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ECONOMIC IMPACT ANALYSIS FOR SPORTS AND RECREATION FACILITY PROJECTS IN CARY, NC

JULY 31, 2024

CSL

July 16, 2024

Ms. Cassie Schumacher-Georgopoulos
Director of Community Projects
Town of Cary
316 N. Academy St.
Cary, NC 27513

Dear Ms. Schumacher-Georgopoulos:

We have completed the analysis of the estimated economic impacts associated with the construction and operations of the planned Mills Park Community Center and expansion of the Cary Tennis Park. Using attendance estimates that have been prepared by Town of Cary staff, we have developed a model that presents estimates of direct spending, total output, earnings, and employment associated with the construction and operation of these two important sports and recreation projects.

Both Mills Park Community Center and the expanded Cary Tennis Park will provide important economic impacts for the community through the investment in their construction, the attraction of visitors from outside the Cary area, the spurring of new spending from both non-local and local visitors, and the creation of new jobs to manage and operate the facilities. The purpose of this study is to quantitatively communicate these benefits using an economic impact model based on research-supported assumptions prepared by the Town.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

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1 INTRODUCTION

INTRODUCTION

CSL was retained by the Town of Cary to prepare estimates regarding the economic impacts associated with the construction and operation of two planned projects: the expansion of Cary Tennis Park and the development of Mills Park Community Center. Further detail regarding each project is provided later herein.

The estimates provided within this report are designed to assist project representatives in assessing the economic benefits of both projects and cannot be considered a presentation of expected future results. Accordingly, the analysis of potential economic impacts may not be useful for other purposes. The assumptions disclosed herein are not all inclusive but are those deemed to be significant. Because events and circumstances frequently do not occur as expected, there usually will be differences between estimated and actual results and these differences may be material. Key assumptions include:

- Event and attendance assumptions for the Cary Tennis Park expansion project are based on data provided by the Town of Cary. Non-local percentage and per cap spending estimates were prepared by CSL and are based on general industry experience.
- Assumptions used in the analysis for Mills Park Community Center are based on the market research and analysis conducted as part of CSL's study effort for the Center in 2023, in addition to past experience with hundreds of similar sports/recreation facility projects, local market visits, information provided by the City and other stakeholders, industry trends, and comparable facility performance results.
- A stabilized year of operation is assumed to occur by their fourth full years of operation.
- It is assumed that both facilities will be aggressively marketed, will provide competitive rates, and will balance the attraction/accommodation of local and non-local events and activities.
- It is assumed that there are no significant or material changes in the supply or quality of existing competitive venues in the local and regional marketplace, nor are there any significant or material changes to local and national event industry trends.

ECONOMIC IMPACT CONCEPTS & METHODS

The investment in both an expanded Cary Tennis Park and the new Mills Park Community Center will be expected to provide substantial quantifiable benefits. These quantifiable benefits often serve as the "return-on-investment" of public dollars that are contributed to develop the facility project and site. Quantifiable measurements of the effects that facility project could have on the local economy are characterized in terms of economic impacts and fiscal impacts. Direct spending represents the primary spending that would occur as a result of the construction and operations of both projects. Direct spending occurs in three ways:

A primary intent of this analysis is to estimate the direct spending that could occur directly as a result of both projects, in order to approximate the potential associated tax revenues generated from such spending. The majority of Construction and In-Facility Spending would be estimated to occur within the Cary area. Additionally, net new impacts will be generated throughout the Cary area, primarily relating to Out-of-Facility Spending (i.e., spending occurring off the new expanded/new venue sites by visitors to the Cary area on items such as hotels, restaurants, retail, transportation, etc.).

ECONOMIC IMPACT CONCEPTS & METHODS (continued)

From a broad perspective, gross direct spending would flow to various economic entities, including applicable municipal government(s), restaurants, hotel operators, retail businesses and other such entities. However, some of the spending that occurs in connection with the ongoing operations of an expanded Cary Tennis Park and the new Mills Park Community Center projects would not fully impact the local area. As such, reductions must be made to gross direct spending to reflect the amount of direct spending associated with both projects that are considered truly "net new" to the Cary area. These adjustments include:

LEAKAGE represents the portion of gross spending estimated to occur outside the larger geographic area considered for this analysis (Cary area). Immediate leakage occurs when initial direct expenditures occur outside the area, such as an out-of-town Tennis Park or Community Center visitor that patronizes a hotel or restaurant located outside of the Cary area. Leakage also occurs when initial local spending is used immediately to pay for goods, services, etc. outside of the Cary area. Examples of this type of secondary leakage include food and beverage profits retained by companies based outside of the Cary area.

DISPLACEMENT refers to spending that would have likely occurred anyway in the Cary area without the completion of either project. Examples of displaced spending would include spending by Cary residents in connection with their visit to either facility (registrations, food and beverage, retail items, etc.) that would have been spent within the Cary area anyway on other items (e.g., movies, restaurants, shopping, etc.) if they did not visit the new/expanded facilities. Another example of displaced spending would include out-of-facility spending by non-local individuals visiting from outside of the Cary area whose primary purpose for visiting the area was something other than visiting or participating in activities at the facilities themselves, and who would have spent their money in some other form in Cary. The concept of displacement is oftentimes referred to as the substitution effect.

The flow of gross direct spending is adjusted to reflect only the spending that is considered net new to the local economy (i.e., Cary area). The resulting spending after all adjustments is referred to throughout the remainder of this analysis as net new direct spending. Economic impacts are further increased through re-spending of the direct spending. The total impact is estimated by applying an economic multiplier to initial direct spending to account for the total economic impact. The total output multiplier is used to estimate the aggregate total spending that takes place beginning with direct spending and continuing through each successive round of re-spending. Successive rounds of re-spending are discussed in terms of their indirect and induced effects on the area economy. Each is discussed in more detail below and on the follow page.

INDIRECT EFFECTS consist of the re-spending of the initial or direct expenditures. These indirect impacts extend further as the dollars constituting the direct expenditures continue to change hands. This process, in principle, could continue indefinitely. However, recipients of these expenditures may spend all or part of it on goods and services outside the market area, put part of these earnings into savings, or pay taxes. This spending halts the process of subsequent expenditure flows and does not generate additional spending or impact within the community after a period of time. This progression is termed leakage and reduces the overall economic impact. Indirect impacts occur in a number of areas including the following: (1) wholesale industry as purchases of food and merchandise products are made; (2) transportation industry as the products are shipped from purchaser to buyer; (3) manufacturing industry as products used to service an expanded Cary Tennis Park or the new Mills Park Community Center, vendors and others are produced; (4) utility industry as the power to produce goods and services is consumed; and (5) other such industries.

ECONOMIC IMPACT CONCEPTS & METHODS (continued)

INDUCED EFFECTS consist of the positive changes in spending, employment, earnings and tax collections generated by personal income associated with the operations of the expanded Cary Tennis Park and the new Mills Park Community Center. Specifically, as the economic impact process continues, wages and salaries are earned, increased employment and population are generated, and spending occurs in virtually all business, household and governmental sectors. This represents the induced spending impacts generated by direct expenditures.

Indirect and induced effects are calculated by applying the appropriate multipliers to the net new direct spending estimates. The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure. Generally, an area which is capable of producing a wide range of goods and services within its borders will have high multipliers, a positive correlation existing between the self-sufficiency of an area's economy and the higher probability of re-spending occurring within the region. If a high proportion of the expenditures must be imported from another geographical region, lower multipliers will result.

The multiplier estimates used in this analysis are based on the IMPLAN system. IMPLAN, which stands for Impact Analyses and Planning, is a computer software package that consists of procedures for estimating local input-output models and associated databases. Input-output models are a technique for quantifying interactions between firms, industries and social institutions within a local economy. IMPLAN was originally developed by the U.S. Forest Service in cooperation with the Federal Emergency Management Agency and the U.S. Department of the Interior's Bureau of Land Management to assist in land and resource management planning. Since 1993, the IMPLAN system has been developed under exclusive rights by the Minnesota Implan Group, Inc., which licenses and distributes the software to users. Currently, there are thousands of licensed users in the United States including universities, government agencies, and private companies.

The economic data for IMPLAN comes from the system of national accounts for the United States based on data collected by the U.S. Department of Commerce, the U.S. Bureau of Labor Statistics, and other federal and state government agencies. Data are collected for 440 distinct producing industry sectors of the national economy corresponding to the Standard Industrial Categories (SICs). Industry sectors are classified on the basis of the primary commodity or service produced. Corresponding data sets are also produced for each county and zip code in the United States, allowing analyses at both the city and county level and for geographic aggregations such as clusters of contiguous cities, counties, individual states, or groups of states.

Data provided for each industry sector include outputs and inputs from other sectors; value added, employment, wages and business taxes paid; imports and exports; final demand by households and government; capital investment; business inventories; marketing margins and inflation factors (deflators). These data are provided both for the 440 producing sectors at the national level and for the corresponding sectors at the local level. Data on the technological mix of inputs and levels of transactions between producing sectors are taken from detailed input-output tables of the national economy. National and local level data are the basis for IMPLAN calculations of input-output tables and multipliers for geographic areas. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a local economic area.

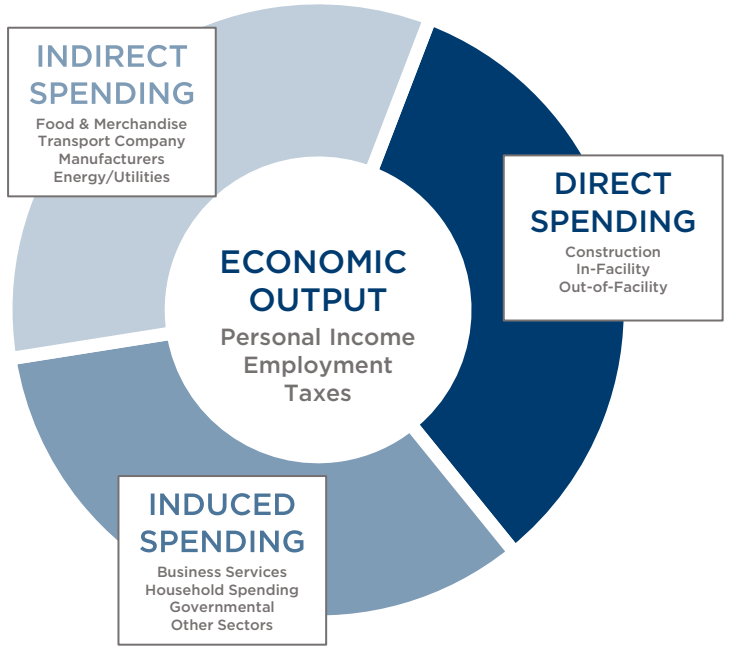
ECONOMIC IMPACT CONCEPTS & METHODS (continued)

- TOTAL OUTPUT represents the total direct, indirect, and induced spending effects generated by the new/expanded facilities. Total output is calculated by multiplying the appropriate total output multiplier by the estimated direct spending within each industry.
- PERSONAL INCOME (EARNINGS) represent the wages and salaries earned by employees of businesses impacted by the new/expanded facilities. Personal earnings are calculated by multiplying the appropriate personal earnings multiplier by the estimated direct spending within each industry.
- EMPLOYMENT is expressed in terms of total jobs and includes both full and part-time jobs. Employment is calculated by dividing the appropriate employment multiplier by one million, and then multiplying by the estimated direct spending within each industry.

The graphic to the right illustrates key measurements of economic and tax impacts utilized in this analysis. Commencing with the estimation of net new direct spending associated with the Cary Tennis Park expansion and new Mills Park Community Center, successive rounds of re-spending generate indirect and induced effects. The sum of all this net new spending in Cary's economy represents total Economic Output. This new economic output, in turn, likewise generates added earnings (personal income), jobs (employment), and tax revenues.

In addition to the quantifiable benefits associated with the new/expanded facilities, there are a number of existing and potential benefits that cannot be quantified. In fact, these qualitative benefits tend to be a critical factor in the consideration of public and private investment in facilities of this nature. These include issues pertaining to quality of life, ancillary economic development facilitation, employment opportunities, community pride, complementing the greater project site, and other such items.

The quantitative impact figures do not include economic impact that could be generated by other greater project elements associated with any master plan for a larger sports complex/campus or mixed-use project and other ancillary private sector development/investment that may occur as result of the new/expanded facilities (i.e., hotels, restaurants, etc.). Some of the impacts associated with the new/expanded facilities would be quantitatively captured by these other developments and improvements, but substantial additional economic impact could be generated by any new public or private investment that occurs at, or near, the site. The net effect of a calculation of quantified economic impact could hypothetically be several times greater in magnitude (depending on the level of investment and development outcomes that are ultimately realized at, or near, the site).



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ECONOMIC IMPACT OF CARY TENNIS PARK & PICKLEBALL EXPANSION

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TENNIS PARK EXPANSION OVERVIEW

Opened in 2002, Cary Tennis Park is a nationally recognized venue providing tennis and pickleball programming for players of all ages and abilities. Hosting events from ACC Tournaments to USTA Pro-Circuit play, it has recently attracted the PPA professional pickleball tournament to Cary. The Town of Cary's 2012 Parks, Recreation, and Cultural Resources Master Plan emphasized increasing the quantity and diversity of court types, including pickleball, and developing the park as the tennis hub of Cary with an expanded clubhouse.

In fall 2021, the Council approved funding for a study on the clubhouse project, leading to a draft concept recommending the replacement of the existing clubhouse and the development of Town-owned property to the south for pickleball expansion. The proposed project includes up to 30 new pickleball courts, increased shade facilities, a new two-story clubhouse with diverse amenities, expanded seating for the stadium and northern courts, additional parking with EV charging stations, and a solar system to offset electrical usage. Utility and stormwater improvements are also planned to support the expansion.

The remainder of this Chapter presents the estimated economic impacts associated with the construction and operation of the expansion, based on event and attendance data provided by Town of Cary staff.

TENNIS PARK EXPANSION – CONSTRUCTION IMPACTS

The impact of the construction phase is determined by the magnitude and nature of the construction expenditures as well as the geographic region in which they take place. The exhibit below summarizes the estimated net new economic impacts that could be generated in Cary associated with the construction of the Tennis Park expansion. These impacts represent one-time impacts from construction.

For purposes of this analysis, hard construction costs associated with the proposed expansion are assumed to approximate $55.0 million. It is assumed that 20 percent of spending on materials and 30 percent of spending labor would occur within the local area, thereby representing net new spending for the local economy. This results in approximately $13.5 million in net new spending for Cary. As shown, the estimated economic output (direct spending plus indirect and induced spending) in Cary associated with the expansion construction period is estimated at $22.7 million (in 2024 dollars). This impact figure is lower than the assumed total construction cost expenditures amount due to the assumed leakage of a subset of materials and labor spending outside of Cary.

Construction Impacts

$55.0 million
construction cost

$13.5
million
retained
locally

$22.7 million
Total Economic Output

$7.6 million
Wages/Earnings

161
Full-time Equivalent Jobs

TENNIS PARK EXPANSION – EVENT ASSUMPTIONS

Town of Cary staff provided a list of tournaments, competitions, and other events that they believe could be attracted to the expanded Tennis Park on an annual basis. These events, segmented by their geographic reach, are summarized in the upper table to the right. Local events may include USTA Junior and Level 6 events, as well as one-off invitationals organized by the Park or local clubs. Regional events include those from the Level 5 to Level 3 circuits, while National events include marquee tournaments and competitions such as ACC tournaments and ITA All-American.

Based on high-level per event attendance estimates provided by Town of Cary staff, the Tennis Park is estimated to attract approximately 39,100 attendees of tournaments, competitions, and other major events, inclusive of both participants and spectators.

To determine the economic impact derived from visitation to the Tennis Park that is "net new" to the Cary area, CSL prepared high-level assumptions regarding the origination of attendees for each of the three event types. These are summarized below:

- Local Event Attendance: 85% local, 15% daytripper, 0% overnight visitor
- Regional Event Attendance: 20% local, 50% daytripper, 30% overnight visitor
- National Event Attendance: 5% local, 25% daytripper, 70% overnight visitor

Note that a "daytripper" is defined as a visitor that travels to an event at the Tennis Park from more than an hour away but does not stay the night. Therefore, their net new spending on items such as restaurants, retail, and hotels is materially less than their overnight counterparts.

These visitor segmentations are vital for preparing the economic impact estimates provided on the subsequent page.

	Events	Attendance
Local	8	2,400
Regional	7	3,150
National	7	33,500
Total	**22**	**39,050**

	Attendance by Origin		
	Local	Daytrippers	Overnight
Local	2,040	360	0
Regional	630	1,575	945
National	1,675	8,575	23,250
Total	**4,345**	**10,510**	**24,195**

TENNIS PARK EXPANSION – ANNUAL ECONOMIC IMPACTS

The exhibit to the right presents a summary of the annual projected economic impacts generated in the Cary area by an expanded Tennis Park, broken down by event type.

Based on event and attendance assumptions prepared by Town of Cary staff, the expanded Tennis Park is estimated to generate nearly 9,700 hotel room nights each year, in addition to $4.0 million in net new direct spending that results in just under $6.7 million in total economic output throughout the community.

This economic activity is estimated to support just over $2.7 million in annual wages and approximately 82 full-time equivalent jobs in the area.

The net new spending also results in material sales, lodging and restaurant tax collections for Wake County, totaling nearly $163,600 in combined tax revenue.

	Annual Economic Impacts					
	Room Nights	Direct Spending	Total Output	Earnings/Wages	Employment	County Taxes
Local	0	$19,800	$33,408	$13,839	0	$499
Regional	378	$218,925	$368,952	$151,224	5	$8,004
National	9,300	$3,726,625	$6,277,180	$2,560,579	77	$155,105
Total	**9,678**	**$3,965,350**	**$6,679,540**	**$2,725,642**	**82**	**$163,608**

$6.7 million
Annual Economic Output

$2.7 million
Wages/Earnings

82
Full-time Equivalent Jobs

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3 ECONOMIC IMPACT OF MILLS PARK COMMUNITY CENTER

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MILLS PARK COMMUNITY CENTER OVERVIEW

The Mills Park Community Center project has been identified as a potential bond project for the 2024 proposed bond referendum. The 2012 Parks, Recreation, and Cultural Resources Master Plan and the 2015 Mills Park Concept Plan recommended constructing a 50,000-100,000 square foot community center with adjacent outdoor amenities. The process to develop a master plan began in 2022, incorporating community surveys and public input to reflect the needs of Cary's growing community.

The proposed master plan includes a community center building featuring a lobby with gathering areas, an indoor playground, a senior center with a lounge and multipurpose rooms, a catering kitchen, ceramic studio spaces with kilns, visual and performing arts classrooms, multipurpose classrooms, a gymnasium with three high school-sized basketball courts, an adventure walking/jogging track, child watch facilities, group fitness rooms, fitness areas, and locker rooms. The site will also feature a multipurpose field, structured parking, outdoor program spaces, a trailhead to the Panther Creek Greenway, a splash pad, an outdoor playground, a climbing wall, public art, and sustainability infrastructure such as solar panels, EV charging stations, and green stormwater systems.

It is assumed that the Mills Park Community Center could host overflow activity associated with major tournaments frequenting the proposed Center, an eight-court sports tournament facility at the South Hills Mall site that CSL prepared market analysis and economic impact estimates for in 2023.

The remainder of this Chapter provides high-level estimates regarding the economic impacts associated with the construction and operation of the indoor Community Center, with a focus on the major tournaments that the Community Center could help attract in partnership with the tournament-oriented Center at the South Hills Mall site. Note that the subsequent analysis does not include activity at the site's outdoor facilities.

CONCEPTUAL FLOOR PLAN - MAIN LEVEL

MILLS PARK COMMUNITY CENTER – CONSTRUCTION IMPACTS

The exhibit below summarizes the estimated net new economic impacts that could be generated in Cary associated with the construction of the Mills Park Community Center. These impacts represent one-time impacts from construction.

For purposes of this analysis, hard construction costs associated with the proposed Community Center project are assumed to approximate $120.9 million. It is assumed that 20 percent of spending on materials and 30 percent of spending labor would occur within the local area, thereby representing net new spending for the local economy. This results in approximately $29.6 million in net new spending for Cary. As shown, the estimated economic output (direct spending plus indirect and induced spending) in Cary associated with the facility construction period is estimated at $50.0 million (in 2024 dollars). Further, the project is estimated to support $16.8 million in area wages and 355 full-time equivalent jobs during its construction.

Construction Impacts

$120.9 million
construction cost

$29.6 million retained locally

$50.0 million
Total Economic Output

$16.8 million
Wages/Earnings

355
Full-time Equivalent Jobs

MILLS PARK COMMUNITY CENTER – EVENT ASSUMPTIONS

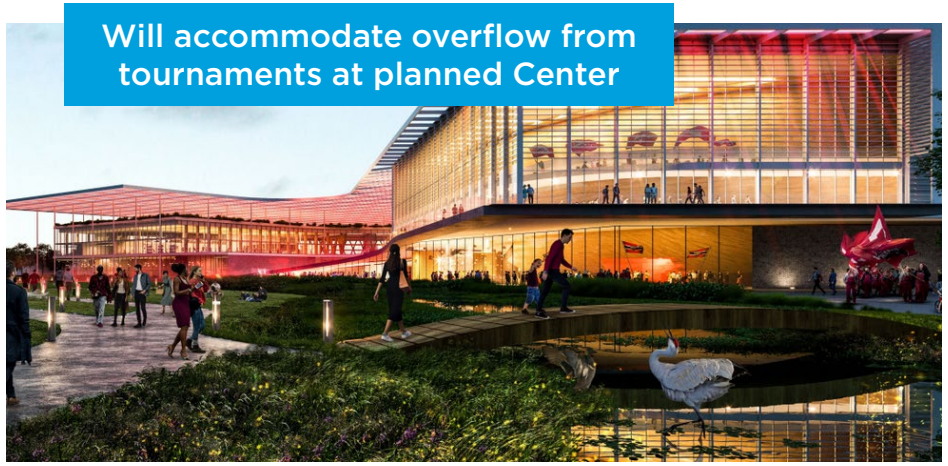
As previously noted, the Mills Park Community Center could be packaged with the proposed eight-court Center to help Cary attract large, economically impactful sports tournaments. With their combined 11 ful-sized basketball courts, the two facilities would be able to accommodate the needs of many basketball, volleyball, and other court sport tournament organizers who were interviewed as part of CSL's Center Study in 2023.

However, the facilities are approximately 30 minutes apart, which will mitigate some of their utilization on an annual basis. A portion of interviewed organizers require their courts to be within one site, or within a 10- to 15-minute drive of one another.

Considering these factors, CSL prepared a list of all basketball, volleyball, and other sports tournaments that may be interested in using both facilities. As shown in the table to the right, five tournaments are assumed to take place at both facilities, with approximately 19,000 attendees of these events frequenting Mills Park Community Center. The impact of these 19,000 attendees on the Cary destination is presented on the following page.

Note that these event estimates and the economic impact estimates provided on the following page do not include self-contained tournaments that would occur solely at Mills Park. With only three courts, the facility has limited potential to draw economically impactful tournaments. The tournaments it could host independent of the Center will primarily draw from the local area and will have negligible economic impact. Still, the Community Center will provide the community with a state of the industry option for local tournaments, clinics, league play, practices, and other programming.

	Tournaments	Attendance
Basketball	3	16,700
Volleyball	1	1,200
Other	1	1,100
Total	**5**	**19,000**



MILLS PARK COMMUNITY CENTER – ANNUAL ECONOMIC IMPACTS

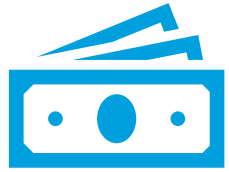
The exhibit to the right presents a summary of the estimated annual economic impacts generated in the Cary area by tournament activity hosted at the planned Mills Park Community Center in conjunction with the planned Center at the South Hills Mall site.

Based on the event and attendance data shown on the previous page, the Mills Park Community Center is estimated to generate approximately 3,800 hotel room nights each year, in addition to $2.5 million in net new direct spending that results in over $4.2 million in total economic output throughout the community.

This economic activity is estimated to support just over $1.7 million in wages and approximately 53 full-time equivalent jobs in the area.

The net new spending also results in material sales, lodging and restaurant tax collections for Wake County, totaling approximately $101,900 in tax revenue.

3,800
Room Nights



$2.5 million
Direct Spending

$101,900
County Tax Collections

$4.2 million
Annual Economic Output

$1.7 million
Wages/Earnings

53
Full-time Equivalent Jobs