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Executive Summary

The opening of a multi-purpose Community Event Center near the mouth of the Black River would generate more than $1.0 million in new spending in the South Haven area annually. It would create nearly 2,000 days of employment and generate nearly $200,000 in wages and salaries on an annual basis.

The potential fiscal impact of the proposed Community Event Center depends upon the net present value of the stream of revenues and costs it will generate into the future. The net present value of the proposed $3.4 million Center is estimated to be just short of $242,800 during the first 10 years of operation.[1] In other words, the Community Event Center will generate a positive revenue stream during its first 10 years of operation. However, this will hold true only if the current area room tax is increased to four percent.

Introduction

The construction of a multi-purpose Community Event Center is being proposed near the mouth of the Black River in South Haven. The proposed location would offer an excellent location for business meetings, family reunions, and weddings, as well as, providing public facilities and refreshments to the South Beach day users. Moreover, the facility has the potential of expanding the tourist season for the South Haven hospitality industry in the fall and spring.

This report provides both an economic impact estimate of the Center to the City of South Haven as well as a fiscal impact estimate to the City of South Haven for the Center.

While offering a unique setting, the impact of the proposed Community Event Center will be constrained by several factors:

[1] The full cost of the proposed center is approximately $3.7 million; however, the City of South Haven is seriously considering paying $300,000 upfront to lower the project's annual debt obligation.

1. There are at least 36 competing facilities from Muskegon to New Buffalo that can accommodate parties of 100 or more. Only one of these would offer the direct beach access available at the proposed site; however, they can provide the reception after a beach wedding.
2. Since the Community Event Center will not have any lodging, users will be dependent upon reserving rooms in the region. In the summer high season (July–August), lodging availability is extremely tight. Of the 35 competing facilities, 34 percent provide at least some lodging, which gives them a strong advantage in the booking of destination weddings.
3. Parking will be an added challenge for the Community Event Center in the summer months as well. A total of 162 parking spaces are available around the existing Water Filtration Plant; however, demand is high in the summer months for these spaces.

Methodology

The findings of this report are based upon assumptions that are stated below. These assumptions are based on previous impact studies as well as discussions with industry experts.

The forecasted number of events, by month, at the proposed Community Event Center is shown in Table 1 below. The actual usage of the Community Event Center will depend on several unknown factors, including marketing and the construction of new or closure of existing competing centers. As shown, it is assumed that the number of weddings and business conferences will be seasonal, whereas the number of other events would be constant throughout the year. Under these assumptions, the Community Event Center would host 2.6 events per week, annually, and 2.8 per week during the summer months. The limitation of available lodging is expected to curtail the number of events at the Community Event Center. This is especially true for weddings which are typically scheduled for weekends which in the summer are peak demand times for lodging. Only three weddings per month are expected to occur in the three summer months at the Community Event Center.

Table 1 Number of Estimated Activities at the Community Event Center

	Weddings	Business conferences/ retreats/trainings	Local civic groups	Reunions and miscellaneous
January	1	1	4	2
February	1	1	4	2
March	3	1	4	2
April	4	2	4	2
May	5	3	4	2
June	3	3	4	2
July	3	3	4	2
August	3	3	4	2
September	5	3	4	2
October	5	2	4	2
November	3	1	4	2
December	1	1	4	2
Totals	37	24	48	24

While the assumed number of activities presented in Table 1 is key for estimating the fiscal impact of the proposed Community Event Center, another concern in the preparation of the economic impact is to properly account for the possible local displacement impact. The ideal location of the proposed Community Event Center could draw activities from existing local venues resulting in little, if any, net economic impact. In South Haven, there are six existing sites where some or all of these activities can take place (see Appendix Table A-1, page A-1).

We are assuming that 33 percent of the weddings, reunions, and business conferences that will take place at the proposed Community Event Center would have occurred in South Haven without the Community Event Center. In other words, they would generate no new impact on the City. Regarding local civic groups, we are assuming a 100 percent displacement impact.

The expected expenditures made by individuals attending these events, above event expenditures, are shown below and are based on the 2009 paper by Daniel J. Stynes, *Tourism Spending and Economic Impacts Van Buren County Michigan*. To update the expenditure levels provided in the report, we used an annual average of a 2.5 percent increase in prices (Table 2). Approximately 50 percent of the individuals attending weddings would stay the night, while 20 percent of business conference participants and 25 percent of individual attending reunions and other miscellaneous events at the Community Event Center are assumed to stay the night.

Table 2 Key Model Assumptions

Event characteristics	Weddings	Business conferences/ retreats/trainings	Local civic groups	Reunions and miscellaneous
Number of persons	100	80	70	60
Number in party	2.4	1.0	1.0	2.0
Percent overnight stays	50%	20%	0%	25%
Event expenditures per person	$170	$50	$25	$100
Displacement percentage	33%	33%	100%	33%
Expenditures per Party				
Daily expense for parties staying overnight ($)				
Total	300	300	0	300
Motel	143	143	0	143
Gas and oil	36	36	0	36
Retail	9	9	0	9
Restaurant	57	57	0	57
Groceries	15	15	0	15
Amusements	39	39	0	39
Daily expense for persons staying for the day only ($)				
Total	110	70	0	70
Motel	0	0	0	0
Gas and oil	10	10	0	10
Retail	40	20	0	20
Restaurant	35	15	0	15
Groceries	10	10	0	10
Amusements	15	15	0	15

One major concern regarding the proposed Community Event Center is that during the summer season, lodging utilization rates can reach 100 percent. This can negatively affect the impact of the Community Event Center. We used last year's monthly collection of the South Haven Convention and Visitor's Bureau room tax as an estimator of the number of rooms available. Unfortunately, June 2011 was unusually cold and rainy and therefore does not properly reflect the demand for rooms on more typical months.

In July, the highest month, it is assumed that there are no rooms available on the weekend. As shown in Table 3, the lack of available lodging units in June, July, and August is assumed to severely limit the number of new weddings and reunions from occurring during those months, since most of these activities occur on the weekends. For potential business conferences this is less of a constraint. In September, existing supply and demand for rooms would nearly match, allowing for all seven weddings to proceed. Note that this assumption may be overly optimistic in that weekends will be in higher demand for both regular tourists and weddings. Again, the availability of rooms during the week will be of little value if couples want to wed on the weekend. Finally, the tight lodging market in September will likely preclude any reunions or other events requiring overnight stays.

Table 3 Estimation of the Availability of Rooms

	2011 lodging assessment	Percent of high month	Occupied units	Estimated number of available rooms	Estimated demand for rooms	Percent change in occupies
January	$3,258	5%	21	429	31	49.0%
February	$3,674	5%	24	426	31	32.1%
March	$4,249	6%	27	423	73	167.6%
April	$6,658	10%	43	407	80	87.6%
May	$13,555	19%	87	363	101	16.4%
June*	**$63,862**	91%	410	40	73	9.7%
July	$70,028	100%	450	0	73	0.0%
August	$63,862	91%	410	40	73	9.7%
September	$24,807	35%	159	291	129	-18.9%
October	$13,481	19%	87	363	94	8.7%
November	$6,332	9%	41	409	87	113.9%
December	$3,989	6%	26	424	31	21.7%
Total	$239,561					
Number of lodging units in South Haven:				450		

*The actual assessment for June was $25,668, however, the June of 2011 was unseasonably cold and rainy; therefore, we substituted the August total for the month.

Based on the above assumptions, we estimate that the Community Event Center would contribute slightly more than $1 million in new spending in South Haven. The estimated month-by-month expenditures for 2013, by activity, are shown in Table 4. Due to the high demand for rooms on summer weekends, we estimate that overnight stays will only increase by 10 percent during June, July, and August.

Table 4 Estimated Annual Local Expenditures for 2013 due to the Community Event Center ($000)

Month	Weddings			Business event spending			Local civic	Reunions and miscellaneous events			Total
	Event spending	Additional spending		Event spending	Additional spending		Event spending	Event spending	Additional spending		
		Overnight	Day visit		Overnight	Day visit			Overnight	Day visit	
January	11,390	4,184	1,535	2,680	3,213	6,432	0	8,040	4,017	5,126	46,617
February	11,390	4,184	1,535	2,680	3,213	6,432	0	8,040	4,017	5,126	46,617
March	34,170	12,552	4,606	2,680	3,213	6,432	0	8,040	4,017	5,126	80,836
April	45,560	16,736	6,142	5,360	6,426	12,864	0	8,040	4,017	5,126	110,271
May	56,950	20,919	7,677	8,040	9,640	19,296	0	8,040	4,017	5,126	139,705
June	34,170	1,255	4,606	8,040	9,640	19,296	0	8,040	402	5,126	90,574
July	34,170	1,255	4,606	8,040	9,640	19,296	0	8,040	402	5,126	90,574
August	34,170	1,255	4,606	8,040	9,640	19,296	0	8,040	402	5,126	90,574
September	56,950	20,919	7,677	8,040	9,640	19,296	0	8,040	4,017	5,126	139,705
October	56,950	20,919	7,677	5,360	6,426	12,864	0	8,040	4,017	5,126	127,380
November	34,170	12,552	4,606	2,680	3,213	6,432	0	8,040	4,017	5,126	80,836
December	11,390	4,184	1,535	2,680	3,213	6,432	0	8,040	4,017	5,126	46,617
Total	421,430	120,914	56,810	64,320	77,117	154,368	0	96,480	37,362	61,506	1,090,308

Estimated Economic Impact

To measure the estimated economic impact of the Community Event Center, we used the W.E. Upjohn Institute Regional Economic Models Incorporated (REMI) model for the Kalamazoo MSA (Van Buren and Kalamazoo MSA). Although the model is for a two-county region, we assumed that all of the estimated indirect impact of the Community Event Center occurred in the City of South Haven.

Typically, economic impacts are measured in year-round jobs and by the wages and salaries they generate. As shown in Table 5, fewer than eight year-round jobs, each with an average annual salary of $24,937, would be generated in the South Haven area due to activity at the Community Event Center.[2]

A better illustration of the Community Event Center's potential economic impact is to measure it in terms of day jobs created and the estimated amount of wages and salaries generated per event. On average, each event would generate 33 day jobs both at the Community Event Center and due to the indirect impact of the Community Event Center's activities on the city's businesses. For example, an afternoon wedding with an evening reception could employ 40 individuals for an average of four hours per worker, which is the same as 20 day jobs. In addition, 13 day jobs could be generated at lodging places and restaurants used by the guests. Each event, on average, would generate just more than $3,000 in wages and salaries, directly and indirectly.

[2] Note: We exclude the employment impact of the proposed refreshment/concession stand that would be located on the first level of the Community Event Center. We assume that the opening of the refreshment stand is a separate decision to that of constructing a second level for the Community Event Center.

Table 5 Economic Impact

	2013
Employment	
Number of year-round jobs	7.6
Number of day jobs	1984
Number of day jobs per event	33
Wage and Salaries ($)	
Annual	$190,258
Per year-round job	$24,937
Average per day job created	$95.91
Average hourly rate	$11.99
Average per event	$3,155.19

Since the Community Event Center would host events throughout the year, it would generate income during the "off season" months from October to April (Table 6). Approximately 50 percent of the Center's direct and indirect income generation, more than $95,000, would occur during this period.

Table 6 Economic Impact of the Proposed Community Event Center by Month

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013
Employment													
Number of day jobs	78.6	78.6	165.2	186.0	235.7	152.8	152.8	152.8	293.4	214.9	194.1	78.6	1,984
Wage and Salaries (place of work)	$7,543	$7,543	$15,848	$17,842	$22,605	$14,655	$14,655	$14,655	$28,142	$20,611	$18,616	$7,543	$190,258
Percent of Activity	4.0%	4.0%	8.3%	9.4%	11.9%	7.7%	7.7%	7.7%	14.8%	10.8%	9.8%	4.0%	

The economic impact of the Community Event Center for later years depends upon the following factors which are impossible to predict:

1. The opening of more lodging places which would allow for destination weddings to occur in the high-season months of July and August.
2. The opening of other venues along Lake Michigan that offer both a beach setting and could offer lodging and convenient parking.
3. The condition of the general economy.
4. The effectiveness of the marketing program for the Center.

Fiscal Impact Analysis

This fiscal impact analysis is still incomplete in that it may be excluding additional revenues and costs associated with the Community Event Center. Still, it does capture the major revenue cost and revenue streams of the proposed Community Event Center and, unfortunately, shows that due to the required debt repayment the Community Event Center would likely run a negative balance for its first 10 years.

The expected revenue stream of the Community Event Center will come from two sources: rental fees associated with the use of the 11,500-square-foot Community Event Center and the leasing of the concession/refreshment facility on the first floor. The expected major annual cost

items of operating the Community Event Center would be the annual payment of an expected 30-year bond and its operational and maintenance fees.

The annual revenue stream of the Community Event Center is highly dependent upon the expected level of activity that the Community Event Center will host. These expected levels of activities were introduced previously and are repeated in Table 7 below, with their associated fee estimates. The estimated fees associated with the three general activities: wedding, business conferences, and reunions and miscellaneous activities are partially based upon current fee structures at existing facilities. The operational and maintenance cost estimates are based on a limited knowledge of similar facilities. All staffing and food preparation costs are assumed to be to the responsibility of the party renting the Community Event Center for their event. The annual debt payment for the $3.4 million structure will be $185,000 assuming a 3.5 percent rate of interest over a 30-year period.[3]

Table 7 Revenue and Cost Assumptions

Revenues

Event center	Rental fees	Number	Total
Wedding & Receptions	$3,000	37	$111,000
Reunions & misc	$800	24	$19,200
Business events	$2,000	24	$48,000
Civic Groups	$200	48	$9,600
Lease for Concession	$4,000		$4,000
		Total	$191,800
Annual Price Adjustment	2.5%		

Annual Costs

	Construction Cost	Interest	Payment period (years)
Debt payment	$3,400,000	3.5%	30
Annual debt payment	$184,863		
Operation and Maintenance			
Staffing	$120,000		
Insurance	$8,000		
Advertising	$25,000		
Maintenance	$7,500		
Contract Labor	$15,000		
Miscellaneous	$2,000		
Utilities	$27,600		
Total O & M	$205,100		

Additional fiscal support for the Community Event Center will be required for it to achieve a net present value during the first 10 years of its operation. One reasonable source of funding would be to double the current two percent local room tax to four percent. As shown below in Table 8, given this additional financial support, the Community Event Center would generate a net

[3] The full cost of the structure including furniture is estimated to be $3,700,000; however, the City of South Haven is seriously considering paying $300,000 upfront to lower the amount of the project's debt obligation.

revenue stream for the first ten-year period of operations. Although during the first three years of operation the Center would generate a slight negative cash flow, it would turn positive after four years of operation. The net present value (NPV) of the Center for its first ten years of operation is nearly $242,800.[4]

This estimate is conservative, as it assumes zero growth in the number of events held at the Community Event Center. An effective marketing program and positive word-of-mouth would increase the revenue generated by the Center. Still, as mentioned previously, given the level of uncertainty surrounding the future market conditions for the Community Event Center, it is impossible to forecast a growth path for its activities.

Table 8 Estimate Net Fiscal Impact for the First Ten Years (30 year repayment schedule)

Revenue	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Room rentals	$187,800	$192,495	$197,307	$202,240	$207,296	$212,478	$217,790	$223,235	$228,816	$234,536	$240,400
Concession lease	$4,000	$4,100	$4,203	$4,308	$4,415	$4,526	$4,639	$4,755	$4,874	$4,995	$5,120
Additional Room Tax (2.0%)	$200,000	$205,000	$210,125	$215,378	$220,763	$226,282	$231,939	$237,737	$243,681	$249,773	$256,017
Costs											
Operations & maintenance	$205,100	$210,228	$215,483	$220,870	$226,392	$232,052	$237,853	$243,799	$249,894	$256,142	$262,545
Debt payment	$184,863	$184,863	$184,863	$184,863	$184,863	$184,863	$184,863	$184,863	$184,863	$184,863	$184,863
Net Benefit	$1,837	$6,505	$11,289	$16,193	$21,219	$26,371	$31,652	$37,065	$42,613	$48,300	$54,129
Net Present Value	$ 242,794										

[4] In estimating the net present value of the Center, we used a three percent social discount rate, meaning that annual net revenues generated by the Center are discounted by three percent each and every year in the forecast period.

Appendix

Table A-1 Existing Event Centers Along Lake Michigan

Name	City	Capacity	Lodging	Beachfront
Laketown Golf & Conference Center	Saugatuck	1790		No
Felt Mansion	Saugatuck	800		No
Armory	Holland	500		No
Fricano Event Center	Muskegon	500		No
The Veranda	St. Joseph	500		No
Vineland Center	St. Joseph	500		No
Whittaker Woods Golf Community	New Buffalo	500		No
Fruitport Banquet Center	Muskegon	375		No
Mick's Banquet Hall	Muskegon	358		No
Ramada Lighthouse Inn & Conference	South Haven	350	92	No
Lake Bluff Inn and Suites	South Haven	350	52	No
The Belvedere Inn	Saugatuck	350	10	No
Lake Breeze Hotel and Convention Center	Benton Harbor	300	120	No
Shadowlands at Silver Beach	St. Joseph	300		Yes
Beach Haven Event Center	South Haven	300		No
The Heritage	St. Joseph	300		No
Windmill Island	Holland	300		No
Blue Dress Barn	Benton Harbor	280		No
Twin Gables Inn	Saugatuck	250	18	No
Cappon House	Holland	250		No
Foundry Hall	South Haven	250		No
Lake Michigan Hills	Benton Harbor	234		No
Butternut Event Center	Holland	220		No
Bethel Park Retreat Center	Bridgeman	200	13	No
Century Club Ballroom	Muskegon	200		No
DePree Manor	Holland	200		No
LakeShore Ciao	South Haven	200		No
Haworth Inn And Conference Center	Holland	180	50	No
Sans Souci Euro Inn & Cottages	New Buffalo	175	5	No
Holland Arts Council	Holland	150		No
Holland Museum	Holland	150		No
Silver Beach Hotel	St. Joseph	120	149	No
Marina Grand Resort	New Buffalo	100	76	No
The Harbor Grand	New Buffalo	100	55	No
Sun and Sand Resort	South Haven	100	33	No
Watermark 920	Muskegon	100		No