

Economic Analysis Software

Objectives. The City of San Jose has been successful in bringing a number of well-known sports events to its locality. However, the economic impact of most of the events was unknown, and, for those that had conducted economic impact analyses, many of the studies had inconsistent and sometimes erroneous assessments of impact. Therefore the Office of Economic Development sought to develop a proprietary economic impact tool to help the City cost-effectively estimate the benefit of various events the city hosts annually.

Challenges & Methodologies. Finding a suitable method for measuring net economic impact can be challenging given the many difficulties in measuring costs and benefits for events. In particular, attaining a high confidence estimate of spending can be problematic without direct measures of spending from spectators, event participants, and sponsors. Adding to the complexity was the breadth of events the City annually hosts – ranging from small, participatory events to larger sporting events drawing thousands of spectators. Another issue was that the local media was particularly skeptical of economic impact studies, and the City desired a sound, consistent, and conservative methodology based on the latest academic standards that could stand up to any challenge.

The model needed to first be calibrated to account for the different economic and demographic variables for the types of events to be measured. With input from City managers, a dozen events were selected as representative of the type of events hosted in the City in a typical year. Another reason these events were selected was because they are believed to be strategically important to analyze. For instance, certain cultural events which were likely to have low economic impact were selected to determine the number and demography of local participants attending the event. Using a consistent methodology allows the City to compare the impact of very different events, which will aid in their decisions for hosting and funding such events.

Using the primary information from more than a dozen economic impacts studies conducted by SportsEconomics in the City, comprehensive profiles of the attributes of each of the event types, including differences in visitor spending, attendance, expenditures, media exposure, etc. were developed. The spending was presented in such a way as to generalize better across applications involving different lengths of stay and party sizes when input into a model.

The user interface, also developed with input from City managers, can be used via the Internet by the City and its partners in a format that is user-friendly and easily understood. In addition to the economic impact and spending profiles collected through the studies conducted in San Jose, primary information was also collected on vendor, corporate, and facility expenditures, as well as for local tax rates and multipliers.

By providing inputs such as estimates of event attendance, city and non-spectator expenditures, hotel bookings, and event venue and type, the City will be able to apply the model to determine estimates of economic impact, visitor/market segments, and spending patterns for any event for which it is considering hosting in its locale.

Outcomes. The economic impact analysis generated by the tool can be utilized to compare the benefit of various events and to affect policy decisions. Our product utilizes the latest data and modeling techniques in regional economic analysis to measure the impacts on employment, income, and tax revenues from such events. To the best of our knowledge, it is the most comprehensive and methodologically sound tool for the assessment of economic impact.

Presentations were made to City managers who will use the tool, and a training module and manual were developed to ensure that the tool was being properly employed. SportsEconomics has also been contracted to extend and update the model as new studies are conducted.