
MEMORANDUM

DATE: May 31, 2018

TO: The City of Austin

FROM: Brailsford & Dunlavy

RE: Economic and Fiscal Impact Analysis of Proposed Multi-Purpose MLS Stadium Project

CREDENTIALS

Founded in 1993, Brailsford & Dunlavy is a program management and development advisory firm with comprehensive in-house planning capabilities, dedicated to serving municipal governments, professional sports teams, educational institutions, and non-profit clients. B&D Venues is a specialized practice group within Brailsford & Dunlavy that focuses exclusively on the planning and development of sports facilities. The group is comprised of some of the industry's most experienced planners and project managers and has completed more than 200 projects. B&D Venues' planning engagements include MLS, MLB, NFL, NBA, and NHL facilities, which has led to over \$6 billion in completed construction value.

PURPOSE

The purpose of this analysis is to quantify the one-time and recurring economic and fiscal impacts generated by the construction and annual operations of a new multi-purpose Major League Soccer ("MLS") Stadium Project ("the project") and MLS franchise (the "franchise") will have on the City of Austin ("City") and Travis County ("County"). The analysis is developed on the basis of general information provided by PSV regarding the scope and scale of the project.

SUMMARY OF FINDINGS

Development of the project will generate meaningful one-time and recurring economic and fiscal impacts. During the construction period, the project will support \$54.2 million in economic activity, \$49 million in wages, and 934 full-time equivalent jobs within the City. Within the County, the construction period will support \$88.4 million in economic activity, \$74.4 million in wages, and 1,528 full-time equivalent jobs. All impacts to the County are inclusive of those that accrue to the City throughout this analysis.

On a recurring basis, franchise and stadium operations will support \$25.6 million in economic activity, \$22.1 million in wages, and 342 full-time equivalent jobs within the City. Within the County, operations will support \$31.6 million in economic activity, \$30.7 million in wages, and 507 full-time equivalent jobs. The 20-year net present valuation of these figures are also quantified in Figure 1.

Construction Period Impacts	City of Austin	Travis County
Output:	\$ 54,162,640	\$ 88,373,000
Wages:	\$ 48,970,320	\$ 74,386,560
Jobs (FTE):	934	1,528
Recurring Impacts	City of Austin	Travis County
Output:	\$ 25,632,302	\$ 31,626,860
Wages:	\$ 22,118,425	\$ 30,727,675
Jobs (FTE):	342	507
20-Year NPV of Recurring Impacts at 4.5%	City of Austin	Travis County
Output:	\$ 384,368,980	\$ 474,260,322
Wages:	\$ 331,676,661	\$ 460,776,604

FIGURE 1: Economic Impact Summary Table – Construction Period, Recurring Impacts, and 20-Year Net Present Valuation of Recurring Impacts

The project will also generate meaningful public tax revenues. The City of Austin benefits from \$349,000 in sales and use tax in year one of operation and the Capital Metro Transit Authority (“CMTA”) is a recipient of the same total. The City also will also receive an estimated \$322,000 from the hotel occupancy tax and \$58,000 from the mixed beverage tax. The project will generate fiscal benefits of \$11.4 million to the City and \$5.4 million to the CMTA when measured on a 20-year net present value basis at a 4.5% discount rate.

QUALIFICATIONS

The findings of this study constitute the professional opinions of B&D personnel based on the assumptions and conditions detailed throughout. Impacts outlined herein are quantified based on B&D’s professional expertise and discussions with PSV representatives to confirm the adequacy of estimates utilized herein. B&D analysts have conducted research using both primary and secondary sources which are deemed reliable, but whose accuracy B&D cannot guarantee. Due to variations in the national and global economic conditions, actual impacts realized may vary from projections, and these variances may be material.

ECONOMIC IMPACT METHODOLOGY

Impacts generated by the project are measured in terms of economic output, wages, and FTE employment, which are further divided into direct and indirect impacts. The direct impacts represent the economic activity created by construction of the project and recurring operations. The indirect impacts represent the value of additional economic demands that the franchise and stadium place on supplying industries and households in the city and county economies to support the initial change. The sum of the direct and indirect impacts includes all transactions attributable to the project and, as such, represents the total economic impact. A relationship between direct and indirect impacts is shown in Figure 2 below.

Direct impacts include franchise and stadium expenditures, cost of sales items, and off-site spending by patrons and visiting teams at hotels, retail stores, restaurants, and on transportation items. For example, a direct impact would include the purchase of food supplies for operating stadium concessions. The fee paid to the distributor is the direct impact. Some purchases may be provided by out-of-market companies and some jobs may be filled by out-of-market residents. Consequently, direct impacts are discounted to

account for non-local purchases, referred to herein as “leakage”, on a case-by-case basis. For instance, direct purchases of merchandise sold at events are far more likely to be provided by non-local merchants than purchases of food supplies, which can be directly procured by a local food distributor.

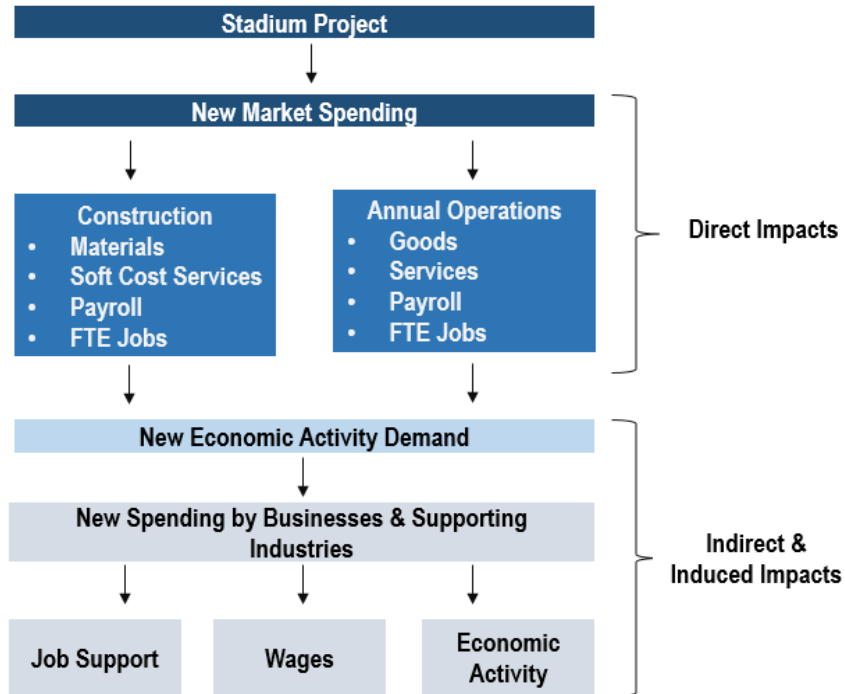


FIGURE 2: Economic Impact Flow Chart

B&D calculates impacts only on the basis of net new direct spending. Franchise revenues, such as ticket sales and spending on food and beverage, are **not** considered direct impacts. This spending is expressed in the form of operational purchases and remaining profit margins are generally reinvested elsewhere. Furthermore, B&D assumes that all patron expenditures (or those that reside within the City or County) from in-market patrons represents entirely displacement of existing spending patterns and is not considered net new direct spending as a result. B&D acknowledges a portion of this spending may not be entirely displacement spending, but in the absence of a patron survey, which is required to ascertain this estimate, has assumed it is entirely displacement spending for lack of more information. Although this approach yields somewhat conservative projections, it is more reliable in terms of estimating net new spending to a market.

RIMS II - Type II multipliers used in the analysis are specific to the City and County. Multipliers are classified as final demand and direct-effect multipliers. Final demand multipliers reflect the increase in demand for a particular product in a market (e.g., food and beverage product manufacturing). Direct-effect multipliers are considered a “jobs-to-jobs” multiplier, which relies on estimates of changes in initial jobs and associated wages in a final demand industry. The multipliers utilized to calculate indirect and induced impacts on the basis of direct expenditures are shown in Figure 3 below.

City of Austin, TX	Multiplier				
	Final Demand			Direct Effect	
	Output	Earnings	Employment	Earnings	Employment
Utilities	1.32	0.22	2.76	1.41	1.89
Construction	1.38	0.33	5.83	1.29	1.44
Food and beverage and tobacco product manufacturing	1.50	0.22	5.49	1.84	1.98
Apparel and leather product manufacturing	1.42	0.27	8.82	1.52	1.30
Retail Sales	1.36	0.27	8.91	1.41	1.27
Other Transportation Services	1.32	0.40	9.20	1.21	1.23
Publishing industries, except internet (includes software)	1.39	0.27	4.32	1.48	1.81
Insurance carriers and related activities	1.37	0.28	4.97	1.38	1.55
Professional, scientific, and technical services	1.37	0.42	6.85	1.25	1.43
Management of companies and enterprises	1.47	0.53	7.58	1.25	1.48
Administrative and support services	1.37	0.43	12.79	1.23	1.19
Performing arts, spectator sports, museums, and related activities	1.37	0.31	10.78	1.37	1.26
Amusements, gambling, and recreation industries	1.42	0.32	13.16	1.37	1.20
Accommodation	1.31	0.27	7.89	1.33	1.26
Food services and drinking places	1.35	0.30	12.15	1.33	1.17

Travis County, TX	Multiplier				
	Final Demand			Direct Effect	
	Output	Earnings	Employment	Earnings	Employment
Utilities	1.51	0.21	3.43	1.41	1.89
Construction	1.65	0.39	7.56	1.59	1.90
Food and beverage and tobacco product manufacturing	1.43	0.21	4.80	1.84	1.79
Apparel and leather product manufacturing	1.64	0.42	13.98	1.56	1.35
Retail Sales	1.73	0.41	13.18	1.65	1.44
Other Transportation Services	1.68	0.43	10.20	1.58	1.63
Publishing industries, except internet (includes software)	1.62	0.31	5.54	1.84	2.48
Insurance carriers and related activities	1.87	0.37	7.13	2.02	2.44
Professional, scientific, and technical services	1.90	0.57	10.36	1.61	2.06
Management of companies and enterprises	1.91	0.55	9.06	1.66	2.26
Administrative and support services	1.76	0.53	15.24	1.51	1.42
Performing arts, spectator sports, museums, and related activities	1.92	0.46	15.16	1.88	1.61
Amusements, gambling, and recreation industries	1.86	0.44	16.67	1.74	1.39
Accommodation	1.66	0.39	11.11	1.65	1.51
Food services and drinking places	1.72	0.43	16.67	1.57	1.31

Source: Bureau of Economic Analysis

FIGURE 3: Economic Multipliers

MARKET CONTEXT

The geographic boundaries and demographic composition of the City of Austin and Travis County must be evaluated and analyzed to develop leakage and displacement assumptions, both of which influence net direct spending. In Figure 4, the proposed project site is shown in yellow and overlaid against Hays County (red), Travis County (blue), and Williamson County (green). The City of Austin's borders are not shaded but are outlined within Travis County. The project site is just south of Pflugerville within the northernmost portion of the City of Austin and Travis County. The location of this site suggests that, while a significant

percentage of patrons may be non-local) that a small portion of spending outside the stadium from patrons and visiting teams may occur outside City and County borders.

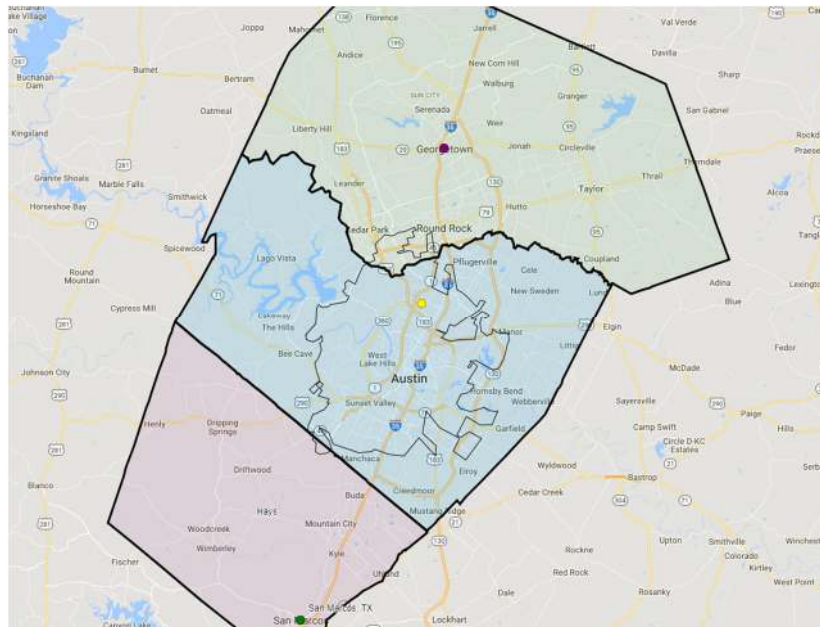


FIGURE 4: Regional County Map

Demographic characteristics for the Austin Metropolitan Statistical Area (“MSA”) and other local areas are shown in Figure 5. B&D utilizes these characteristics to inform patron origination assumptions. The Austin MSA a population of over 2.1 million people. Approximately 58% of this population lives within Travis County, which has 1.24 million people, while the remainder of the MSA is primarily made-up by the Counties of Williamson and Hays at 25% and 10%, respectively. The City of Austin has a population of nearly 1 million people, nearly all of which live in Travis County. Interestingly, Williamson County’s median household income levels are elevated in relation to all other areas, suggesting residents within this area are likely to have greater amounts of discretionary income available for entertainment expenditures.

Market Area	2018 Population	Projected Growth Rate	2023 Population	Median HH Income
State of Texas	28,500,000	1.6%	30,800,000	\$59,622
Austin MSA	2,143,988	2.7%	2,451,110	\$72,855
Travis County	1,240,955	1.9%	1,364,789	\$71,495
City of Austin	965,246	2.1%	1,068,827	\$67,443
Williamson County	556,315	3.7%	665,828	\$83,373
Hays County	218,547	4.7%	274,844	\$66,768

Source: SitesUSA / US Census Bureau

FIGURE 5: Regional Market Demographic Characteristics

CONSTRUCTION PERIOD IMPACTS

During the construction period, the project will have a one-time impact on the City of Austin and Travis County. As presently contemplated, construction of the stadium structure will cost no more than \$200 million. Additional costs will be incurred to prepare the project site, but the extent and type of these costs are unknown at the time of this analysis. As such, economic impacts from site preparation are acknowledged but not quantified for lack of more detailed information.

The project budget is comprised of \$160 million in hard costs and \$40 million in soft cost services, which is comprised of fees paid to the architectural and engineering team, project managers, and other professional services. Hard costs are further divided into material and labor; based on experience with similar projects, B&D estimates that material comprises 65% of hard costs while the remainder is devoted to labor. Estimates for procurement of services within the City and County are then applied to ascertain net direct spending. B&D's assumptions for the construction period are detailed in Figure 6.

Construction Period Assumptions	City of Austin	Travis County
[1] Total Budget:	\$200,000,000	
Hard Cost:	\$160,000,000	
Soft Cost:	\$40,000,000	
Labor as a % of Hard Cost:	35%	
Materials as a % of Hard Cost:	65%	
Labor:	\$56,000,000	
Materials:	\$104,000,000	
Local Purchase of Labor:	50%	60%
Local Purchase of Materials	30%	40%
Local Purchase of Soft Cost Services	20%	30%
Net Direct Labor Spending:	\$28,000,000	\$33,600,000
[2] Net Direct Jobs:	491	589
Net Direct Material Spending:	\$31,200,000	\$41,600,000
Net Direct Soft Cost Service Spending:	\$8,000,000	\$12,000,000

[1] Per PSV proposal

[2] per BLS; \$24.92 average hourly wage inflated to mid-point 2020

FIGURE 6: Construction Period Assumptions

The project will deliver \$28 million in wages to City households and \$33.6 million to households in the County. The project will support 491 and 589 direct jobs in each area at a \$57,000 average annual wage. Furthermore, between spending on materials and soft cost services, the project will deliver \$39.2 million in spending in the construction final demand industry in the City and \$53.6 million within the County. Based on these direct spending figures, total economic impacts are as follows:

- ◆ Within the **City of Austin**, the construction period will support \$54.2 million in economic activity, \$49 million in wages, and 934 full-time equivalent jobs at an average wage of \$52,400. The indirect economic multiplier for output is 1.38.

- ◆ Within **Travis County**, the construction period will support \$88.4 million in economic activity, \$74.4 million in wages, and 1,528 full-time equivalent jobs at an average wage of \$48,700. The indirect economic multiplier for output is 1.65, which is reflective of the County's comparatively greater ability to produce goods and services that satisfy the initial change in market demand.

	Construction Period Totals	City of Austin	Travis County
Direct Output	\$ 39,200,000	\$ 53,600,000	
Direct Wages	\$ 28,000,000	\$ 33,600,000	
Direct Employment	491	589	
Indirect Output	\$ 14,962,640	\$ 34,773,000	
Indirect Wages	\$ 20,970,320	\$ 40,786,560	
Indirect Employment	443	938	
	Totals	Totals	
Output:	\$ 54,162,640	\$ 88,373,000	
Wages:	\$ 48,970,320	\$ 74,386,560	
Jobs (FTE):	934	1,528	
Average Wage:	\$52,418	\$48,691	

FIGURE 7: Construction Period Economic Impact Summary

The construction period does not generate quantifiable fiscal impacts since sales and uses taxes will not be collected on purchases of materials.

RECURRING ECONOMIC IMPACTS

Patron Spending

Recurring economic and fiscal impacts are heavily influenced by patron spending outside the stadium when attending an event. All projections outlined herein rely on 33 ticketed events annually, consisting of 17 MLS competitions and 16 non-tenant ticketed events. Based on this event calendar, the stadium will host an estimated 426,154

	Stadium Patron Distribution	Apportionment
City	In-Market Day Trippers	50% 213,077
	Out-of-Market Day Trippers	40% 170,462
	Overnight Stays	10% 42,615
County	In-Market Day Trippers	60% 255,692
	Out-of-Market Day Trippers	30% 127,846
	Overnight Stays	10% 42,615

FIGURE 8: Stadium Patron Distribution Assumptions

turnstile attendees on an annual basis. The division of patrons by their origination is shown in Figure 8. Patron origination assumptions are largely consistent with the population distribution of the region, with the City of Austin representing 45% of the MSA and Travis County representing 58%.

B&D has applied daily spending ratios for lodging, food and beverage, retail, and transportation based on attendee type. According to assumptions outlined in Figure 9, the project will introduce \$16.8 million in gross spending within the City and \$16.2 million in gross spending within the County. After adjusting for displacement, the City receives \$12.6 million in direct spending while the County receives \$11.1 million in direct spending. Although the County is larger, the City is the recipient of a greater percentage of net direct spending as a result of its comparatively greater percentage of non-local patrons. After applying estimates

for leakage, the City benefits from \$10.1 million in net direct spending while the County benefits from \$9.5 million.

Spending Category	In-Market Day Trippers	213,077	Out-of-Market Day Trippers	170,462	Overnight Patrons	42,615
Lodging	\$ -	\$ -	\$ -	\$ -	\$ 93.33	\$ 3,977,439
Food and Beverage	\$ 10.00	\$ 2,130,771	\$ 20.00	\$ 3,409,233	\$ 38.00	\$ 1,619,386
Retail	\$ 5.00	\$ 1,065,385	\$ 7.00	\$ 1,193,232	\$ 8.00	\$ 340,923
Transportation	\$ 3.00	\$ 639,231	\$ 4.00	\$ 681,847	\$ 5.00	\$ 213,077
Gross Spending		\$ 4,221,623		\$ 5,816,458		\$ 6,770,232
Displacement	100%	\$ -	0%	\$ 5,816,458	\$ -	\$ 6,770,232
Total Spending	\$ 16,808,313					
Adjusted Spending	\$ 12,586,690					
Local Market Purchase	80%					
Direct Spending	\$ 10,069,352					

Spending Category	In-Market Day Trippers	255,692	Out-of-Market Day Trippers	127,846	Overnight Patrons	42,615
Lodging	\$ -	\$ -	\$ -	\$ -	\$ 93.33	\$ 3,977,439
Food and Beverage	\$ 10.00	\$ 2,556,925	\$ 20.00	\$ 2,556,925	\$ 38.00	\$ 1,619,386
Retail	\$ 5.00	\$ 1,278,462	\$ 7.00	\$ 894,924	\$ 8.00	\$ 340,923
Transportation	\$ 3.00	\$ 767,077	\$ 4.00	\$ 511,385	\$ 5.00	\$ 213,077
Gross Spending		\$ 5,065,947		\$ 4,362,344		\$ 6,770,232
Displacement	100%	\$ -	0%	\$ 4,362,344	0%	\$ 6,770,232
Total Spending	\$ 16,198,523					
Adjusted Spending	\$ 11,132,576					
Local Market Purchase	85%					
Direct Spending	\$ 9,462,689					

FIGURE 9: City and County Stadium Patron Spending Totals

Stadium and Franchise Operational Spending

Along with patron spending, franchise and stadium operational expenditures will also create additional spending patterns. B&D developed an independent financial estimate of annual stadium and franchise operations based on its professional experience and reviewed these assumptions with PSV to confirm their adequacy. Based on B&D's analysis, the stadium and franchise will generate gross spending of over \$33 million, approximately \$13 million of which is devoted to purchases of goods and services. B&D assumes 65% of this gross spending will occur within the City and 78% occurs within the County. Accordingly, the City receives \$8.5 million in net direct spending while the County receives \$10.2 million.

Personnel Spending

Franchise and stadium operations require personnel for the front office, stadium, soccer operations, and unskilled labor positions for game day and food and beverage operations. Based on discussions with franchise representatives, annual operations will require approximately 200 full-time equivalent (FTE) positions. Unskilled laborers are converted into FTE units by dividing the annual wage basis by the average annual wage in the Austin marketplace for the appropriate position. These 200 FTE positions generate

wages of \$18.4 million. B&D assumes the City retains \$12.7 million (69%) of gross wages and 131 FTE jobs, while the County retains \$14.4 million (78%) of gross wages and 144 FTE jobs.

Economic Impacts of Recurring Operations

Based on the assumptions detailed above, the City will receive \$18.7 million in direct spending on goods and services and \$12.7 million in direct wages. The County will impact from \$19.8 million in direct spending on goods and services and \$14.4 million in direct wages. When economic multipliers are applied to these direct spending figures, impacts expand to the following totals:

- ◆ Within the **City of Austin**, recurring operations will support \$25.6 million in economic activity, \$22.1 million in wages, and 342 full-time equivalent jobs at an average wage of \$64,600. The indirect economic multiplier for output is 1.37.
- ◆ Within **Travis County**, recurring operations will support \$31.6 million in economic activity, \$30.7 million in wages, and 507 full-time equivalent jobs at an average wage of \$60,600. The indirect economic multiplier for output is 1.60.

	Annual Totals	City of Austin	Travis County
Franchise & Stadium Operation Direct	\$	8,458,861	\$ 10,163,864
Franchise & Stadium Operation Indirect	\$	3,559,002	\$ 5,183,858
Patron Spending Direct	\$	10,204,298	\$ 9,591,075
Patron Spending Indirect	\$	3,410,140	\$ 6,688,063
		Sub-Total	Sub-Total
Team Operation Direct Wages:	\$	12,699,582	\$ 14,371,882
Team Operation Indirect Wages:	\$	6,447,175	\$ 12,383,351
Patron Spending Indirect Wages:	\$	2,971,668	\$ 3,972,443
		Sub-Total	Sub-Total
Franchise & Stadium Operation Direct Jobs (FTE):		131	144
Team Operation Indirect Jobs (FTE):		109	232
Patron Spending Indirect Jobs (FTE):		102	130
		Totals	Totals
Output:	\$	25,632,302	\$ 31,626,860
Wages:	\$	22,118,425	\$ 30,727,675
Jobs (FTE):		342	507
Average Wage:	\$	64,614	\$ 60,613

FIGURE 10: Recurring Economic Impact Summary Table

When measured on a 20-year net present value basis, the project will provide \$384 million in economic activity and \$332 million in wages to the City of Austin. Travis County will be a recipient of \$474 million in economic activity and \$461 million in wages. All calculations rely on a 4.5% discount rate.

	20-Year NPV at 4.5%	City of Austin	Travis County
Output:	\$	384,368,980	\$ 474,260,322
Wages:	\$	331,676,661	\$ 460,776,604

FIGURE 11: 20-Year NPV of Recurring Economic Impacts

RECURRING FISCAL IMPACTS

In addition to the direct and indirect economic impacts, the project will generate significant tax revenues. In this analysis, only direct spending is utilized as the basis for calculation of fiscal impacts. A portion of indirect impacts may be subject to certain City and County taxes but those are not quantified in this analysis. The following tax categories are utilized for the purpose of this analysis:

- ◆ The City and CMTA each collect a 1% sales and use tax on sales of tangible personal property and services, creating a 2% local sales and use tax in addition to the statewide sales and use tax of 6.25%.
- ◆ A 7% occupancy tax and 2% venue project tax are assessed on hotel room nights within the City.
- ◆ The state collects a sales tax of 8.25% and a gross receipts tax of 6.7% on the sale of alcoholic beverages. The City of Austin receives 10.7% of this amount.
- ◆ Travis County also collects a property tax that varies based on taxing districts. However, property taxes are not presently collected on the site. B&D has not modeled the property tax implications of a highest and best use analysis of the site if it were to be developed by a private entity.

Based on these assumptions, the City of Austin benefits from \$349,000 in sales and use tax receipts in year one of operation and the CMTA is a recipient of the same total. The City also will also receive an estimated \$322,000 in hotel occupancy tax and \$58,000 from the mixed beverage tax. The project will generate fiscal benefits of \$11.4 million to the City and \$5.4 million to the CMTA when measured on a 20-year net present value basis at a 4.5% discount rate.

Category	Jurisdiction	2019	2020	2021	2025	2030
Sales & Use Tax	City	\$ -	\$ -	\$ 348,518	\$ 394,355	\$ 462,741
Sales & Use Tax	CMTA	\$ -	\$ -	\$ 348,518	\$ 394,355	\$ 462,741
Mixed Beverage Tax	City	\$ -	\$ -	\$ 58,377	\$ 66,344	\$ 77,849
Hotel Occupancy Tax	City	\$ -	\$ -	\$ 322,426	\$ 366,430	\$ 429,973
[1] Property Tax	County / City	\$ -	\$ -	\$ -	\$ -	\$ -
City Tax Impact	-	\$ -	\$ -	\$ 729,322	\$ 827,130	\$ 970,563
CMTA Tax Impact	-	\$ -	\$ -	\$ 348,518	\$ 394,355	\$ 462,741
County Tax Impact	-	-	\$ -	\$ -	\$ -	\$ -

20-Year NPV	Total	
City Tax Impact	4.50%	\$ 11,406,201
CMTA Tax Impact	4.50%	\$ 5,438,898
Property Tax Impact	4.50%	\$ -

[1] Property taxes are presently not collected on the proposed project site

FIGURE 12: Fiscal Impacts – Years 2021, 2025, and 2030 and 20-Year Net Present Valuation by Jurisdiction