

Feasibility Studies

Objectives. An NBA team, a large landowner, and a city were collectively interested in taking steps to determine the feasibility of developing a downtown entertainment district and development project in conjunction with the construction of a new arena in a major metropolitan area. SportsEconomics was hired to determine the economic impact of constructing a new arena near the location of the current arena, of constructing a new arena in a downtown location as part of a new entertainment district, and of renovating the current facility. The results of each of the analyses would be used to ascertain which of the three arena proposals had the greatest potential for benefiting the team, the landowner, and the city.

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. Additionally, other factors such as free media advertising and its effect on future tourism are obviously difficult to measure yet very important. Since the construction of any of the arena proposals would likely be partially funded by the public, political issues had to be considered. Moreover, confidentiality became complicated with the wide press coverage on such a public issue.

Controls for capacity constraints and other cost differences were accounted for using advanced econometric techniques. A survey instrument was developed to determine net visitor spending apart from local and other spending that would have occurred anyway. Estimates of sponsor and corporate spending and other satellite events were implemented, as were dollar measures for media coverage.

Direct spending, indirect spending, personal income benefits, jobs created, and fiscal impact were calculated at the city, county, and state levels for each of the proposed development projects. An econometric model was also developed (and later published in academic journals) to estimate which U.S. cities had the highest potential to support an NBA team, and to put this city in context with other successful NBA locations.

Outcomes. The feasibility of each of the development projects was determined and the findings of the study were presented to the NBA team, the city, and the landowner. SportsEconomics was also engaged on several occasions to present to the city council and meet with the city mayor to explain the study findings.

All parties were pleased with the results of the project, both in the way it was conducted and in the final measures of net benefit. The client subsequently hired the researchers for a secondary phase of study, to further adjust and analyze each of the proposals along with a re-examination of the architectural, land development, cost structure, and other factors related to the facility construction.