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## **A New Stadium for Southern Nevada:**

An Economic Impact Assessment

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## **Introduction**

The Las Vegas metropolitan area is one of the only major urban centers and tourist destinations in the United States without a state-of-the-art stadium able to host events with seating for approximately 65,000 spectators. Since the Center's last report in 2013, when there were three major tourist destinations without a covered stadium, one – Los Angeles – has initiated plans to build such a venue, which will allow that region to compete even more vigorously for tourists with Las Vegas. Without a state-of-the-art venue with seating for approximately 65,000 spectators, Las Vegas, as one of the nation's top tourism destinations, will not have a valuable asset for the attraction of some events. A covered stadium near the region's resorts will attract events that cannot be accommodated by existing venues (including the T-Mobile Arena) and ensure that the extraordinary tourist location that defines Southern Nevada today will not forego important community and economic development opportunities.

Without a covered stadium, events that are interested in a venue with seating for as many as 65,000 people will bypass Las Vegas. Despite having the largest supply of world-class resorts and one of the country's best airports with non-stop connections to every major population center in North America and to urban centers in Europe, Asia, and Central America, Las Vegas cannot currently host these events.

## **Methodology**

An industry comprised of consultants and academics has been created to explain to various audiences (elected officials, community leaders, business leaders, and residents of an area) the value of sport, entertainment, meeting, and cultural venues and other economic development assets. While the models used by those in this industry can produce the information required to inform decisions, there has also been a level of abuse with the description of economic effects. Economic impact statements are notorious for over-exaggerating the new spending that would actually occur as a result of the building of a new arena, ballpark, or stadium. Before turning attention to the models that were used it is important to underscore the methodology used to ensure that appropriately conservative estimates are presented. Some of the most common errors can be avoided through a careful understanding of the terms used to describe the results of different studies and a careful reading of the assumptions used to make projections.

Different terms are used to describe economic impact (also referred to as economic development or positive economic impact). An *economic impact* is created each time there is a change in spending patterns within a region. Those changes, however, might not create *positive* changes in a region's economy. Consider, for example, the building of a new stadium that either hosts a professional team or large-scale entertainment events. If the vast majority of people attending events lives in the region, or would have planned to visit without the existence of the stadium, then their spending does not create a

positive economic impact (Rosentraub, 1997; 2010; Winfree & Rosentraub, 2012). This is referred to as a “substitution effect” as their spending at the stadium is merely a substitution for consumption that would have taken place even if the new venue were not built. The issue of interest for an economic impact assessment is the incremental spending that occurs in the region as a result of the building of a new stadium with seating for approximately 65,000 fans. An economic impact assessment must adjust for existing consumption already present in the economy, or likely to be present even if the venue were not built.

This report eliminated substitution effects and provides an appropriately realistic assessment of likely economic impacts. The following precautions supported a conservative estimate of anticipated impacts:

1. The economic impacts projected in this report are based solely on events that (1) bring new visits to the Las Vegas metropolitan area, (2) can be held in a covered stadium, and (3) would attract more visits than would Sam Boyd Stadium.
2. A section of this report is dedicated to detailing new events and activities that would be attracted by a new stadium and that would enhance the region’s quality of life. However, these activities were not included in the measurement of the stadium’s economic impact, as they would likely attract spending by residents of the region. As noted, the spending by local residents is regarded as a substitution effect. In the absence of these events, residents’ dollars would likely still be spent in the region for other goods and services.
3. All substitution effects were eliminated in the enumeration of economic benefits; this means that spending by residents in the region was not included.
4. Adjustments were made to projected attendance levels at the new events to eliminate spending effects of residents. Of the estimated attendance of events at the stadium it was estimated that visitors would account for only 65 percent of all tickets sold.
5. The construction of the new stadium will generate economic benefits for residents of the region and for several businesses in the area. Again, we emphasize the conservative level of the model used for this report, as these benefits were excluded from the economic impacts reported.
6. Estimates on visitor spending were based directly on information produced by LVCVA through its repeated surveys of visitors to Las Vegas.
7. The number of projected events was vetted with Las Vegas hospitality experts.

The Center’s 2012 and 2013 projections of the economic impact of a covered stadium anticipated that several music festivals would be hosted at the new venue. The regional market has changed across the past few years and other venues have been specifically built to host those activities. Given the new infrastructure that now exists, it is necessary to remove those large-scale events from any estimation of

the *new* economic development that would be generated by covered stadium, as the economic contributions of such music festivals to Southern Nevada is already present.

These calculations also did not include the economic value and associated contributions to the economy from the presence of a National Football League (NFL) franchise. The presence of an NFL team in Southern Nevada would likely lead to a valuable increase in visits to the region from the fans of visiting teams. Similarly, the relocation of an existing NFL team to the Las Vegas region would generate a small increment in spending by the team's existing fans (in its current location) that choose to continue to support the team after relocation. Spending by the region's residents for tickets or other memorabilia would be a substitution for other forms of consumption already taking place in the region.

### **Projected Events for The New Stadium**

If a new stadium hosts only events that are currently part of the entertainment options available to visitors and residents, no significant new economic benefit would be created, unless it was clear some of these events could be expanded and attract additional tourists. There are five events currently held at Sam Boyd Stadium that industry professionals believe would attract more visitors if they were held in a new, state-of-the-art stadium. The economic impact for these events includes only the anticipated *incremental* attendance and, conservatively, does not include (or "double count") any existing attendance figures.

The economic impacts reported are a function of the elevated attendance levels associated with the movement of 5 events from Sam Boyd Stadium to a state-of-the-art stadium and 10 new events that are likely to become part of Southern Nevada's entertainment calendar. In addition to the 5 existing events and 10 new events, we have also included the possibility of hosting up to 5 additional "competitive bid" events in the new stadium; this report provides possible tax, economic impact, and quality of life outcomes for a range between 15 and 20 events.

The five events relocated from Sam Boyd Stadium and then enhanced attendance levels were: USA Sevens Rugby (75,000), Monster Jam World Finals (62,000), Monster Energy Supercross Finals (24,000), Monster Energy Cup (24,000), and the Las Vegas Bowl (21,000). Many of these are multi-day events.

The 10 new events include 2 concerts, 2 neutral site college football games, the Mountain West Football Championship game, the PAC 12 Football Championship game, an NFL exhibition game, an international rugby game, and one "friendly" soccer match involving teams from the English Premier League and/or other high profile teams.

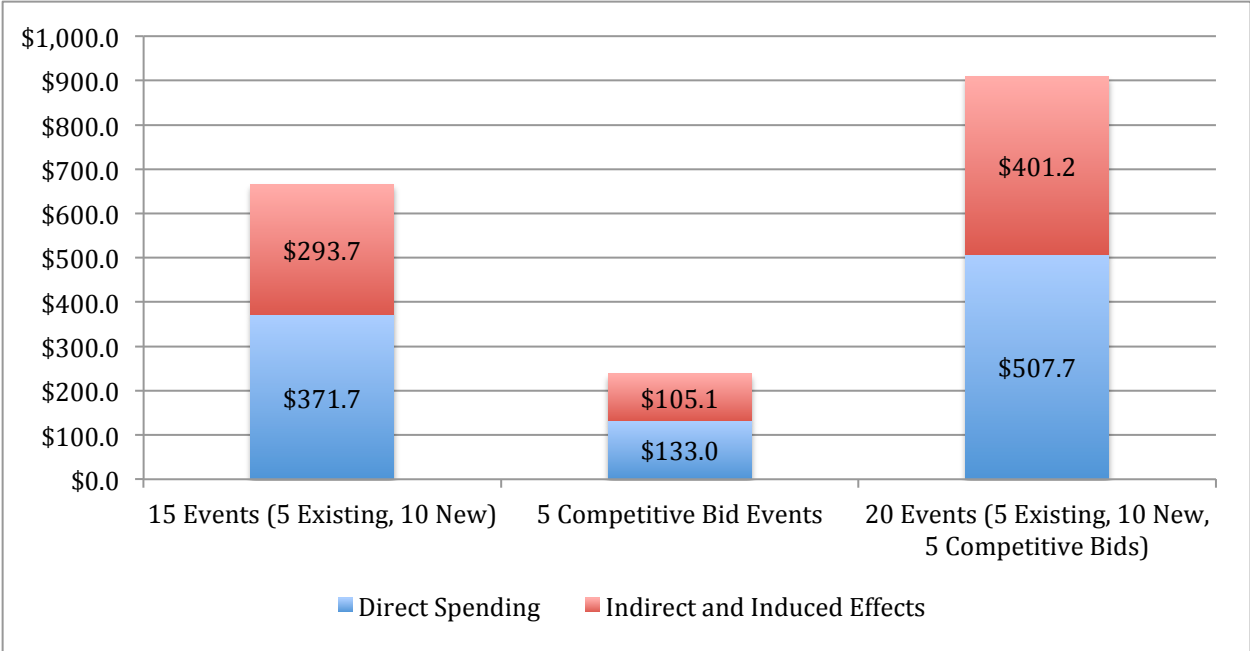
The other events that hospitality experts believe would be targets of opportunity (or “competitive bid” events) include UFC International Fight Week, a boxing program, Wrestlemania, CONCACAF Gold Cup, NCAA college football playoff game, an additional iconic concert, and the NCAA Men’s Basketball Final Four.

More aggressive projections of the number of large-scale events that the stadium could host would result in a more robust estimate of impacts. While that possibility is explored, the more conservative estimates used in this report illustrate more realistic valuations of the impact of a new covered stadium to the Las Vegas economy.

**Projected Economic Impact**

A covered stadium hosting just 15 events would generate \$371.7 million in direct incremental visitor spending at the region’s resorts (Figure 1). The total annual economic impact of 15 events (including direct, indirect, and induced spending) would be \$665.4 million. If as many as 20 events were held at the new stadium direct spending rises to \$507.6 million and total economic impact to nearly \$908.8 million. Table 1 provides a detailed breakdown of incremental direct visitor expenditures.

**Figure 1. Projected Total Economic Impact (Millions)**



**Table 1. Projected Annual Incremental Direct Visitor Expenditures**

	15 Events (5 Existing, 10 New)	5 Events (Competitive Bids)	20 Events (5 Existing, 10 New, 5 Competitive Bids)
Lodging	\$58,327,776	\$20,867,971	\$79,670,873
Food and Beverage	\$129,858,593	\$46,459,603	\$177,375,997
Retail Shopping	\$68,997,167	\$24,685,166	\$94,244,370
Entertainment (Shows)	\$21,910,298	\$7,838,863	\$29,927,637
Gaming	\$54,185,214	\$19,385,883	\$74,012,479
Local Transportation	\$31,709,121	\$11,344,595	\$43,312,012
Sightseeing	\$6,675,362	\$2,388,249	\$9,117,987
<b>Total</b>	<b>\$371,663,530</b>	<b>\$132,970,330</b>	<b>\$507,661,355</b>

Tables 2 through 4 include calculations for total economic impact assuming different numbers of events will be held at the stadium. The tables also include an estimate of the additional sales taxes collected from the likely local spending resulting from the income generated by the indirect and induced effects caused by direct spending in the regional economy. The sales tax increment was estimated using national data for the likely consumption of taxable items (U.S. Bureau of Labor Statistics).

The calculation of the induced and indirect effects was made using multipliers that were produced by the Bureau of Economic Analysis, U. S. Department of Commerce for the Las Vegas metropolitan area. There are separate multipliers for expenditures related to lodging, food and beverage expenditures, retail spending, entertainment, gaming, local transportation, and sightseeing excursions. Each of these separate multipliers was used for each spending category.

**Table 2. Economic Impact of Hosting 15 Events (Sam Boyd's 5 Existing and 10 New) at a New Stadium; Additional Sales Tax Revenue from Indirect & Induced Effects**

	Incremental Visitor Expenditures (Direct)	Indirect & Induced	Total Economic Impact
Lodging	\$58,327,776	\$44,527,424	\$102,855,200
Food and Beverage	\$129,858,593	\$92,770,978	\$222,629,571
Retail Shopping	\$68,997,167	\$48,498,109	\$117,495,275
Entertainment (Shows)	\$21,910,298	\$15,576,761	\$37,487,058
Gaming	\$54,185,214	\$66,636,977	\$120,822,191
Local Transport	\$31,709,121	\$19,773,808	\$51,482,928
Sightseeing	\$6,675,362	\$5,947,080	\$12,622,442
<b>Total</b>	<b>\$371,663,530</b>	<b>\$293,731,136</b>	<b>\$665,394,666</b>
	<b>Sales Taxable Transactions</b>	\$63,715,791	
	<b>Additional Sales Tax Revenue</b>	\$5,192,837	

**Table 3. Economic Impact Hosting 5 New Competitive Bid Events at a New Stadium; Additional Sales Tax Revenue from Indirect & Induced Effects**

	Incremental Visitor Expenditures (Direct)	Indirect & Induced	Total Economic Impact
Lodging	\$20,867,971	\$15,930,609	\$36,798,579
Food and Beverage	\$46,459,603	\$33,190,740	\$79,650,343
Retail Shopping	\$24,685,166	\$17,351,203	\$42,036,370
Entertainment (Shows)	\$7,838,863	\$5,572,909	\$13,411,772
Gaming	\$19,385,883	\$23,840,759	\$43,226,643
Local Transport	\$11,344,595	\$7,074,489	\$18,419,084
Sightseeing	\$2,388,249	\$2,127,691	\$4,515,940
<b>Total</b>	<b>\$132,970,330</b>	<b>\$105,088,401</b>	<b>\$238,058,731</b>
	<b>Sales Taxable Transactions</b>	\$22,795,644	
	<b>Additional Sales Tax Revenue</b>	\$1,857,845	

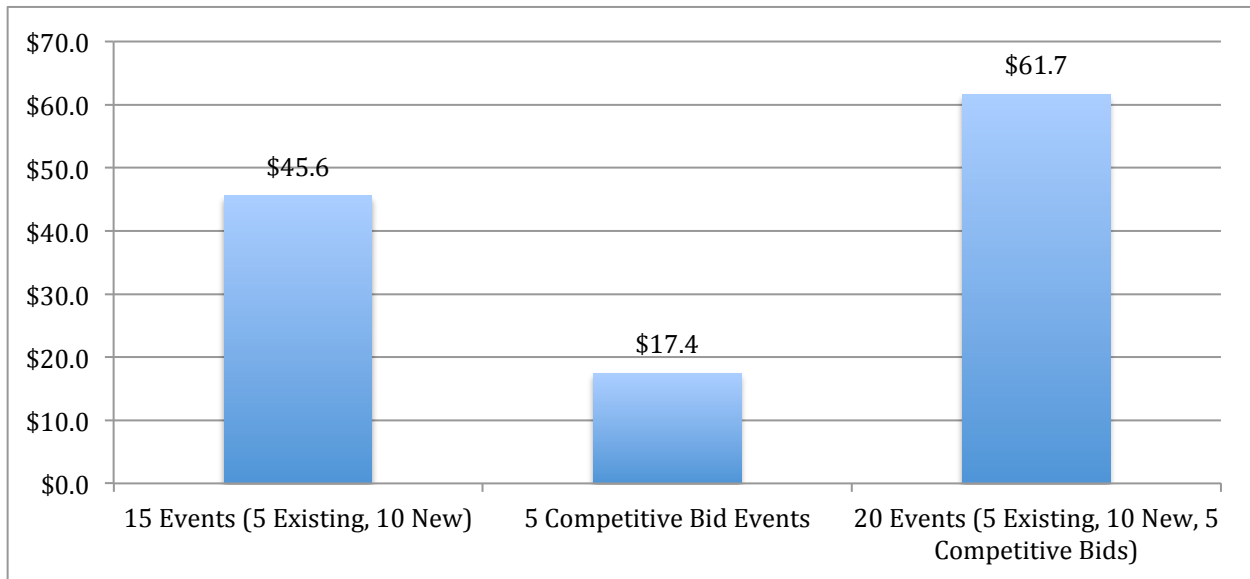
**Table 4. Economic Impact of Hosting 20 Events (Sam Boyd's 5 Existing, 10 New, and 5 Competitive Bids) at a New Stadium; Additional Sales Tax Revenue from Indirect & Induced Effects**

	Incremental Visitor Expenditures (Direct)	Indirect & Induced	Total Economic Impact
Lodging	\$79,670,873	\$60,820,744	\$140,491,617
Food and Beverage	\$177,375,997	\$126,717,412	\$304,093,409
Retail Shopping	\$94,244,370	\$66,244,368	\$160,488,738
Entertainment (Shows)	\$29,927,637	\$21,276,555	\$51,204,192
Gaming	\$74,012,479	\$91,020,547	\$165,033,027
Local Transport	\$43,312,012	\$27,009,370	\$70,321,382
Sightseeing	\$9,117,987	\$8,123,215	\$17,241,202
<b>Total</b>	<b>\$507,661,355</b>	<b>\$401,212,211</b>	<b>\$908,873,566</b>
	<b>Sales Taxable Transactions</b>	\$87,030,451	
	<b>Additional Sales Tax Revenue</b>	\$7,092,982	

### Projected Incremental Tax Revenues

Using the 15-event baseline model (Sam Boyd Stadium's 5 existing + 10 new), the total amount of new tax dollars generated would be \$45.6 (see Figure 2). This figure does include the additional sales tax revenues generated by indirect and induced spending effect displayed in Table 6. A complete breakdown of incremental tax revenue is available in Table 5. This figure does not, however, include any new tax revenue on the short-term rental of cars. There was no prudent way to make a valid estimate of that revenue.

**Figure 2. Projected Annual Incremental Tax Revenue (Millions)**



**Table 5. Breakdown of Projected Annual Incremental Tax Revenue**

	15 Events (5 Existing, 10 New)	5 Events (Competitive Bids)	20 Events (5 Existing, 10 New, 5 Competitive Bids)
State Sales and Use Tax	\$5,183,011	\$1,854,330	\$7,079,560
Local School Support Tax	\$6,737,914	\$2,410,628	\$9,203,428
Supplemental City/County Relief Tax	\$4,535,134	\$1,622,538	\$6,194,615
Basic City/Council Relief Tax	\$1,295,753	\$463,582	\$1,769,890
Public Mass Transportation Tax	\$647,876	\$231,791	\$884,945
Transportation/Air Quality Tax	\$647,876	\$231,791	\$884,945
Flood Control	\$647,876	\$231,791	\$884,945
Water and Wastewater Improvements	\$647,876	\$231,791	\$884,945
Public Safety Tax	\$777,452	\$278,149	\$1,061,934
Combined Sales Tax	\$21,120,769	\$7,556,393	\$28,849,207
Additional Sales Tax (Indirect & Induced)	\$5,192,837	\$1,857,845	\$7,092,982
Live Entertainment Tax	\$8,097,503	\$4,000,883	\$10,431,593
Hotel Taxes	\$6,999,333	\$2,504,156	\$9,560,505
State General Fund Gaming Tax	\$4,199,354	\$1,502,406	\$5,735,967
<b>Total Tax Revenues Generated</b>	<b>\$45,609,796</b>	<b>\$17,421,683</b>	<b>\$61,670,253</b>

Table 6 includes an estimate of the sales taxes collected from the likely local spending from the income generated by the indirect and induced effects caused by the incremental direct spending in the regional economy. That sales tax increment was estimated by using national data for the likely consumption of taxable items (marginal propensity to consume). Those data are available from surveys of consumer spending performed for the United States Department of Labor’s Bureau of Labor Statistics.



**Table 6. Sales Tax Generated on Direct Spending and Indirect and Induced Effects Resulting from New Spending Associated with Hosting Events in a New Stadium in the Las Vegas Metropolitan Region**

Source of Sales Tax Revenue	5 Events (Existing)	10 Events (New)	15 Events (5 Existing, 10 New)	5 Events (Competitive Bids)	20 Events (5 Existing, 10 New, 5 Competitive Bids)
Direct Spending	\$6,109,005	\$15,943,014	\$21,120,769	\$7,556,393	\$28,849,207
Indirect & Induced Effects	\$1,501,985	\$3,919,813	\$5,192,837	\$1,857,845	\$7,092,982
<b>Total</b>	<b>\$7,610,990</b>	<b>\$19,862,828</b>	<b>\$26,313,606</b>	<b>\$9,414,238</b>	<b>\$35,942,189</b>

**Consideration of Other Impacts: Regional Job Growth and Quality of Live**

There will be a construction impact from the building of a new stadium. That projection can (and will) be made as soon as the design of the new stadium is approved.

Major League Soccer may approve a new franchise if the team could be housed in the new stadium (17 home games). The stadium might also encourage more fans to attend UNLV’s football games (6 home games). In addition, the United Football League (UFL) could play as many as 4 games in the new stadium. Those enhancements to the quality of life in the region are valuable. Since MLS, UNLV, and UFL games are likely to attract spending by residents of the region, however, there would be little if any new positive economic impact as a result. The economic contributions of these activities have not been included in calculations for the new stadium’s economic impact.

## References

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