

Five Years of Economic Impact

SPRINT CENTER

Kansas City, Missouri



Prepared for **AEG Kansas City – Sprint Center**

October, 2012



DEVELOPMENT STRATEGIES®

guiding effective decisions in
real estate, community, and economic development

October 29, 2012

Ms. Brenda Tinnen
General Manager
Sprint Center
1407 Grand Boulevard
Kansas City, Missouri 64106

RE: Five Years of Economic Impact from the Sprint Center

Dear Ms. Tinnen:

Development Strategies is very pleased to submit this economic impact analysis of the first five years of operation of the Sprint Center in downtown Kansas City. Sprint Center directly employs just over 500 people, purchases a wide range of goods and services from many other businesses, provides a venue for vendors to sell food and goods during events at the Center, attracts performers who also spend money in the local economy, and—very importantly—has attracted 5.6 million visitors, many of whom are from out-of-town and bring “new money” into the Kansas City area. All of this economic activity that is triggered by the Sprint Center has multiplier effects, which is the subject of the accompanying report.

Multiplier effects triggered by the day-to-day spending of these entities, plus the spending by out-of-town visitors that can be attributed to their trips to the Sprint Center, helps to support another 329 jobs in the City of Kansas City, another 830 jobs in the bi-state metropolitan area, and 858 additional jobs throughout the State of Missouri. The metropolitan area multiplier for economic activity initiated by Sprint Center is 1.97—or another \$1.97 in economic activity is generated in the regional economy for every \$1.00 spent by the several sources of spending at the Sprint Center.

Keep in mind throughout this report that the basis for the economic impacts is the first five years of operation: October 2007 through September 2012. Thus, dollar value impacts reflect five years’ worth of spending and multiplier effects. Employment impacts, however, are presented as annual averages. Jobs are typically not considered cumulative; a single job held for five years is not the same as five jobs. But dollars spent over time can be summed to show longer term impacts.

Many thanks are given to the Sprint Center for not only providing economic data about itself, but also for working with the vendors and suppliers to obtain similar data. It has been a joy to work in and for the Sprint Center. Please let us know if we can provide further clarification of our findings.

Respectfully submitted on behalf of
DEVELOPMENT STRATEGIES



Robert M. Lewis, AICP, CECd
Principal

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EXECUTIVE SUMMARY

The Sprint Center in downtown Kansas City attracted 5.6 million visitors during the five years spanning its opening in October 2007 through September 2012. Sprint Center employs 63 full time employees and 440 part time employees. Numerous other workers have jobs with suppliers and contractors that depend in part on the spending of the Sprint Center to support its operations. Vendors in the Center during events also create jobs as a result of the spending by visitors. And those visitors spend even more money outside of the Center at countless businesses because of their trips to the Center—dinners, souvenirs, lodging, and the like.

In short, events at the Sprint Center trigger widespread spending to support its operations, which, in turn, triggers additional economic impacts throughout the city, metro area, and state economies.

This study isolated seven distinct sources of *direct spending* attributable to operations of the Sprint Center. Combined, these sources trigger multiplier effects as those spent dollars are recycled throughout the economy. These seven primary sources of spending are:

1. Sprint Center employee compensation that is non-event oriented.
2. Event-related spending by the Sprint Center. These include expenditures for event caterers, ushers, stagehands, medical services, and so on.
3. Non-event operations expenses other than employees. This lengthy category includes such expenses as marketing and advertising services, utility payments, floor scrubbing, and accounting services.
4. Contracted services such as for elevator maintenance and janitorial services.
5. Independent vendor expenditures during events, such as for vendor employees.
6. Local spending by performers and their entourages while staying in Kansas City.
7. Spending by “non-local visitors” while in Kansas City to enjoy an event at Sprint Center. Non-local visitors are considered people who do not reside in the geographic area being studied. In this case, three geographic areas are analyzed: The City of Kansas City, the bi-state Kansas City metropolitan area, and the State of Missouri. Sprint Center visitors residing in these areas are assumed to spend their entertainment dollars in their own geographic area whether the Sprint Center existed or not; thus they would not create additional economic impact. Non-locals (e.g., Johnson Countians visiting Kansas City, or Oklahomans visiting Missouri) are assumed to bring “new money” into the local economy, thus triggering new economic impacts.

There are four primary measures of economic impact, all summarized on the Summary Table. The direct spending from the seven sources listed above starts a process of re-spending that (1) increases the local “output” in the economy—essentially, an increase in the local gross domestic product; (2) increases the amount of earnings for households in the local economy; (3) increases the number of jobs supported by the multiplier effects; and (4)

increases in tax revenues triggered by the direct and indirect transactions (e.g., paying of wages and salaries or purchases of taxable retail goods and services).

Summary Table: ECONOMIC IMPACT OF SPRINT CENTER October 2007 to September 2012			
	City of Kansas City, MO	Kansas City Metro Area	State of Missouri
Total Direct Spending by Sprint Center, Vendors, and Non-Local Visitors (\$mil)	\$ 213.3	\$ 202.7	\$ 227.1
Total Direct & Multiplier Economic Impacts			
Economic Output (\$mil)	\$ 367.3	\$ 601.5	\$ 664.5
Household Earnings (\$mil)	\$ 59.7	\$ 164.0	\$ 142.7
Annual Average Jobs	832	1,333	1,361
Major Taxes Generated	\$ 9.4	NA	\$ 19.0

For example, the Summary Table shows that Sprint Center and the other direct sources spent \$213.3 million over five years in the **City of Kansas City**.¹ In turn, that spending triggered overall economic impacts of \$367.3 million in economic output, or economic transactions, in Kansas City; \$59.7 million in earnings for Kansas City households from direct and indirect jobs; and an annual average of 832 jobs, both full time and part time. There were also some \$9.4 million in tax revenues generated for the City of Kansas City in the form of earnings taxes on payroll and earnings, as well as from sales taxes paid by Sprint Center and non-local visitors making local retail purchases.

Direct spending into the **Kansas City Metropolitan Area** over the five years was \$202.7 million, a little less than for just the City of Kansas City, which is a subset of the metro economy. This lower direct spending is because of the number of “non-local visitors.” A resident of, say, Kansas City, Kansas, spending money in Kansas City, Missouri, brings new money to Kansas City, Missouri, thus benefitting KCMO. But that same resident of KCK spending money in KCMO does not bring new money to the metropolitan area because both cities are part of the metro area. There is actually more employee compensation paid into the metro area by Sprint Center because the metro area is a much larger labor market than KCMO alone. But the number of visitors to Sprint Center is so large that their impact tends to overwhelm other direct spending components.²

But because the metro area is home to virtually every employee of Sprint Center and its vendors, and because the multipliers are larger for the metro area than just for the City (it’s a bigger economy), the overall economic impacts are higher in the metro area than in KCMO alone. Average annual jobs supported, both at Sprint Center and as a result of multiplier effects, for instance, total 1,333 in the metro area, about 500 more than in KCMO.

Tax generation, however, is irrelevant in the metro area context. While taxes to jurisdictions other than the City of Kansas City and the State of Missouri were certainly triggered, it is impossible to determine such taxes for each jurisdiction in the metro area.

Direct spending into the **State of Missouri** is highest of each of the three “local economies.” This is also primarily because of the effects of non-local visitors. In Missouri, anyone from Kansas is considered “non-local.” The sheer number of Kansans in the metro area assures that popular events at the Sprint Center are going to attract a large number of Kansans into Missouri, thus increasing the visitor effect in Missouri. As a result, economic output attributable to non-local visitor spending in Missouri over the five years of Sprint Center’s operations is higher in Missouri than in the metro area as a whole. This is not the case for household earnings, however, because average earnings in Missouri tend to be less than in the Kansas part of the metro area. But all that “new money” for Missouri helps to support slightly more jobs in the state attributable to non-local spending than in the metro area.³

Taxes generated for the Missouri state treasury from all of this economic activity are estimated at \$19.0 million over the five years. These are principally in the form of sales taxes and income taxes, the latter triggered by taxable earnings paid to people employed in the state.

¹ Table heading colors correspond to more detailed tables for each geographic area later in the report.

² This should be considered a positive effect, overall. Sprint Center exists to provide entertainment and events for its visitors, so those visitors should have a major economic impact. Even more visitors, of course, would create even more multiplier effects

³ Keep in mind that all of the job numbers are annual averages (not five year totals like the dollar amounts) and that all of the Sprint Center jobs (503) are included in the totals.

1.0 BACKGROUND ON THE SPRINT CENTER AND ECONOMIC IMPACTS

Sprint Center is the Kansas City region's premier arena venue, hosting an average of 108 events per year, including concerts, family shows, and sporting events. Sprint Center was developed through a public/private partnership between the City of Kansas City, Missouri, and Anschutz Entertainment Group (AEG). AEG is the leading sports, entertainment, and venue operator in the world. AEG owns, operates or consults with 100 of the industry's preeminent venues worldwide from the world's busiest arena in London, The O2, to Los Angeles' STAPLES Center. In addition, Sprint Center is home to the College Basketball Experience (CBE), an interactive training and entertainment facility, and home of the College Basketball Hall of Fame, separately operated by the National Association of Basketball Coaches.



Sprint Center was designed by a collaboration of Kansas City-based architectural firms called the Downtown Arena Design Team, including representatives from Populous, Ellerbe Becket, 360 Architecture, and Rafael Architects. Enclosed by 2,204 panes of glass, designers intentionally made Sprint Center's exterior transparent to allow views into and out of the facility. The clear patterned glass material catches and reflects light both day and night. The CBE portion of the complex was designed by ESI Design, well known for the Rock and Roll Hall of Fame in Cleveland, Ohio.



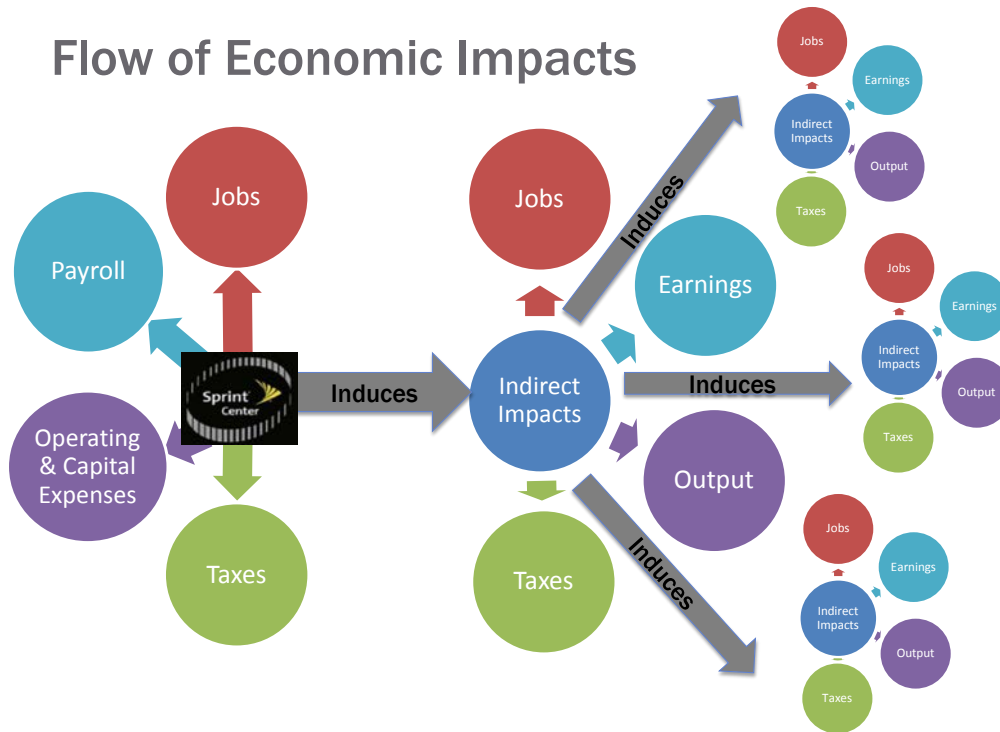
In August of 2004, voters in the City of Kansas City, Missouri, approved a ballot initiative to fund \$222 million of the Sprint Center's construction cost through hotel, motel, and rental car fees. AEG contributed another \$54 million toward the final construction cost of \$276 million. Construction broke ground in June 2005 and was completed in fall 2007.

Thus, Sprint Center is now celebrating five years of bringing the latest in event technology and excitement to the greater Kansas City area. The arena can seat as many as 18,000 people, depending on its internal configuration for different kinds of events and entertainers.

It is located on 8½ acres in downtown Kansas City, bounded by 13th Street, Truman Road, Oak Street, and Grand Boulevard. It sits across Grand from the *Kansas City Live!* entertainment and dining complex of the KC Power & Light District. These two developments complement one another immensely. Patrons of Sprint Center events also readily enjoy pre- and post-event activities at *KC Live!* Moreover, both projects coincided with renovations of the Kansas City Convention Center just to the west in order to create several city blocks on the south edge of downtown devoted to a wide assortment of gathering places.



With all that activity, there is substantial economic impact that benefits not only Kansas City area but also the state of Missouri. Jobs are supported, income is generated, taxes are paid. These effects are illustrated below. Sprint Center and its various vendors and contractors spend money to support operating and expenses, payroll, and taxes. They also create jobs. Visitors to Sprint Center from out of town stay in hotels, buy meals, and purchase goods and services in the local area *because of* their trips to the arena. From these “direct” economic impacts come multiplier effects as such money is spent and re-spent throughout the economy.



As these dollars are spent in the economy, they trigger indirect impacts as recipients of that spending spend the money received from Sprint Center operations, vendors, and visitors, thus triggering additional indirect impacts, and so on.

Not all such money is spent in the local economy, however. Some is “leaked” to other economies. As that money leaks out, the remaining dollars diminish in number over time, eventually shrinking to zero. Econometric models can determine how many times a single dollar, spent initially by, or attributable to, Sprint Center circulates in the economy.

In this report, such multiplier effects are presented for three “local economies:”

1. The City of Kansas City, Missouri, because that’s where Sprint Center is located.
2. The State of Missouri because that’s also where Sprint Center is located and where a great many tax revenues are paid. Kansas City is a subset of the Missouri economy.
3. The Kansas City metropolitan area, a 15-county designation of the U.S. Census Bureau based primarily on the strength of economic interlinkages between these counties. The metro area, illustrated below, consists of six counties in Kansas plus nine counties in Missouri.



This metropolitan area is the 29th most populous of 366 in the United States with 2,053,000 residents, using 2011 estimates by the Census Bureau. Kansas City's population in 2011 is estimated to have been 463,200, about 22.5% of the metro area total.

This map displays the Kansas City, MO-KS Metropolitan Statistical Area (MSA). The area is divided into counties: CLAYTON, CLINTON, CALDWELL, PLATTE, SAVENWORTH, CLAY, RAY, WYANDOTT, JACKSON, JOHNSON, LAFAYETTE, FRANKLIN, MIAMI, LINN, CASS, BATES, KANSAS, and MISSOURI. Major highways are shown as orange lines with their respective shields (Interstates 70, 65, 49, 48, 44, 29, 20; State Routes 160, 169, 168, 80, 71). Cities are indicated by grey shaded areas. A legend at the bottom left shows a dashed line for the state boundary and a grey square for cities. A scale bar at the bottom right indicates distances from 0 to 20 miles. The date DECEMBER 2010 is printed below the legend.

2.0 METHODOLOGY AND DEFINITIONS

The methodology to determine multiplier economic impacts is fairly straightforward:

1. Obtain spending information from Sprint Center and its independent vendors.
2. Obtain multipliers for appropriate economic sectors from the U.S. Bureau of Economic Analysis (BEA). These are from the Regional Input-Output Modeling System, version 2 (or RIMS-II). Multipliers were obtained separately for the city of Kansas City, the state of Missouri, and the bi-state Kansas City metropolitan area.
3. Calculate the multiplier impacts.

The remainder of this report describes the actual methodology and the findings that result.

Seven separate sources of “direct expenditures” that trigger economic impacts by and from Sprint Center were identified and quantified:

1. Sprint Center employee compensation that is non-event oriented. In effect, this represents compensation for the general business operations of the Sprint Center.
2. Event-related spending by the Sprint Center. These include expenditures for event caterers, ushers, stagehands, medical services, and so on.
3. Non-event operations expenses other than employees. This lengthy category includes such expenses as marketing and advertising services, utility payments, floor scrubbing, and accounting services.
4. Contracted services such as for elevator maintenance and janitorial services.
5. Independent vendor expenditures during events.
6. Local spending by performers and their entourages while staying in Kansas City. This includes their spending for hotels and dining, primarily. Other income paid to the performers is assumed to be removed from the Kansas City area when the performers leave town.
7. Spending by “non-local visitors” while in Kansas City to enjoy an event at Sprint Center. Sprint Center managers provided an estimate of total patronage and patrons from outside of greater Kansas City. Development Strategies used data from the Kansas City Convention & Visitors Association (actually an independent study by Tourism Economics) to estimate how much of spending in Kansas City by non-local patrons could be attributed to Sprint Center events. For day-trip visitors, it is assumed that half of their spending (e.g., meals, gasoline, souvenirs) could be attributed to Sprint Center while the other half would be attributed to other attractions in the region. For overnight visitors, it is assumed that 15% of their spending could be attributed to their attendance at Sprint Center events. Overnight visitors spend more time and money while in Kansas City (hotels, more meals), but they also tend to patronize many attractions, not just the Sprint Center.

Note that “local visitors” are not included in the spending to trigger economic impacts. While they actually represent the majority of Sprint Center patrons, they are assumed to be spending their local money for similar activities (shows, entertainment, etc.) whether the Sprint Center existed or not. So, to be conservative in the projections, local visitors are ignored.

This isn’t necessarily reality, however. The Sprint Center is a world-class venue. If it didn’t exist in Kansas City, local residents might spend their entertainment dollars in other cities (St. Louis, Lawrence, Omaha, Columbia, Wichita, wherever). Thus, the Sprint Center might be responsible for enabling local residents to keep their money at home in the local economy instead of spending it elsewhere. Measuring this “shift effect,” however is extremely difficult with much added research. To the degree it exists, the

economic impacts of the Sprint Center are that much greater. So the impacts discussed in this report are almost certainly conservative.

When money is spent, of course, it becomes income to someone else. In turn, that person or business spends that same money to support their households or business operations, and so on. Multiplier impacts from each of the above seven spending sources are expressed in three ways:

1. The added amount of economic activity generated in the local economy,⁴ expressed in dollars. This is a concept similar to measuring the “value added” in the economy as the result of the full spending cycle of a single dollar. It is roughly related to the gross domestic product. Thus, this tends to be a relatively large number that demonstrates the scale of economic impact, but is difficult to understand in concept. It incorporates all economic transactions including business-to-business sales as well as wages paid to employees.
2. The second expression of impact is in terms of household earnings—or the wages paid to employees.⁵ This is a measure of the share of added economic activity (or the share of added economic output) that is converted to earnings income for local economy households. As income, it adds to the buying power of such households.
3. The third measure is typically the easiest to understand. This is the number of added jobs that are supported in the local economy as a result of the spending triggered, in this case, by Sprint Center, its vendors, and its visitors.

For example, if Sprint Center spends \$2 million in an average year and the “output multiplier” is 2.0, then the added economic activity in the local economy is another \$4 million.

Part of that added activity becomes household earnings. The earnings multiplier is less than one because it is really a percentage of the output multiplier. If the earnings multiplier is, say, 0.60, this means that added household income will be the equivalent of 60% of the initial spending—\$2 million x 60%, or \$1.2 million. Thus, of the \$4 million in added economic output in the economy, \$1.2 million will accrue to households for their earnings (excluding wages paid directly to employees of Sprint Center and its vendors—this is a separate calculation). The other \$2.8 million would become income for businesses and would be used for purposes other than paying employees.

Finally, the jobs multiplier in an economy of the scale of metropolitan Kansas City could be about 20, meaning that 20 jobs are created in the local economy for every \$1 million spent by Sprint Center and its visitors. Thus, the \$2 million initial annual spending would help to support 40 jobs in the metropolitan economy, excluding jobs at the Sprint Center itself. It is a useful “check” of the data to divide the added earnings by the added jobs to see what an average added job would be paid. In this example, \$1.2 million in added earnings divided by 40 added jobs is an average annual wage of \$30,000. These added jobs, by the way, could be full time, part time, or seasonal. The impact multipliers make no distinction.

As is shown on the following pages, the multipliers vary by size of “local economy.” The Kansas City economy is smaller than the combined metropolitan economy, so the multipliers for the city are also lower. Interestingly, however, the scale of the metropolitan Kansas City economy (including both states) rivals the scale

⁴ “Local Economy” in this report means the City of Kansas City, the state of Missouri, or the bi-state metropolitan area. Each has unique multiplier coefficients for different sectors of the economy. Each is reported on separately.

⁵ Earnings exclude other forms of income, such as dividends, interest, and rent. The non-earnings component of overall economic output does include such income, but no multipliers are available other than for earnings.

of the Missouri economy as a whole in terms of multiplier effects. In essence, most goods and services needed by businesses and individuals in a state as large as Missouri can generally be found in the highly diverse economy of metro Kansas City.

Moreover, different multipliers apply to each of the seven spending categories based on the closest fitting economic sectors. In some cases, most notably the non-event operations expenditures, several sectors are applicable. Development Strategies reviewed the line items provided by the Sprint Center to assign each item to the most appropriate RIMS-II sector and multipliers. This resulted in a weighted multiplier for non-event operations expenditures. Similar calculations were made for the other four non-employee categories.

3.0 DIRECT ECONOMIC IMPACTS: THE SCALE OF SPRINT CENTER

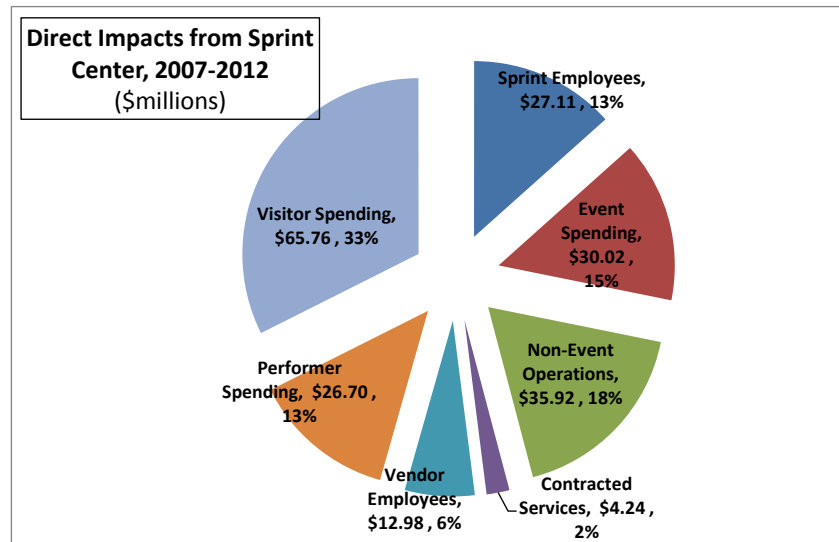
Sprint Center is large and complex, attracting a wide range of visitors, users, patrons, and business activity. It therefore hosts a large amount of measureable economic activity in many forms that collect revenues in various ways, spend money to support themselves, hire and pay employees, and attract patronage. As described in the methodology section, the “direct spending” impacts of Sprint Center are divided into seven sources.

All of the spending and impacts reported here are cumulative for the Sprint Center’s first five years of operation. Thus, simple division by five will reveal annual averages. But impacts vary from year-to-year depending on the state of the general economy, the number of events scheduled, the value of those events to the public, and so on. So an annual average does not necessarily reveal a “normal” year.

That said, the jobs numbers presented herein DO reflect annual averages. It is most common to discuss jobs in terms of annual numbers. Someone holding the same job for five years is not considered as having five jobs. While spending of dollars is cumulative over time, jobs are not treated cumulatively even though, with economic growth, the number of jobs may be higher in one year than a previous year.

The seven sources of initial economic impact—i.e., the direct spending that triggers multiplier effects, collectively spent an total of \$202.7 million over the five years from late October 2007 to September 2012.

- The highest single share of this amount, 33% or \$65.76 million, was from all the non-local visitors and patrons of Sprint Center.⁶ This includes all the purchases that they are estimated to have done *outside* of the Sprint Center but attributable to their trips to the Sprint Center. In short, attracting out-of-town visitors is (1) a very important goal for Sprint Center and (2) creates the most significant economic impact.
- Operating the Sprint Center year-round comprises the next largest share of all spending when compensation to Sprint Center employees (\$27.1 million, 13%) is combined with expenditures for non-event operations (\$35.9 million, 18%) and contracted services (\$4.2 million, 2%). Together, these make up 33% of all direct impacts, rivaling that of the non-local visitors.
- But events are also extremely important to the economic impact of Sprint Center. Event spending by Sprint itself totaled just over \$30 million in five years (15% of all spending), performers and their entourages are estimated to have spent \$26.7 million in the local economy (13% of all spending), and employees of vendors were paid almost \$13 million (6%)



⁶ In this representative figure, non-local means outside the Kansas City bi-state metropolitan area. Non-local visitor spending for Kansas City alone (which includes spending in Kansas City by residents of other metropolitan communities) was \$104.6 million over the five years, and non-local visitor spending for Missouri (which includes spending in Missouri by residents of Kansas whether living in the metro area or not) was \$110.1 million.

4.0 INDIRECT IMPACTS OF SPRINT CENTER: THE MULTIPLIER EFFECTS

All of the jobs associated with Sprint Center’s economic impact are located within the City of Kansas City. But not all of the economic impacts are felt within the city. Indeed, many employees live outside the city limits. Purchases of supplies, materials, and services are made from businesses both inside and outside the city. Out of town visitors spend their dollars both in the city and outside.

This chapter describes the multiplier impacts of Sprint Center in three geographic areas:

1. The City of Kansas City
2. The 15-county metropolitan area⁷
3. The State of Missouri

4.1 City of Kansas City Impacts

Table 1 shows the direct and indirect impacts in the City of Kansas City. In fact, the first row of numbers, entitled “Direct Spending,” is the same for all three geographic areas. Based on the inputs for the seven sources of expenditures, the Sprint Center triggered over \$213 million in spending over the past five years. This includes spending by out-of-town⁸ visitors that is attributable to their Sprint Center visits, excluding such spending inside the Center itself.⁹

Column 2 of Table 1 shows the multiplier impact from compensation paid directly to Sprint Center employees—those whose jobs are not event-related. This five-year spending total of \$10.3 million is multiplied by 0.5 to determine the added economic activity that takes place in the City of Kansas City as a result of this \$10.3 million in employee wages and salaries. Thus, added economic output in the city is another almost \$5.2 million.

Of this, \$1.5 million accrues to other Kansas City households in the form of added earnings. The compensation-induced economic activity also supports some nine other jobs in the City.¹⁰ The average multiplier earnings triggered by non-event employee compensation spending by Sprint Center, therefore, are \$33,300.

This same arithmetical process is repeated for directed spending triggered by event related spending (Column 3), non-events operations spending (Column 4), contracted services by Sprint Center (Column 5), employee compensation by vendors (Column 6), local spending by performers while in Kansas City (Column 7), and out-of-town visitor spending (Column 8). When summed, total annual spending from these seven sources was \$213.3 million over five years (Column 9). This triggered \$154.0 million in additional economic activity within the City, including \$47.8 million in earnings for other Kansas City households and the support of 329 jobs for Kansas Citians. The average annual earnings for a multiplier effect job were, therefore, \$29,100.

⁷ The City of Kansas City is located partially within four counties of the Missouri side of the metropolitan area: Jackson, Cass, Clay, and Platte. Thus, Kansas City is a subset of both the state and the metro area.

⁸ In this case, “out of town” means “out of the City of Kansas City.”

⁹ Visitors spend money both inside and outside the Sprint Center. Inside, they buy tickets, food, souvenirs, etc. But the economic impact of this inside spending is already accounted for by measuring the impacts of vendors and events. Thus, only the estimate outside spending by visitors is separately estimated and, then, only for the amounts that can legitimately be attributed to their Sprint Center visits.

¹⁰ “Jobs” in the multiplier models, just like in normal unemployment rate calculations, include just about any sort of job—full time or part time. No distinction is made.

ECONOMIC IMPACT OF FIVE YEARS OF THE SPRINT CENTER

Table 1 ECONOMIC IMPACT OF THE SPRINT CENTER IN THE CITY OF KANSAS CITY, MISSOURI (2012 Dollars)								
(1)	(2) Sprint Center Employee Compensation	(3) Event-Related Spending by Sprint	(4) Non-Event Operations Expenses	(5) Contracted Services	(6) Vendor Employee Compensation	(7) Local Spending by Performer Parties	(8) Non-Local Visitor Spending	(9) TOTAL DIRECT ECONOMIC IMPACTS
Direct Expenditures	\$ 10,320,000	\$ 30,020,000	\$ 35,920,000	\$ 4,240,000	\$ 1,530,000	\$ 26,700,000	\$ 104,580,000	\$ 213,310,000
	MULTIPLIERS							
Output	0.50	0.79	0.71	0.81	0.50	0.74	0.72	0.72
Earnings	0.14	0.27	0.23	0.28	0.14	0.22	0.22	0.22
Employment	4.33	8.92	6.27	7.59	4.33	9.10	7.88	7.71
ADDED ECONOMIC IMPACT IN THE CITY OF KANSAS CITY								
Added Output in the Kansas City Economy	\$5,160,000	\$23,690,000	\$25,580,000	\$3,450,000	\$760,000	\$19,820,000	\$75,540,000	\$154,000,000
Added Earnings for Kansas City Residents	\$1,500,000	\$8,020,000	\$8,420,000	\$1,180,000	\$220,000	\$5,850,000	\$22,640,000	\$47,830,000
Indirect Jobs Held by Kansas City Residents: Annual Averages	9	54	45	6	1	49	165	329
TOTAL ECONOMIC IMPACT IN THE CITY OF KANSAS CITY								
Total Output in the Kansas City Economy								\$ 367,310,000
Total Earnings in the Kansas City Economy								\$ 59,680,000
Direct Jobs of Sprint Center and Vendors								Annual Average: 503
Total Direct and Indirect Jobs in Kansas City								Annual Average: 832
Multiplier Definitions:								
Output:	Total dollar change in the City of Kansas City economy due to direct expenditures from and attributable to Sprint Center.							
Earnings:	Total dollar change in earnings of households in Kansas City due to expenditures from and attributable Sprint Center.							
Employment:	Total change in the number of jobs held by Kansas City residents per \$1,000,000 of direct spending.							

Added together, further down Column 9, the direct and multiplier effects created \$367.3 million in total economic output in the City of Kansas City over the five years, \$59.7 million of which was for wages and salaries. The Sprint Center, itself, employs an annual average of 503 workers, 63 of whom are full time and 440 who are part time. Thus, direct and multiplier impacts of Sprint Center support an annual average of 832 jobs in the City (including those at Sprint Center), earning a total of \$59.9 million over five years, for average annual earnings of all such workers of \$14,300 per year. Keep in mind that this last number is heavily influenced by the high proportion of part time jobs in Sprint Center and the relatively lower average earnings typical in the City of Kansas City which is home to a disproportionate share of lower income workers in general.

4.2 Metropolitan Kansas City Impacts

Table 2 shows the economic impacts of Sprint Center for the combined geography of the entire 15-county, bi-state metropolitan area. Sprint Center is still a component of this economy, even though it does not operate outside the Kansas City city limits. An obvious effect is to dramatically increase the multiplier effects.

Note that many of the first row of numbers on Table 2 stays the same as in Table 1. That is, the direct effects triggered by Sprint Center are no different for a larger geographic boundary, except for the two employee compensation columns, 2 and 6. These numbers are larger on Table 2 because metro Kansas City is home to more employees than just the City of Kansas City. In fact, effectively all of the Sprint Center employees are residents of the metro area.

Also different are the sizes of the multipliers—in all seven columns (thus increasing the weighted average multipliers in Column 9). Because the metro area economy is larger than the City-only economy, a dollar

ECONOMIC IMPACT OF FIVE YEARS OF THE SPRINT CENTER

spent to support Sprint Center tends to stay in the metro area longer than in just the City. Part of that dollar may leak out of the City during the spending and re-spending cycle, but it may find what it wants to purchase in the rest of the metro area before it has to leave altogether. So it creates a larger multiplier in this larger economy.

Table 2 ECONOMIC IMPACT OF THE SPRINT CENTER IN THE KANSAS CITY METROPOLITAN AREA (2012 Dollars)								
(1)	(2) Sprint Center Employee Compensation	(3) Event-Related Spending by Sprint	(4) Non-Event Operations Expenses	(5) Contracted Services	(6) Vendor Employee Compensation	(7) Local Spending by Performer Parties	(8) Non-Local Visitor Spending	(9) TOTAL DIRECT ECONOMIC IMPACTS
Direct Expenditures	\$ 27,110,000	\$ 30,020,000	\$ 35,920,000	\$ 4,240,000	\$ 12,980,000	\$ 26,700,000	\$ 65,760,000	\$ 202,730,000
MULTIPLIERS								
Output	1.42	2.25	2.03	2.32	1.42	2.11	2.06	1.97
Earnings	0.41	0.76	0.67	0.79	0.41	0.62	0.62	0.61
Employment	12.33	25.39	17.86	21.61	12.33	25.89	22.44	20.47
ADDED ECONOMIC IMPACT IN THE KANSAS CITY METROPOLITAN AREA								
Added Output in the Metropolitan Economy	\$38,560,000	\$67,440,000	\$72,810,000	\$9,830,000	\$18,460,000	\$56,430,000	\$135,220,000	\$398,750,000
Added Earnings for Metropolitan Residents	\$11,190,000	\$22,830,000	\$23,970,000	\$3,370,000	\$5,360,000	\$16,650,000	\$40,520,000	\$123,890,000
Indirect Jobs Held by Metropolitan Residents: Annual Averages	67	152	128	18	32	138	295	830
TOTAL ECONOMIC IMPACT IN THE KANSAS CITY METROPOLITAN AREA								
Total Output in the Metropolitan Kansas City Economy								\$ 601,480,000
Total Earnings in the Metropolitan Kansas City Economy								\$ 163,980,000
Direct Jobs of Sprint Center								Annual Average: 503
Total Direct and Indirect Jobs in Metropolitan Kansas City								Annual Average: 1,333
Multiplier Definitions:								
Output:	Total dollar change in the Metro Kansas City economy due to direct expenditures from and attributable to Sprint Center.							
Earnings:	Total dollar change in earnings of households in Metro Kansas City due to expenditures from and attributable Sprint Center.							
Employment:	Total change in the number of jobs held by Metro Kansas City residents per \$1,000,000 of direct spending.							

The arithmetic remains the same as described for Table 1. Column 9 shows total output impact (direct and indirect) of \$601.5 million. This is 1.6 times the total impact in the City alone, a differential that is not as large as the difference between the overall economies of Kansas City vs. the metro area. The smaller differential is due to the presence of Sprint Center inside the City limits, thus assigning all of the Center's direct impacts to the City alone.

Higher wage earners tend to live outside the City, however, so the multiplier earnings per job rises slightly to \$29,900 in the metro area from \$29,100 in the City alone.

Moreover, note the line titled, "Indirect Jobs Held by Metropolitan Residents." These are the multiplier jobs, which total 830. This number in the City alone is 329. Thus, a crucial added impact in the metro area scenario is that the jurisdictions outside of Kansas City, itself, will benefit from an additional 501 jobs (830 minus 329).

4.3 State of Missouri Impacts

Table 3 shows the economic impacts of Sprint Center for the entire State of Missouri. Sprint Center is still a component of this economy, but the geography and scale of the economy are substantially larger than the City alone. Thus, again, the overall multiplier effects are larger, but the state's multipliers are not as high as

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those for the metropolitan area. Given the size and diversity of the Kansas City metro economy, including the Kansas side, it is able to capture more spending to support Sprint Center activities than all of Missouri.

Part of this result is, of course, the ability of the Kansas part of the metro economy to provide goods and services in support of Sprint Center much more quickly than, say, similar goods and services from more distant parts of Missouri. It also highlights the relatively sizeable economy on the Kansas side of the state line. By comparison, the multipliers for metropolitan St. Louis, also a bi-state economy, are slightly smaller than those for Missouri because the Illinois side of the St. Louis area is a much smaller economy than the Missouri side. Thus, many more purchases to support various business operations in the St. Louis area are purchased on the Missouri side, thereby strengthening the Missouri multipliers relative to the Illinois side of the area. In short, Kansas is a greater contributor to the Kansas City metropolitan economy than Illinois is to the St. Louis metropolitan economy.

Again, the first line of numbers (“Direct Expenditures”) is the same as on Tables 1 and 2 except for the compensation columns 2 and 6. Missouri, as a whole, is home to more Sprint Center employees than just the City of Kansas City, but the State of Missouri excludes employees living in the State of Kansas.

Table 3 ECONOMIC IMPACT OF THE SPRINT CENTER IN THE STATE OF MISSOURI (2012 Dollars)								
(1)	(2) Sprint Center Employee Compensation	(3) Event-Related Spending by Sprint	(4) Non-Event Operations Expenses	(5) Contracted Services	(6) Vendor Employee Compensation	(7) Local Spending by Performer Parties	(8) Non-Local Visitor Spending	(9) TOTAL DIRECT ECONOMIC IMPACTS
Direct Expenditures	\$ 16,510,000	\$ 30,020,000	\$ 35,920,000	\$ 4,240,000	\$ 3,590,000	\$ 26,700,000	\$ 110,130,000	\$ 227,110,000
	MULTIPLIERS							
Output	1.32	2.06	1.88	2.11	1.32	2.09	1.97	1.93
Earnings	0.34	0.63	0.54	0.65	0.34	0.57	0.54	0.54
Employment	10.14	20.29	14.64	17.29	10.14	24.85	20.12	18.89
ADDED ECONOMIC IMPACT IN THE STATE OF MISSOURI								
Added Output in the Missouri Economy	\$21,820,000	\$61,940,000	\$67,650,000	\$8,940,000	\$4,740,000	\$55,750,000	\$216,560,000	\$437,400,000
Added Earnings for Missouri Residents	\$5,610,000	\$18,790,000	\$19,490,000	\$2,750,000	\$1,220,000	\$15,160,000	\$59,590,000	\$122,610,000
Indirect Jobs Held by Missouri Residents: Annual Averages	33	122	105	15	7	133	443	858
TOTAL ECONOMIC IMPACT IN THE STATE OF MISSOURI								
Total Output in the Missouri Economy								\$ 664,510,000
Total Earnings in the Missouri Economy								\$ 142,710,000
Direct Jobs of Sprint Center								Annual Average: 503
Total Direct and Indirect Jobs in Missouri								Annual Average: 1,361
Multiplier Definitions:								
Output:	Total dollar change in the Missouri economy due to direct expenditures from and attributable to Sprint Center.							
Earnings:	Total dollar change in earnings of households in Missouri due to expenditures from and attributable Sprint Center.							
Employment:	Total change in the number of jobs held by Missouri residents per \$1,000,000 of direct spending.							

Note, however, the scale of “non-local visitor spending” on Table 3 compared to Table 2. Because so many visitors to Sprint Center are from the Kansas side of the metro area, and because such visitor spending is such a larger component of overall economic impacts, Missouri benefits quite strongly from the spending of Kansas dollars east of the state line. So the total output in the Missouri economy as a result of both direct and multiplier effects came to \$664.5 million over the five years from October 2007 to September 2012, compared to \$601.5 million for the metropolitan area alone. Despite lower multipliers in Missouri compared to the metro economy, the scale of “new money” spent in Missouri by Kansans increases the overall dollar impact in Missouri.

The 858 multiplier effect jobs in Missouri are also slightly more than the 830 jobs in the metro area, primarily because of the scale of the non-local spending by Kansans in Missouri. These effects are felt over a much wider geography in Missouri than just the nine metro area counties in Missouri.

4.4 Tax Generation Impacts on Kansas City and Missouri

Table 4 lists estimated taxes generated by the direct operations of Sprint Center and its multiplier effects. The effects on only the City of Kansas City and the State of Missouri are shown because the metropolitan area is not a taxing jurisdiction. While there are many taxing jurisdictions within the metro area, it is virtually impossible to determine fiscal impacts on each of them in order to estimate an overall fiscal benefit for the entire area.

Kansas City levees an earnings tax on wages paid to workers in the city. Likewise, Missouri levees and individual income tax on people employed in the state. Thus, it is relatively straightforward to estimate earnings and income taxes based on the direct and multiplier earnings shown on Tables 1 and 3. Over the five years of Sprint Center's operations, Kansas City has benefited from almost \$600,000 in earnings tax collections, while Missouri has benefitted from more than \$3.5 million in individual income tax payments.

Corporate income taxes at the state level are strongly correlated to individual income tax collections, so the estimate of \$324,000 on Table 4 for the State of Missouri is essentially a function of the previous line. The corporate earnings tax shown for Kansas City is an estimate only for the employer share of the earnings tax, or the payroll tax. While the individual earnings tax is a flat one percent of one's earnings, the payroll tax is another 0.5 percent of earnings paid by non-tax exempt employers. In this case, it is assumed that 80 percent of the employers must pay the added earnings-based payroll tax, thus generating another \$239,000 for the City.

Sprint Center paid over \$12 million in sales taxes because of its operations over the 2007-2012 period, nearly \$6.8 million to the State of Missouri and \$5.6 million to Kansas City. Actually, this latter value is spread over all sales taxing jurisdictions within the City of Kansas City, not just the City's coffers alone. But they are taxes paid within the City. When combined with sales taxes generated from retail and other taxable purchases made by non-local visitors, Kansas City benefitted from more than \$8.5 million in sales taxes over five years as triggered by direct and multiplier effects of the Sprint Center, while the Missouri treasury benefitted from about \$12.4 million in sales taxes.

As it turns out, "all other taxes" for the state treasury are very closely correlated to the values of the two income taxes and the sales taxes at the state level, so it is possible to provide a reliable estimate of all other taxes at the state level. In this case, over the five years, Missouri has also benefitted from almost \$2.7 million in taxes and fees triggered by the economic impacts of Sprint Center, in addition to the income and sales taxes. Complexities of the Kansas City tax code, however, do not allow a correspondingly reliable estimate for other taxes in the City.

Table 4 TAX REVENUES GENERATED BY DIRECT & MULTIPLIER IMPACTS 2007-2012 (2012 Dollars)		
	City of Kansas City	State of Missouri
Individual Income or Earnings Taxes	\$ 597,000	\$ 3,550,000
Corporate Income or Earnings Taxes	239,000	324,000
Sales Taxes	8,540,000	12,400,000
Other Taxes	NA	2,697,000
TOTAL	\$ 9,376,000	\$ 18,971,000
Note: The metropolitan area is excluded because, as a whole, it is not a taxing jurisdiction.		