events continues. The subsequent rounds of spending are termed *indirect impacts* and stem from the *multiplier effect*. Exhibit 2-1 shows the direct and indirect effects generated by an injection of spending by incremental visitors to the event.⁶



As illustrated, direct spending that occurs from spectators in the venue, spectators outside of the venue, and for team/exhibitor-related activities fosters additional spending in various industries. This indirect spending results in increased economic activity, which increases household income levels and allows for additional household spending.

There are different types of multipliers and each has a specific purpose. *The multipliers are complementary, not additive.*

⁶ Hotel Spending is used as an example for how indirect and induced impacts are generated from the direct spending. A similar flow of spending could be mapped for any of the other initial direct spending categories (e.g., restaurant, retail, or inside facility spending).

The first type of multiplier is called an *output*, sales, or transaction multiplier. It measures the direct, indirect, and induced effect of an extra unit of visitor spending on economic activity within a local economy. This multiplier relates tourism expenditure to the increase in business financial turnover that is created. There are 528 industries, each having its own multiplier. In the analysis that follows, the multipliers have been reduced to 39 aggregated industry sectors with the relevant tourism sectors analyzed.

The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure. We selected multipliers for the following industries, as these industries provide the best representation of initial spending associated with the operations of events the City may host: commercial sports, hotels, eating and drinking places, entertainment, retail trade, local transportation, and miscellaneous spending. Three different sets of multipliers are generated by IMPLAN corresponding to measures of regional economic activity, including: total sales, personal income, and jobs. Multipliers for total sales, personal income, and jobs were identified for each of the industries listed above.

An *earnings* (also known as an *income*) multiplier, the second type, measures the direct, indirect, and induced effects of an extra unit of visitor spending on the level of household income in the local economy. It is operationalized as the ratio of change in income to the initial autonomous change in expenditure that brings it about. It is the clearest indicator of the effect of economic impact on residents of the host community.

The third type of multiplier is called an *employment* multiplier. Employment multipliers measure the direct, indirect, and induced effects of an extra unit of visitor spending on employment in the local economy. It measures how many full-time equivalent (FTE) jobs are supported in the local economy as a result of visitor expenditures.

2.4 FISCAL IMPACT METHODOLOGY

In addition to economic impacts, the government of the City of San Jose (as well as those of Santa Clara County and the State of California) benefit from the operations of these events in the form of tax revenues.⁷ Further, the City, County, and State will also receive tax revenues due to the operation of the facility itself. Fiscal impacts are calculated by analyzing the marginal tax rates for each category in relation to direct impacts. Indirect impacts are measured by using recent historical aggregate average tax rates collected by the local government, accounting for the share that pertains to the tax categories listed below.

Fiscal information used in this analysis was obtained from the Office of Economic Development for the City of San Jose, Bureau of Economic Analysis, State of California GSP, the State of California Department of Finance, www.economy.com, and other governmental resources. The primary taxes affected by event-related expenditures

⁷ To reiterate, only fiscal impacts to the City are measured in this report. Fiscal impacts to the State and County are generated by these events and operations, but are not detailed in this report.

include the State of California Sales and Use tax, and the Innkeepers tax. The following is a brief discussion of these taxes.

Sales Tax

The State of California levies a tax of 6.75 percent on the sale of most consumer goods and services.⁸ However, the City of San Jose levies an additional tax of 1.5 percent, bringing the total rate to 8.25 percent.⁹ Since the area of impact is defined as the City, only taxes flowing to that entity are included in this analysis.

The sales tax is applied to prepared food items, retail products, auto rental, gasoline, and business services, and not applied to local transportation services (taxi, bus, etc.), and admissions to amusement establishments (movie theaters, golf, football, baseball, etc.). It is applied to merchandise and concessions sold inside of an event that charges an admission fee. For events that do not charge an admission fee, it is applied to alcohol and merchandise sales, but not food sales.¹⁰

Transit Occupancy (Hotel Occupancy) Tax

In addition to sales tax, the City of San Jose levies a ten percent Transit Occupancy Tax on hotel room sales. In addition to the Transient Occupancy Tax, additional funds are levied which are directed towards the Business Improvement District (BID).

Hotel Business Improvement District (HBID) Fee¹¹

In March 2006, a marketing partnership of 35 hotels began collection of the Hotel Business Improvement District (HBID) Fee. Funds generated are used for visitor and convention promotion. Funds collected are managed by the non-profit corporation, San Jose Hotels, Inc.

All hotels operating within the hotel business improvement district (HBID) are charged a flat fee per occupied room per night. The fee paid by a specific hotel is determined by which zone it is in:

- Zone A consists of hotels within a one-mile radius of the San Jose McEnery Convention Center,
- Zone B consists of hotels located one to three miles from the convention center,
- Zone C consists of hotels located outside of the three-mile radius.

The Zone A fee is \$2.00; the Zone B fee is \$1.00; the Zone C fee is \$0.75. The weighted average HBID fee is \$1.25, with the number of rooms available in each zone used as the weight. This amount, \$1.25, will be used to calculate the HBID portion of fiscal impact.

⁸ The State General Fund is allocated 93%, and the County of Santa Clara is allocated 7%.

⁹ The City of San Jose receives 1.0 percent of the tax, and the Valley Transit Authority receives an additional 0.50 percent, for a total of 1.5 percent directed towards local funds.

¹⁰ Sales tax collection information is provided by the City of San Jose.

¹¹ Please see http://www.sanjoseca.gov/clerk/Agenda/062006/062006_04.03a.pdf for more details.

Food and Beverage Tax

The City of San Jose does not levy a separate tax on the sale of prepared food and beverages. However, the sale of prepared food and beverages is subject to sales tax.

Gate Fee

At outdoor events that are gated and ticketed, the Fees and Charges Resolution includes a 5% “gate fee” that is collected on gross admissions revenue. This is paid to the City and is earmarked for the Festival, Parade & Celebration grant program.

Other Taxes

In addition to the above major taxes affected by venue events noted above, the Counties and State may realize additional event-related tax revenues such as gasoline tax, the portion of sales tax that does not go to the City, and others.

These taxes and corresponding tax rates provide the basis to calculate fiscal impact for the City from direct and indirect revenues as a result of event-operations. Indirect fiscal impact is based on the average (not incremental) taxes collected for each dollar spent within San Jose.

3.0 MEASUREMENT OF ECONOMIC IMPACT OF THREE PRIMARY EVENTS

The analysis described in this section is primarily based on the surveys administered before, during, and after a San Jose Sharks game at HP Pavilion (“Sharks game”), the CAHA Tier Hockey Weekend at Sharks Ice at San Jose (“CAHA Hockey”), and the 2007 NCAA Men's Basketball Western Regional at HP Pavilion (“NCAA Basketball”).¹² An intercept survey was administered to visitors and local residents in and around these events. The preponderance of the surveys were filled out via direct interviews with respondents at the HP Pavilion. Given the restrictions for surveying at NCAA events, surveys for the NCAA Basketball tournament were conducted in approved areas outside of and surrounding the facility, and were conducted in accordance and cooperation with the NCAA and its guidelines.

As noted, an important component of direct spending includes fan expenditures outside event venues at local establishments such as restaurants, retail shops and other such places. Survey respondents were asked their location of residence, reason for their visit, and about the level and types of activities for which they spend their money in order to develop an estimate regarding the level of fan spending before and after events. As discussed previously, economic impact is generated only when “new” money is injected into the local economy. In other words, only the spending that would not have occurred were it not for the events hosted at the HP Pavilion is considered economic impact. To quantify this amount, spending was only included for attendees who met three conditions:

- Attendees must live outside the City of San Jose in order to generate “new” spending for the City;
- Attending an event at the HP Pavilion must have been the primary purpose for traveling to the area; and
- Attending an event must not replace a recent future or past visit to the City.

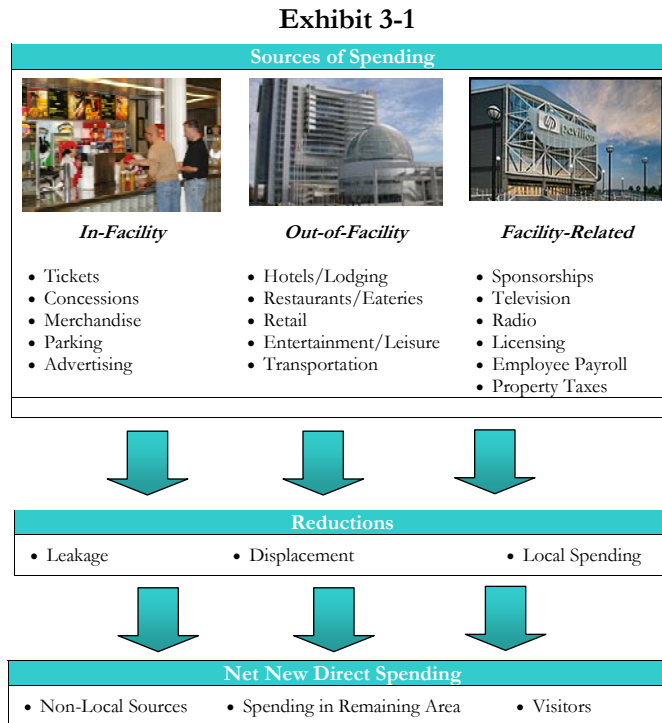
As described in Section 2.0, the economic impact of the events is derived from new spending in the local region, mostly due to visitors to the community. Corporate and team expenditures related to the event also provide economic impact. These sources of revenue are new to the community and do not come from local residents, but from those outside of the community.¹³ Impacts are in the form of total output, earnings, and employment and begin with direct spending, followed by indirect and fiscal impacts.

Finally, the operations of these events also generate spending within the area of impact. The expenditures by event organizers that are captured within the City are included in the total economic impact. Impacts are in the form of total output, earnings, and employment and begin with direct spending, followed by indirect and fiscal impacts.

¹² Surveys were conducted during several days for the CAHA Hockey and NCAA Basketball events, both of which took place over multiple days.

¹³ Spending by local residents due to the events was measured for all event types, but to be conservative this spending is excluded from the impact figures given for the events.

Organizational spending and visitor spending at local restaurants, retail stores, and other relevant establishments constitute the direct impacts in this Report. Exhibit 3-1 shows the sources of direct operations impact and various adjustments made to account for re-directed spending, as opposed to new spending, and leakages outside of the area of impact.



For each of the main participant groups under analysis (incremental visitors, non-incremental visitors, and local residents), measurements of per day, per group data on how much was spent on lodging, transportation, dining, event-related merchandise, retail, and miscellaneous items were created.

Each set of sample data is extrapolated up to its corresponding population in order to obtain direct spending estimates for each of the primary spending categories listed above. The amount of incremental visitor spending is calculated by determining the total number of incremental visitors in the population (not local residents, time-switchers or casual visitors), and then taking a weighted average of those individuals’ spending, per person, per day. From this, we can determine the proportions of spending that were allocated to each of the spending categories, such as lodging, transportation, dining, etc. These relative proportional spending figures can be used to extrapolate the amount of spending that occurred in each of these spending categories during the events being measured.¹⁴

¹⁴ This calculation is slightly modified for hotel expenditures since not all non-local groups stayed in a hotel. The modification is that the calculation is weighted to account for the number of parties that, separately, used a local hotel.

3.1 ECONOMIC IMPACT OF A SAN JOSE SHARKS GAME

For the San Jose Sharks game, the usable surveys represented more than 1,265 people based on the size of each party (number of people) represented in the survey responses.¹⁵ The economic impact measurements based on this survey are described in this section. Additionally, there are expenditure categories, such as visiting team spending, that are specific to each game (“variable” spending). Those are addressed in this section. Also, there are other categories of organizational spending, such as advertising spending which can provide economic impact (when spent locally), but are not disaggregated into spending per game or event. These “fixed” categories of spending that relate to economic impact are discussed in Section 5.0. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

Of the spectators represented by the surveys administered during the Sharks game, 27.6% were local residents of the City.¹⁶ The average size of the party represented in each survey is 3.1 for visitors and 3.3 for local residents.¹⁷ Of that traveling party, visitors indicated that they paid for 2.3 persons, whereas locals paid for an average of 2.4 persons. As shown in Exhibit 3-2 below, the average number of days that each person stayed in the City was 1.3. The typical visiting spectator spent \$63 per day outside of the HP Pavilion, and an additional \$77 on event-specific spending inside of the HP Pavilion.¹⁸ On average, spectators spent approximately \$162 for their entire trip to San Jose to attend a Sharks game.

The number of unique visitors who came to San Jose and participated in activities related to the Sharks game was approximately 11,469 out of 15,837 unique attendees.¹⁹ Of the visitors to the City, about 2% were “time-switchers”, meaning that they would have come to the City during some other nearby time period, but instead chose to come to San Jose to attend a Sharks game. Similarly, 11% were “casual” visitors who were in town for other reasons, but chose to take part in a Sharks game as part of their stay. To be conservative, expenditures by “time-switchers” and “casual” visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway. Thus, the number of visitors to the City for which expenditures are counted toward the economic impact of the San Jose Sharks games are 9,879, approximately 14% fewer than the total number of visitors.

Exhibit 3-2

¹⁵ The measurement error in the results that follow is less than 3.0%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

The primary study was conducted at a game held January 20, 2007 and was selected by the San Jose Sharks organization as a representative event for which all other Sharks games could be measured.

¹⁶ This was determined by referencing all zip codes that are located in the City of San Jose. The respondent sample is based on the number of surveys administered during the event, multiplied by the number of persons in the respondent’s traveling party.

¹⁷ The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that the survey respondent was paying for when estimating expenditure responses.

¹⁸ Excluding ticket costs, the spending inside the Pavilion per relevant visitor decreases to \$22.

¹⁹ The total attendance for the Sharks game on January 20 was estimated to be 17,597, which, excluding no-shows, led to 15,837 actually attending the game.

Key Findings from the San Jose Sharks Visitor Survey	
Category	Estimate
Total Attendance ¹	15,837
Number of Unique Attendees (individual people attending event)	15,837
Local Residents who Attended Event (not Visitors)	4,369
Total Number of Unique Visitors Participating in Event Activities	11,469
Number of "Time-switchers" Only	238
Number of "Casual" Visitors Only	1,277
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	75
Number of "Relevant" Visitors: Count Towards Economic Impact ²	9,879
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor Outside of Facility	\$63
Average Number of Days Stayed Per "Relevant" Visitor	1.3
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside HP Pavilion	\$84
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside HP Pavilion ³	\$77
Total Direct Spending of "Relevant" Visitors Outside HP Pavilion⁴	\$831,353
Total Direct Spending of "Relevant" Visitors Inside HP Pavilion³	\$765,409

¹Includes actual attendance at game, less no-shows and comps.

²Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

³Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

⁴Spending is only within the City of San Jose.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in the City are over \$831 thousand outside of the HP Pavilion, and nearly \$1.6 million when accounting for spending inside the HP Pavilion.

As shown in Exhibit 3-3, total business spending used in this measurement of direct economic impact is \$27 thousand.²⁰ Including expenditures by vendors and event organizers, total business (non-spectator) spending is \$27 thousand because there were no non-local vendors for the event and game-specific spending by the Sharks within the City was \$0.²¹ As previously mentioned, total operational spending by the San Jose Sharks is not broken out separately since it is a fixed amount spent throughout the year, and is aggregated for all events hosted at the facility in Section 5.0. Therefore, this section measures the portion of economic impact due to spectator spending and business spending directly related to the event.

²⁰ Business spending includes spending by corporations, visiting teams, and media spending. SVSE provided information on each of these categories.

²¹ Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of the report.

Exhibit 3-3

Expenditures by Organizations Affiliated with Hosting the Event	
Team Expenditures ¹	\$17,102
Media Expenditures ²	\$1,900
Corporate/Sponsor Expenditures ³	\$8,400
Vendor Expenditures ⁴	\$0
Event Organizer Expenditures ⁵	\$0
Total	\$27,402

¹Team Spending captured via separate survey instrument. Number of teams and type of teams provided by City of San Jose and event organizer.

²Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and event organizer.

³Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

⁴Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

⁵Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-4. The total new incremental direct spending in the City due to the San Jose Sharks game is over \$830 thousand when not accounting for spending inside the facility, and grows to \$1.6 million when accounting for spending inside HP Pavilion.²²

Exhibit 3-4

Economic Impact of San Jose Sharks Game on San Jose - Output		
Direct Spending at San Jose Sharks games	City	City ¹
Transportation	\$60,386	\$60,386
Parking	\$46,353	\$46,353
Retail	\$116,262	\$116,262
Lodging	\$182,660	\$182,660
Entertainment	\$109,509	\$109,509
Food & Beverage	\$300,462	\$300,462
Miscellaneous	\$15,722	\$15,722
Total Relevant Visitor Spending Outside of HP Pavilion	\$831,353	\$831,353
Spending Inside HP Pavilion	\$765,409	\$0
Team/Media/Sponsor	\$27,402	\$27,402
Total Direct Spending	\$1,624,164	\$858,755
Indirect Spending (incl. vendor and event organizer spending)	\$841,394	\$567,239
Total Economic Impact	\$2,465,558	\$1,425,994

¹Does not include spending inside the HP Pavilion.

²² It is possible that the direct spending estimates do not include spending by those spectators who sat in luxury suites, as those suites were not surveyed. However, it is possible that some suite-holders were intercepted during the normal survey activity.

New incremental indirect spending is about \$567 thousand in the City, when not accounting for spending inside of the facility. Total economic impact, in terms of output, is about \$1.4 million in the City due to the San Jose Sharks game. The inclusion of spending within the HP Pavilion shows total economic impact of over \$2.4 million for this one game. All measurements account for incremental visitor spending, not local residents spending, that is above and beyond what they would have spent if not for the San Jose Sharks playing at the HP Pavilion.

Spending by Local Residents

An estimate of total impact from non-incremental visitors because of the game is about \$384 thousand (including spending inside of the facility). An estimate of total impact by local residents because of the game is about \$1.04 million (including spending inside of the facility). If included, non-incremental visitors and locals would bring the total economic impact, due to spectator spending, of the event to approximately \$3.9 million.²³

Induced Economic Impact

Induced economic impacts on the City due to the San Jose Sharks are shown in Exhibit 3-5. About 34 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than \$860 thousand in earnings impact within the City.²⁴ When accounting for inside spending, the number of full-time equivalent jobs increases to 52, and the total earnings impact grows to over \$1.5 million.

Exhibit 3-5

Economic Impact of San Jose Sharks Game - Earnings & Employment		
Type of Impact	City	City ¹
Earnings	\$1,574,058	\$861,311
Employment	52	34

¹Does not include spending inside the HP Pavilion.

Fiscal Impact

As Exhibit 3-6 shows, the total new incremental tax impact measurement due to the San Jose Sharks game is over \$41 thousand for the City.²⁵ If inside spending were counted, fiscal impact would increase to \$50 thousand (assuming that spending inside of the arena is taxed). If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by about \$47 thousand.²⁶

²³ These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact, in order to provide a conservative estimate. The non-incremental and local visitor populations were determined via survey responses.

²⁴ These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, about \$861 thousand is turned into incremental earnings.

²⁵ Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

²⁶ As stated earlier, impacts from non-incremental visitors and locals are not included and are stated for informational purposes only.

Exhibit 3-6

Net New Incremental Tax Impact of San Jose Sharks Game on City		
Tax Category	City	City ¹
Sales and Use	\$12,736	\$9,769
Net Parking Revenue ²	\$0	\$0
Hotel Occupancy	\$18,266	\$18,266
Hotel Business Improvement District fee	\$622	\$622
Sub-total	\$31,625	\$28,657
Indirect Taxation	\$18,990	\$12,802
Total Fiscal Impact	\$50,614	\$41,459

¹ Does not include spending inside the HP Pavilion.

² Net parking revenue that may have been generated at City lots during the San Jose Sharks games is not included.

Media Impact

In addition to economic impact, the City may also benefit from the national and international focus and media attention created by the televising of the game. Although the event generated media impressions, this impact is *not* part of the economic impact measured here.

Other Findings from the Survey Analysis

Of the survey respondents, nearly three-quarters were visitors to the City, and 45.3% were visitors to Santa Clara County. Of those visiting from other counties, the highest percentage of attendees traveled from Alameda (10%), Contra Costa (8%), and San Mateo (6%) counties. Just 2% of event attendees were from out of state, nearly all of whom were from Nevada.

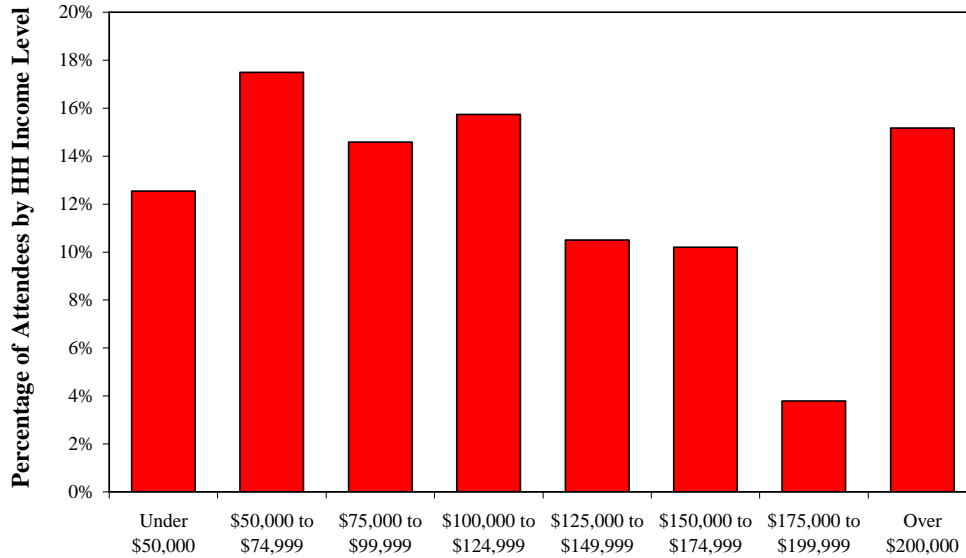
As expected, these events were primarily spectator events, with more than 96% of respondents having no official affiliation with the City or the event. Of those listing an affiliation, less than 1% (of the full respondents) were affiliated with the Sharks, a vendor, or sponsor.

Half of respondents were season ticket holders of some kind. Of the season ticket holders, nearly two-thirds were located in the Lower Level/Club seats, 35% were seated in the Upper Level, and the remainder were located in the Concourse or Penthouse Suites. Of those purchasing single game tickets, nearly half were located in the Lower Level/Club seats, 46% were seated in the Upper Level, and the remaining 5% were located in the Concourse or Penthouse Suites.

Less than 45% of respondents had annual household incomes less than \$100,000, and more than a 29% had incomes above \$150,000. The classification of household incomes is shown below in Exhibit 3-7, with the average household income of visiting attendees at \$113,000.²⁷

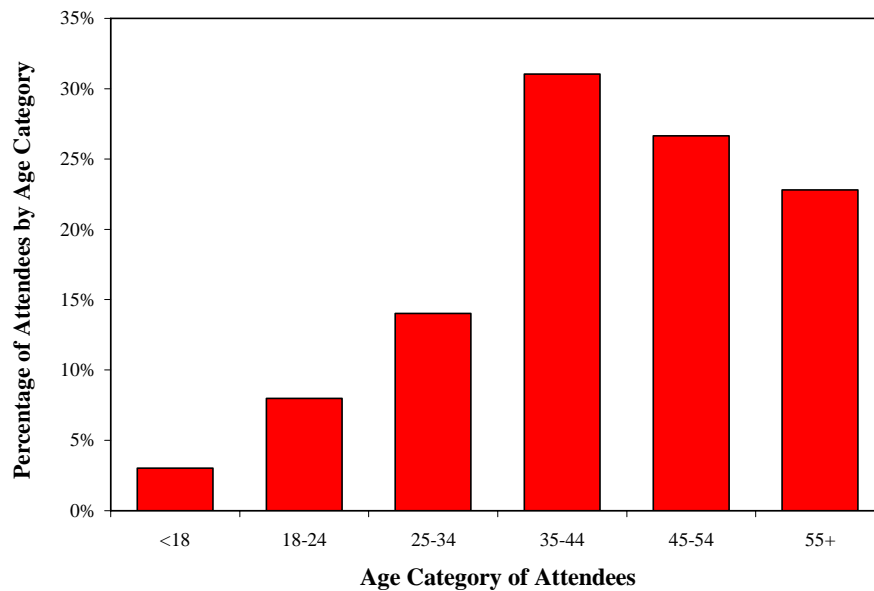
²⁷ The calculation of average household incomes is based on using the midrange of each income category for all categories except the \$200,000+ category, which used \$200,000 as its weight.

Exhibit 3-7



The age of the Sharks game attendees skewed older, with nearly three-quarters of attendees over age 35, as shown in Exhibit 3-8 below. The average age was 44 years old.²⁸

Exhibit 3-8



Nearly all of the respondents (95%) drove to the event in a personal car or truck, 1% flew to the event, 3% took public transportation (bus or train), and 1% responded using an alternate form of transportation (“Other”).

²⁸ The calculation of average age is based on using the midrange of each age category for all categories except the 55+ category, which used 55 as its weight.

The majority of visitors (91%) listed the Sharks game as the primary reason for their trip to San Jose. Approximately 3% were already on vacation to the City, 4% were primarily in the City for business, and the remainder visited the City for an unspecified “Other” reason.

Half of attendees indicated they ate the equivalent of a meal at a downtown establishment before or after the game.²⁹ Respondents who indicated they had eaten downtown were asked to list the restaurant or bar at which they dined. While dozens of establishments were listed, some occurred with frequency. Those establishments occurring in more than 3% of responses included Henry’s Hi Life (5%), Sonoma Kitchen Coop (4%), Peggy Sue’s (3%), Poorhouse Bistro (3%), and Tied House (3%).

Nearly 17% of respondents stayed in a Hotel or Motel during their visit, and half listed staying in a private residence. The remaining 32% stayed in a non-specified form of lodging. Respondents who indicated they had stayed in a hotel or motel were asked to list which franchise at which they lodged. While less than a dozen establishments were listed, some occurred with frequency. Those establishments occurring in more than 10% of responses included the Arena Hotel (17%), Crowne Plaza (17%), the De Anza (17%), and the Fairmont (15%).

²⁹ This was asked in Q18A.

3.2 ECONOMIC IMPACT OF THE CAHA HOCKEY WEEKEND

A primary study was conducted for an event at the Sharks Ice at San Jose. This event was selected by SVSE as being representative of other events at Sharks Ice at San Jose. The CAHA event took place from February 9-11, 2007.

The economic impact measurements based on this survey are described in this section. Additionally, there are expenditure categories, such as visiting participants spending, which are specific to each game (“variable” spending). Those are addressed in this section. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

For the Sharks Ice at San Jose event, the usable surveys represented more than 600 people based on the size of each party (number of people) represented in the survey responses.³⁰ Of the spectators represented by the surveys administered during the CAHA Tournament, 12% were local residents of the City.³¹ The average size of the party represented in each survey is 4.5 for visitors and 2.4 for local residents.³² Of that traveling party, visitors indicated that they paid for 3.1 persons, whereas locals paid for an average of 2.8 persons. As shown in Exhibit 3-9 below, the average number of days that each person stayed in the City was 3.3. The typical visiting spectator spent \$123 per day outside of the Sharks Ice at San Jose, and an additional \$25 on event-specific spending inside of the facility. On average, spectators spent approximately \$428 for their entire trip to San Jose to attend the CAHA Tournament.

The number of unique visitors who came to San Jose and participated in activities related to the CAHA Tournament was approximately 1,072 out of 1,494 unique attendees.³³ Of the visitors to the City, about 7% were “time-switchers”, meaning that they would have come to the City during some other nearby time period, but instead chose to come to San Jose to attend a CAHA game. Similarly, 7% were “casual” visitors who were in town for other reasons, but chose to take part in a CAHA Tournament game as part of their stay. To be conservative, expenditures by “time-switchers” and “casual” visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway.³⁴ Thus, the number of visitors to the City for which expenditures are counted toward the economic impact of the CAHA Tournament are 807, 15% fewer than the total number of visitors.

³⁰ The measurement error in the results that follow is less than 2.0%, given the high ratio of respondents to attendees. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

³¹ This was determined by referencing all zip codes which were in the City of San Jose. The respondent sample is based on the number of surveys administered during the event, multiplied by the number of persons in the respondent’s traveling party.

³² The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that the survey respondent was paying for when estimating expenditure responses.

³³ The total attendance for the CAHA Tournament was estimated by visual counts at the games on Friday and Saturday, coupled with survey data for days attended. Approximately 28% of attendees came to all 4 days of the tournament. Therefore the total attendance was discounted by this amount, which what the unique visitor figure represents.

³⁴ However, spending from time-switchers that they indicated was more, but for the event, was captured, which amounted to no additional spending.

Exhibit 3-9

Key Findings from the CAHA Tournament Visitor Survey	
Category	Estimate
Total Attendance	1,494
Number of Unique Attendees (individual people attending event)	1,072
Local Residents who Attended Event (not Visitors)	124
Total Number of Unique Visitors Participating in Event Activities	948
Number of "Time-switchers" Only	67
Number of "Casual" Visitors Only	64
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	12
Number of "Relevant" Visitors: Count Towards Economic Impact ¹	807
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	\$123
Average Number of Days Stayed Per "Relevant" Visitor	3.3
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Sharks Ice Center	\$403
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Sharks Ice Center ³	\$25
Total Direct Spending of "Relevant" Visitors Outside Sharks Ice Center²	\$325,317
Total Direct Spending of "Relevant" Visitors Inside Sharks Ice Center³	\$19,982

¹Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

²Spending is only within the City of San Jose.

³Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in the City are over \$325 thousand outside of the Sharks Ice at San Jose, and \$345 thousand when accounting for spending inside of the Sharks Ice at San Jose.

As shown in Exhibit 3-10, total business spending used in this measurement of direct economic impact is \$45.5 thousand.³⁵ Including expenditures by vendors and event organizers, total business (non-spectator) spending is \$76 thousand.³⁶ This section measures the portion of economic impact due to spectator spending and business spending directly related to the event.

³⁵ Business spending includes spending by corporations, visiting teams, and media spending. SVSE provided information on each of these categories.

³⁶ Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of the report.

Exhibit 3-10

Expenditures by Organizations Affiliated with Hosting the Event	
Team Expenditures ¹	\$37,500
Media Expenditures ²	\$0
Corporate/Sponsor Expenditures ³	\$8,000
Vendor Expenditures ⁴	\$13,500
Event Organizer Expenditures ⁵	\$17,012
Total	\$76,012

¹Team Spending provided by SVSE. Number of teams and type of teams provided by City of San Jose and event organizer.

²Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and event organizer.

³Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

⁴Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

⁵Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-11. The total new incremental direct spending by spectators in the City due to the CAHA Tournament is over \$325 thousand excluding spending within the facility, and is \$390 thousand when accounting for spending within Sharks Ice at San Jose and non-spectator spending.

Exhibit 3-11

Economic Impact of CAHA Tournament on San Jose - Output		
Direct Spending at CAHA Tournament	City	City ¹
Transportation	\$46,068	\$46,068
Parking	\$1,146	\$1,146
Retail	\$48,872	\$48,872
Lodging	\$92,491	\$92,491
Entertainment	\$19,190	\$19,190
Food & Beverage	\$112,054	\$112,054
Miscellaneous	\$5,496	\$5,496
Total Relevant Visitor Spending Outside of Sharks Ice Center	\$325,317	\$325,317
Spending Inside Sharks Ice Center	\$19,982	\$0
Team/Media/Sponsor	\$45,500	\$45,500
Total Direct Spending	\$390,799	\$370,817
Indirect Spending (incl. vendor and organizational spending)	\$271,585	\$264,427
Total Economic Impact	\$662,384	\$635,245

¹This column does not include spending within the event area.

New incremental indirect spending is about \$264 thousand in the City, and is \$272 thousand when including inside spending. Total economic impact, in terms of output, is about \$635 thousand in the City due to the CAHA Tournament and related activities. Including spending within the Sharks Ice at San Jose, total impact would grow to \$662 thousand. All measurements account for incremental visitor spending, not local residents spending, that is above and beyond what they would have spent if not for the CAHA Tournament being hosted at the Sharks Ice at San Jose.

Spending by Local Residents

An estimate of total impact from non-incremental visitors because of the events is about \$130 thousand. An estimate of total impact by local residents because of the events is about \$12 thousand. If included, non-incremental visitors and locals would bring the total economic impact of the events, due to spectators and participants, to approximately \$712 thousand.³⁷

Induced Economic Impact

Induced economic impacts on the City due to the CAHA Tournament are shown in Exhibit 3-12. About 14 full-time equivalent jobs are generated from the direct and indirect spending by spectators and participants, resulting in more than \$385 thousand in earnings impact within the City.³⁸

Exhibit 3-12

Economic Impact of CAHA Tournament - Earnings & Employment		
Type of Impact	City	City ¹
Income	\$384,907	\$366,299
Employment	14	14

¹Does not include spending inside the event area.

Fiscal Impact

As Exhibit 3-13 shows, the total new incremental tax impact measurement due to the CAHA Tournament is approximately \$20 thousand for the City.³⁹ If inside spending were counted, fiscal impact would increase to \$22 thousand.⁴⁰ If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by about \$4 thousand.

³⁷ These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. Spending includes that inside and outside of the facility. This represents spending inside and outside of the facility.

³⁸ These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly \$324 thousand is turned into incremental earnings. This represents impacts from outside spending only.

³⁹ Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

⁴⁰ Per the SVSE, Sales tax on all food and beverage and merchandise sold inside the facility and proshop totaled \$1,222.

Exhibit 3-13

Net New Incremental Tax Impact of CAHA Tournament on City		
Tax Category	City	City ¹
Sales and Use	\$4,184	\$2,776
Net Parking Revenue ²	\$0	\$0
Hotel Occupancy	\$9,249	\$9,249
Hotel Business Improvement District fee ³	\$2,182	\$2,182
Direct Taxation	\$15,614	\$14,207
Indirect Taxation	\$6,129	\$5,968
Total Fiscal Impact	\$21,744	\$20,175

¹ Does not include spending inside the event area.

² Net parking revenue was generated at City lots during the CAHA Tournament.

³ Hotel room nights based on average room nights per relevant visitor multiplied by the number of respondents who stayed in a hotel or motel during their visit to the City.

Other Findings from the Survey Analysis

Of the survey respondents, approximately 88% were visitors to the City, and three-quarters were visitors to Santa Clara County. Of those visiting from other counties, the highest percentage of attendees traveled from Orange (12%), Los Angeles (11%), Alameda (9%) and San Diego (7%). Less than 1% of event attendees were from out of state.

As expected, this event was primarily a participant event and more than 92% of respondents having no official affiliation with the City or the event.

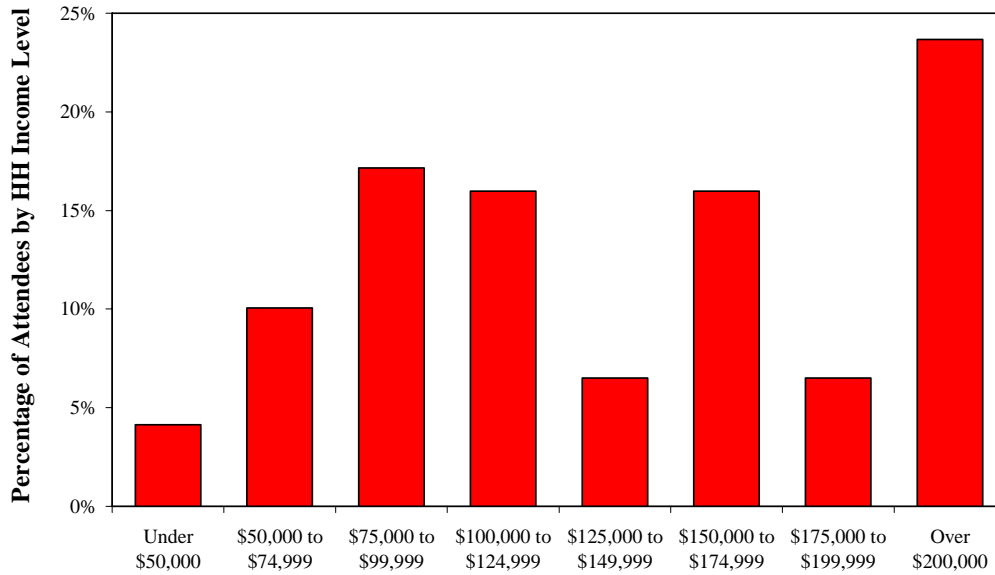
About 19% attended the tournament to watch Bantam AA games, 27% watched 16AA games, 16% watched 16AAA games, 22% watched 18AA games, and 23% watched 18AAA games. Approximately 28% of spectators attended all four days of the tournament. Nearly 44% attended Thursday, 71% came Friday, 84% came Saturday, and 51% came Sunday.⁴¹ More than 88% listed the tournament as the primary reason for their visit to the City.

Less than 31% of respondents had annual household incomes less than \$100,000, and more than 46% had incomes above \$150,000. The classification of household incomes is shown below in Exhibit 3-14, with the average household income of visiting attendees at \$135,000.⁴²

⁴¹ Since respondents could choose more than one day, figures sum to more than 100%.

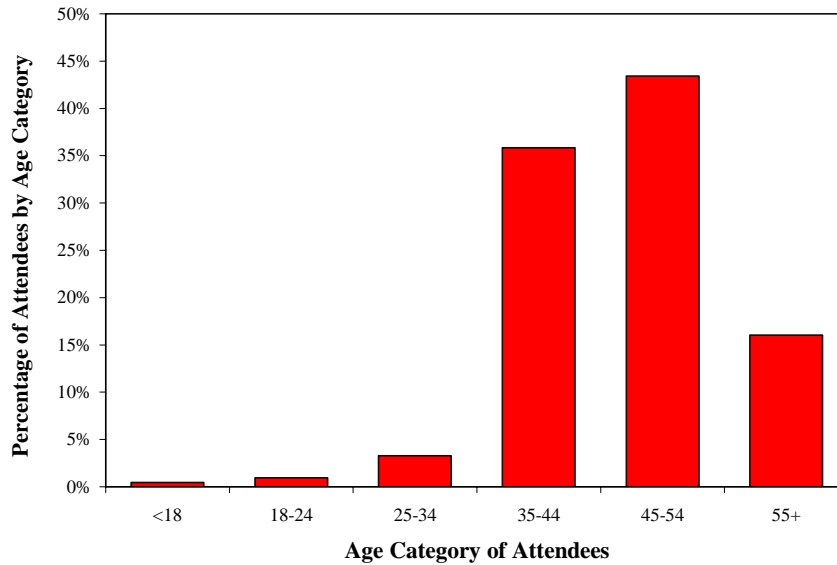
⁴² The calculation of average household incomes is based on using the midrange of each income category for all categories except the \$200,000+ category, which used \$200,000 as its weight.

Exhibit 3-14



The age of attendees skewed older, with nearly 60% of attendees over age 44, as shown in Exhibit 3-15 below. The average age was 46 years old.⁴³

Exhibit 3-15



Three quarters of respondents drove to the event in a personal car or truck, 10% flew to the event, 9% rented a car, 4% took public transportation (bus or train), and 2% responded using an alternate form of transportation (“Other”).

⁴³ The calculation of average age is based on using the midrange of each age category for all categories except the 55+ category, which used 55 as its weight.

Nearly 56% of respondents stayed in a Hotel or Motel during their visit, and 42% listed staying in a private residence. The remaining 3% stayed in a non-specified form of lodging. Respondents who indicated they had stayed in a hotel or motel were asked to list which franchise at which they lodged. While less than a dozen establishments were listed, some occurred with frequency. The only establishment occurring in more than 5% of responses included the Holiday Inn (7%). The Clarion Hotel, Marriott, Wyndam, and Embassy Suites each represented 4% of responses.

3.3 ECONOMIC IMPACT OF THE NCAA WESTERN MEN’S REGIONAL TOURNAMENT

The usable surveys for the event represented more than 2,025 people based on the size of each party (number of people) represented in the survey responses.⁴⁴ Of the spectators represented by the surveys administered during the NCAA Western Men’s Regional Tournament, 13% were local residents of the City.⁴⁵ The average size of the party represented in each survey is 2.7 for visitors and 2.8 for local residents.⁴⁶ Of that traveling party, visitors indicated that they paid for 1.9 persons, whereas locals paid for an average of 2.0 persons. As shown in Exhibit 3-16 below, the average number of days that each person stayed in the City was 2.4. The typical visiting spectator spent \$142 per day outside of the HP Pavilion, and an additional \$208 on event-specific spending inside of the facility.⁴⁷ On average, spectators spent approximately \$552 for their entire trip to San Jose to attend the NCAA Western Men’s Regional Tournament.⁴⁸

The number of unique visitors who came to San Jose and participated in activities related to the NCAA Western Men’s Regional Tournament was approximately 28,138 out of 32,225 unique attendees.⁴⁹ Of the visitors to the City, about 9% were “time-switchers”, meaning that they would have come to the City during some other nearby time period, but instead chose to come to San Jose to attend a game during the Tournament. Similarly, 14% were “casual” visitors who were in town for other reasons, but chose to take part in a NCAA Tournament game as part of their stay. To be conservative, expenditures by “time-switchers” and “casual” visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway.⁵⁰ Thus, the number of visitors to the City for whom expenditures are counted toward the economic impact of the NCAA Western Men’s Regional Tournament are 21,524, 24% fewer than the total number of visitors.

⁴⁴ The measurement error in the results that follow is equal to about 2.1%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

⁴⁵ This was determined by referencing all zip codes which were in the City of San Jose. The respondent sample is based on the number of surveys administered during the event, multiplied by the number of persons in the respondent’s traveling party.

⁴⁶ The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that the survey respondent was paying for when estimating expenditure responses.

⁴⁷ Inside spending per capita falls to \$65 when not accounting for the cost of tickets.

⁴⁸ When not accounting for the cost of tickets, this total falls to \$410.

⁴⁹ The total attendance for the NCAA Tournament was estimated by the facility. Unique visitors were determined by discounting total attendance by the number of attendees who indicated they attended both days of the tournament. In total, approximately 35,446 spectators came to the Tournament, but, discounting for those who attended both the Semi-Finals and Finals games on Thursday and Friday, this number falls to 32,225.

⁵⁰ However, spending from time-switchers who indicated it was more than they would have spent otherwise, but for the event, was captured. In total, time-switchers who had incremental spending accounted for less than 1% of the population.

Exhibit 3-16

Key Findings from the NCAA Basketball Tournament Visitor Survey

Category	Estimate
Total Attendance ¹	35,446
Number of Unique Attendees (individual people attending event)	32,225
Local Residents who Attended Event (not Visitors)	4,086
Total Number of Unique Visitors Participating in Event Activities	28,138
Number of "Time-switchers" Only	2,417
Number of "Casual" Visitors Only	3,943
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	254
Number of "Relevant" Visitors: Count Towards Economic Impact ²	21,524
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	\$142
Average Number of Days Stayed Per "Relevant" Visitor	2.4
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside HP Pavilion	\$345
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside HP Pavilion ³	\$208
Total Direct Spending of "Relevant" Visitors Outside HP Pavilion⁴	\$7,422,308
Total Direct Spending of "Relevant" Visitors Inside HP Pavilion³	\$4,469,064

¹Includes attendance for Thursday and Saturday games, provided by facility.

²Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

³Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

⁴Spending is only within the City of San Jose.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in the City are over \$7.4 million outside of the HP Pavilion, and \$11.9 million when accounting for spending inside the HP Pavilion.

This estimate of the number of visitors to the City because of the NCAA Western Men’s Regional Tournament is a conservative measurement. Amazingly, this is quite common at major sporting events – often college students attempting to attend college sports events or wanting to be near the action. For instance, at the 2005 NCAA Men’s Final Four basketball tournament held in San Antonio, over 7,000 visitors came to town because of the basketball tournament, but did not attend any of the games. That is a 14% increase above the number of visitors who did attend the games. To the extent that scalping or any other ticket transfers occur, these will usually be in the direction of local residents selling to visitors. This is also known to be true of racing events, in which event spectators are commonly known to “tail-gate” or park outside of the facilities during the weekends of the events, but do not actually attend the events. Therefore it is possible that thousands more visitors came to the City because of the events than is represented in these findings.

As shown in Exhibit 3-17, total business spending used in this measurement of direct economic impact is \$545 thousand.⁵¹ Including expenditures by vendors and event organizers, total business (non-spectator) spending is

⁵¹ Business spending includes spending by corporations, visiting teams, and media spending. Information was sourced from SVSE and SportsEconomics research.

\$635 thousand.⁵² As previously mentioned, total operational spending by SVSE is not broken out separately since it is a fixed amount spent throughout the year, and is aggregated for all events hosted at the facility in Section 5.0. Therefore, this section measures the portion of economic impact due to spectator spending and business spending directly related to the event.

Exhibit 3-17

Expenditures by Organizations Affiliated with Hosting the Event	
Team Expenditures ¹	\$330,600
Media Expenditures ²	\$44,000
Corporate/Sponsor Expenditures ³	\$170,000
Vendor Expenditures ⁴	\$0
Event Organizer Expenditures ⁵	\$90,430
Total	\$635,030

¹Team Spending reported by event organizer.

²Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and event organizer.

³Estimates include corporate and sponsor spending at the event based on SportsEconomics research and/or event organizer. Conservative given inability to track all spending.

⁴Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

⁵Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-18. The total new incremental direct spending by spectators in the City due to the NCAA Western Men’s Regional Tournament is over \$7.4 million excluding spending within the facility, and is \$12.4 million when including spending within the HP Pavilion and non-spectator spending (e.g., visiting teams, media, and sponsors).

⁵² Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of the report.

Exhibit 3-18

Economic Impact of NCAA Regional Basketball Tournaments on San Jose - Output		
Direct Spending at NCAA Regional Basketball Tournament	City	City¹
Transportation	\$916,833	\$916,833
Parking	\$340,866	\$340,866
Retail	\$699,593	\$699,593
Lodging	\$1,961,594	\$1,961,594
Entertainment	\$745,792	\$745,792
Food & Beverage	\$2,495,823	\$2,495,823
Miscellaneous	\$261,806	\$261,806
Total Relevant Visitor Spending Outside of HP Pavilion	\$7,422,308	\$7,422,308
Spending Inside HP Pavilion	\$4,469,064	\$0
Team/Media/Sponsor	\$544,600	\$544,600
Total Direct Spending	\$12,435,972	\$7,966,908
Indirect Spending	\$6,587,523	\$4,986,793
Total Economic Impact	\$19,023,495	\$12,953,701

¹This column does not include spending within the HP Pavilion.

New incremental indirect spending is about \$5 million in the City, and is \$6.6 million when including spending inside of the facility. Total economic impact, in terms of output, is about \$13 million in the City due to the NCAA Western Men’s Regional Tournament and related activities. The inclusion of spending within the HP Pavilion raises the total impact to \$19 million. All measurements account for incremental visitor spending, not local residents spending, that is above and beyond what they would have spent if not for the NCAA Western Men’s Regional Tournament being hosted at the HP Pavilion.

Spending by Local Residents

An estimate of total impact from non-incremental visitors because of the events is about \$6.5 million. An estimate of total impact by local residents because of the events is about \$2.8 million. If included, non-incremental visitors and locals would bring the total economic impact of the events to approximately \$27.4 million.⁵³

Induced Economic Impact

Induced economic impacts on the City due to the NCAA Western Men’s Regional Tournament are shown in Exhibit 3-19. About 284 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than \$7.9 million in earnings impact within the City.⁵⁴ Including spending within the HP Pavilion, total earnings impact would increase to \$12 million.

⁵³ These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. Spending includes that inside and outside of the facility.

⁵⁴ These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, approximately \$7.9 million is turned into incremental earnings.

Exhibit 3-19

Economic Impact of NCAA Regional Basketball Tournaments - Earnings & Employment		
Type of Impact	City	City ¹
Earnings	\$12,097,495	\$7,935,913
Employment	392	284

¹Does not include spending inside the HP Pavilion.

Fiscal Impact

As Exhibit 3-20 shows, the total new incremental tax impact measurement due to the NCAA Western Men’s Regional Tournament is nearly \$400 thousand for the City.⁵⁵ If inside spending is counted, fiscal impact would increase to \$452 thousand. If spending by non-incremental visitors and locals is included, the fiscal impact to the City for this event would grow to approximately \$661 thousand.

Exhibit 3-20

Net New Incremental Tax Impact of NCAA Regional Basketball Tournaments on City		
Tax Category	City	City ¹
Sales and Use	\$86,408	\$70,873
Net Parking Revenue ²	\$9,192	\$9,192
Hotel Occupancy	\$196,159	\$196,159
Hotel Business Improvement District fee	\$11,196	\$11,196
Sub-total	\$302,955	\$287,420
Indirect Taxation	\$148,675	\$112,548
Total Fiscal Impact	\$451,630	\$399,968

¹Does not include spending inside the HP Pavilion.

²Net parking revenue was generated at City lots during the NCAA Regional Basketball Tournaments.

Media Impact

In addition to economic impact, the City may also benefit from the national and international focus and media attention created by the televising of the game. Although the event generated media impressions, this impact is *not* part of the economic impact measured in this analysis.

Other Findings from the Survey Analysis

Of the survey respondents, approximately 88% were visitors to the City, and nearly 80% were visitors to Santa Clara County. Of those visiting from other counties in the State, the highest percentage of attendees traveled from Los Angeles (14%), Alameda (5%) and Contra Costa (4%). Nearly one-third of event attendees were from out of state, with the highest percentage traveling from Kansas (8%) and Illinois (2%).

As expected, these events were primarily spectator events, with more than 96% of respondents having no official affiliation with the City or the event.

⁵⁵ Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

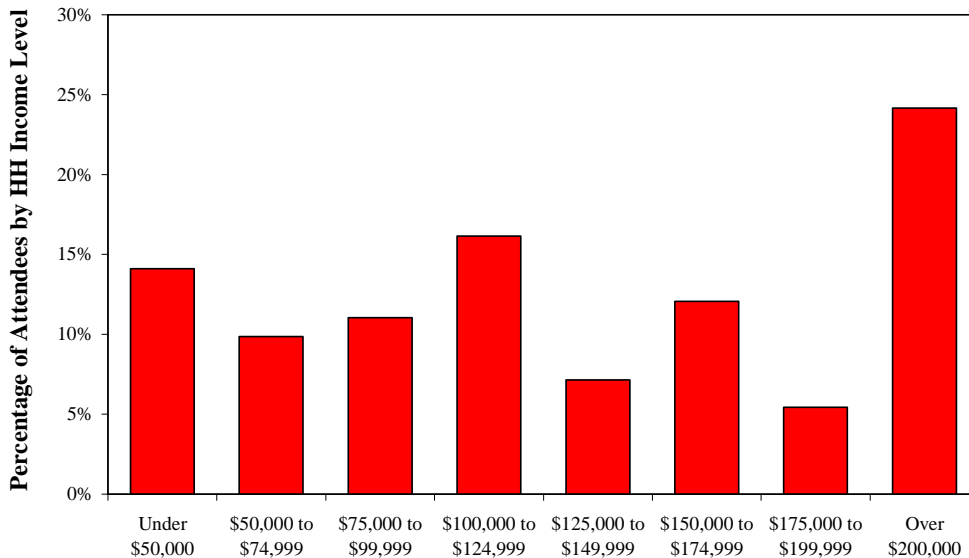
Nearly 63% attended both the Semi-Finals and Finals games of the Tournament. Just 15% attended the Finals only, 19% attended just the Semi-Finals, and 4% indicated they did not attend either game, but were here because of the tournament. Approximately 86% listed the tournament as the primary reason for their visit to the City.

Approximately 73% of respondents indicated they were attending the event to watch a particular team. Of those that specified a team of choice, nearly 30% indicated they followed UCLA, 21% followed Kansas (KU), 4% followed Southern Illinois, and the remainder indicated following more than one team.

Respondents were asked where their seats were located. Nearly 43% were located in Lower Level/Club seats, 2% were in Concourse Suites, 52% were located in Upper Level seating, and the remaining 3% were in the Penthouse Suites.

Approximately half of respondents had annual household incomes less than \$100,000, and more than a 41% had incomes above \$150,000. The classification of household incomes is shown below in Exhibit 3-21, with the average household income of visiting attendees at \$125,500.⁵⁶

Exhibit 3-21

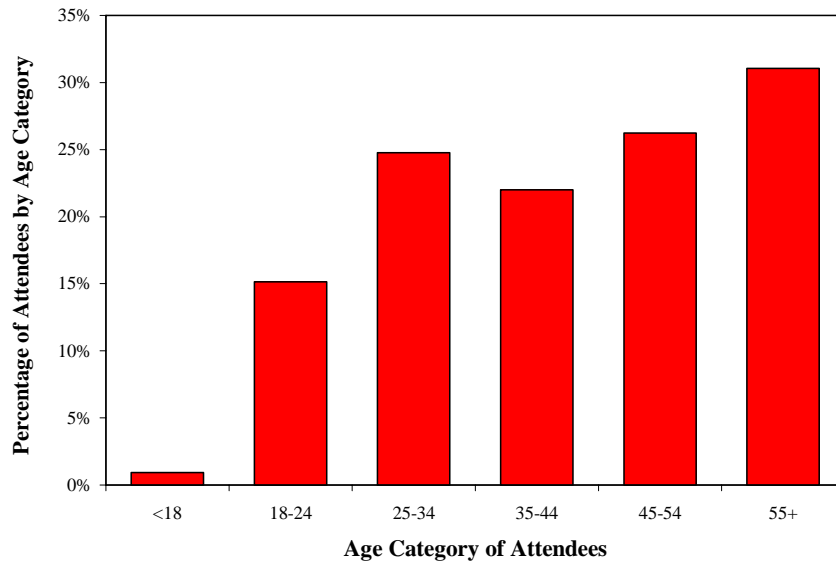


The age of attendees skewed older, with nearly 48% of attendees over age 44, as shown in Exhibit 3-22 below. The average age was 49 years old.⁵⁷

⁵⁶ The calculation of average household incomes is based on using the midrange of each income category for all categories except the \$200,000+ category, which used \$200,000 as its weight.

⁵⁷ The calculation of average age is based on using the midrange of each age category for all categories except the 55+ category, which used 55 as its weight.

Exhibit 3-22



Nearly 64% of respondents drove to the event in a personal car or truck, 22% flew to the event, 7% rented a car, 3% took public transportation (bus or train), and 3% responded using an alternate form of transportation (“Other”).

About two-thirds of respondents stayed in a Hotel or Motel during their visit, and a quarter listed staying in a private residence. The remaining 9% stayed in a non-specified form of lodging. Respondents who indicated they had stayed in a hotel or motel were asked to list which franchise at which they lodged. While nearly four dozen establishments were listed, some occurred with frequency. Those establishments occurring in more than 5% of responses included the Marriot (17%), the Fairmont (10%), the Hilton (9%), the Crowne Plaza (6%), and the Ramada Inn (5%). The Arena Hotel, Courtyard, and Holiday Inn each represented 4% of responses.

Nearly 58% of attendees indicated they ate the equivalent of a meal at a downtown establishment before or after the game.⁵⁸ Respondents who indicated they had eaten downtown were asked to list the restaurant or bar at which they dined. While more than 60 establishments were listed, some occurred with frequency. Those establishments occurring in more than 5% of responses included Gordon Biersch (18%), Original Joe's (10%), and the Tied House (5%). Amici's, Sonoma Chicken Coop, and Spiedo each represented 4% of responses.

⁵⁸ This was asked in Q18A.

4.0 CUMULATIVE IMPACTS OF ALL EVENTS AT HP PAVILION AND SHARKS ICE AT SAN JOSE

The cumulative economic impact from San Jose Sharks games and all other events at HP Pavilion is approximately \$254 million per year (including spending within the facility), and \$140 million per year (excluding spending within the facility) from 176 events. Additionally, Sharks Ice at San Jose generates another \$13 million per year in economic impact in the City of San Jose. These impact measurements do not include spending by SVSE within the City of San Jose in the operation of its business. The impact from that spending is discussed in Section 5.0. A total summary of economic impact from SVSE's operations, all events in HP Pavilion and Sharks Ice at San Jose, and the impacts from construction of these facilities is contained in Section 7.0.

4.1 ECONOMIC IMPACT OF SAN JOSE SHARKS SEASON

In total, forty-nine Sharks home games were played at the HP Pavilion during the 2006-2007 season: 41 home games, 3 pre-season games, and 5 post-season games. The attendance for the primary game studied was used as a proxy for all regular season games which totaled 649,329.⁵⁹ Attendance for pre-season games totaled 34,421, and post-season attendance was estimated to be 85,785.⁶⁰

The economic impact measurements based on the findings from the single Sharks game are described in this section. Additionally, information on operational spending by SVSE is detailed in Section 5.0.⁶¹ Given that the operational impacts of the Sharks are not specified within this section, the economic impact figures stated here are missing a key component, SVSE spending in the City of San Jose. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

The number of unique visitors who came to San Jose and participated in activities related to the Sharks games were approximately 557,265 out of 769,536 unique attendees, as shown in Exhibit 4-1.⁶² Excluding expenditures by non-incremental visitors, the number of "relevant" visitors to the City for which expenditures are counted toward the economic impact of the San Jose Sharks games are 455,193, 18% fewer than the total number of visitors.

⁵⁹ To be conservative, the drop rate attendance, that which excludes no-show and comped attendance is used. Actual paid attendance is approximately 11% (72,000 persons) higher.

⁶⁰ To be conservative the drop rate attendance of 11,474 for pre-season games, that which excludes no-show and comped attendance is used. Actual paid attendance is approximately 32% (nearly 11,000 persons) higher. Finally, post-season games have the highest actual attendance, with just a 2% no-show rate (2,200 persons for all 5 games).

⁶¹ Since it is difficult to separate some of the expenditures by the Sharks from other team and event organizer expenditures from organizations which host events at HP Pavilion, the operational spending of all entities is aggregated and discussed in Section 5.0.

⁶² The average attendance for the regular season Sharks games were estimated to be 17,597, which, excluding no-shows, led to 15,837 actually attending each game. This was provided by the San Jose Sharks. Attendance for pre-season games totaled 15,097, with 11,474 actually attending each of the three games. Finally, post-season games have the highest actual attendance, with 17,597 in total attendance and 17,157 attending per each of the five post-season matches.

Exhibit 4-1

Key Findings from the San Jose Sharks 2006- 2007 Season

Category	Estimate
Total Attendance ¹	769,536
Number of Unique Attendees (individual people attending event)	769,536
Local Residents who Attended Event (not Visitors)	212,271
Total Number of Unique Visitors Participating in Event Activities	557,265
Number of "Time-switchers" Only	15,271
Number of "Casual" Visitors Only	81,979
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	4,822
Number of "Relevant" Visitors: Count Towards Economic Impact ²	455,193
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	\$63
Average Number of Days Stayed Per "Relevant" Visitor	1.3
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside HP Pavilion	\$84
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside HP Pavilion ³	\$77
Total Direct Spending of "Relevant" Visitors Outside HP Pavilion⁴	\$38,306,176
Total Direct Spending of "Relevant" Visitors Inside HP Pavilion³	\$35,267,686

¹Includes attendance for 41 regular season, 3 pre-season, and 5 post-season games in the 2006-2007 season.

²Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

³Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

⁴Spending is only within the City of San Jose.

As shown in Exhibit 4-2, total annual business spending used in this measurement of direct economic impact is \$1.3 million.⁶³ Including expenditures by vendors and event organizers, total business (non-spectator) spending is \$1.3 million because there were no non-local vendors for the Sharks season and game-specific spending by the Sharks within the City was \$0.⁶⁴ As previously mentioned, total operational spending by the San Jose Sharks is not broken out separately since it is a fixed amount spent throughout the year, and is aggregated for all events hosted at the facility in Section 5.0. Therefore, this section measures the portion of economic impact due to spectator spending and business spending directly related to Sharks games.

⁶³ Business spending includes spending by corporations, visiting teams, and media spending. SVSE provided information on each of these categories.

⁶⁴ Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of the report.

Exhibit 4-2

Expenditures by Organizations Affiliated with Hosting the Games	
Team Expenditures ¹	\$837,998
Media Expenditures ²	\$93,100
Corporate/Sponsor Expenditures ³	\$411,600
Vendor Expenditures ⁴	\$0
Event Organizer Expenditures ⁵	\$0
Total	\$1,342,698

¹Team Spending captured via separate survey instrument. Number of teams and type of teams provided by City of San Jose and SVSE.

²Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and SVSE.

³Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

⁴Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

⁵Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

For forty-nine Sharks games, the total direct expenditures by incremental or relevant visitors and businesses in the City are over \$38.3 million outside of the HP Pavilion, and nearly \$75 million when additionally accounting for spending inside of the HP Pavilion and non-spectator spending, as shown in Exhibit 4-3. As previously mentioned, total operational spending by SVSE is calculated separately and is not included in this figure.

Exhibit 4-3

Economic Impact of San Jose Sharks Season on San Jose - Output		
Direct Spending at San Jose Sharks games	City	City ¹
Transportation	\$2,782,407	\$2,782,407
Parking	\$2,135,791	\$2,135,791
Retail	\$5,356,995	\$5,356,995
Lodging	\$8,416,414	\$8,416,414
Entertainment	\$5,045,822	\$5,045,822
Food & Beverage	\$13,844,346	\$13,844,346
Miscellaneous	\$724,400	\$724,400
Total Relevant Visitor Spending Outside of HP Pavilion	\$38,306,176	\$38,306,176
Spending Inside HP Pavilion	\$35,267,686	\$0
Team/Media/Sponsor	\$1,342,698	\$1,342,698
Total Direct Spending	\$74,916,560	\$39,648,874
Indirect Spending (incl. vendor and organizational spending)	\$38,797,521	\$26,165,332
Total Economic Impact	\$113,714,081	\$65,814,206

¹Does not include spending inside the HP Pavilion.

New incremental indirect spending is about \$38.8 million in the City.⁶⁵ Total economic impact, in terms of output, is about \$114 million in the City due to the San Jose Sharks games and related activities. Excluding spending within the HP Pavilion, total impact would be \$66 million. All measurements account for incremental visitor spending, not local residents spending, that is above and beyond what they would have spent if not for the San Jose Sharks playing at the HP Pavilion.

Spending by Local Residents

An estimate of spending from non-incremental visitors because of the events is about \$6.2 million. An estimate of spending by local residents because of the events is about \$13.7 million. If included, non-incremental visitors and locals would bring the total economic impact of the Sharks games to approximately \$132 million.⁶⁶

Induced Economic Impact

Induced economic impacts on the City due to the San Jose Sharks are shown in Exhibit 4-4. About 1,557 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than \$39.7 million in earnings impact within the City.⁶⁷ When including inside spending, the full-time equivalent jobs grows to 2,410, which generate more than \$72.6 million in earnings impact within the City.

Exhibit 4-4

Economic Impact of San Jose Sharks Season - Earnings & Employment			
Type of Impact	City	City ¹	
Earnings	\$72,602,311	\$39,761,127	
Employment	2,413	1,557	

¹Does not include spending inside the HP Pavilion.

Fiscal Impact

As Exhibit 4-5 shows, the total new incremental tax impact measurement due to spectators at San Jose Sharks games is nearly \$2.0 million for the City.⁶⁸ If inside spending were counted, fiscal impact would grow to \$2.4 million. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by about \$1.0 million.

⁶⁵ It is possible that the direct spending estimates do not include spending by those spectators who sat in luxury suites, as those suites were not surveyed. However, it is possible that some suite-holders were intercepted during the normal survey activity.

⁶⁶ These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses.

⁶⁷ These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly \$39.7 million is turned into incremental earnings.

⁶⁸ Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

Exhibit 4-5

Net New Incremental Tax Impact of San Jose Sharks Season on City		
Tax Category	City	City ¹
Sales and Use	\$586,850	\$450,119
Net Parking Revenue ²	\$0	\$0
Hotel Occupancy	\$841,641	\$841,641
Hotel Business Improvement District fee	\$109,832	\$109,832
Sub-total	\$1,538,323	\$1,401,592
Indirect Taxation	\$875,627	\$590,529
Total Fiscal Impact	\$2,413,950	\$1,992,121

¹Does not include spending inside the HP Pavilion.

²Net parking revenue was generated at City lots during the San Jose Sharks games.

Media Impact

In addition to economic impact, the City may also benefit from the national and international focus and media attention created by such events. During broadcasts of the San Jose Sharks games, for instance, the announcers mention the name of the City, often increasing awareness about it. Additionally, television viewers saw many images of people enjoying themselves in San Jose, creating an enhanced image of the area. As a result of the Sharks games San Jose was exposed to millions of people through appearances in many media forums such as newspapers, radio, and the Internet. The benefits derived are similar to those of companies who advertise their company name as opposed to a specific product.

Although it is extremely difficult to measure the translation of media coverage into actual new visitor expenditures, the event did generate valuable media impressions. This media impact is *not* part of the economic impact.

4.2 CUMULATIVE IMPACT FROM NON-SHARKS HP PAVILION EVENTS

The 2007 NCAA Men's Basketball Western Regional Tournament and a San Jose Sharks game were selected to use as the basis for estimating the economic impact of all of the events at HP Pavilion. Additionally, a concert at HP Pavilion (Gala Concert) as part of the 2006 Mariachi Festival provides another point of basis. During the 2005-06 fiscal year (ending June 30), there were 176 events at HP Pavilion drawing over 1.5 million in attendance (including Sharks games).⁶⁹ Non-Sharks events drew just over 810,000 customers.⁷⁰

Using these events as a proxy for the 2005-06 fiscal year, the total annual direct expenditures (outside of HP Pavilion) by incremental or relevant visitors in the City due to these events at HP Pavilion are estimated to be just greater than \$45 million. If spending inside of the Pavilion is included, total direct spending by relevant visitors is \$83.7 million (see Exhibit 4-6). These estimates do not include San Jose Sharks games, which are calculated in Section 4.1 above.

⁶⁹ There were 49 Sharks games.

⁷⁰ Attendance is defined as the actual number of persons who showed up at the event.

Exhibit 4-6

Key Findings from the HP Pavilion Events

Category	Estimate
Total Attendance (does not include Sharks games)	813,307
Number of "Relevant" Visitors: Count Towards Economic Impact	520,907
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor ¹	\$70
Average Number of Days Stayed Per "Relevant" Visitor	1.2
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside HP Pavilion	\$87
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside HP Pavilion ³	\$74
Total Direct Spending of "Relevant" Visitors Outside HP Pavilion²	\$45,066,801
Total Direct Spending of "Relevant" Visitors Inside HP Pavilion³	\$38,677,048

¹Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

²Spending is only within the City of San Jose.

³Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

As shown in Exhibit 4-7, total annual business spending used in this measurement of direct economic impact is \$17.3 million.⁷¹ As previously mentioned, total operational spending by SVSE in order to host these events is not broken out separately since it is a fixed amount spent throughout the year, and is aggregated for all events hosted at the facility in Section 5.0.⁷² Therefore, this section measures the portion of economic impact due to spectator spending and business spending directly related to these events.

⁷¹ Business spending includes spending by corporations, visiting teams, media spending, and event organizer.

⁷² Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of the report.

Exhibit 4-7

Expenditures by Organizations Affiliated with Hosting the Events	
Performer Expenditures ¹	\$4,860,236
Media Expenditures ²	\$581,568
Corporate/Sponsor Expenditures ³	\$1,929,484
Vendor Expenditures ⁴	\$0
Event Organizer Expenditures ⁵	\$9,973,854
Total	\$17,345,142

¹Based on three representative events.

²Estimates include only non-local spending by media organizations to cover the events, based on three representative events.

³Estimates include corporate and sponsor spending at the events, based on three representative events. This is conservative given inability to track all spending.

⁴Estimates include only vendor spending by non-local vendors to operate at events. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

⁵Estimates based on three representative events. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category and business spending is shown below in Exhibit 4-8. The total new incremental direct spending in the City due to the events is over \$91.1 million including spending within the facility.

Exhibit 4-8

Economic Impact of HP Pavilion Events on San Jose - Output (does not include Sharks games)		
Direct Spending	City	City¹
Transportation	\$5,566,830	\$5,566,830
Parking	\$2,069,674	\$2,069,674
Retail	\$4,247,794	\$4,247,794
Lodging	\$11,910,416	\$11,910,416
Entertainment	\$4,528,303	\$4,528,303
Food & Beverage	\$15,154,150	\$15,154,150
Miscellaneous	\$1,589,633	\$1,589,633
Total Relevant Visitor Spending Outside of HP Pavilion	\$45,066,801	\$45,066,801
Spending Inside HP Pavilion	\$38,677,048	\$0
Performer/Media/Sponsor	\$7,371,288	\$7,371,288
Total Direct Spending	\$91,115,137	\$52,438,089
Indirect Spending	\$49,153,363	\$32,522,232
Total Economic Impact	\$140,268,500	\$84,960,321

¹This column does not include spending within the HP Pavilion.

New incremental indirect spending is about \$49.2 million in the City. Total economic impact, in terms of output, was about \$85.0 million in the City due to the 127 non-Sharks events and related activities during 2005-

06. Including spending within the HP Pavilion, the total impact was \$140.3 million. All measurements account for directly related business spending and incremental visitor spending, not local residents’ spending, which is above and beyond what they would have spent if not for these similar events being hosted at the HP Pavilion.

Spending by Local Residents

An estimate of total impact (direct plus indirect impact) from non-incremental visitors because of the events is about \$18.5 million. An estimate of spending by local residents because of the events is about \$26.7 million. If included, non-incremental visitors and locals would bring the total economic impact of the events to approximately \$185 million.⁷³

Induced Economic Impact

Induced economic impacts on the City due to the events are shown in Exhibit 4-9. About 1,770 full-time equivalent jobs are generated from the direct and indirect spending, resulting in nearly \$57 million in earnings impact within the City.⁷⁴ Including inside spending, the number of full-time equivalent jobs grows to more than 2,500, resulting in nearly \$89 million in earnings impact.

Exhibit 4-9

Economic Impact of HP Pavilion Events - Earnings & Employment		
Type of Impact	City	City¹
Income	\$88,618,597	\$56,950,101
Employment	2,562	1,771

¹This column does not include spending within the HP Pavilion.

Fiscal Impact

As Exhibit 4-10 shows, the total new incremental tax impact measurement due to the non-Sharks events at HP Pavilion is nearly \$2.5 million for the City.⁷⁵ If inside spending were counted, fiscal impact would grow to more than \$3.0 million. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by about \$350 thousand.

⁷³ These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses. Spending includes expenditures inside and outside of the facility.

⁷⁴ These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, approximately \$50 million is turned into incremental earnings.

⁷⁵ Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

Exhibit 4-10

Net New Incremental Tax Impact of HP Pavilion Events on City		
Tax Category	City	City ¹
Sales and Use	\$726,765	\$616,176
Hotel Occupancy	\$1,191,042	\$1,191,042
Direct Taxation²	\$1,917,807	\$1,807,218
Indirect Taxation	\$1,109,349	\$733,999
Total Fiscal Impact	\$3,027,156	\$2,541,217

¹This column does not include spending within the HP Pavilion.

²This does not include Hotel Business District Improvement fees or City parking revenue generated from HP Pavilion events.

4.3 CUMULATIVE IMPACT OF EVENTS AT SHARKS ICE AT SAN JOSE

Sharks Ice at San Jose hosted twelve major multi-day events during 2006-07, including the CAHA Tournament (CAHA Tier I/II State Championships). Using the CAHA Tournament findings as a proxy, the total annual direct expenditures by incremental or relevant visitors in the City due to these events are estimated to be about \$6.7 million outside of the Sharks Ice at San Jose, and over \$7.0 million when including spending inside the facility.⁷⁶ The total number of unique attendees was approximately 23 thousand for these events, as shown in Exhibit 4-11.

It is important to note that these estimates do not include any economic impact generated by the hockey leagues that use Sharks Ice at San Jose. These include 127 adult teams (largest league in the nation), over one thousand youth hockey players, and approximately 3,600 participants in skating and hockey lessons. Most of these participants are from the region, thus their economic impact will be much smaller than for persons attending or participating in one of the twelve major events. However, the facility is used nearly every day of the year providing some impact on those days.

⁷⁶ SVSE determined which events to survey in primary studies as well as the number of events deemed similar to the primary events that are hosted in the HP Pavilion and Sharks Ice at San Jose each year.

Exhibit 4-11

Key Findings from the Sharks Ice at San Jose Events	
Category	Estimate
Total Attendance	23,013
Number of "Relevant" Visitors: Count Towards Economic Impact	16,513
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor ¹	\$123
Average Number of Days Stayed Per "Relevant" Visitor	3.3
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Sharks Ice at San Jose	\$403
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Sharks Ice at San Jose ³	\$25
Total Direct Spending of "Relevant" Visitors Outside Sharks Ice at San Jose²	\$6,660,343
Total Direct Spending of "Relevant" Visitors Inside Sharks Ice at San Jose³	\$409,104

¹Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

²Spending is only within the City of San Jose.

³Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

As shown in Exhibit 4-12, total annual business spending used in this measurement of direct economic impact is over \$800 thousand.⁷⁷ As previously mentioned, total operational spending by SVSE in order to host these events is not broken out separately since it is a fixed amount spent throughout the year, and is aggregated for all events hosted at the facility in Section 5.0.⁷⁸ Therefore, this section measures the portion of economic impact due to spectator/participant spending and business spending directly related to these events.

⁷⁷ Business spending includes spending by corporations, visiting teams, media spending, and event organizer.

⁷⁸ Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of the report.

Exhibit 4-12

Expenditures by Organizations Affiliated with Hosting the Events	
Performer Expenditures ¹	\$412,500
Media Expenditures ²	\$0
Corporate/Sponsor Expenditures ³	\$88,000
Vendor Expenditures ⁴	\$148,500
Event Organizer Expenditures ⁵	\$187,132
Total	\$836,132

¹Based on one representative event.

²Estimates include only non-local spending by media organizations to cover the events, based on one representative event.

³Estimates include corporate and sponsor spending at the events, based on one representative event. This is conservative given inability to track all spending.

⁴Estimates include only vendor spending by non-local vendors to operate at events. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

⁵Estimates based on three representative events. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 4-13. The total new incremental direct spending in the City due to the twelve similar events is nearly \$7.2 million, and is more than \$7.5 million when including spending within the facility.

Exhibit 4-13

Economic Impact of Sharks Ice at San Jose Events on San Jose - Output		
Direct Spending	City	City ¹
Transportation	\$943,175	\$943,175
Parking	\$23,464	\$23,464
Retail	\$1,000,577	\$1,000,577
Lodging	\$1,893,609	\$1,893,609
Entertainment	\$392,887	\$392,887
Food & Beverage	\$2,294,115	\$2,294,115
Miscellaneous	\$112,516	\$112,516
Total Relevant Visitor Spending Outside of Sharks Ice at San Jose	\$6,660,343	\$6,660,343
Spending Inside Sharks Ice at San Jose	\$409,104	\$0
Team/Media/Sponsor	\$500,500	\$500,500
Total Direct Spending	\$7,569,947	\$7,160,843
Indirect Spending	\$5,263,353	\$5,125,821
Total Economic Impact	\$12,833,301	\$12,286,665

¹This column does not include spending within the event area.

Total economic impact, in terms of output, based on expenditures by attendees is about \$12.8 million in the City due to the events at Sharks Ice at San Jose. Excluding spending within the facility, total impact would be \$12.3 million. All measurements account for business spending and incremental visitor spending, not local residents spending, that is above and beyond what they would have spent if not for the events being hosted at the Sharks Ice at San Jose.

Spending by Local Residents

An estimate of spending from non-incremental visitors because of the events is about \$2.8 million. An estimate of spending by local residents because of the events is about \$262,000. If included, non-incremental visitors and locals would bring the total economic impact of the events to approximately \$15.9 million.⁷⁹

Induced Economic Impact

Induced economic impacts on the City due to the events are shown in Exhibit 4-14. About 283 full-time equivalent jobs are generated from the total spending by attendees, resulting in more than \$7.0 million in earnings impact within the City.⁸⁰ Including inside spending, the number of full-time equivalent jobs grows to 293, resulting in approximately \$7.7 million in earnings impact.

Exhibit 4-14

Economic Impact of Sharks Ice at San Jose Events - Earnings & Employment		
Type of Impact	City	City ¹
Income	\$7,711,065	\$7,330,556
Employment	293	283

¹Does not include spending inside the event area.

Fiscal Impact

As Exhibit 4-15 shows, the total new incremental tax impact measurement due to attendee spending because of the events is over \$420 thousand for the City.⁸¹ If inside spending were not counted, fiscal impact would fall to less than \$390 thousand. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by about \$80 thousand. As stated earlier, these findings do not include the economic or fiscal impact from the hockey leagues and lessons that use Sharks Ice at San Jose.

⁷⁹ These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses. Spending includes that inside and outside of the facility.

⁸⁰ These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly \$7.0 million is turned into incremental earnings.

⁸¹ Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

Exhibit 4-15

Net New Incremental Tax Impact of Sharks Ice at San Jose Events on City		
Tax Category	City	City ¹
Sales and Use	\$94,178	\$62,830
Hotel Occupancy	\$208,213	\$208,213
Direct Taxation²	\$302,391	\$271,043
Indirect Taxation	\$118,789	\$115,685
Total Fiscal Impact	\$421,180	\$386,728

¹Does not include spending inside the event area.

²This does not include Hotel Business District Improvement fees or City parking revenue generated from Sharks Ice at San Jose events.

5.0 ECONOMIC IMPACT OF THE MANAGEMENT OF HP PAVILION AND SHARKS ICE AT SAN JOSE

In addition to the impact generated from the out-of-facility spending detailed above, the operations of a facility such as the HP Pavilion and Sharks Ice at San Jose can benefit a community in a variety of ways. Initial rounds of spending are annually generated by HP Pavilion on expenses such as facility repairs and maintenance, equipment rental, San Jose Sharks personnel travel and entertainment spending, operating personnel, commissions, general and administrative costs, event catering, printing and production costs, and other expenditures. These are the costs to manage the organization and actually run the games and other events that take place at the facility each year. In addition, the operations of a professional sports organization can generate venue-related spending in areas such as advertising and sponsorships.

The ongoing operations impact for an arena is mainly from new spending in the local region, mostly derived from visitors to the community. Team and arena operations also provide local expenditures, however some of this type of spending comes directly from visitors who generate the revenue at the arena and for the team to be spent in town. For the San Jose Sharks, part of its revenue comes from the national television contracts and national merchandise and other intellectual property sales. These sources of revenue are new to the community and do not come from local citizens or from on-site visitors to games and events. In this Report, care is taken in order to parse out the sources of team expenditures and the locations to which they flow.

HP Pavilion

The total direct spending associated with the operation of HP Pavilion and Sharks Ice at San Jose that is spent within the City of San Jose is approximately \$18.3 million per annum. This information came from an in-depth study conducted by SVSE of where it spends its budget, and where its concessionaire (Aramark) spends its budget. As shown in Exhibit 5-1, that leads to indirect spending of \$9.5 million, for a total economic impact of the management of the facilities of \$27.7 million. This portion of economic impact is additive to that in Section 4.0 above (Exhibit 5-1). Section 4.0 provides the economic impact of each of the events in the facilities, and this section provides the economic impact due to the operations of the facilities themselves (excluding the impact from the actual events).

Specifically, total economic impact shown in Exhibit 5-1 can be added to the total economic impact in HP Pavilion from Sharks games, non-Sharks events, and Sharks Ice at San Jose explained in Section 4.0 above.⁸² To avoid double-counting, if spending from spectators inside of HP Pavilion, for instance, and spending by SVSE to manage the facility were *both* counted toward economic impact, then that would mean that the same dollar is being counted twice. These calculations, where all separate portions of economic impact are added together, are shown in the final total economic impact measurements in Section 7.0.

⁸² This would be added to the right-hand column of Exhibits 4-3, 4-8, and 4-13.

Exhibit 5-1

Economic Impact of the Management of HP Pavilion and Sharks Ice - Output	
Direct Business Spending	City
HP Pavilion and Sharks Ice at San Jose	\$10,621,106
Aramark (concessionaire)	\$7,644,549
Total Direct Spending	\$18,265,655
Indirect Spending	\$9,459,352
Total Economic Impact from Facilities Management	\$27,725,007

Note: This does not include athlete player payroll. To the extent that athletes live in San Jose, this number would be larger.

The impact of this business spending on earnings and employment is shown below in Exhibit 5-2. Approximately \$17.7 million of the \$27.7 million in impact is kept as earnings within the City of San Jose. The employment impact is just less than 700 FTE jobs. This is based on earnings and employment multipliers for the City of San Jose. This includes direct employment at HP Pavilion and Sharks Ice at San Jose.

Exhibit 5-2

Economic Impact of the Management of HP Pavilion and Sharks Ice - Earnings	
Type of Impact	City
Earnings	\$17,701,410
Employment	688

The sales tax portion of fiscal impact based on the total economic impact of the management of both facilities is shown in Exhibit 5-3. Additionally, rent paid directly to the City is included. Other tax impacts from property taxes, hotel occupancy taxes, and net parking revenue are not included. The total fiscal impact from the management of HP Pavilion and Sharks Ice at San Jose is approximately \$8.1 million per year.

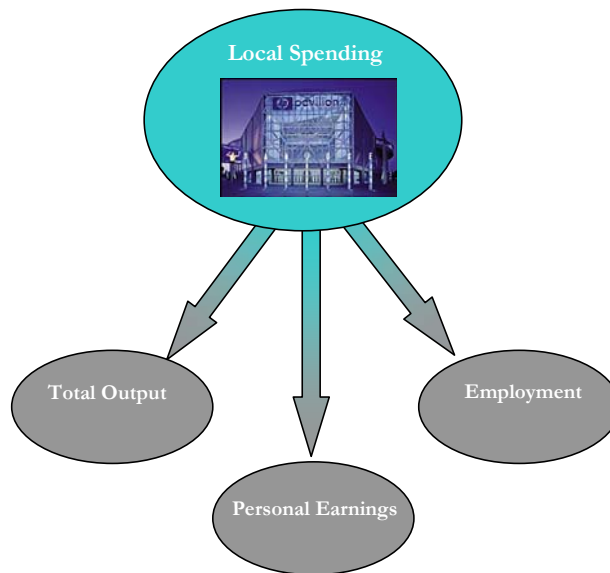
Exhibit 5-3

Net New Incremental Tax Impact of Facilities Operations	
Tax Category	City
Sales and Use	\$415,875
Rent Paid Directly to City	\$7,500,000
Direct Taxation	\$7,915,875
Indirect Taxation	\$213,489
Total Fiscal Impact	\$8,129,365

6.0 CONSTRUCTION IMPACT OF HP PAVILION AND SHARKS ICE AT SAN JOSE

Spending on new venue construction also generates new economic activity within a City. As shown in Exhibit 6-1, the construction of the facility also generates economic impact, which can be further delineated into total output, earnings, and employment impacts.

Exhibit 6-1: Flow of Construction Spending within City



The economic impact of the construction phase is largely determined by the expenditures of the project and the geographic region in which it took place. This section analyzes the impacts that occurred during a construction period of 24 months during 1991 – 1993 for the HP Pavilion. Direct spending, indirect spending, and fiscal impacts are determined in the form of total output, earnings, and employment for the construction of the current HP Pavilion, and does not include renovations that may have taken place since the original facility was built.

This analysis is based on construction cost estimates provided by public sources. Construction spending impacts are for the entire construction period and are non-recurring. Total construction costs for HP Pavilion are estimated at approximately \$162 million. Of this amount, the City of San Jose invested \$132 million into the construction of the HP Pavilion. San Jose Arena Management Corp. invested \$30 million. Only the private portion of the financing is counted toward economic impact because funding by the City would have been spent elsewhere within the City, which would have also had an economic impact.

6.1 DIRECT SPENDING – HP PAVILION

The estimated construction cost of HP Pavilion was \$162 million with a capacity of 17,483 seats for hockey. This cost only includes the construction of the actual building and not those costs associated with land

acquisition and carrying costs; costs associated with environmental and archeological remediation; costs associated with design and development of infrastructure necessary for the proper ingress and egress from the arena site; financing, issuance, transactional and other pre-operating costs associated with the efforts needed by all parties to properly gain passage, approval and financing of an arena package. Some of these additional costs could have an economic impact, but only if the funding came from sources other than the City of San Jose.

Exhibit 6-2: Summary of Construction Spending within City – HP Pavilion

Amounts Expended in Construction of HP Pavilion				
HP Pavilion	Total Cost¹	Percent Paid for by Non-City Sources²	Percent Spent Within City³	Direct Economic Impact Within City
Labor & Equipment	\$64,800,000	19%	13%	\$1,525,609
Materials	\$97,200,000	19%	10%	\$1,800,000
Total	\$162,000,000			\$3,325,609

¹ Based on the assumption that 40% are Labor & Equipment and 60% are Materials.

² Expenditures by the City of San Jose are considered substitute spending. This spending would have occurred for some other City-related project if not for the HP Pavilion.

³ Labor & Equipment percentage is based on San Jose's population relative to that of the entire CMSA.

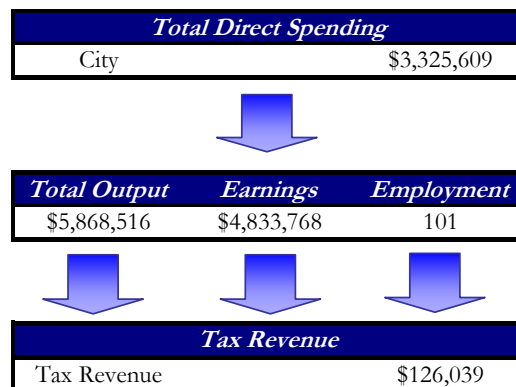
As described in Exhibit 6-2, the total direct construction expenditures that took place within the City of San Jose that came from private (non-City) sources are estimated to be \$3.3 million.

6.2 RESULTING INDIRECT, INDUCED, AND TOTAL IMPACTS – HP PAVILION

It should be noted that unlike the other economic impact figures presented in this report, the impacts related to the facility construction are not measured annually. The construction related impacts presented herein represent the total impacts taking place over the entire construction period, which lasted approximately 24 months.

The economic and fiscal impacts to the City of San Jose from the direct construction spending are shown in Exhibit 6-3.

Exhibit 6-3: Construction Period Economic and Fiscal Impacts to the City – HP Pavilion



As described in Exhibit 6-3, the one-time impact associated with the construction of the Pavilion is \$5.9 million in total output (direct spending plus indirect re-spending), \$4.8 million in personal earnings, and the creation of 101 new FTE jobs. Additionally, the fiscal impact to the City of San Jose is about \$126 thousand.⁸³

6.3 DIRECT SPENDING – SHARKS ICE AT SAN JOSE

The estimated construction cost of Sharks Ice at San Jose was \$21.6 million. This cost only includes the construction of the actual building and not those costs associated with land acquisition and carrying costs; costs associated with environmental and archeological remediation; costs associated with design and development of infrastructure necessary for the proper ingress and egress from the arena site; financing, issuance, transactional and other pre-operating costs associated with the efforts needed by all parties to properly gain passage, approval and financing of a facility package. Some of these additional costs could have an economic impact, but only if the funding came from sources other than the City of San Jose.

Exhibit 6-4. Summary of Construction Spending within City – Sharks Ice at San Jose

Amounts Expended in Construction of Sharks Ice at San Jose				
Sharks Ice at San Jose	Total Cost ¹	Percent Paid for by Non-City Sources ²	Percent Spent Within City ³	Direct Economic Impact Within City
Labor & Equipment	\$8,640,000	100%	13%	\$1,098,439
Materials	\$12,960,000	100%	10%	\$1,296,000
Total	\$21,600,000			\$2,394,439

¹ Based on the assumption that 40% are Labor & Equipment and 60% are Materials.
² It is assumed that no funding for Sharks Ice at San Jose came from the City of San Jose.
³ Labor & Equipment percentage is based on San Jose's population relative to that of the entire CMSA.

It is assumed that none of the funding for the facility came from the City of San Jose. Therefore, all of the construction expenditure is assumed to be incremental spending, providing economic impact. As described in Exhibit 6-4, the total direct construction expenditures that took place within the City of San Jose that came from private (non-City) sources are estimated to be \$2.4 million.

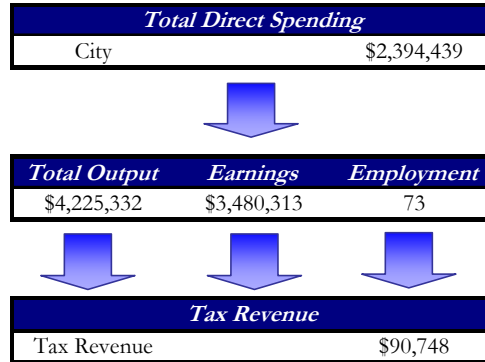
6.4 RESULTING INDIRECT, INDUCED, AND TOTAL IMPACTS – SHARKS ICE AT SAN JOSE

It should be noted that unlike the other economic impact figures presented in this report, the impacts related to the facility construction of Sharks Ice at San Jose are not measured annually. The construction related impacts presented herein represent the total impacts taking place over the entire construction period.

⁸³ It is assumed that all construction costs are taxable. Some sports venue construction projects are given tax exemptions as part of the public financing plan. It includes sales tax and transient occupancy tax. Multipliers used are for the sub-industry category “New Construction”.

The economic and fiscal impacts to the City of San Jose from the direct construction spending are shown in Exhibit 6-5.

Exhibit 6-5. Construction Period Economic and Fiscal Impacts to the City – Sharks Ice at San Jose



As described in the exhibit, the one-time impact associated with the construction of the facility is \$4.2 million in total output (direct spending plus indirect re-spending), \$3.5 million in personal earnings, and the creation of 73 new FTE jobs. Additionally, the fiscal impact to the City of San Jose is about \$91 thousand.⁸⁴

⁸⁴ It is assumed that all construction costs are taxable. Some sports venue construction projects are given tax exemptions as part of the public financing plan. It includes sales tax and transient occupancy tax. Multipliers used are for the sub-industry category “New Construction”.

7.0 TOTAL ECONOMIC IMPACT OF HP PAVILION AND SHARKS ICE AT SAN JOSE

This section summarizes the total economic impact of HP Pavilion, Sharks Ice at San Jose, the events that take place in those facilities, and the management of those facilities. Exhibit 7-1, below, aggregates findings from earlier sections into a single table that shows the various components of economic impact. Findings are shown for San Jose Sharks games, other events in HP Pavilion, and events at Sharks Ice at San Jose. Additionally, the economic impact due to the management of the facilities is shown in the final column on the right about halfway down (line item is bolded and italicized).

The construction impacts of HP Pavilion and Sharks Ice at San Jose are not shown in Exhibit 7-1. They are one-time impacts that occurred during the construction period of the facilities. In summary, the direct spending that provided economic impact from the construction of both facilities was approximately \$5.7 million. Total construction economic impact was approximately \$10.0 million, with a fiscal impact over \$200,000. See Section 6.0 for details of the construction impacts of the facilities.

There are two different measurements of economic impact shown in Exhibit 7-1. The first measurement (those columns without table footnote 1 denoted) includes spending by relevant visitors inside of HP Pavilion or Sharks Ice at San Jose based on the notion that these are businesses located in San Jose, thus spending by relevant visitors at these businesses counts as economic impact. The second measurement disregards spending inside of the facilities, but instead analyzes spending that flows out of the facilities (due to SVSE's and Aramark's budgets) into the City of San Jose.⁸⁵ This latter measurement is based on the notion that much of the spending by visitors inside of a sports facility goes directly to the owners of that facility (as may be the case with any business) or is spent by the owners outside of the local community.

HP Pavilion opened in 1993 and has held 2,345 events through the end of 2006. The nominal *direct spending* summed over the life of the facility amounts to approximately \$1.0 billion. Back in 1993, the present value of this *direct spending* from 1993 – 2006 is just below \$700 million. The nominal *total economic impact* summed over the life of the facility is approximately \$1.7 billion, with the present value (back in 1993) of \$1.1 billion. The corresponding nominal fiscal impacts sum to \$128 million with the present value (back in 1993) of \$87 million.

The cumulative attendance at HP Pavilion and Sharks Ice was over 1.6 million during 2006-07. Of these, there were approximately 1.0 million unique, incremental visitors who came from out of town to events at the facilities because those events were being hosted in San Jose.

Approximately \$90 million per year is spent outside of the facilities on businesses located in the City of San Jose by incremental visitors coming to San Jose specifically to watch (or participate in) events at HP Pavilion and Sharks Ice at San Jose. Additional amounts are spent by the event owners in the City (about \$9.2 million) in conducting their events at these two facilities.

⁸⁵ This only includes spending by these entities within the City of San Jose, not all spending by these entities.

Direct spending across all of the events in both facilities is \$174 million using the first measurement and \$118 million using the second measurement. Total economic impact is \$267 million and \$191 million per year, respectively (utilizing the two measurements). The total tax impact is about \$5.9 million per year utilizing the first measurement (which does not count the rent paid by SVSE to the City of approximately \$7.5 million), and \$12.9 million per year using the second measurement method.

Exhibit 7-1

Categories	San Jose Sharks	San Jose Sharks ¹	Other Events in HPP	Other Events in HPP ¹	Total in HPP	Total in HPP ¹	Sharks Ice Events	Sharks Ice Events ¹	Total of HPP + Sharks Ice (counting inside spending)	Total of HPP + Sharks Ice (counting management spending)
Total Attendance	769,536	769,536	813,307	813,307	1,582,843	1,582,843	23,013	23,013	1,605,856	1,605,856
Number of Unique Attendees (individual people attending event)	769,536	769,536	NA	NA	NA	NA	NA	NA	NA	NA
Local Residents who Attended Event (not Visitors)	212,271	212,271	NA	NA	NA	NA	NA	NA	NA	NA
Total Number of Unique Visitors Participating in Event Activities	557,265	557,265	NA	NA	NA	NA	NA	NA	NA	NA
Number of "Time-switchers" Only	15,271	15,271	NA	NA	NA	NA	NA	NA	NA	NA
Number of "Casual" Visitors Only	81,979	81,979	NA	NA	NA	NA	NA	NA	NA	NA
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	4,822	4,822	NA	NA	NA	NA	NA	NA	NA	NA
Number of "Relevant" Visitors: Count Towards Economic Impact	455,193	455,193	520,907	520,907	976,100	976,100	16,513	16,513	992,612	992,612
Average Expenditure Estimates										
Average Daily Expenditure Per "Relevant" Visitor	\$63	\$63	\$70	\$70	\$66	\$66	\$123	\$123	\$66	\$66
Average Number of Days Stayed Per "Relevant" Visitor	1.3	1.3	1.2	1.2	1.3	1.3	3.3	3.3	1.3	1.3
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Facility	\$84	\$84	\$87	\$87	\$85	\$85	\$403	\$403	\$85	\$85
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Facility	\$77	\$77	\$74	\$74	\$76	\$76	\$25	\$25	\$76	\$76
Direct Spending Categories										
Transportation	\$2,782,407	\$2,782,407	\$5,566,830	\$5,566,830	\$8,349,237	\$8,349,237	\$943,175	\$943,175	\$9,292,412	\$9,292,412
Parking	\$2,135,791	\$2,135,791	\$2,069,674	\$2,069,674	\$4,205,466	\$4,205,466	\$23,464	\$23,464	\$4,228,929	\$4,228,929
Retail	\$5,356,995	\$5,356,995	\$4,247,794	\$4,247,794	\$9,604,789	\$9,604,789	\$1,000,577	\$1,000,577	\$10,605,366	\$10,605,366
Lodging	\$8,416,414	\$8,416,414	\$11,910,416	\$11,910,416	\$20,326,831	\$20,326,831	\$1,893,609	\$1,893,609	\$22,220,440	\$22,220,440
Entertainment	\$5,045,822	\$5,045,822	\$4,528,303	\$4,528,303	\$9,574,125	\$9,574,125	\$392,887	\$392,887	\$9,967,012	\$9,967,012
Food & Beverage	\$13,844,346	\$13,844,346	\$15,154,150	\$15,154,150	\$28,998,497	\$28,998,497	\$2,294,115	\$2,294,115	\$31,292,612	\$31,292,612
Miscellaneous	\$724,400	\$724,400	\$1,589,633	\$1,589,633	\$2,314,033	\$2,314,033	\$112,516	\$112,516	\$2,426,549	\$2,426,549
Total Relevant Visitor Spending Outside of Event	\$38,306,176	\$38,306,176	\$45,066,801	\$45,066,801	\$83,372,977	\$83,372,977	\$6,660,343	\$6,660,343	\$90,033,320	\$90,033,320
Total Spending Inside Event Area	\$35,267,686	\$0	\$38,677,048	\$0	\$73,944,734	\$0	\$409,104	\$0	\$74,353,838	\$0
Corporate/Team/Media/Sponsor/Vendor	\$1,342,698	\$1,342,698	\$7,371,288	\$7,371,288	\$8,713,986	\$8,713,986	\$500,500	\$500,500	\$9,214,486	\$9,214,486
Direct Spending from Management of HPP and Sharks Ice at San Jose	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$18,265,655
Total Direct Spending	\$74,916,560	\$39,648,874	\$91,115,137	\$52,438,089	\$166,031,697	\$92,086,963	\$7,569,947	\$7,160,843	\$173,601,644	\$117,513,461
Indirect Spending	\$38,797,521	\$26,165,332	\$49,153,363	\$32,522,232	\$87,950,884	\$58,687,564	\$5,263,353	\$5,125,821	\$93,214,238	\$73,272,737
Total Economic Impact	\$113,714,081	\$65,814,206	\$140,268,500	\$84,960,321	\$253,982,581	\$150,774,527	\$12,833,301	\$12,286,665	\$266,815,882	\$190,786,198
Induced Economic Impact Affecting Resident Income	\$72,602,311	\$39,761,127	\$88,618,597	\$56,950,101	\$161,220,908	\$96,711,227	\$7,711,065	\$7,330,556	\$168,931,973	\$121,743,193
Induced Economic Impact Affecting Employment (FTE jobs)	2,413	1,557	2,562	1,771	4,974	3,328	293	283	5,267	4,299
Fiscal Impact Categories										
Sales and Use	\$586,850	\$450,119	\$726,765	\$616,176	\$1,313,615	\$1,066,295	\$94,178	\$62,830	\$1,407,793	\$1,545,000
Parking Revenues	\$0	\$0	NA	NA	\$0	\$0	NA	NA	NA	NA
Hotel Occupancy	\$841,641	\$841,641	\$1,191,042	\$1,191,042	\$2,032,683	\$2,032,683	\$208,213	\$208,213	\$2,240,896	\$2,240,896
Hotel Business Improvement District fee	\$109,832	\$109,832	NA	NA	\$109,832	\$109,832	NA	NA	NA	NA
Rent Paid Directly to City for Facilities Use	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,500,000
Direct Taxation	\$1,538,323	\$1,401,592	\$1,917,800	\$1,807,218	\$3,456,123	\$3,208,810	\$302,391	\$271,043	\$3,758,514	\$11,285,896
Indirect Taxation	\$875,627	\$590,529	\$1,109,300	\$733,999	\$1,984,927	\$1,324,528	\$118,789	\$115,685	\$2,103,716	\$1,653,703
Total Fiscal Impact	\$2,413,950	\$1,992,121	\$3,027,200	\$2,541,217	\$5,441,050	\$4,533,338	\$421,180	\$386,728	\$5,862,230	\$12,939,598

¹ Does not include spending inside of the facilities, but does count spending by both the facilities management (and concessionaire) within the City of San Jose.

8.0 LIMITATIONS OF THE STUDY

This portion of the Report provides a brief analysis of the limitations of the study. The overall goal was to come up with a proper, but conservative, estimate of the annual economic impact of the events the City hosts annually.

8.1 LIMITATIONS THAT MAKE THE ESTIMATE AN UNDERESTIMATE OF TRUE ECONOMIC IMPACT

Expenditures by the media (e.g., ESPN2) on local businesses to produce their coverage of the various events held within the City of San Jose are not always fully accounted for in this Report due to a lack of information available. Also, any business expenditures above what were reported are not counted in the measurement of economic impact, but they should be.

As with all survey analysis, the treatment of blank responses to certain questions can affect the final results. In the Visitor Survey, there were blanks on some of the spending categories. Treating them as zero lowers the overall estimate economic impact. Treating them as the average of other responses on the same question creates an unbiased estimate (unless the respondent meant for the answer to be zero, but left it blank). In this Report, blank responses were treated as zero if the responses followed other spending categories which were completed. This method results in a lower measure of economic impact than if any of those categories were treated as not being equal to zero.

As described in Section 2.0, it is properly conservative for spending by local residents and by “casual” visitors and “time-switchers” to be excluded from economic impact because it is assumed that their spending would have occurred even without the event having taken place. However, local residents sometimes indicate that they spend more during these events than they would have otherwise. Although, large events can cause some local residents to leave town in order to avoid the crowds, thus reducing economic impact.

Only fiscal impacts related to the tax categories are calculated in this Report. There are other types of taxes and fees that are not included in this measurement of tax revenues generated within the City.

One shortcoming of standard economic impact analysis is that most measurements only account for the current new spending because of an event, team, etc., but ignore the possibility that an event might cause an increase in the number of future visitors to the community.⁸⁶ These future visits (and associated economic impact) should at least partially be attributed to the events, yet the impacts of the future visits are not part of the measurement in this Report. Another way in which this occurs, is through the media coverage of an event.

Communities which support sporting and cultural events are believed to derive significant benefit from the national and international focus and media attention created by such events. During televised events, for

⁸⁶ For instance, the 2004 NCAA Men’s Final Four basketball tournament economic impact analysis reported that approximately 20% of visitors said that coming to the area for the Final Four would make them come some other time during the future.

instance, the announcers mention the name of the City, often increasing awareness about it. Additionally, television viewers saw many images of people enjoying themselves in City, creating an enhanced image of the area. The City is exposed to millions of people through appearances in many media forums such as newspapers, radio, and the Internet. The benefits derived are similar to those of companies who advertise their company name as opposed to a specific product. The advertising or media attention creates "awareness" and "goodwill" toward that company, or in this case, the City. Increased awareness is translated into economic benefits in subtle, but meaningful ways. It is extremely difficult to measure the translation of media coverage into actual new visitor expenditures. This media impact is not part of the economic impact measured in Section 3.0, unless calculations were otherwise provided by the event. If calculations were provided (e.g., the San Jose Grand Prix), SportsEconomics and its representatives did not attempt to audit these calculations, and they are stated for informational purposes only.

One role of government is to aid in the provision of cultural, civic, and entertainment goods and services that residents enjoy, but that no private firm is willing to provide because the goods or services are “public goods”.⁸⁷ Major sports and cultural events add to the quality of life in a region in a manner similar to that of zoos, museums, aquariums, parks, arts institutions, and other public goods, but in significantly different ways. Cultural events of all types provide an entertainment option for some, especially those who value attending or viewing the events. Moreover, many of these events may be perceived by local residents as helping to portray San Jose as a cosmopolitan, ‘major-league’ city.

Other Non-Quantifiable Impacts

An NHL franchise such as the San Jose Sharks creates direct and indirect economic benefits in the geographical area in which it is located. Many of those benefits are qualitative, and their impact cannot be quantified. However, these benefits must be considered in a comprehensive review of the economic benefits derived from the City retaining an NHL franchise.

Geographic regions supporting sports franchises are believed to derive significant benefit from the national and international focus and media attention created by that sports franchise. Through this exposure, the San Jose community would be exposed to millions of people through appearances in many media forums. The benefits derived are similar to those of companies who advertise their company name as opposed to a specific product. The advertising or media attention creates awareness and goodwill toward that company, or in this case, the host city. Increased awareness is translated into economic benefits in subtle, but meaningful ways. Professional sports influence a community’s identity and cohesion, resulting in some of the intangible elements that comprise an area’s quality of life.

⁸⁷ Much of the value of psychic impact is a “public good” meaning that its consumption is non-excludable and non-rival. In general, public goods are funded by governments in the appropriate jurisdiction (e.g., parks, national defense). Because these benefits derive from externalities, no private investor could hope to capture enough of the benefits to justify privately financed construction.

Psychic Impact

Psychic impact is the emotional impact that is generated by hosting significant regional, national or international events. Cultural events often are part of the fabric of a community. They add to civic pride and increase community spirit. Emotional benefits that are received by members of a community who are not directly involved with managing an event, but who still strongly identify with the event, are part of the overall psychic impact. Sports or other cultural events are often a common connection that provides entertainment and conversation at the office or in the neighborhood, for instance. Most other industries do not provide the same degree of emotional impact.

As an example, when Atlanta was awarded the 1996 Summer Olympics, locals were moved by the announcement. Many people cried with joy. They felt that Atlanta had now proved itself as a “real” international city. Newspaper reports described the city as a sea of honking horns and cheers as people were swept up with jubilation. If it were possible to quantify in financial terms the collective emotional upswing of Atlantans, what would it have been? The new psychic impact techniques focus on measuring this value. Proper decision-making on how the public should invest its tax dollars requires knowledge of economic impact *plus* psychic and image impact.

A more recent example comes from Minnesota where the former governor, Arne Carlson, feels that “If you were to make a list of 10 or 15 of the most prized possessions of the state, [the Twins] would probably be one of them, and you never want to lose one of your prized possessions. Never.”

Event owners are able to capture part of the value of psychic impact through ticket sales, merchandise sales, etc. However, much of the impact, as discussed above, is provided free to the residents through sheer knowledge of the event. This is one of the reasons for the public-private partnerships that build sports venues.

A few estimates of the psychic impact of sports teams have been generated. For instance, the Pittsburgh Penguins of the NHL are worth approximately \$16 million per year to the residents of Pittsburgh solely in terms of emotional impact. This works out to an average of about \$7.27 per person in the Pittsburgh MSA. The Indiana Pacers have an annual psychic impact on the Indianapolis community of about \$35 million per year. The Minnesota Vikings are worth approximately \$10 per resident of the state. There are not any current measures of psychic impact of cultural events such as the ones examined in this Report. Estimates of psychic impact are not included in this Report.

The field of economic impact analysis is ripe for the inclusion of psychic impact measurement. There are methods, such as Contingent Valuation Method, that can help quantify these important aspects of sports and cultural events.

8.2 LIMITATIONS THAT MAKE THE ESTIMATE AN OVERESTIMATE OF TRUE ECONOMIC IMPACT

This analysis does not account for “reverse time-switchers”, those local residents who leave town during the event period *because* of the event. To the extent that there are any “reverse time-switchers”, the expenditures that would have been spent by them in town are now spent outside of the local area. There is not any anecdotal evidence that leads the authors to believe that there is any significant loss in local spending due to “reverse time-switchers”.

Opportunity Costs

Economic impact analysis often neglects to account for important opportunity costs. For instance, if the City of San Jose had to turn down a major event (that would have generated its own economic impact) because of a time conflict with any of the events measured in this Report, then the total net new incremental gain from hosting the event should account for the lost economic impact that would have occurred had the other event been hosted. The authors are unaware of any such situation in this particular case.

Another potentially important opportunity cost are the impacts from visitors who would have come to town under normal circumstances, but were unable to because the event filled all of the hotels to capacity. If these would-be visitors came anyway and stayed outside of town, then it isn't a loss in revenue. However, if there were people who did not come to the City of San Jose because of an event hosted within the city, then any economic impact from the event being measured should take that loss into account. The authors are unaware of any hotel capacity constraints caused by any event hosted in the city.

Finally, all of the event attendance figures and operational and corporate expenditures were provided by the event organizers. Where possible, attempts were made to discount for non-unique visitors. However, since it is in the best interest of events to have larger economic impact, the possibility exists that these figures may have been inflated by organizers for this purpose. SportsEconomics is not responsible for auditing these figures. However, guidelines were provided and discussions with event organizers and City staff took place to ensure that they were aware of issues which may cause them to overstate these figures. Moreover, if alternate information was provided by the media, the events did need to verify which figures they wanted to use, and to explain the rationale for the difference in the estimates.

8.3 OTHER LIMITING CONDITIONS

The accompanying analyses do not constitute an audit, examination, review or compilation of historical or prospective financial information conducted in accordance with Generally Accepted Auditing Standards or with standards established by the American Institute of Certified Public Accountants ("AICPA").

Information, estimates and opinions furnished to us and contained in the Report were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us, and is subject to corrections, errors, omissions and

withdrawals without notice. Information from all sources not generated by SportsEconomics was taken without verification or audit. Our analyses are based on estimates and assumptions provided by the City of San Jose, event organizers, and surveys developed in connection with this engagement.

The analyses were based on the work plan described in our contract, estimates and assumptions provided by the City of San Jose, estimates and assumptions from previous studies, information developed from primary and supplemental research, knowledge of the industry and other sources, including certain information that the City of San Jose and event organizers provided. These sources of information and bases of significant estimates and assumptions are stated in the Report.