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Project Report

Rushmore Plaza Civic Center Economic and Fiscal Impact Analysis – Comparison of Two Future Scenarios

Prepared for

Rushmore Plaza Civic Center
Rapid City, South Dakota

Submitted by

AECOM Technical Services, Inc (AECOM)

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I. Introduction and Executive Summary

Introduction

AECOM Economics was engaged by the Rushmore Plaza Civic Center (RPCC) to complete this Economic and Fiscal Impact Analysis. The analysis estimates the future impacts that could be captured within Rapid City by RPCC operations in a future year (2020) assuming no new development at the complex, compared to a scenario in which a new arena is built to replace Barnett Arena. This document summarizes the results of our research and analysis related to various impacts that could be captured within Rapid City by the operation of the complex, and the construction of a new arena, under these two scenarios.

AECOM Economics is a real estate and land-use planning and consulting group with extensive experience in the planning of sports, entertainment, convention, and other public-assembly facilities, as well as commercial, office, residential, mixed-use, and other types of developments.

Executive Summary of RPCC Economic and Fiscal Impacts

The following table summarizes the various impacts to Rapid City for a future year of operations (assumed to be 2020), under two future scenarios. The first scenario assumes that no significant changes are made to RPCC facilities between now and 2020, and the second scenario assumes that a new 15,000-seat arena replaces Barnett Arena. We also show the differences between the two sets of impacts. All dollar amounts are shown in 2020 price levels.

Table 1 – Summary of Impacts from RPCC Operations and Construction ($000s, 2020)

	As-Is Scenario	New Arena Scenario	Incremental Impacts
Net Economic Impacts - Operations			
Direct Spending			
Within the RPCC	$5,558	$17,243	$11,685
Outside the RPCC - Lodging	6,208	10,087	3,879
Outside the RPCC - F&B	15,362	26,162	10,800
Outside the RPCC - Retail and Ent.	9,471	16,344	6,872
Outside the RPCC - Trans. and Other	6,176	10,351	4,175
Total Direct Spending	$42,774	$80,186	$37,411
Indirect Spending	$17,690	$33,201	$15,512
Total Net Economic Impacts	**$60,464**	**$113,387**	**$52,923**
Net Room Nights	**76,470**	**124,256**	**47,786**
Net Employment	**620**	**986**	**366**
Net Earnings	**$25,132**	**$40,254**	**$15,122**
Net Fiscal Impacts - RPCC Operations			
City of Rapid City Sales Tax (2%)	$991	$1,856	$865
BBB Sales Tax (1%)	496	928	432
State Tourism Sales Tax (1.5%)	743	1,392	649
State Sales Tax (4%)	1,982	3,712	1,730
CVB BID Tax ($2/room night)	153	249	96
Total Net Fiscal Impacts	**$4,366**	**$8,136**	**$3,771**
Net Construction Impacts			
Labor	**$0**	**$36,476**	**$36,476**
Materials and Services	**$0**	**$20,559**	**$20,559**
Employment	**0**	**926**	**926**
Fiscal Impacts - State Excise Tax Revenues	**$0**	**$730**	**$730**

Source: AECOM

As the table shows, the incremental economic impacts to Rapid City under the new arena scenario are estimated to be approximately $53 million in 2020 price levels. Other incremental impacts include more than 47,000 room nights, more than 360 jobs supported, and $15 million in associated income to local residents. The new arena scenario is also estimated to generate approximately an additional $3.8 million in local and state tax revenues compared to the as-is scenario.

Because the as-is scenario assumes no new construction, all local impacts captured by the construction of a new arena would be incremental to Rapid City. These are estimated to be approximately $36 million in income to local construction workers (which would support more than 900 jobs), and nearly $21 million to locally-based firms, as well as $730,000 in state excise taxes.

II. The Rushmore Plaza Civic Center

The overall intent of this analysis is to estimate the incremental economic and fiscal impacts that could be captured within Rapid City through the development of a new arena to replace the existing Barnett Arena, and from the ongoing operations of the Rushmore Plaza Civic Center (RPCC). In doing this, we will compare anticipated impacts assuming the addition of a new facility to a future year of operations of the existing complex, to impacts generated in an "as-is" or "do-nothing" scenario. In order to project RPCC operations under the two future scenarios, we must first have a better understanding of the current operations of the complex. As a result, this section provides an overview of the current RPCC facilities, their usage and operations, and other relevant characteristics.

RPCC Facilities

The RPCC currently consists of the following event facilities:

- **Barnett Arena** – the 9,432-seat multipurpose arena opened in 1977,
- **Ice Arena** – with 5,137 permanent seats, the Ice Arena is the home of the Rapid City Rush of the Central Hockey League and opened in 2008,
- **Theatre** – a 1,745-seat multipurpose theater, and
- **Exhibit and Meeting Space** – the majority of this space outside of the two arenas is within the 40,400-square foot Rushmore Hall and the 15,300-square foot LaCroix Hall (both of which can be divided into smaller rooms); however, the RPCC also has a number of other meeting rooms. In total, the RPCC offers approximately 230,000 square feet of event space.

The complex also includes a food court, 4,132 parking spaces (including spaces available at the RPCC, Central High School, and the Journey Museum), and a 199-room Holiday Inn on-site.

The primary driver for the need for a new arena is the condition and characteristics of Barnett Arena. Its physical and operational limitations and other issues are described in more detail on page 15.

Recent RPCC Usage/Demand and its Characteristics

AECOM analyzed data provided by the RPCC regarding facility usage, revenues, and event characteristics for the last three full calendar years (2009, 2010, and 2011). This information will help to provide a basis for future forecasts of the complex's operations under the two future scenarios considered.

Events and Attendance

The following table summarizes the average annual complex usage by type of event for the last three years. "Other" events are events such as Rush practices, event move-in and move-out days, RPCC staff meetings, and others that are on the complex's calendar but are generally assumed to be fully locally-attended events and/or will not generate any event-related spending in the city.

Table 2 – Average RPCC Usage (2009-11)

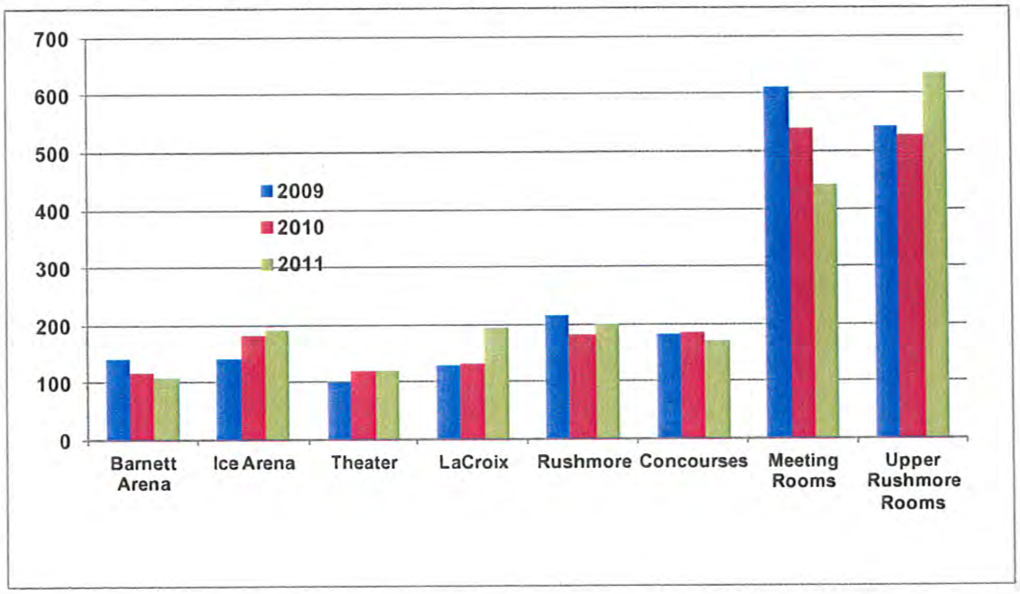
	# of Events	Total Attendance	Average Attendance
Convention/Trade Shows	50	325,673	6,164
Sporting Events	91	338,645	3,701
Concerts	19	58,182	3,078
Entertainment Events	48	85,641	1,787
Public Events	192	308,066	1,570
Other Events	723	68,993	93
Total/Average	**1,123**	**1,185,200**	**1,063**
Total/Average - Not Including Other Events	**400**	**1,116,207**	**2,791**

Source: RPCC, AECOM

As the table shows, the RPCC hosted an average of more than 1,100 events per year in the last three years, with total attendance of nearly 1.2 million per year. Not including the "other" events, 400 events were held per year. While the "other events" will not be considered in our later calculations of economic impacts, they show the importance of the complex and its utility as a destination for local residents and groups. In addition, many of these events are associated with impact-generating events such as sports and entertainment events (for example, move-in and move-out days and practices) and would not be able to take place locally but for the presence of the facilities.

The following chart summarizes the complex's number of usage days (which includes both event days and move-in/move-out and rehearsal days) by facility.

Figure 1 – Recent RPCC Usage by Facility



One trend that is apparent from our analysis of annual facility-by-facility usage is that usage of Barnett Arena has steadily decreased. From 2009 to 2011, its number of usage days has decreased from 142 to 117 to 110. Reasons for this are described in more detail on page 15.

Usage of the Ice Arena, Theater, LaCroix Hall, Rushmore Hall, concourses, and Rushmore rooms have all increased or remained fairly steady over the three-year period, while usage of the meeting rooms has decreased. However, the decrease in usage of the meeting rooms is due to their unavailability during a remodeling project. Overall, total usage days of the RPCC were 2,067 in 2009, which decreased to 1,581 in 2010, and rebounded to 2,066 in 2011.

Attendee Characteristics

Because economic and fiscal impacts are generated by people who live outside of the area being studied, we also analyzed the origin of ticket sales for a sample of ticketed events from 2009 through 2011. These ticketed events are largely held at Barnett Arena, the Ice Arena, and the Theatre. The following table summarizes the results.

Table 3 – Ticket Sales by Geography

	% from Rapid City	% Non-Rapid City	Other
Rush Hockey, 2011-12	52%	48%	Sales from 37 states, Canada, and Puerto Rico
Concerts			
Blake Shelton, 2012	44%	56%	Sales from 30 states and Canada
Carrie Underwood, 2010	56%	44%	Sales from 31 states
Elton John, 2009	59%	41%	Sales from 24 states and Canada
Jeff Dunham, 2009	47%	53%	Sales from 20 states
Lorie Line, 2010	64%	36%	Sales from 6 states
Mannheim Steamroller, 2010	55%	45%	Sales from 18 states (incl. Wash. DC) and Canada
Miranda Lambert, 2011	36%	64%	Sales from 27 states
Rascal Flatts, 2011	48%	52%	Sales from 32 states and Canada
Sheryl Crow, 2011	59%	41%	Sales from 14 states
Taylor Swift, 2009	37%	63%	Sales from 35 states and Canada
Tonic Sol-Fa, 2009	77%	23%	Sales from 5 states
Willie Nelson, 2009	50%	50%	Sales from 23 states and Canada
Other Entertainment Events			
Broadway Series, 2010	55%	45%	Sales from 18 states
Disney on Ice, 2012	46%	54%	Sales from 25 states (incl. Wash. DC)
Playhouse Disney Live, 2009	48%	52%	Sales from 11 states
Extreme Enduro, 2010	70%	30%	Sales from 3 states
Monster Trucks, 2011	46%	54%	Sales from 7 states
Stock Show & Rodeo, 2011	31%	69%	Sales from 22 states and Canada
Spamalot, 2011	63%	37%	Sales from 7 states

Source: RPCC, AECOM

As the table shows, these events have drawn attendees from a wide geographic area. Although it is likely that some non-local ticket buyers were in Rapid City for other tourism-related reasons, the vast majority of these events took place in South Dakota's non-tourism season. While most other tourism to the area takes place in the summer, indoor sports and entertainment events are generally held from the fall through the spring. Therefore, it appears as though the complex helps to generate tourism during what might otherwise be the off-season for local visitation.

In the Rush's most recently-completed season, approximately half of its tickets were sold to people who live outside of Rapid City, including sales from 37 states, Canada, and Puerto Rico. For concerts, the average non-local attendance for the shows analyzed was 48 percent, with a range of 23 to 66 percent. Other ticketed entertainment events had varying levels of non-local ticket sales; nearly 70 percent of 2011's Black Hills Stock Show & Rodeo, the complex's largest annual event, live outside of Rapid City.

RPCC Revenues

The table below summarizes the complex's revenues for the last three years (in thousands of dollars). These revenues, and the detailed information that generates each departmental line-item total (such as building rental revenues by facility and other supporting documents) will help in developing forecasts of the complex's future operations under both scenarios considered, in addition to the past event and attendance data.

Table 4 – RPCC Annual Revenues (not including ticket sales, $000s)

	2009	2010	2011	Average
Revenues				
Total Building Rentals	$1,135	$1,069	$1,065	$1,090
Equipment Rentals	149	150	150	150
Total Other Revenues	1,104	1,192	1,175	1,157
Event Promotion	56	71	84	70
Total Non-Operating Revenue	3,113	3,156	3,297	3,189
Total Revenue from Concessions	2,718	2,937	2,978	2,878
Total Revenues	**$8,276**	**$8,575**	**$8,749**	**$8,533**

Source: RPCC

Brief descriptions of these line items are as follows:

- **Total Building Rentals –** space rental revenue for the complex's various event areas, as well as suite revenues from the Ice Arena.
- **Equipment Rentals –** revenues from the usage of facility-owned equipment that is paid by event organizers and promoters.
- **Total Other Revenues –** revenues from usage of facility labor that is charged to event promoters, box office commissions charged by the complex, and sales tax revenue that is collected on behalf of the City.
- **Event Promotion –** the complex's share revenues from events when it served as event promoter or co-promoter (as compared to a simple rental arrangement with an outside promoter).
- **Non-Operating Revenue –** BBB tax collected for the RPCC and the Rapid City CVB, and interest revenue.
- **Total Revenue from Concessions –** revenues from sales of food, drinks, and novelties/ merchandise within the complex.

As will be described later in this report, the sales and BBB tax revenues will be addressed separately as fiscal impacts; the other revenues will be considered as part of the economic impact analysis.

Assumed Future Development Plan

As previously noted, the main intent of this analysis is to compare the estimated future economic and fiscal impacts captured by Rapid City under two RPCC scenarios:

1) **"As-Is" Scenario**: A future year that assumes no changes to the facility offerings at the RPCC.

   Under this scenario, we assume that facilities will continue to be maintained and improved on an as-needed basis but no significant changes (such as a major renovation or expansion) would occur at any of the existing facilities.

2) **"New Arena" Scenario**: A future year that assumes that a new arena is added to the complex to effectively replace Barnett Arena.

   Under this second scenario, we make the following assumptions:

   - The multipurpose arena will have approximately 15,000 fixed seats and 25 suites, and will have the ability to host a wide range of events, including various sports, concerts, and entertainment events, conventions and meetings, and a full-sized indoor football field.
   - Construction of a new arena is also assumed to include a 2,000-space parking deck.
   - Should any new hotel-related development occur, we assume that approximately 150 to 200 more rooms would be developed in the area under the new arena scenario compared to an as-is scenario.

   Also, it is possible that the current Barnett Arena would be reoriented into a different type of event space for the RPCC, such as a food court, flat-floor space, or special event space. Any of these uses could generate additional revenues and economic impacts; however, they are not included in this analysis, as no specific plans for Barnett Arena have been contemplated.

   It is also important to note that regarding the new arena, no market analysis has yet been completed for the facility, its characteristics, or its future use. However, interviews with RPCC management and staff, and other stakeholders, clearly indicate Barnett Arena's deficiencies and the general need for a new facility, and preliminary analyses of similar new arenas' operations have been used to inform future assumptions.

III. Projection of Future RPCC Economic and Fiscal Impacts

This component of the analysis estimates the economic and fiscal impacts of the future RPCC under the two scenarios. Impacts are quantified for the City of Rapid City. The analysis focuses on one future, stabilized year of impacts under both scenarios (assumed to be 2020); these impacts would generally recur on an annual basis but will vary based on complex usage. Also, construction of a new arena will generate a variety of one-time economic and fiscal impacts during the construction period, and these impacts are also estimated.

Introduction to Economic and Fiscal Impacts from RPCC Operations and Construction

This section discusses the estimated economic and fiscal impacts that would accrue to Rapid City based on the future operations of the complex, as well as the methodology and theory behind all calculations and assumptions. Impacts from operations are estimated for one future year of operation (2020). In addition to these recurring annual impacts that will be generated by the complex's operation, impacts will also be created by construction of a new arena.

In general, the following impacts are estimated:

- **Economic impacts from operations –** these are defined as total spending associated with the complex's usage, such as within the facility itself and at local businesses such as hotels, restaurants, and others.
    - Economic impacts can be separated into gross and net impacts. Gross economic impacts measure all spending within the City that is attributable to the complex, regardless of the origin of the spending. Net impacts, which are a subset of gross impacts, only include spending by non-local residents (from outside of Rapid City), as spending by local residents is considered "transfer" spending that likely would have otherwise been spent locally. For example, net spending to Rapid City would only include spending by non- Rapid City residents. While it is possible that certain facility-related spending from City residents, for example, could be considered an impact to Rapid City (as the spending may have otherwise occurred elsewhere), no transfer spending is considered to be an economic impact in this analysis.

      Also, as shown in Table 3 above, a significant portion of attendees of ticketed events have come to the RPCC from outside of Rapid City. Many of these attendees are likely "casual" visitors in terms of economic impacts, in that they did not come to Rapid City specifically for the event, but rather were in town for other tourism- or business-related reasons. Technically, economic impacts should be calculated net of these non-local attendees, as they theoretically would have spent their money locally anyway. However, because this cannot be accurately quantified in this case, spending by "casual" attendees are considered as impacts, and because they are included in both scenarios, the incremental impacts will not be affected.

- Total economic impacts can also be separated into direct and indirect impacts. Direct impacts measure the actual spending impacts described above, otherwise referred to the "first round" of spending. Indirect impacts measure subsequent spending that remains within the local economy after changing hands multiple times before leaving it entirely. This is described in more detail later in this section. The sum of the direct and indirect impacts measures the full economic impacts to an area.

- **Jobs and payroll impacts from operations –** estimate new employment and related income for local residents associated with the economic activity described above. As compared to spending impacts that are generated from non-local residents, employment and income impacts are concerned with those who live within a defined area. For example, employment impacts to Rapid City will measure new employment for City residents only.
- **Fiscal impacts from operations –** represent new public-sector (tax) revenues that are generated by the economic impacts. For example, use of a hotel room by a convention attendee will generate BID and BBB tax revenue.
- **Economic impacts from arena construction –** similar to operations, the construction of a arena will also generate impacts to the city.

Economic and Fiscal Impacts from RPCC Operations – Future "As-Is" Scenario and Future "New Arena" Scenario

In this section, we estimate the anticipated economic and fiscal impacts to be generated locally by the RPCC's operations. The two scenarios to be compared have been previously described. All of the assumptions that are used in the development of impact calculations are described below.

RPCC Events and Attendance

The following table summarizes the complex's assumed future usage under the two scenarios (events and attendance), not including the "non-impact" events. These estimates have been prepared jointly by AECOM and RPCC staff, though its experience with marketing for and booking events, and feedback from event promoters and other complex users. We have also utilized historic operating data from similar facilities and complexes (such as the ones listed in Table 6 below). For comparison purposes, we also show recent historical usage of the complex below.

Table 5 – RPCC Historical and Assumed Future Events and Attendance

	2011 Actual			As-Is Scenario (2020)			New Arena Scenario (2020)		
	# of Events	Avg. Atten.	Total Atten.	# of Events	Avg. Atten.	Total Atten.	# of Events	Avg. Atten.	Total Atten.
Entertainment Events	46	1,422	65,412	40	1,422	56,880	58	2,742	159,012
Concerts	16	2,048	32,768	12	2,048	24,576	25	6,351	158,768
Sporting Events	99	3,839	380,061	85	3,839	326,315	161	3,708	597,061
Conventions/ Trade Shows	59	6,976	411,584	53	6,976	369,728	74	7,994	591,584
Public Events	177	1,152	203,904	168	1,152	193,536	203	1,273	258,504
TOTAL	**397**	**2,755**	**1,093,729**	**358**	**2,712**	**971,035**	**521**	**3,388**	**1,764,929**

Source: RPCC, AECOM

As the table shows, overall complex usage is anticipated to decrease by 2020 under the as-is scenario but increase under the new arena scenario. In general, these changes are due to the continuing loss of events at Barnett Arena (in the as-is scenario) and the assumed presence of a new arena that would not only allow Rapid City to retain events it currently hosts, but to attract new events that Barnett Arena cannot accommodate (in the new arena scenario).

Condition of Barnett Arena – Justification for Assumed Decreasing Usage

As was previously shown, usage of Barnett Arena has been decreasing annually in recent years. Despite efforts to continually maintain the facility, a number of specific issues hamper its usage, attractiveness as a potential event host, and ability to generate revenues to promoters and the RPCC, particularly as touring events such as concerts have become much larger and technologically-focused in recent years. As these events continue to evolve, it is expected that Barnett Arena will continue to lose more events that cannot be accommodated in the facility. Based on discussions with RPCC staff and feedback from facility users, specific deficiencies of Barnett Arena include the following:

- **Non-compliance with ADA standards** – related to elevators, stairwells, seating, sound, restrooms, concession stands, locker rooms, and entrance doors,
- The arena's **trussing system** is insufficient for many events,
- **The event floor is not big enough** (for example, it cannot accommodate standard distances from the stage for a concert's sound board, and Monster trucks have repeatedly collided with a back wall because of the short floor),

- **Electrical power capacities are not sufficient** (the RPCC often has to rent portable generators to service events),
- **Non-compliance with building codes –** restrooms, concession stands, the arena roof, and seating sections do not meet various code requirements,
- The **concrete on the event floor** has become uneven,
- **Restrooms and concessions –** in addition to not being ADA- and code-compliant, the number of restrooms and points of sale are not sufficient for this size of an arena,
- **The concourse is undersized** for a modern arena, particularly because of the lack of restrooms and concessions that cause long lines,
- There are **water seepage problems** after heavy rain,
- **Locker rooms** are inadequate and undersized,
- The **sound system is inadequate** and has to be temporarily supplemented for many events, and
- The **lighting system is inadequate**.

However, despite Barnett Arena's limitations, we expect more of these types of touring events, such as major concerts, to be passing through the region in the coming years, as they already are. In states such as Minnesota, South Dakota, Colorado, Nebraska, and others, many new arenas in the 15,000-seat range have recently been built and will soon be built, and these facilities provide a strong network for touring shows. These facilities include:

Table 6 – Regional Arenas (12,000 Seats or More)

Arena	Location	# of Seats	Opened/ Will Open	Miles from Rapid City
Sioux Falls Events Center	Sioux Falls, SD	12,000	2014	350
Pepsi Center	Denver, CO	18,000	1999	390
Pinnacle Bank Arena	Lincoln, NE	13,000	2013	515
Fargodome	Fargo, ND	19,000	1992	520
CenturyLink Center	Omaha, NE	17,000	2003	530
Target Center	Minneapolis, MN	19,400	1990	575
Xcel Energy Center	Minneapolis, MN	18,000	2000	575
Alerus Center	Grand Forks, ND	21,000	2001	590
Wells Fargo Arena	Des Moines, IA	15,200	2005	625
INTRUST Bank Arena	Wichita, KS	15,000	2010	700
Sprint Center	Kansas City, MO	17,500	2007	705
Chesapeake Energy Arena	Oklahoma City, OK	18,000	2002	860

Source: AECOM

While Barnett Arena would not be able to accommodate many of the touring events held at these arenas, a new facility that is on par with current arena standards will be able to capture these tours as they travel through the region. Although Rapid City is a smaller market than the others that host these facilities and events and does not have an unlimited ability to support events, it is ideally located as a tour stop between other stops in markets such as Sioux Falls and Denver, and other regional facilities serve as strong complements to those two cities.

RPCC Revenues

Past revenues for the complex were previously shown. The following table summarizes more detailed information related to revenues, such as average ticket prices, rental rates, per-capita attendee spending, and others, based on our analysis of past operations and the expected characteristics of future events. Past estimates are shown in comparison to assumptions related to future operations under the two scenarios (in constant dollars that have not been inflated to 2020, for ease of comparison). While some of the "non-impact" events will generate various types of revenues to the RPCC, they are generally minimal and are not considered in this analysis.

Table 7 – Actual Past Results and Future Operating Assumptions

	Avg. Ticket Price			Effective Per-Event Rent			Gross Per-Capita Spending			Average Per-Car Parking		
	2011	Future - As-Is	Future - New Arena	2011	Future - As-Is	Future - New Arena	2011	Future - As-Is	Future - New Arena	2011	Future - As-Is	Future - New Arena
Entertainment Events	$16.00	$16.00	$18.00	8.5%	8.5%	9.0%	$5.00	$5.00	$5.00	$0.00	$0.00	$5.00
Concerts	$43.00	$43.00	$45.52	8.5%	8.5%	9.0%	$7.50	$7.50	$8.22	$0.00	$0.00	$5.00
Sporting Events	$12.00	$12.00	$12.00	8.0%	8.0%	9.0%	$5.50	$5.50	$5.50	$0.00	$0.00	$5.00
Convention/Trade Show	$0.00	$0.00	$0.00	$2,500	$2,500	$4,000	$0.50	$0.50	$0.50	$0.00	$0.00	$0.00
Public Events	$0.00	$0.00	$0.00	$500	$500	$500	$0.50	$0.50	$0.50	$0.00	$0.00	$1.25

Other Revenue Assumptions	2011	Future - As-Is	Future - New Arena
Equipment Rental - % of Building Rental	18%	18%	18%
Suite Rentals	$245,000	$245,000	$945,000
Advertising and Sponsorships	$0	$445,000	$615,000
Reimbursements - % of Total Rental Revenue	60%	60%	60%
Box Off. Commissions - % of Ticket Sales	4%	4%	4%
Event Promotion Revenue	$84,000	$100,000	$100,000
Interest Revenue - % of Other Revenues	0.1%	0.1%	0.1%
Concession/Novelty Gross Margin	35%	35%	35%
# of Charged Parking Spaces	--	--	2,000
Parking - People per Car	--	--	3.0
Parking Utilization (Charged vs. Free)	--	--	50%

Source: RPCC, AECOM

Many items are not expected to change under either scenario; however, we note the following:

- **Ticket prices –** for ticketed events, the new arena is assumed to attract higher-rated events than are currently held in Rapid City, but we assume that this will only affect concerts under the new arena scenario.
- **Rental Rates –** Under all scenarios, the average percent rental rates shown are lower than actual quoted rates for for-profit events due to a lower rate that is charged to non-profit events. Also, rental revenues are decreased slightly on a percentage basis because the complex often co-promotes an event, and revenues from those events are considered separately. We also expect that the presence of the new arena would allow the complex to charge higher rents for its events.
- **Per-Capita Attendee Spending –** similar to ticket prices, these are largely assumed to remain constant under both scenarios (prior to inflation). However, past events in Rapid City and other markets have shown that bigger concerts generate greater attendee spending, and as a result, this item is increased.
- **Suite Rentals –** the Ice Arena currently generates $245,000 in suite rental revenue. Barnett Arena has no premium seating, and we assume that the new arena would have 25 suites for $28,000 per year that are all occupied.

- **Advertising and Sponsorships –** while the complex currently generates advertising revenues, they are not currently captured by the RPCC. However, once the digital advertising boards are paid off, the complex will retain these revenues beginning in 2014. (This does not include any such revenues from the Ice Arena, the rights for which were sold for 20 years.)

  The complex currently generates approximately $445,000, including $180,000 from Barnett Arena, and this amount is assumed in the as-is scenario. Under the new arena scenario, we assume that the new arena will generate a total of $350,000 in revenues, or $170,000 more than Barnett Arena.

- **Parking –** the new arena development scenario includes an assumption of a covered parking garage with 2,000 spaces. We assume a $5-per car rate for all ticketed events (entertainment, concerts, sports, and 25 percent of public events). Based on availability, attendees would have the option of parking in the garage or in free surface spots, and we assume that half of attendees will select paid spaces until the garage is full for any given event.

Based on the assumptions previously shown, the following table summarizes the projected revenues to be generated by the complex under both scenarios, as well as a summary of recent historical revenues. We separately show the gross revenues generated by the facilities' operation (which include all revenues to be shared by multiple parties, such as event promoters) and the net revenues that would be captured by the complex itself.

Table 8 – Historical and Future Assumed RPCC Revenues ($000s)

	2011 Actual		As-Is Scenario ($ 2020)		New Arena Scenario ($ 2020)	
	Gross Revenues	Net Revenues	Gross Revenues	Net Revenues	Gross Revenues	Net Revenues
Gross Ticket Sales	$7,016	--	$7,167	--	$21,022	--
Rentals	1,366	1,366	691	691	2,393	2,393
Gross F&B/Novelties Sales	2,978	1,054	3,101	1,085	7,078	2,477
Event Promotion	84	84	122	122	122	122
Facility Advertising and Sponsorships	0	0	542	542	749	749
Reimbursements	590	590	415	415	1,436	1,436
Premium Seating	245	245	299	299	1,151	1,151
Parking	0	0	0	0	986	493
Other	6	6	5	5	14	14
TOTAL	**$12,285**	**$3,345**	**$12,342**	**$3,159**	**$34,951**	**$8,836**

Source: RPCC, AECOM

Differences in operating revenues are generally due to the differences in complex usage. For example, based on increased events and attendance under the new arena scenario, revenues such as rentals, food and beverage and novelty sales, advertising and sponsorships, and parking are expected to be greater than historical amounts and the as-is scenario.

Revenues such as ticket sales in particular would be shared with event promoters. As a result, the facility's share of these revenues will be less than the gross revenues generated – for example, gross ticket sales are not revenues to the complex, but a percent of these revenues (as rental revenue) is captured by the complex. Net complex revenues are assumed to decrease slightly in the as-is scenario (before accounting for inflation), and are assumed to increase to $8.8 million in the new arena scenario.

Attendee Spending Outside of the RPCC

The other component of the economic activity generated by the complex's operation is the money spent by event attendees on items such as lodging, transportation, meals, entertainment, and shopping outside of the complex but as a result of their trip to the RPCC.

Based on past ticket sales and other event characteristics at the complex, analysis of event characteristics at other similar facilities, the geographical characteristics of the region, and others, the following summarizes the assumed characteristics of event attendees' spending and length of stay in the area. These figures only consider spending that takes place outside of the complex, as the spending within the facilities is included as facility revenue (see above). For example, daily food and beverage spending shown in the tables below does not include purchases of concession items during a concert; it only includes the cost of meals and drinks purchased locally outside of the facilities.

The tables below summarize assumptions regarding RPCC event attendees, such as their origin, spending characteristics, and length of stay, for the two scenarios. The first table shows the assumptions under the "as-is" scenario, followed by the new arena scenario. These assumptions will be central to calculations of gross and net economic impacts, and are explained below.

Table 9 – Characteristics of Attendees' Origin, Spending, and Travel – As-Is Scenario

	Entertainment Events	Concerts	Sporting Events	Conventions/ Trade Shows	Public Events
Attendees' Geographic Origin					
From Rapid City (All Daytrippers)	49%	52%	70%	35%	50%
From Outside of Rapid City					
Daytrippers	48%	45%	28%	45%	48%
Stay Overnight	3%	3%	2%	20%	2%
Subtotal	51%	48%	30%	65%	50%
Out-of-Complex Spending Assumptions ($ 2020)					
Food and Beverage/Person/Day					
Daytrippers	$18.44	$18.44	$18.44	$61.83	$18.44
Stay Overnight	$18.44	$18.44	$18.44	$61.83	$18.44
Retail and Entertainment/Person/Day					
Daytrippers	$13.86	$13.86	$13.86	$35.68	$13.86
Stay Overnight	$13.86	$13.86	$13.86	$35.68	$13.86
Transportation/Person/Day					
Daytrippers	$5.47	$5.47	$5.47	$26.76	$5.47
Stay Overnight	$5.47	$5.47	$5.47	$26.76	$5.47
Lodging/Person/Day					
Daytrippers	--	--	--	--	--
Stay Overnight	$11.24	$11.24	$11.24	$81.18	$11.24
Hotel-Related Assumptions					
Nights per Visit	1.0	1.0	1.0	1.5	1.0
% of Overnight Travelers in Paid Accommodations*	100%	100%	100%	75%	100%
Location of Spending					
% of Room Nights Captured in Rapid City	90%	90%	90%	90%	90%
Percent of Other Spending Captured in Rapid City	80%	80%	80%	80%	80%

Source: Global Insight, South Dakota Office of Tourism, AECOM

* Assumed to be 100% for leisure events because daily lodging spending already accounts for visitors who do not pay for rooms.

Table 10 – Characteristics of Attendees' Origin, Spending, and Travel – New Arena Scenario

	Entertainment Events	Concerts	Sporting Events	Conventions/ Trade Shows	Public Events
Attendees' Geographic Origin					
From Rapid City (All Daytrippers)	47%	50%	68%	35%	50%
From Outside of Rapid City					
Daytrippers	49%	46%	29%	45%	48%
Stay Overnight	4%	4%	3%	20%	2%
Subtotal	53%	50%	32%	65%	50%
Out-of-Complex Spending Assumptions ($ 2020)					
Food and Beverage/Person/Day					
Daytrippers	$18.44	$18.44	$18.44	$61.83	$18.44
Stay Overnight	$18.44	$18.44	$18.44	$61.83	$18.44
Retail and Entertainment/Person/Day					
Daytrippers	$13.86	$13.86	$13.86	$35.68	$13.86
Stay Overnight	$13.86	$13.86	$13.86	$35.68	$13.86
Transportation/Person/Day					
Daytrippers	$5.47	$5.47	$5.47	$26.76	$5.47
Stay Overnight	$5.47	$5.47	$5.47	$26.76	$5.47
Lodging/Person/Day					
Daytrippers	--	--	--	--	--
Stay Overnight	$11.24	$11.24	$11.24	$81.18	$11.24
Hotel-Related Assumptions					
Nights per Visit	1.0	1.0	1.0	1.5	1.0
% of Overnight Travelers in Paid Accommodations*	100%	100%	100%	75%	100%
Location of Spending					
% of Room Nights Captured in Rapid City	90%	90%	90%	90%	90%
Percent of Other Spending Captured in Rapid City	80%	80%	80%	80%	80%

Source: Global Insight, South Dakota Office of Tourism, AECOM

*Assumed to be 100% for leisure events because daily lodging spending already accounts for visitors who do not pay for rooms.

Slight differences exist in assumptions of attendees' geographic origin between the two scenarios. For entertainment events, concerts, and sporting events, we assume a slightly greater share of non-local attendees in the new arena scenario, due to the new arena's assumed ability to attract events that could have a broader reach. The assumptions in the tables above are based on the following data, and significant differences between the two scenarios are described.

Attendees' Geographic Origin

- **Entertainment Events** – based on the sample of ticket-sales data that has been reviewed, we assume that approximately half of attendees, under both scenarios, live in Rapid City. However, an additional one percent is assumed to be non-local daytrippers and overnight travelers in the new arena scenario.

- **Concerts –** similar to entertainment events, and based on past ticket sales, we assume that 52 percent of concert attendees will live in Rapid City under the "as-is" scenario. In the new arena scenario, due to the assumed ability of the arena to capture bigger events that would have a broader reach, we assume that 50 percent of attendees will be local residents, and a total of 50 percent will be non-local.
- **Sporting Events –** as compared to non-repeating events such as concerts, we expect sporting events to have a larger share of local attendees. However, events such as high school championships (which would only take place in Rapid City under the new arena scenario) would have a statewide draw and would be at least partially dependent on the location of the participating schools. We assume that local attendees would comprise 70 and 68 percent of the total in the as-is and new arena scenarios, respectively.
- **Conventions/Trade Shows –** because these are not ticketed events, actual past data does not exist regarding the attendees of these events. However, based on discussions with facility management and analysis of events at similar facilities, we assume that 35 percent of attendees live in Rapid City and 65 percent are non-local.
- **Public Events –** many of these events are also not ticketed; under both scenarios, we assume that 50 percent of attendees live in Rapid City.

Types of Travelers

Event attendees are divided into two main categories: daytrippers or overnight travelers. The majority of attendees will be daytrippers, including all Rapid City residents. However, a share of attendees will stay overnight before or after an event. Visitors can then be considered either leisure or business travelers.

Under both scenarios, it is assumed that less than five percent of attendees to entertainment events, concerts, sporting events, and public events will stay overnight. These attendees are all considered to be leisure travelers. For conventions and trade shows, which are typically multi-day events and attract business travelers, a larger share of attendees is assumed to stay overnight, and their spending patterns will differ from those of leisure travelers.

Leisure travelers who stay overnight are assumed to share a hotel room (two people per room), and business travelers are assumed to have single-occupancy rooms. In addition, overnight leisure travelers are assumed to stay for one night, and business travelers are assumed to stay 1.5 nights to coincide with event lengths.

Out-of-Facility Spending Assumptions

Assumptions related to attendees' spending are based on a number of factors. While actual spending data from past RPCC event attendees does not exist, we have gathered the results of survey data from multiple other sources in order to identify the actual past spending of visitors to Pennington County and South Dakota in general, and we have utilized this data in estimating the future spending of RPCC attendees. The data we have considered includes:

- A tourism study completed by Global Insight that analyzed tourist spending at the state and county levels in South Dakota,
- A South Dakota Office of Tourism survey of statewide information center visitors,
- Results of past surveys of other attendees of similar facilities, and
- Estimated average hotel rates in Rapid City.

Local visitor spending data that is available is summarized below.

Table 11 – Visitor Spending Data

	Global Insight - 2011 Statewide Study*		Global Insight - 2011 Pennington County Study*	
Entertainment	$27.84	12.0%	n/a	7.5%
Retail	$80.50	34.7%	n/a	31.8%
Transportation	$16.24	7.0%	n/a	8.3%
Accommodation	$39.90	17.2%	n/a	17.1%
Food	$67.51	29.1%	n/a	35.3%
TOTAL	**$232.00**	**100.0%**	**n/a**	**100.0%**

Daily Spending by Visitors (Statewide Information Center 2011 Survey)**

Aggregate Group	$58.37
In-Target Group	$52.62

*All visitors (leisure and business), per trip (not per day).

**Aggregate group consists of all respondents; in-target is from CO, IA, MN, NE, ND, SD, WI, WY, and Canada.

Source: Global Insight, SD Office of Tourism, AECOM

As the table shows, the data provided by the various groups is inconsistent in its format. Global Insight's survey measured spending on a per-visit (rather than per-day basis), but summarized spending by type. Its county-based spending estimates also quantified spending by type, but did not provide totals. The state's visitor center survey only provides total spending estimates, but on a per-day basis for visitors throughout the state. However, in total, these figures can provide important context to our estimates of daily spending in Rapid City by RPCC attendees.

We have compiled spending assumptions for leisure and business travelers, as well as for daytrippers and those who stay overnight. In addition, spending that would take place inside the RPCC facilities (for tickets, food and beverage, merchandise, and parking) is deducted from our overall spending figures to arrive at out-of-facility spending averages.

While leisure travelers who are on vacation can stay multiple days in a market, we have assumed that overnight leisure travelers (who are the vast minority of out-of-town attendees) only stay in the area for one night, to coincide with the length of most events. We have also assumed that all daytrippers and all overnight travelers have the same daily spending in Rapid City (aside from lodging spending), regardless of distance traveled and place of origin.

Based on the assumptions described above, as well as the forecasts of RPCC events and attendance and facility revenues, the following table summarizes the total gross direct spending generated by the presence and operation of the RPCC under both scenarios. The first line (spending generated within the complex) has previously been described, and the spending captured throughout the city by all event attendees is also summarized below, based on the assumptions shown above.

Table 12 – Total Gross Spending ($000s, 2020)

	As-Is Scenario	New Arena Scenario
Gross Complex Revenue	$12,342	$34,951
Spending Outside the Complex & in Rapid City		
Lodging	$6,897	$11,207
Food and Beverage	$33,951	$58,219
Retail and Entertainment	$21,528	$37,373
Transportation and Other	$13,184	$22,251
Total Spending Outside the Complex	**$75,560**	**$129,050**
Total Gross Direct Spending - Inside and Outside of the Complex	**$87,902**	**$164,001**
# of Room Nights	**84,967**	**138,062**

Source: AECOM

- Under the as-is scenario, total gross spending within the RPCC and throughout Rapid City (by all local and non-local sources) is estimated to be approximately $87.9 million in 2020 price levels. In addition, a total of approximately 85,000 total room nights are estimated to be generated in the area (including at non-Rapid City hotels) by all event attendees.

- In the new arena scenario, total gross spending is estimated to be $164 million, with approximately 138,000 room nights.

Gross vs. Net Impacts

The total economic activity summarized above does not represent actual economic impacts; it merely shows the total spending generated by complex operations, including transfer spending by local residents. In this section, transfer spending is deducted from total spending to arrive at the estimated economic impacts for Rapid City. In other words, for the purposes of calculating economic impacts to Rapid City, all spending by city residents is subtracted and only spending captured within the city by non-Rapid City residents is considered. (And as previously mentioned, spending by "casual" attendees is considered as part of the economic impacts.)

Spending impacts to the city related to out-of-facility spending are based on assumptions of attendee origin and their spending characteristics, as previously shown in Tables 9 and 10. However, revenues captured by the complex itself are analyzed separately. Assumptions related to these revenues are as follows:

- **Advertising and Sponsorships –**100 percent of this revenue is considered to be a net new impact to Rapid City. While some of this revenue will be generated from local businesses and would possibly have been spent locally without the complex, the new arena will provide a venue for advertising and sponsorships that generally does not otherwise exist in Rapid City. In addition, some of the facility's sponsorship revenues will be generated from regional or national firms, and even locally-based firms may have otherwise spent their advertising dollars elsewhere.

- **Premium Seating Revenue –** some of the spectator spending from local sources represents corporate entertainment and it is not a given that this money would be spent locally if the events were not available (it could, for example, go to entertainment spending in other cities or even outside the state). As a result, all premium seat revenue at the new arena is also considered to be a net economic impact of the complex.

- **Rental Revenues –** based on the estimated event calendars developed for the future scenarios, as well as the new arena's assumed ability to host events that Barnett Arena and the Ice Arena cannot currently host (because of its size, technical capabilities, and other characteristics), we assume that many of the events held at the new facility would not be able to be held in Rapid City but for the presence of the facility (particularly its larger concerts and other entertainment events). As a result, it is assumed that 75 percent of facility rental revenues are considered to be net impacts.

- Calculations of net facility revenues that are directly related to attendee use of the facility (such as ticket sales, concessions, merchandise, and parking) are based on the share of local and non-local attendees for each event type, and their assumed spending. This is consistent with estimates of non-local, out-of-facility spending. For example, RPCC parking revenue that is considered to be an impact to Rapid City is based on calculations of parking spending by non-city residents.

AECOM has estimated the net economic impacts to Rapid City for 2020, under the two future scenarios. In other words, we estimate the amount of spending that is captured within Rapid City but originates outside of Rapid City. The estimated net economic impacts to Rapid City for the two scenarios are shown in the following table. Net impacts are based on the geographic origin of attendees, as previously described.

Table 13 – Net Direct Economic Impacts ($000s, 2020)

	Net to Rapid City	
	As-Is Scenario	New Arena Scenario
Inside the Complex	**$5,558**	**$17,243**
Outside the Complex		
Lodging	$6,208	$10,087
Food and Beverage	$15,362	$26,162
Retail and Entertainment	$9,471	$16,344
Transportation and Other	$6,176	$10,351
Total - Outside the Complex	**$37,217**	**$62,943**
Total Direct Spending	**$42,774**	**$80,186**
# of Room Nights	**76,470**	**124,256**

Source: AECOM

- In the as-is scenario, of the $87.9 million in total spending, approximately $43 million is considered to be net economic impacts to Rapid City. Because we assume that a share of room nights will be captured outside of the city, net room night impacts to Rapid City are estimated to be approximately 76,500.
- In the new arena scenario, approximately $80 million of the gross impacts are considered to be economic impacts to Rapid City, and a total of approximately 124,000 room nights.

Multiplier Effect and Indirect Spending

As the spending from the direct economic activity takes place in the City's economy, it will trigger other, indirect, levels of economic activity. For example, the operating businesses that are affected by complex use (including the facilities themselves and hotels and restaurants, retail stores, and others) will purchase various goods and services from local and regional vendors (e.g., utilities, inventory, supplies, labor, and the like). As this occurs, these workers and vendors receive income and, in turn, make purchases of goods and services themselves. Within each round, some spending occurs in the local economy and some flows outside of that economy (referred to as "leakage"). The total amount of spending that stays within the local economy includes both the first round ("direct") and all subsequent rounds of economic activity ("indirect").

These total impacts are estimated through the use of "multipliers" applied to the estimates of direct impacts. The multipliers, which are calculated by the federal government and are unique to each geographic area, are regarded as the most reliable and accurate measure of indirect spending that is available. Multipliers differ from area to area because of geography; proximity to other business centers and the size of an area will affect the length of time that direct spending is retained by an economy before fully leaking out. In addition, different sectors of an economy have unique multipliers, based on their own proximity to other industry-specific economies, vendors and suppliers, and the like.

For this analysis, we have utilized multipliers developed by the US Department of Commerce for Pennington County. Multipliers for the county are used to estimate multipliers for Rapid City, as multipliers do not exist at the city level. In order to estimate city multipliers, we have reduced the county multipliers based on the relative size of the city to the county (by population). As Rapid City's population is approximately 68,000 and the county's population is approximately 103,000, we assume that city-level multipliers are 66 percent of the county's. However, it is likely that this multiplier is conservative due to Rapid City's status as the county seat, its largest city, and the local center for most business and other activities.

In this analysis, various multipliers for different industries are used. Every type of spending that comprises the direct impacts ("Category") is assigned a city-level multiplier, based on a corresponding "Industry Sector." As the table below shows, the multipliers for various industries generally range from approximately 1.3 to 1.5 at the city level. In other words, a multiplier of 1.5 indicates that total economic activity is estimated at 1.5 times the estimate of direct impacts; this includes the direct impacts (at 1.0) and the indirect impacts (at 0.5). Multipliers typically increase as the size of a geographic area increases, as it takes more time for later rounds of spending to leave a larger area (for example, South Dakota compared to Rapid City). These multipliers will apply equally to both scenarios.

Table 14 – Spending Multipliers for Rapid City

Category	Industry Sector	Multipliers
RPCC Revenues		
Gross Ticket Sales	Perf. Arts, Spectator Sports, Museums, Zoos, Parks	1.4201
Rentals	Perf. Arts, Spectator Sports, Museums, Zoos, Parks	1.4201
Gross F&B/Novelties Sales	Food Services and Drinking Places	1.4161
Event Promotion	Perf. Arts, Spectator Sports, Museums, Zoos, Parks	1.4201
Facility Advertising and Sponsorships	Broadcasting (Non-Internet)	1.4652
Reimbursements	Perf. Arts, Spectator Sports, Museums, Zoos, Parks	1.4201
Premium Seating	Perf. Arts, Spectator Sports, Museums, Zoos, Parks	1.4201
Parking	Transit and Ground Passenger Trans.	1.4326
Other	Perf. Arts, Spectator Sports, Museums, Zoos, Parks	1.4201
Spending Outside the RPCC		
Food and Beverage	Food Services and Drinking Places	1.4161
Retail and Entertainment	Retail Trade; Perf. Arts, Sports, Museums, Zoos, Parks	1.3951
Lodging	Accommodation	1.4076
Transportation and Other	Transit and Ground Passenger Trans.	1.4326

Source: US Department of Commerce, AECOM

Based on the multipliers for the city, total (direct and indirect) net spending for the two scenarios is summarized below.

Table 15 – Total Direct and Indirect Economic Impacts ($000s, 2020)

	As-Is Scenario	New Arena Scenario
Total Net Direct Spending	**$42,774**	**$80,186**
Net Indirect Spending		
Inside the Complex	$2,355	$7,271
Outside the Complex		
Lodging	$2,530	$4,111
Food and Beverage	$6,392	$10,885
Retail and Entertainment	$3,742	$6,457
Transportation and Other	$2,671	$4,477
Total Indirect Spending	**$17,690**	**$33,201**
Total Spending - Direct and Indirect	**$60,464**	**$113,387**

Source: AECOM

- In the as-is scenario, total (direct and indirect) net economic impacts are estimated to be approximately $60 million to Rapid City.

- In the new arena scenario, total economic impacts are estimated to be $113 million.

Jobs and Payroll

The operation of the RPCC creates jobs both within the complex and throughout the community. Jobs within the complex include full-time staff and temporary, part-time event staff. The complex's use and attendees' spending will also support jobs throughout the city, at hotels, restaurants, retail stores, and the like (from both direct and indirect spending). Employment and income impacts to Rapid City refer to jobs and income that are captured by residents of the city.

The following table summarizes assumptions made in relation to these estimates, based on US Department of Labor data for the Rapid City Metropolitan Statistical Area (MSA). These assumptions will apply equally to both scenarios.

Table 16 – Assumptions Related to Jobs and Payroll

MSA Average Annual Wages ($ 2020)	
Lodging Occupations	$36,632
Food and Beverage Occupations	$24,365
Retail and Entertainment Occupations	$34,164
Transportation and Other Occupations	$37,104
MSA Average Hourly Wages ($ 2020)	
Food Service and Prep Occupations (RPCC Concessions)	$11.96
Amusement and Recreation Attendants (P-T RPCC Staff)	$10.93
Percent of Workers who Live in Rapid City	83%

Source: US Dept. of Labor-Bureau of Labor Statistics, AECOM

Average hourly and annual wage information for various types of occupations are provided by the US Department of Labor's Bureau of Labor Statistics, based on data compiled for the Rapid City MSA in 2011 (wages in the table are inflated to 2020 for the purposes of the impact analysis).

Similar to spending, multipliers are used to estimate indirect employment and earnings, based on the direct estimates. The following table summarizes employment and income multipliers used in the calculation of indirect jobs and earnings.

Table 17 – Employment and Income Multipliers for Rapid City

Category	Employment Multipliers	Earnings Multipliers
RPCC Operations	1.3495	1.3711
Concessions, Food and Beverage	1.1544	1.3332
Retail and Entertainment	1.2862	1.3310
Lodging	1.2764	1.4285
Transportation and Other	1.1646	1.2314

Source: US Department of Commerce, AECOM

The table below shows the total (including direct and indirect) net jobs and payroll generated within the city.

Table 18 – Total Net Employment and Income Impacts ($000s, 2020)

	As-Is Scenario	New Arena Scenario
EMPLOYMENT		
RPCC		
Full-Time Equiv. Complex Operations Staff	122	134
Outside of the RPCC		
Lodging	39	63
Food and Beverage	261	447
Retail and Entertainment	131	228
Transportation and Other	67	113
Total Jobs (Full-Time Equivalent)	**620**	**986**
EARNINGS		
RPCC Operations - all FT and PT	$4,382	$4,820
Lodging	$2,044	$3,322
Food and Beverage	$9,392	$16,106
Retail and Entertainment	$5,945	$10,322
Transportation and Other	$3,369	$5,685
Total Earnings	**$25,132**	**$40,254**

Source: AECOM

- The as-is scenario is estimated to support the equivalent of 620 full-time jobs for Rapid City residents, and an associated $25 million in earnings.

- Under the new arena scenario, job creation is estimated to be 986 full-time jobs, with an associated $40 million in earnings. (In this scenario, we assume that staffing needs and resulting salaries within the complex itself will be 10 percent greater compared to the as-is scenario.)

Fiscal Impacts from RPCC Operations

As previously described, fiscal impacts represent new public-sector tax revenues that are generated based on the presence and use of the complex. The following table summarizes applicable taxes and the spending that they apply to, their rates, and the recipients of each type of tax. We assume that tax rates will remain unchanged in 2020, compared to current rates. (This only considers local taxes, and excludes the state's four-percent share of sales tax.)

Table 19 – Applicable City Taxes and Rates

Type of Tax	Tax Rate	Taxable Sales	Recpient of Tax Revenue
Sales Tax			
City of Rapid City Sales Tax	2.0%	Hotels, Retail, Tickets, F&B, Facility Labor and Equip. Rentals	City of Rapid City
BBB Sales Tax	1.0%	same as above	75% to RPCC, 25% to CVB
State Tourism Sales Tax	1.5%	same as above	South Dakota Dept. of Tourism
State Sales Tax	4.0%	same as above	State of South Dakota
CVB BID Tax	$2 per room night	Overnight accommodations	CVB

Source: RPCC, AECOM

The new tax revenues attributable to the RPCC under both scenarios, and their recipients, are summarized in the following table. Fiscal impacts are based on total net spending impacts to Rapid City.

Table 20 – Summary of City Fiscal Impacts ($000s, 2020)

	Taxable Sales	As-Is Scenario	New Arena Scenario	Recipient
City of Rapid City Sales Tax (2%)	Hotels, Retail, Tickets, F&B, Facility Labor and Equip. Rentals	$991	$1,856	City of Rapid City
BBB Sales Tax (1%)		$496	$928	75% to RPCC, 25% to CVB
State Tourism Sales Tax (1.5%)		$743	$1,392	SD Dept. of Tourism
State Sales Tax (4%)		$1,982	$3,712	State of South Dakota
CVB BID Tax ($2/room night)	Overnight Accommodations ($2/Room Night)	$153	$249	Rapid City CVB
Total		**$4,366**	**$8,136**	--

Source: AECOM

- Under the as-is scenario, the total fiscal impacts are estimated to be approximately $4.4 million in 2020, to be shared by the City, RPCC, CVB, State, and the State's Department of Tourism.
- In the new arena scenario, total fiscal impacts to the various groups are estimated to be approximately $8.1 million in 2020.

Economic and Fiscal Impacts from New Arena Construction

The construction of a new arena will represent a one-time economic activity that will create additional impacts to the city, based on spending on construction-related items such as labor and materials. Major assumptions that drive the calculations of local impacts include the total costs associated with construction and the detailed components of this spending, as well as the anticipated geographical origin of workers and firms involved in the construction project.

To the extent that City funds pay for arena construction, these may not technically be considered economic impacts. Funding through a source such as the Rapid City Economic Development and Civic Improvement Fund (Vision Fund) would presumably otherwise be spent on other local projects. However, any project built through Vision Fund revenues would presumably have different characteristics regarding its construction, such as the location of vendors and workers, depending on the unique needs of any construction project and necessary materials. The construction-related impacts in this section estimate the total amount of construction spending that could be captured by local companies and workers, which may or may not be similar to the share that would be captured by any other Vision Fund development project.

The following table summarizes estimated total construction costs for the assumed development under the new arena scenario (no construction costs are assumed for the as-is scenario).

Table 21 – Assumed Construction Costs ($000s)

Materials	$81,250
Labor	$31,250
OH and Profit	$12,500
Total	**$125,000**

Source: RPCC, AECOM

- Average annual wages for project workers are based on industry wage data for the MSA, as compiled by the US Department of Labor.
- Based on discussions with local stakeholders, we believe that the following levels of local participation on the construction project are achievable, given the local economy, the presence of potential vendors/suppliers in Rapid City, and other factors:
    - 85 percent of construction workers will live in Rapid City, and
    - 15 percent of materials will be provided by Rapid City-based firms.
- Construction industry multipliers for Rapid City are as follows:

Table 22 – Construction Spending and Employment Multipliers

	Multipliers
Spending	1.4620
Employment	1.4207
Earnings	1.3732

Source: US Department of Commerce, AECOM

The following table summarizes the total net impacts (direct and indirect) to Rapid City from construction under the new arena scenario.

Table 23 – Total Net Economic and Fiscal Impacts of Events Center Construction ($000s, 2020)

	New Arena Scenario
Labor Expenditures	$36,476
Sales of Materials and Services	$20,559
Employment	926
Fiscal Impacts - State Excise Tax Revenues	$730

Source: AECOM

Based on the assumptions above, local residents are estimated to capture approximately $36 million in income (resulting in more than 900 jobs), and locally-based businesses would capture approximately $21 million.

In addition, in South Dakota, both private and public entities are responsible for paying a two-percent state excise tax associated with construction services. Based on the assumptions listed above, this tax would generate approximately $730,000 to the state.

IV. Summary of Economic and Fiscal Impacts for the Two Scenarios

The following table summarizes the various impacts estimated for the RPCC under the two scenarios analyzed in this report.

Table 24 – Summary of Impacts from RPCC Operations and Construction, ($000s)

	As-Is Scenario	New Arena Scenario	Incremental Impacts
Net Economic Impacts - Operations			
Direct Spending			
Within the RPCC	$5,558	$17,243	$11,685
Outside the RPCC - Lodging	6,208	10,087	3,879
Outside the RPCC - F&B	15,362	26,162	10,800
Outside the RPCC - Retail and Ent.	9,471	16,344	6,872
Outside the RPCC - Trans. and Other	6,176	10,351	4,175
Total Direct Spending	$42,774	$80,186	$37,411
Indirect Spending	$17,690	$33,201	$15,512
Total Net Economic Impacts	**$60,464**	**$113,387**	**$52,923**
Net Room Nights	**76,470**	**124,256**	**47,786**
Net Employment	**620**	**986**	**366**
Net Earnings	**$25,132**	**$40,254**	**$15,122**
Net Fiscal Impacts - RPCC Operations			
City of Rapid City Sales Tax (2%)	$991	$1,856	$865
BBB Sales Tax (1%)	496	928	432
State Tourism Sales Tax (1.5%)	743	1,392	649
State Sales Tax (4%)	1,982	3,712	1,730
CVB BID Tax ($2/room night)	153	249	96
Total Net Fiscal Impacts	**$4,366**	**$8,136**	**$3,771**
Net Construction Impacts			
Labor	**$0**	**$36,476**	**$36,476**
Materials and Services	**$0**	**$20,559**	**$20,559**
Employment	**0**	**926**	**926**
Fiscal Impacts - State Excise Tax Revenues	**$0**	**$730**	**$730**

Source: AECOM

As the table shows, the incremental economic impacts to Rapid City under the new arena scenario are estimated to be approximately $53 million in 2020 price levels. Other incremental impacts include more than 47,000 room nights, more than 360 jobs supported, and $15 million in associated income to local residents. The new arena scenario is also estimated to generate approximately an additional $3.8 million in local and state tax revenues compared to the as-is scenario.

Because the as-is scenario assumes no new construction, all local impacts captured by the construction of a new arena would be incremental to Rapid City and the State. These are estimated to be approximately $36 million in income to local construction workers (which would support more than 900 jobs), and nearly $21 million to locally-based firms, as well as $730,000 in state excise taxes.