

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-04935-0001

Date: December 31, 2014

To: The Council

From: Miguel A. Santana DH
City Administrative Officer fw

Subject: **ANALYSIS OF THE IMPACT ON THE CITY OF LOS ANGELES OF THE
MADE IN AMERICA FESTIVAL IN GRAND PARK**

Attached for your consideration is a report prepared for the City by Economic and Planning Systems, Inc. (EPS) titled "The Economic and Fiscal Impacts of the Made in America Festival." This report was prepared at the request of the City Council in consideration of Council File 14-0382-S1 concerning an economic impact analysis to determine the extent to which the City financially benefited from the Made in America event. EPS is one of 13 on-call consultants that perform such economic analyses for our Office of Economic Analysis. EPS was the successful proposer in response to an RFP issued by our office in September 2014.

EPS determined that the economic output value to the City of the event was approximately \$14.7 million, the result of a combination of \$6.9 million in production and \$7.8 million in visitor spending (see graphic on Page 2 of the attached report). The net fiscal impact to the City resulting from the event is \$31,302, the difference between estimated revenues of \$792,000 and actual City costs of \$760,698.

The EPS report includes a chapter that outlines recommended strategies to further improve economic and fiscal benefits to the City of Los Angeles for any future events. These six strategies include the following: 1) maximize visitor attendance from outside the City; 2) increase the length of stay for typical visitors; 3) provide more opportunities for visitors to spend monies; 4) promote local businesses and suppliers at the events; 5) base event promoter fees on actual or anticipated City costs; and 6) conduct intercept surveys to improve the accuracy of fiscal and economic estimates. Further details on these strategies are provided on pages 25 and 26 of the report. This Office strongly recommends adoption of these strategies in order for the City to maximize economic and fiscal benefits on any future events.

MAS:KDU:02150043

The Economics of Land Use



Report

The Economic and Fiscal Impacts of the Made in America Festival

Prepared for:

City of Los Angeles

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December 31, 2014

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1. EXECUTIVE SUMMARY

This Report documents the citywide economic and fiscal impacts of the 2014 Made in America (MIA) Festival Los Angeles, a two-day concert event produced by Live Nation and held at Grand Park in Downtown on August 30 and 31, 2014. The City of Los Angeles Office of the City Administrative Officer retained Economic & Planning Systems (EPS) to conduct this study in order to gain a better understanding of the magnitude of economic effects that resulted from the event and to determine whether the event was revenue positive for the City. Additionally, the study makes recommendations for the City to increase the positive economic effects of Downtown events in the future.

The analysis finds that MIA generated a gain of nearly \$9.2 million in value added (a measure comparable to Gross Domestic Product, as described further in this Report), 150 jobs, and about \$14.8 million in total economic activity in the City of Los Angeles. The event also resulted in a net fiscal revenue benefit of about \$31,000 for the City of Los Angeles. Interviews confirm that many businesses Downtown, particularly around the event site at Grand Park, enjoyed increased consumer activity during the concert. **Figure 1** and **Figure 2** present economic impact estimates, while **Figure 3** summarizes fiscal impact estimates, respectively. The **Research Summary** that follows below provides a digest of the study and its key findings.

Figure 1 Economic Impact of the Made in America Festival in the City of Los Angeles

Economic Impact	Direct Effect	Indirect & Induced Effect	Total Effect
Job-Year Equivalents	110	39	150
Economic Output	\$9,283,000	\$5,459,000	\$14,742,000
Value Added	\$5,749,000	\$3,406,000	\$9,154,000

Key Study Terms: **Economic Output** reflects all sales activity in the City of Los Angeles economy attributable to the event. The output metric includes the value of goods and services consumed as inputs to production as well as the final value of goods and services sold to end users (e.g., ticket sales, retail goods, transportation costs, etc.). For example, output includes the full value of the wholesale cost of goods sold at the festival, in addition to the final sale value. **Value Added** is Economic Output minus the value of inputs to production and is comparable to the commonly-cited Gross Domestic Product (GDP) metric. For example, value added deducts the costs associated with wholesale food purchases from concert concessionaire sales to determine the incremental

value of the final sale of food products in the City of Los Angeles. **Job-Year Equivalents** annualizes the employment supported by the event based on the amount of labor time associated with the event. In the case of MIA, the event supported some jobs for many months (e.g., event planners) but many more for just a couple of days (e.g., retail workers). As an example of the job-year calculation, an event planner that worked on the event for three months ($\frac{1}{4}$ year) would count as $\frac{1}{4}$ (0.25) job-year equivalents. Alternatively, the 110 direct job-year equivalents represents roughly 165,000 hours of work, assuming the average job is 75 percent of full-time. Economic terms are further described in **Section 3**.

Figure 2 Flow Chart of the Economic Impacts of the Made In America Festival

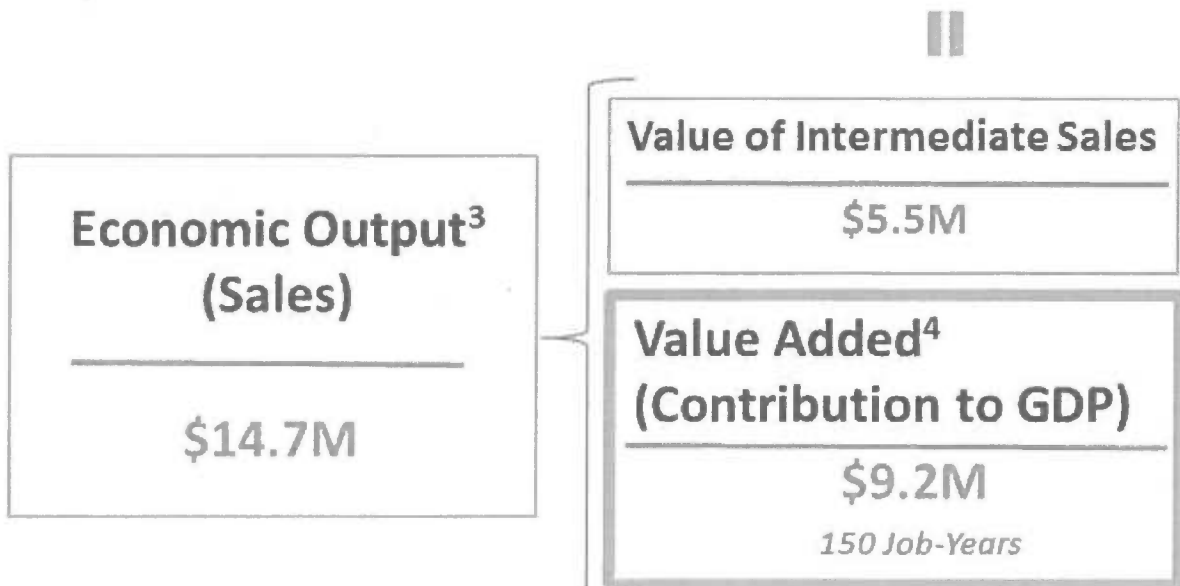
Economic Impact of the Made in America Festival in the City of Los Angeles

Production Spending (by Live Nation and others)

Direct ¹		Indirect & Induced ²	=	Total
\$4.1M	+	\$2.8M	=	\$6.9M
49 Job-Years		22 Job-Years		71 Job-Years

Visitor Spending (from outside the City of LA)

Direct ¹		Indirect & Induced ²	=	Total
\$5.2M	+	\$2.6M	=	\$7.8M
61 Job-Years		18 Job-Years		79 Job-Years



(1) The direct impact is the economic value of an initial injection of spending into the economy.

(2) The indirect impact is additional spending that occurs as a result of business-to-business transactions. The induced impact is additional household spending that occurs due to increased labor income.

(3) Total Economic Output reflects the value of all transactions in the City of Los Angeles that would not have occurred "but for" the Made in America Festival.

(4) Value Added is a measure of economic impact that is comparable to Gross Domestic Product (GDP) and reflects Output less the cost of intermediate goods and services.

Figure 3 Fiscal Impact of the Made in America Festival on the City of Los Angeles

City Revenue	
Event Contract with Promoter	\$500,000
<u>City General Fund Tax Revenue</u>	<u>\$292,000</u>
Total Revenue	\$792,000

City Cost	
Total of Department Costs	\$761,000

Net Fiscal Impact	\$31,000
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Research Summary

- 1. The primary economic impact associated with the MIA Festival was visitor attendee spending, which spurred approximately \$5.0 million in value added, and 61 direct jobs in the City of Los Angeles.**

Non-local visitor spending attributable to the Made in America Festival totaled roughly \$6.06 million. With many visitors to Los Angeles staying for the full two-day event, this study estimates that attendees from outside the City of Los Angeles spent over \$1.82 million on lodging. Visitor spending at restaurants and bars, as well as on food and beverages inside the festival, totaled about \$1.75 million. Retailers and festival merchandisers also benefited from the event, with visitors' retail spending estimated at nearly \$900,000. Including the economic "multiplier effect" created by successive rounds of spending, visitors generated approximately \$7.8 million in economic output within the City of Los Angeles, about \$5.0 million of which constitutes value added.

- 2. Concert production activities associated with the MIA contributed nearly \$4.2 million in value added and 49 direct jobs to the City of Los Angeles economy.**

This analysis estimates that Live Nation, the Made in America producer, spent roughly \$4.2 million in the City of Los Angeles to put on the event. Though detailed information from Live Nation was not available, this study relies on Los Angeles event industry economic data to estimate the level of local spending. Event production expenditures likely included spending on labor (e.g., event staff, security, stage hands, technicians), goods and services (e.g., catering, staging, sound and lighting equipment, advertising), and other production costs. Including the economic multiplier effect, event production activities generated approximately \$6.9 million in economic output within the City of Los Angeles, about \$4.2 million of which constitutes value added.

3. The MIA Festival generated a fiscal benefit of about \$31,000 for the City of Los Angeles.

Spending by festival visitors generated an estimated \$292,000 in tax revenue for the City of Los Angeles General Fund, including revenue derived from sales and use tax, transient occupancy (hotel) tax, and parking tax. In addition to these revenues, the City received an additional \$500,000 from Live Nation to cover City costs associated with the event. With City departments affected by the event reporting event-related costs totaling about \$761,000, the event netted the City an estimated \$31,000. This estimate is conservative as it does not account for tax revenue associated with multiplier effects (indirect and induced spending) and does not include taxable sales that likely occurred as part of concert production activities.

4. There are a variety of opportunities to improve the economic and fiscal benefits of future Grand Park events.

The most significant factors generating economic and fiscal benefits from the MIA Festival were the large number of attendees and in-City spending by out-of-town visitors. Consequently, the economic benefit of future events may be enhanced by increasing the number of out-of-town visitors, extending their length of stay, encouraging additional attendee spending, and promoting local businesses. Furthermore, research suggests that scheduling events in coordination with other downtown attractions and happenings can catalyze further spending. In interviews, local businesses unanimously supported further Grand Park programming for reasons that include promotional benefits, direct economic benefits, and the opportunity to support the economic and cultural transformation that is already occurring in Downtown Los Angeles. Finally, the City should consider basing promoter / producer fees or rental charges to estimated direct expenses incurred by the various departments providing necessary public services (e.g. public safety, sanitation, transportation).

Study Caveats

This study has been conducted based upon the best available information identified by EPS researchers. It is important to note, however, that there was limited information concerning the event and its attendees. EPS conducted a brief telephone interview with Live Nation, the event producer, but requests for event-specific data went unfulfilled. Further, little is known about the MIA attendees, since no survey of the concert goers was administered. Accordingly, EPS has relied on secondary sources of information, including other relevant economic studies, industry data, media sources, and interviews.

2. INTRODUCTION

About the Made in America Festival

The MIA Festival is an annual music festival sponsored by Anheuser-Busch and produced by Live Nation. Over the years, it has featured popular headlining entertainers such as Kanye West, John Mayer, Pearl Jam, and Beyoncé. The festival began in 2012 in the City of Philadelphia, where it has been held annually since. In 2014, for the first time, Live Nation held the event simultaneously in Philadelphia and Los Angeles.

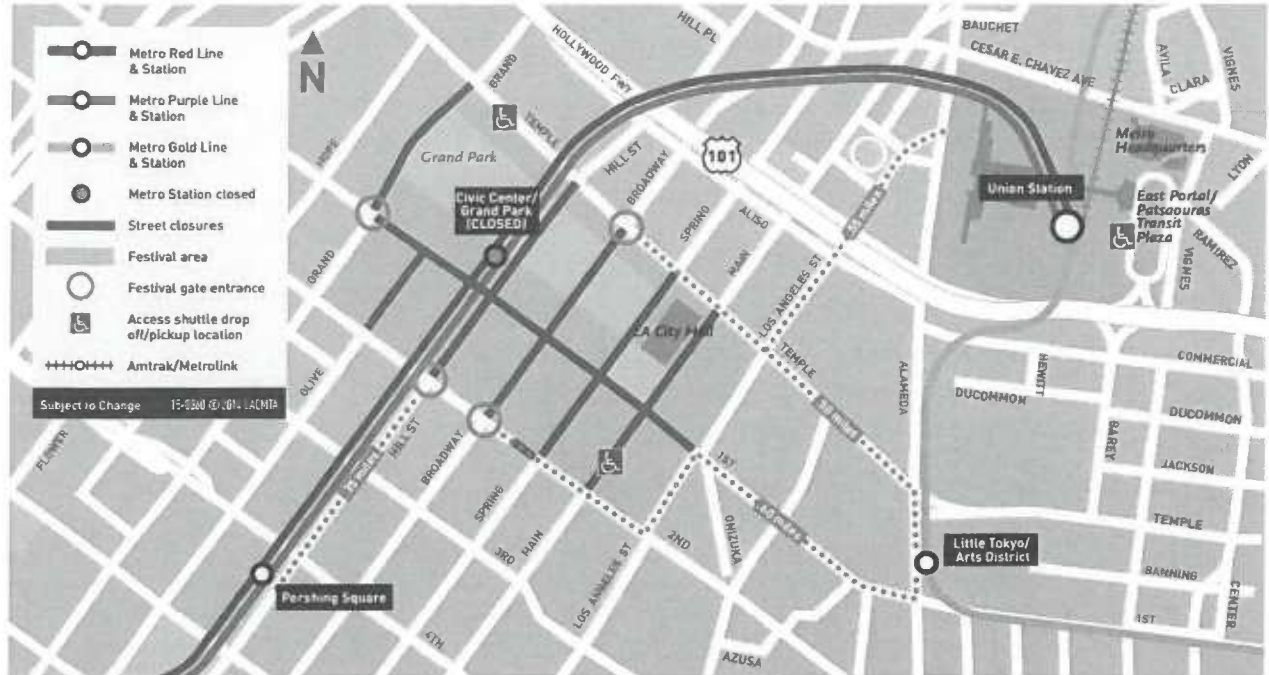


Photo Credit: KPCC

MIA in Grand Park

Live Nation produced MIA Los Angeles in Grand Park on August 30 and 31. Grand Park is located directly in front of City Hall in the Civic Center area of Downtown Los Angeles. The park opened in 2012 as the first phase of the Grand Avenue Project, a multi-phase mixed-use development that will eventually include residential, hotel, retail, and other elements. Since opening, Grand Park has hosted a growing number of public events, including New Year's celebrations, a Fourth of July block party, and a seasonal concert series. MIA was the first ticketed event to be held at Grand Park. As shown in **Figure 4**, the MIA festival area covered about 12 city blocks, with street closures creating a large pedestrian event area. The site is close to a number of Metro stations (although the Civic Center station was closed during the event) as well as to Union Station, the primary railroad terminus for Los Angeles.

Figure 4 Map of Grand Park and Environs



Source: Metro

Downtown LA

After years of planning and construction, a distinctive Downtown Los Angeles has evolved in the area bounded by the 110 Freeway, the Los Angeles River, the 101 Freeway, and Interstate 10. While much of Downtown's recent investment and growth has occurred in the South Park area, where the 27-acre mixed-use LA Live project is located, new development has occurred broadly throughout the greater Downtown. The Civic Center area has historically provided a major concentration of commercial and government office space and the home for several of the City's primary cultural institutions, including Walt Disney Concert Hall, the Museum of Contemporary Art, Dorothy Chandler Pavilion, the Mark Taper Forum, and the Ahmanson Theater. Despite these attractions, the district has remained somewhat unknown as a destination. Since the end of the recession, however, the Civic Center area and adjacent Chinatown, Little Tokyo, and Arts District neighborhoods have seen a raft of new development, including the re-started Grand Avenue project, which was delayed by the recession. This activity, coupled with other potential mega-projects such as Park 101 and the Union Station Master Plan, will continue transformation of the Civic Center area into a diverse and dynamic "24-7" center of commerce and culture.

Structure of the Report

This analysis considers both the economic and fiscal impact of MIA Festival held in Los Angeles over Labor Day weekend 2014. Chapters three through five of this document detail the analysis:

Chapter 3. Economic Impact Analysis – This chapter summarizes findings from local business interviews and presents the results of a quantitative analysis of the economic impact of the Festival from visitor and production spending, including direct, indirect, and induced economic impacts.

Chapter 4. Fiscal Impact Analysis – This chapter considers revenues accrued and costs borne by the City of Los Angeles as a result of the MIA event. Revenues include payments from the event producer and tax revenues generated by visitors to the City for the event. Costs reflect the above-normal event-specific costs reported by City of Los Angeles departments.

Chapter 5. Opportunities to Leverage Impacts – This chapter broadly discusses high-level strategic options, stemming from study findings, to improve the economic impact of future events in Grand Park.

3. *ECONOMIC IMPACT ANALYSIS*

This economic impact analysis includes a general assessment of business effects based on interviews with local stores, restaurants, hotels, and other businesses as well as a quantitative analysis of citywide economic effects based on available data and an "Input/Output" analysis of the effects of the Festival on the City of Los Angeles economy.

Local Business Interviews

MIA generated an estimated 70,000 attendee days at Grand Park over a two-day period.¹ The attendees generated a significant increase in spending at businesses in proximity to Grand Park. EPS conducted interviews with nearby businesses to gain insight into impacts on business operations during the two-day event period. EPS asked four basic questions that were designed to gauge general sentiments regarding the event.

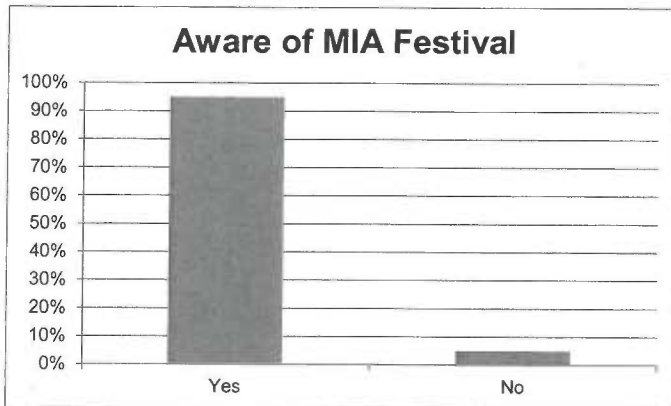
Business Survey Questions and Responses

1. Were you aware the Made in America Festival took place on August 30 and 31?
2. How did business operations differ on August 30 and 31 compared with a typical weekend?
3. Did the Made in America Festival impact your business positively, negatively, or have no impact?
4. Is it a good idea to hold subsequent events of this magnitude in Grand Park?

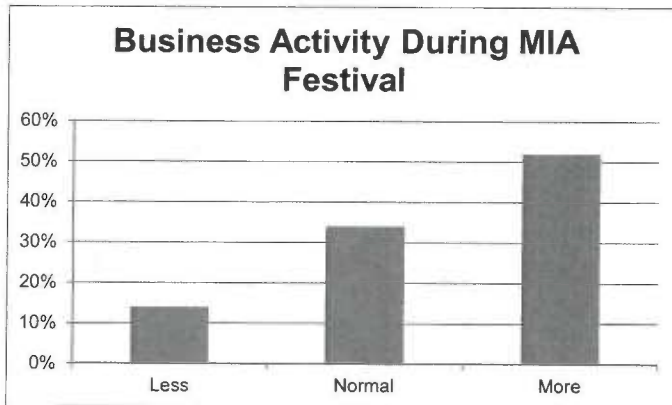
EPS solicited input from 45 diverse businesses located within approximately one mile of Grand Park. Of 45 businesses contacted, 21 respondents completed the phone interview questions (a 47 percent response rate). In some cases, interviewees provided additional commentary and/or data concerning business effects. Interview findings are summarized below.

¹ Live Nation did not contribute data for the analysis. A variety of news media sources reported the 70,000 attendee figure relied upon here (e.g., Los Angeles Times, Made in America festival was boon to downtown L.A., backers say, September 1, 2014).

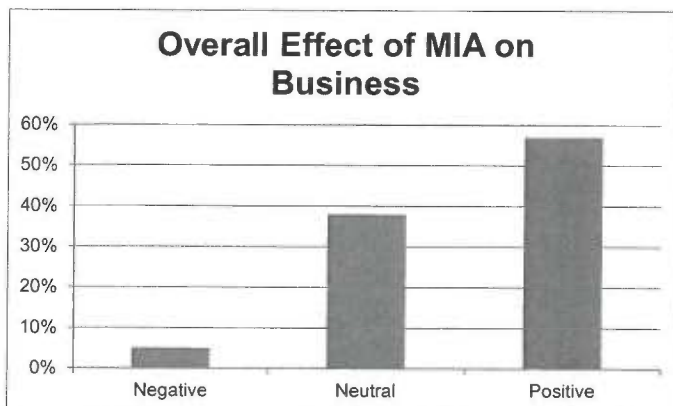
- 95 percent of respondents indicated they were aware the MIA Festival was taking place.



- The vast majority of respondents (86 percent) reported normal or increased business activity on the two days of the event, while only 14 percent reported less business activity than normal. For businesses that reported less activity, street closures (access) was commonly cited as a problem.



- 95 percent of respondents indicated that the MIA Festival had a neutral or positive business impact. While some respondents indicated lower business activity during the event, all respondents recognized the positive marketing benefits for the Grand Park and Civic Center area.



- **100 percent of respondents indicated that holding subsequent events of this magnitude in Grand Park is a good idea.**

Additional Respondent Commentary

One limited-service restaurant (no waiter service) located within a quarter of a mile of Grand Park at the intersection of Main Street and 2nd Street reported a 40 percent increase in revenue during the days of the event. However, a full-service restaurant located adjacent to the aforementioned restaurant closed after it determined the MIA demographic would not opt for table-service dining. This business would welcome future events that cater to a more affluent demographic. In a similar vein, fine dining respondents within a quarter mile of Grand Park that remained open during MIA observed a significant increase in foot traffic but reported no additional revenue. Likewise, these establishments would welcome additional events that attract attendees with different or broader demographic characteristics.

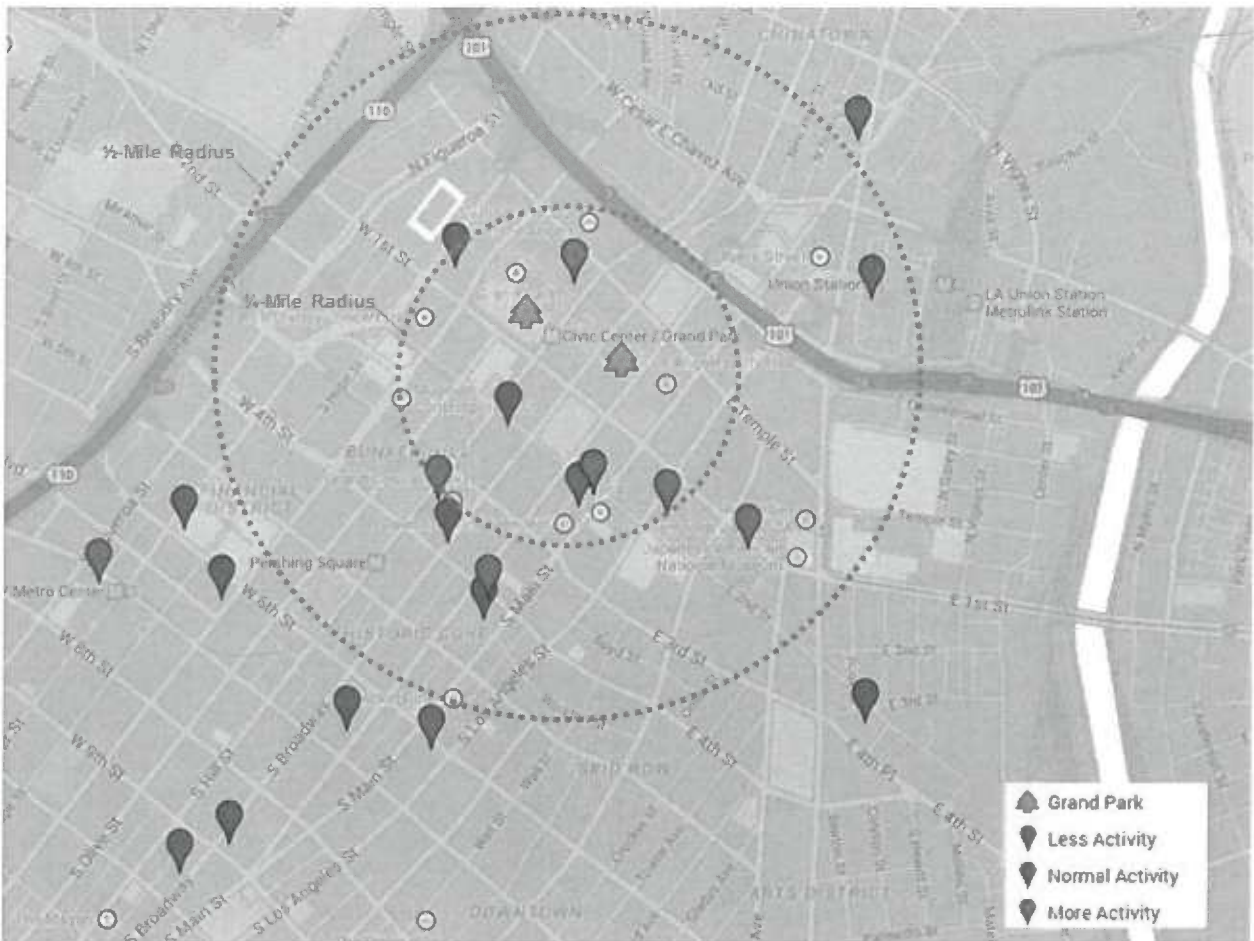
Hotels in the immediate area reported high occupancy rates and commanded above-average daily rates for the days of the event. One mid-range hotel in particular sold out its rooms on August 29th, 30 and 31 and experienced a 40 percent increase in food and beverage revenue compared to the same weekend in 2013.

A limited-service (no waiter service) restaurant located within one half mile of the event reported a 20 percent increase in revenue during MIA. This restaurant is located in Grand Central Market and is collocated with complementary businesses. However, another bar/restaurant within the same radius, but not located within a hub of other similar businesses, experienced only normal levels of operation. This disparity in business performance may be attributed to the geographical location of each business.

Geography of Business Impacts

Most businesses beyond one half mile of the Festival area reported no significant change in revenue compared to other typical weekends. In general, these respondents believe road closures may have had a negative effect on businesses. Nonetheless, these respondents welcome events of a similar magnitude to Grand Park. Hotels located outside the half-mile radius reported no significant change in response to the event. In the future, Grand Park events might be able to reconfigure or reduce road closures to reduce the impacts on local businesses. In addition, events on different days or at different times of day may have different effects on local businesses. Opportunities for future events are discussed in greater detail in **Chapter 5**. **Figure 5** illustrates the location of business respondents. Each location marker is color-coded to represent the respondent's business activity on the days of the event.

Figure 5 Map of Respondents and Their Business Activity during MIA



Source: EPS

Input-Output Analysis

To provide quantitative estimates of the total economic impact of the MIA Festival, this economic analysis relies on IMPLAN (Impact Analysis for Planning) software, an Input/Output (I/O) model that draws upon data collected by the Minnesota IMPLAN Group from several state and federal sources, including the Bureau of Economic Analysis, Bureau of Labor Statistics, and the Census Bureau. IMPLAN is a broadly-accepted, standard package for performing I/O analysis. This analysis is specific to the impact of the Made in America Festival on the City of Los Angeles.

Input/Output Model Framework

Industries in a geographic region are interdependent, and therefore an initial direct economic change (e.g., an increase in sales) stimulates economic effects in various other sectors and generates a larger total economic effect. That is, the initial economic activity creates a multiplier effect that generates successive rounds of spending in other economic sectors within the economy. For example, consider the implications of a Downtown Los Angeles visitor purchase at a local restaurant. The restaurant purchases foods from food producers, who in turn purchase raw materials from their suppliers. Thus an increase in the demand at restaurants will stimulate

an increase in output and employment in the “upstream” interdependent secondary foodservice industries.

Regional economic impact analysis and I/O models in particular provide a means to quantify the economic effects stemming from a particular industry or economic activity. Specifically, I/O models produce quantitative estimates of the magnitude of regional economic activity resulting from some initial activity. I/O models rely on economic multipliers that mathematically represent the relationship between the initial change in one sector of the economy and the effect of that change on employment, income, economic output, and value added in other regional industries. These economic data provide a quantitative estimate of the magnitude of shifts in jobs and revenues within a regional economy.

Economic impact analysis begins with estimates of the direct effect of an economic activity (e.g., an initial change in spending). An I/O model then may be used to quantify the multiplier effects that result from the initial change. The multiplier effects are categorized as indirect or induced effects. Indirect effects represent economic impacts on supplier businesses while induced effects represent economic impacts resulting from household income and spending. In this report, direct, indirect, and induced effects are defined as follows:

- The **Direct Effect** is a measure of the economic value of the initial injection of spending into the economy. In this study, visitor spending and event production spending are the direct effects of MIA.
- The **Indirect Effect** is a measure of the economic value of upstream industry-to-industry transactions that supply inputs to the production of goods and services consumed by MIA production and visitors.
- The **Induced Effect** is a measure of the economic value of labor income that recirculates in the economy as a result of the initial expenditures attributable to MIA.
- The **Total Impact** is the sum of the direct, indirect, and induced effects. The total impact measures the overall impact of MIA on the City of Los Angeles economy.

This report measures economic significance using common economic metrics, including employment, employee compensation, job-year equivalents, output, and value added, as defined below.

- **Employment** is equivalent to jobs, a headcount that includes part-time and full-time workers.
- **Employee Compensation** represents payments to labor in the form of both income and fringe benefits paid by the employer (e.g., health, retirement).
- **Job-Year Equivalents** standardize employment level increases resulting from increased output activity (e.g., 16 hours of work represents 0.008 Job-Year Equivalents for a 2,000-hour per year position).

- **Value Added** represents the contribution to gross regional product and equals the market value of the final goods and services produced within a particular region. Value added is equal to economic output, as defined below, less the value of intermediate goods and services.
- **Economic Output** represents a measure of economic activity, calculated as production value including intermediate inputs (i.e., the goods and services used in the production of final products). Output includes spending on employee compensation as well as the production value of intermediate inputs.

Relevant Literature and Professional Studies

EPS reviewed a number of existing studies concerning the economic impact of concerts and events. These studies generally confirmed use of the Input/Output approach and in some cases provided data for the MIA analysis. Specifically EPS considered the following:

- *Beyond Rock and Roll: The Economic Impact of the Grateful Dead on a Local Economy* by Ricardo C. Gazel and R. Keith Schwer (1997)
- *Analysis of Economic Benefit to the City of Austin from South By Southwest* by Greyhill Advisors (2014)
- *Economic Impact Study and Audience Research for the 31 Annual Artscape* by Foreward Analytics (2012)
- *Maine Performing Arts Festivals Economic Impact Study* by Maine Arts Commission (2011)
- *The Transformation of the LA County Museum of Art Economic Impact Analysis* by the Economic and Policy Analysis Group, Los Angeles County Economic Development Corporation (2014)
- *The Downtown Los Angeles Renaissance Economic and Revenue Impacts / Visitor Impacts* by the Los Angeles County Economic Development Corporation and Lauren Schlau Consulting (2006)
- *Visitor Profile of the Black Entertainment Television (BET) Experience/Fan Festival* by Lauren Schlau Consulting (2013)

Overall, these studies demonstrate that the number and origin of event visitors, visitor spending patterns, length of stay, and operational expenditures related to event production are the largest determinants of economic impact for a given event.

Of particular importance, the BET Experience/Fan Festival study (Los Angeles Tourism and Convention Board 2013) was found to offer the most comparable research for application to the MIA festival. The BET Experience was held at the Staples Center/L. A. LIVE entertainment complex in downtown Los Angeles from Friday, June 28, 2013, through Sunday, June 30, 2013, with the Fan Fest (consisting of food, music and product exhibits) held Friday and Saturday. Researchers conducted on-site surveys of BET event attendees to identify their origin, spending

patterns, and demographics.² The EPS analysis of MIA relies heavily on the findings from the BET event, since no survey of attendees was conducted during the MIA event.

Economic Impact Estimates

This section evaluates the economic impact of MIA within the City of Los Angeles. The analysis is based on data collected by EPS from various sources, including the City of Los Angeles, The Los Angeles Tourism and Convention Board, and data from IMPLAN. **Figure 6** provides a summary of economic impacts attributable to MIA. The following section provides detail concerning the impact estimates.

Figure 6 Economic Impact of MIA on the City of Los Angeles

Economic Impact	Direct Effect	Indirect & Induced Effect	Total Effect
Visitor Spending			
Job-Year Equivalents	61	18	79
Value Added	\$3,351,000	\$1,624,000	\$4,975,000
Economic Output	\$5,204,000	\$2,629,000	\$7,832,000
Event Production Spending			
Job-Year Equivalents	49	22	71
Value Added	\$2,398,000	\$1,782,000	\$4,180,000
Economic Output	\$4,079,000	\$2,830,000	\$6,910,000
Total			
Job-Year Equivalents	110	39	150
Value Added	\$5,749,000	\$3,406,000	\$9,154,000
Economic Output	\$9,283,000	\$5,459,000	\$14,742,000

² EPS posited that the age and income brackets identified in the BET event were representative of a likely visitor to the Made in America Festival.

Visitor Spending Impact (Excluding Ticket Purchases)

Non-local visitor spending in the local economy generates economic impacts, with non-local visitors bringing “new spending” into the local area that would not occur “but for” MIA. MIA concert-goers purchase goods and services from within the local economy, which in turn creates a multiplier effect as local businesses that supply inputs to production undertake successive rounds of spending. This analysis evaluates direct and secondary economic impacts based on common metrics such as employment, employee compensation, value added (i.e., gross regional product), and economic output. The estimates exclude ticket purchases since these are captured by event production costs, as evaluated separately below. The section below details the methodological approach employed by this study.

Visitation Estimates

EPS reviewed news media reports to determine an estimated 70,000 attendee days over the course of the two-day event.³ However, not all of these attendees generate new spending in the City economy. The economic impact of MIA on the City of Los Angeles is determined by nonresident visitors. As is typical in economic analysis of recreation and leisure activities, this analysis assumes that residents would continue to spend on recreation-related goods and services in the local economy, even in the absence of MIA. It is the non-local concert-goers who bring new money to the economy that create an economic impact attributable to the event. Note that this is a conservative assumption since some local residents may have sought entertainment or leisure related activities outside of the City but for the concert.

This analysis relies on data collected at the 2013 BET Experience/Fan Festival event from the LA Tourism and Convention Board in combination with US Census data to determine the proportion of attendees who likely came from outside the City, shown in **Figure 7**.

Figure 7 Non-Local Visitation Estimate

Attendee Type	Attendee Days	Distribution by Type
City of Los Angeles Residents	15,683	22%
Visitors	54,317	78%
Total	70,000	100%

Sources: LA Tourism & Convention Board; US Census Bureau; and EPS

³ Live Nation did not contribute data for the analysis. A variety of news media sources reported the 70,000 attendee figure relied upon here.

Visitor Spending Estimates (Excluding Ticket Purchases)

Available visitor survey data from a similar event provide the basis for visitor spending estimates in this analysis. Specifically, the analysis relies on spending patterns exhibited by visitors to the recently-held BET Experience/Festival in Downtown Los Angeles in 2013.⁴ Based on these data, visitors to MIA were likely to have spent on lodging, food and beverages, retail shopping, transportation, entertainment, and other goods and services in the City of Los Angeles in proportions indicated by the chart at right.

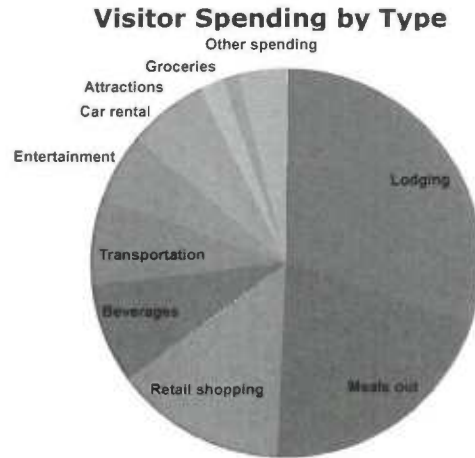


Figure 8 on the following page details the visitor spending estimates. Spending data are adjusted for inflation and presented in 2014 dollars. These data are coded to IMPLAN industry categories for the Input/Output analysis.

⁴ Data from the *Visitor Profile of the Black Entertainment Television (BET) Experience/Fan Festival* prepared for the Los Angeles Tourism and Convention Board (2013).

Figure 8 Per-Person Per-Day Visitor Spending Estimates

Spending Category	Hotel Guests	VFR ¹	Day Visits	Weighted Average ²
Lodging	\$82.40	\$0.00	\$0.00	\$33.50
Meals/snacks out	\$25.90	\$11.30	\$33.60	\$23.00
Retail shopping	\$21.30	\$5.50	\$20.70	\$15.90
Beverages	\$10.40	\$4.70	\$13.40	\$9.30
Area transportation	\$8.60	\$3.80	\$12.60	\$8.00
Entertainment fees	\$7.50	\$3.50	\$8.40	\$6.40
Car rental	\$7.50	\$2.20	\$1.90	\$4.30
Attractions/theme parks	\$3.90	\$2.20	\$3.10	\$3.10
Groceries	\$1.30	\$2.00	\$4.00	\$2.20
Spa/health club/personal services	\$1.80	\$1.10	\$1.40	\$1.50
Other spending	\$6.10	\$2.60	\$4.30	\$4.50
Total	\$176.60	\$38.80	\$103.50	\$111.50

Notes: Data derived from spending patterns identified via intercept surveys during a similar event held in Downtown Los Angeles in 2013. All figures have been adjusted to 2014 dollars. Totals may not sum due to rounding.

(1) This category reflects visitors staying with friends and relatives (VFR).

(2) The weighted average reflects per-day spending of hotel (41%), VFR (33%), and day visitors (26%).

Sources: LA Tourism & Convention Board; IMPLAN; and EPS

Retail Margining and Economic Output

Because fuel and most retail goods are not produced within the local economy, the estimated economic output (production value) associated with visitor purchases is somewhat lower than gross sales value. For example, because most of the goods purchased at retail and restaurant establishments will be brought in from outside the City (e.g., agricultural products, clothing), the production value associated with these purchases is leaked to areas outside the study area. This analysis measures the local output associated with fuel and retail shopping purchases based on estimates of the retail margin (i.e., markup value achieved by the local sales entity). Accounting for local production (i.e., excluding pass-through value attributable to goods made elsewhere), this analysis estimates that direct economic output from non-local MIA visitor spending was about \$5.2 million, as shown in **Figure 9**.

Figure 9 Direct Economic Effect of Visitor Spending

Industry Description	Spending in City of LA	Output ¹	Jobs	Value Added
Hotels and motels, including casino hotels	\$1,817,460	\$1,817,459	14.2	\$1,223,799
Automotive equipment rental and leasing	\$232,003	\$232,003	1.1	\$139,035
Retail Stores - Gasoline stations	\$60,628	\$6,730	0.1	\$5,452
Real estate establishments	\$279,032	\$279,032	1.5	\$230,130
Transit and ground passenger transportation	\$218,403	\$218,403	4.0	\$134,413
Food services and drinking places	\$1,752,872	\$1,752,872	27.2	\$1,000,329
Retail Stores - General merchandise	\$1,103,089	\$304,453	4.7	\$230,132
Other amusement and recreation industries	\$345,527	\$345,527	6.0	\$221,260
Amusement parks, arcades, and gambling	\$168,332	\$168,332	1.6	\$118,264
Other personal services	\$78,986	\$78,986	0.6	\$48,032
Total	\$6,056,332	\$5,203,797	61.1	\$3,350,846

(1) Retail sales output adjusted to reflect the industry's true contribution to output (i.e., retail margins of 11% for gasoline sales and 28% for general merchandise).

Sources: IMPLAN and EPS

Event Production Spending Impacts

EPS estimates that Live Nation spent roughly \$4.1 million in direct costs within the City of Los Angeles towards production of MIA. This includes event production (facility preparations, sound and lighting, staffing, etc.) but excludes the cost of goods and services associated with food, beverage, and merchandise sales, since the economic impact of these sales is captured in the visitor analysis above. **Figure 10** presents the estimate of production spending. The estimated direct spending of approximately \$4.1 million in the City of Los Angeles supports approximately 49 job-year equivalent jobs locally.

Figure 10 MIA Event Production Spending Estimate⁵

Unique Attendees Per Day	35,000
Festival 2-Day Ticket Price	\$185
Ticket Revenue ¹	\$6,475,000
Production Cost/Revenue Ratio ²	90%
Estimate of Event Production Cost	\$5,827,500
Spending "Leakage" from City ³	<u>30%</u>
Spending in City of LA	\$4,079,250

(1) Food, beverage, and merchandise sales are accounted for in visitor spending estimates.

(2) Proprietor's income assumption of 10% derived from IMPLAN data.

(3) Leakage reflects local/non-local purchase probabilities from IMPLAN.

Sources: IMPLAN and EPS

Total Economic Impact of MIA

Using the estimates of non-local visitor spending and event production spending in City of Los Angeles and the associated direct economic output, this analysis estimates employment, employee compensation, and economic output, including direct effects and multiplier effects (i.e., indirect and induced effects). **Figure 11** presents these economic impact estimates. The jobs figure includes part-time and full-time positions, value added is comparable to gross regional product, and output measures the local production sales value. The analysis finds that MIA supported about 150 jobs and more than \$14.7 million in economic impact in the local counties.

⁵ This analysis assumes full price admission for all attendees. While some tickets may have been complimentary or discounted, they would constitute only a marginal impact to the event production spending total. Complete attendance data was not made available from the producer of the event.

Figure 11 Detailed Summary of Economic Impact Estimates

IMPLAN-Defined Industry	Economic Output	Job-Year Equivalents	Value Added
<u>Direct Economic Impacts</u>			
Hotels and motels, including casino hotels	\$1,817,459	14.2	\$1,223,799
Automotive equipment rental and leasing	\$232,003	1.1	\$139,035
Retail Stores - Gasoline stations	\$6,730	0.1	\$5,452
Real estate establishments	\$279,032	1.5	\$230,130
Transit and ground passenger transportation	\$218,403	4.0	\$134,413
Food services and drinking places	\$1,752,872	27.2	\$1,000,329
Retail Stores - General merchandise	\$304,453	4.7	\$230,132
Other amusement and recreation industries	\$345,527	6.0	\$221,260
Amusement parks, arcades, and gambling	\$168,332	1.6	\$118,264
Other personal services	\$78,986	0.6	\$48,032
Promoters of performing arts and sports	\$4,079,250	49.4	\$2,397,844
Total	\$9,283,047	110.4	\$5,748,690
<u>Total Economic Impacts</u>			
Hotels and motels, including casino hotels	\$2,658,705	20.0	\$1,741,124
Automotive equipment rental and leasing	\$363,007	2.0	\$222,437
Retail Stores - Gasoline stations	\$10,457	0.1	\$7,876
Real estate establishments	\$338,383	2.0	\$268,941
Transit and ground passenger transportation	\$353,010	4.9	\$219,904
Food services and drinking places	\$2,737,527	33.4	\$1,593,646
Retail Stores - General merchandise	\$458,529	5.8	\$330,786
Other amusement and recreation industries	\$534,673	7.4	\$340,369
Amusement parks, arcades, and gambling	\$248,657	2.2	\$168,716
Other personal services	\$129,539	1.0	\$80,982
Promoters of performing arts and sports	\$6,909,655	71.1	\$4,179,701
Total	\$14,742,142	149.8	\$9,154,482

4. FISCAL IMPACT ANALYSIS

This fiscal analysis considers the effect of the MIA festival on the City of Los Angeles General Fund. Specifically, the analysis considers revenues and costs attributable to the event to determine whether the festival had a net-positive or net-negative revenue effect for the City. Revenues considered include the amount paid to the City by the event producer (\$500,000) and tax revenues generated by non-local visitors. Costs considered include all expenses identified by affected City of Los Angeles departments.

The analysis calculates tax revenue based on visitor spending estimates. The analysis estimates visitor spending on overnight accommodations, parking, and taxable retail purchases. Tax revenue reflects current tax rates:

- The transient occupancy tax (TOT) rate (i.e., the tax on overnight accommodations) is 14 percent. Of this rate, 1 percent is redirected to the Los Angeles Convention and Visitors Board per contract for services and the remaining 13 percent is allocated to the General Fund.⁶
- The parking tax rate is 10 percent.
- The local portion of sales and use tax is one percent.

Figure 12 presents estimates of TOT, parking tax, and sales tax revenue that accrued to the City of Los Angeles as a result of the MIA festival. In total, this study estimates tax revenue attributable to MIA of almost \$292,000. This estimate is conservative as it does not account for tax revenue associated with multiplier effects (indirect and induced spending) and does not include taxable sales that likely occurred as part of concert production activities.

⁶ See Chapter 15 §5.315 of the City Administrative Code for further information.

Figure 12 Summary of MIA Festival Effect on the City of Los Angeles General Fund Revenues

Tax Type	Spending	Local Tax Rate	Tax Revenue
Hotel ¹	\$1,817,460	13%	\$236,270
Parking	\$279,032	10%	\$27,903
Food & Beverage	\$1,752,872	1%	\$17,529
Retail (excluding grocery)	\$983,318	1%	\$9,833
Total	\$4,832,681		\$291,535

(1) The adopted Hotel Tax Rate is 14%; however, only 13% is allocated to the General Fund.

Sources: LA Tourism & Convention Board; City of Los Angeles; and EPS

EPS worked with the City of Los Angeles to identify and contact City departments affected by the MIA event. EPS successfully collected from each department estimates of the extraordinary costs borne by the City. Based on these City data, this study finds that City of Los Angeles incurred nearly \$761,000 in costs attributable to MIA. The cost estimates reflect overtime labor, goods, and services covered by the City. **Figure 13** itemizes City costs by department. City departments provided detailed data concerning their costs to the City of Los Angeles Office of Economic Analysis (OEA). OEA reviewed cost estimates independently.

Figure 13 City of LA Departmental Expenditures Attributable to MIA

City Department	Gross Expenditure
Police	\$479,189
Fire	\$67,738
Sanitation ¹	\$16,958
Transportation	\$122,298
General Services	\$25,991
Building & Safety	\$137
Bureau of Street Services	\$15,644
Recreation & Parks	\$32,743
Total	\$760,698

(1) The Sanitation Department reports that Live Nation reimbursed the Department for costs attributable to MIA.
Sources: City of Los Angeles Department Representatives

In all, MIA generated an estimated \$792,000 in gross fiscal benefit for the City, a figure which combines the \$500,000 paid by Live Nation to cover MIA costs and \$292,000 in estimated tax revenues. After deducting about \$761,000 in department costs borne by the City, the analysis finds that MIA generated a net fiscal effect of approximately \$31,000, as shown in **Figure 14**.

Figure 14 Summary of Net Fiscal Impact

City Revenue	
Event Contract with Promoter	\$500,000
<u>City General Fund Tax Revenue</u>	<u>\$292,000</u>
Total Revenue	\$792,000
City Cost	
Total of Department Costs	\$761,000
Net Fiscal Impact	\$31,000

5. IMPLICATIONS AND RECOMMENDATIONS

While this analysis suggests that the MIA Festival provided economic and fiscal benefits to the City of Los Angeles, there may be opportunities to further improve these impacts for future events. Specifically, the study findings and a sensitivity analysis (presented below) suggest a number of strategies that may be employed to maximize economic and fiscal benefits, including:

- **Maximize attendance by visitors from outside the City** – The City can work with event producers to encourage additional marketing outside of the City to increase attendance by non-local visitors. Visitors from outside of the City are a source of new spending that supports new economic activity. In addition, hotel guests generate greater fiscal benefits by supporting increased retail sales tax spending, increased parking tax revenues, and additional Transit Occupancy Tax.
- **Increase length of stay for typical visitors** – Transit Occupancy Tax is a large contributor to fiscal impacts by City visitors. Multi-day events such as MIA are a driver of overnight stays. Other strategies to encourage longer stays include pre-event promotional events, marketing efforts related to nearby attractions, and collaborative efforts between the event producer/promoter and other local entities that produce events.
- **Provide more opportunities for visitors to spend** – Other long-running successful festivals such as Coachella are notable for providing a wide range of ancillary venues that accompany the main stages. Additional on-site event-specific venues at Grand Park can encourage attendees to arrive earlier, stay later, and spend more.
- **Promote local businesses and suppliers** – By promoting local businesses within the event, the resulting economic and fiscal benefits also will be captured locally. The City could work with event producers to develop a sponsorship package that allocates some space for the promotion of local businesses, inclusive of national-level businesses with establishments in Los Angeles. In addition, the City could work with event producers to organize and/or increase the number of concessionaires and suppliers that are based in the City of Los Angeles. Finally, the City could encourage subsequent events to include event merchandise that is produced and sold by an entity based within the City.
- **Base Event Promoter Fees on Actual (or expected) City Costs:** For future events, the City may want to consider charging rental or contract fees to promoters / producers of events held on City property that approximate the actual costs incurred by City departments for providing necessary services (e.g. public safety, sanitation, facility maintenance). This analysis suggests that the MIA event generated a net surplus to the City's General Fund only after accounting for sales, hotel, and parking taxes or fees paid by visitors. However, the actual rental or contract fees paid by the event promoter fell short of the City's direct costs for providing necessary public services, maintenance, clean-up and the like. While the departmental costs estimates provided in this analysis can serve as proxy for future event costs, the unique elements of any particular event or venue should also be considered (e.g. expected attendance, location, duration, time of day, and other factors).

• **Conduct Intercept Surveys to Improve Accuracy of Fiscal and Economic Estimates.**

The City may wish to implement a survey research program to better gauge the success of Downtown events, collecting improved data concerning visitor origins, spending patterns, and the attendee demographics associated with various events held at Grand Park and Downtown. An attendee survey of this nature would cost roughly \$10,000 to \$20,000, and could be as low as \$5,000 per event if an ongoing survey research program is developed. This study relies on existing research concerning a comparable event which is believed to provide reasonable basis for the estimation of economic and fiscal impacts. However, primary research (survey data collection) specific to unique events will help the City to better assess the types of events which have the most significant economic benefit relative to cost and disruption Downtown.

Projecting the Impact of Future Events

In an effort to consider the potential economic impact of Grand Park events in the future, EPS conducted sensitivity analysis (i.e., a review of the relationships between input and output variables in the model). This review examines how impacts change, as compared with the findings of this study, under differing event assumptions (e.g., larger or smaller events). Specifically, the sensitivity analysis considers marginal changes in attendance and the attendee profile, while assuming that event production costs remain unchanged. **Figure 15** presents the scenarios considered and sensitivity outputs.

Figure 15 Findings from Economic Impact Sensitivity Analysis

Scenario	Jobs		Output	
	Change	% Change	Change	% Change
+20% Attendance	16	10.5%	\$1,566,497	10.6%
-20% Attendance	-16	-10.5%	-\$1,566,497	-10.6%
+10% Visitor Spending	8	5.3%	\$783,249	5.3%
-10% Visitor Spending	-8	-5.3%	-\$783,249	-5.3%
Day Visits Only (versus 26 percent of visitors)	2	1.3%	-\$946,223	-6.4%
90% Non-Local Attendees (versus 78 percent of visitors)	13	8.4%	\$1,252,003	8.5%

A notable finding from the sensitivity analysis is the importance of overnight stays. As shown above, had non-local attendees to MIA been entirely day visitors, the economic impact on City output would have been roughly six percent less. While the per-day visitor spending of day versus overnight visits is similar, the day visits generate more retail spending and less spending on lodging. The retail purchases support a similar number of jobs to spending on lodging, but

lodging produces a significantly greater amount to economic output in the local economy (retail purchases result in spending leakages to locations where products are manufactured). In addition, while not quantified here, the overnight visitors spending on lodging generates transient occupancy tax for the City of Los Angeles (see **Chapter 4 Fiscal Impact Analysis**).