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George A. Erickcek

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Executive Summary

The opening of a multi-purpose Community Event Center on the upper level of the to-be-constructed new Michigan Maritime Museum on the Black River in South Haven would generate more than \$1,500,000 in new spending in the South Haven area annually. It would create nearly 2,150 days of employment and generate nearly \$230,000 in wages and salaries on an annual basis.

The construction of the multi-purpose Michigan Maritime Museum and Community Event Center facility would be funded through a public/private partnership. The annual revenue flow from the community center would more than cover the estimated annual operations and maintenance cost of the facility. Moreover, given the partnership between the Michigan Maritime Museum and the City of South Haven, the Community Event Center would generate a positive cash flow starting within its first year of operation.

Introduction

The construction of a multi-purpose 7,000-square-foot Community Event Center is being proposed as integrate part of the new Michigan Maritime Museum located at 260 Dyckman Avenue in South Haven. The proposed location would offer an excellent location for wedding, education conferences, business meetings, and family reunions. 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. There are at least 34 competing facilities from Muskegon to New Buffalo that can accommodate parties of 100 or more.
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 34 competing facilities, 33 percent provide at least some lodging, which gives them a strong advantage in the booking of destination weddings. However, the proposed center would be in walking distant to several high-quality Bed and Breakfast lodging opportunities as well as hundreds of cottage rentals in the north side of South Haven.
3. Parking will be an added challenge for the Community Event Center in the summer months as well. On-site parking spaces will be extremely limited, however, off-site parking with a shuttle services would be available.

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 during the first year of operation is shown in Table 1 below. The actual usage of the Community Event Center will depend upon 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. It is also assumed that in each July and August there will be three days when two weddings will be held at the center. Under these assumptions, the Community Event Center would host 2.7 events per week, annually, and 3.3 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. No more than six weddings per month are expected to occur in the three summer months at the Community Event Center.

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 five existing sites where some or all of these activities can take place.

Overall, we are forecasting that the center will host 45 weddings during the first year. A similar center on Lake Michigan had 56 wedding in 2014 and is expecting to have 58 weddings for all of 2015. As the Community Event Center becomes better known as an attractive location for weddings, business conferences, and reunions, its usage will likely increase. The projected number of weddings, business conferences, and reunions are shown in Table 8.

We are assuming that 25 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 2.0 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 individuals attending reunions and other miscellaneous events at the Community Event Center are assumed to stay the night.

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.

In July, the peak tourism month, it is assumed that there are no rooms available on the weekends. As shown in Table 3, the lack of available lodging units in July and August could 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. 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.

Based on the above assumptions, we estimate that the Community Event Center would contribute slightly more than \$1.5 million in new spending in South Haven. The estimated month-by-month expenditures for 2017, by activity, are shown in Table 4.

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 Van Buren, Berrien, and Cass region. Although the model is for a three-county region, we assumed that all of the estimated indirect impact of the Community Event Center occurred in and around 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, slightly more than eight year-round jobs, each with an average annual salary of \$27,842, would be generated in the South Haven area due to activity at the Community Event Center in 2017.

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 32 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 higher than \$3,400 in wages and salaries, directly and indirectly.

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 48 percent of the Center's direct and indirect income generation—more than \$90,000—would occur during this period.

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 based upon the major expected cost and revenue streams of the proposed Community Event Center. It is possible that additional events could be added to the center's agenda.

The expected revenue stream of the Community Event Center will come from two sources: rental fees, and bar revenues from the sale of liquor, beer, and wine at the hosted events.¹ 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 forecasted revenues from bar services were based upon the following. According to www.costofwedding.com, the average expense for alcohol at a wedding that serves alcohol in west Michigan is between \$1,842 and \$3,024. According to the Web site, between 47 and 57 percent of all weddings in the region serve alcohol; however, based on the experience of a comparable facility, it is reasonable to expect that alcohol will be served at more than 90 percent

¹ Note the revenues from individuals visiting the museum are not included in the current analysis although the full construction cost of the facility is included.

of the center's weddings. In the calculations, we assumed that bar services for a wedding would be, on average, \$2,200 and that 90 percent of the weddings would serve alcohol. We could not find any information on the potential consumption of alcohol at reunions or business events. We assumed that alcohol would be served at all reunions and at 30 percent of the business events and that the average bar fee would be \$1,500 and \$300, respectively. Finally, based on information from a neighboring event center, the cost per revenue ratio of operating a bar is 17.7 percent.

The annual cost of the proposed project includes the following components. The operational and maintenance cost estimates are based on a limited knowledge of similar facilities and are shown in Table 7. All staffing and food preparation costs are assumed to be the responsibility of the party renting the Community Event Center for their event; however, the Center will have a license to sell alcohol. The facility will be expected to pay 5.0 percent of its gross revenues to the city in lieu of taxes. In the first year, this is estimated to be just under \$17,000. Finally, the annual debt payment for the \$3.2 million structure will be \$176,000 assuming a 3.5 percent rate of interest over a 30-year period.

As shown in Table 8, the annual number of weddings held at the Community Event Center is projected to grow to 57 by 2023 and then hold constant during the remainder of the forecast period. The number of business conferences is predicted to increase from 24 in the first year of operation to 36 per year in 2023.

The Community Event Center will have a positive cash flow during its first year of operation as well as for each following year during the forecast period, as shown in Table 9. The positive cash flow projected is dependent upon an annual contribution of \$324,500 during the first five years for the repayment of the Museum's portion of the cost of the facility.² In the first year, the center is expected to clear nearly \$340,000 in net revenues. Annual revenues dip down to \$9,244 in 2022 after the Museum completes its repayment of its portion of the structure; however, the facility's revenues increase afterward. The 30-year forecast of the facility's revenue stream is shown in Table 10.

All forecasts have risks. On the upside, the attractive location of the proposed community event center could generate a greater level of activity than projected. Anecdotal evidence suggests a strong demand for wedding venues and conference space in South Haven and along the shores of Lake Michigan. However, the likely existence of this strong demand could generate the major downside risk to the project: the opening of a competing facility. At the same time, the announcement and construction of the proposed center could itself postpone or force the abandonment of other development plans.

² This includes \$1,407,000 for the first-floor museum space and fifty percent of the shared space, \$215,500.

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	5	2	4	2
May	5	3	4	2
June	5	3	4	2
July	6	3	4	2
August	5	3	4	2
September	5	3	4	2
October	5	2	4	2
November	3	1	4	2
December	1	1	4	2
Totals	45	24	48	24

Table 2 Key Model Assumptions, 2017

Event characteristics	Weddings	Business conferences/ retreats/trainings	Local civic groups	Reunions and miscellaneous
Number of persons	150	50	70	60
Number in party	2.4	1.0	1.0	2.0
Percent overnight stays	50%	20%	0%	25%
Event expenditures per person	\$113	\$50	\$25	\$100
Displacement percentage	25%	25%	100%	25%
Expenditures per Party				
Daily expense for parties staying overnight (\$)				
Total	491	491	0	491
Motel	323	323	0	323
Gas and oil	39	39	0	39
Retail	9	9	0	9
Restaurant	62	62	0	62
Groceries	17	17	0	17
Amusements	42	42	0	42
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

Table 3 Estimation of the Availability of Rooms

	2014 lodging assessment	Percent of high month	Occupied units	Estimated number of available rooms	Estimated demand for rooms	Percent change in occupy	New lodging
January	\$10,893	6%	44	706	40	5.4%	40
February	\$20,334	11%	82	668	40	5.4%	40
March	\$15,977	9%	65	685	87	11.6%	87
April	\$13,072	7%	53	697	140	18.6%	140
May	\$52,287	28%	212	538	145	19.4%	145
June	\$98,764	53%	400	350	145	19.4%	145
July	\$185,183	100%	750	0	169	0.0%	0
August	\$168,480	91%	682	68	145	9.0%	68
September	\$79,883	43%	324	426	145	19.4%	145
October	\$54,466	29%	221	529	140	18.6%	140
November	\$16,703	9%	68	682	87	11.6%	87
December	\$8,714	5%	35	715	40	5.4%	40
Total	\$724,755						
Number of lodging units in South Haven:				750		New Stays	1,078

Table 4 Estimated Annual Net Increase in Local Expenditures for 2017 due to the Community Center

Month	Weddings			Business conferences/ retreats/trainings			Local civic	Reunions and miscellaneous			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	12,750	11,518	2,578	1,875	3,686	4,500	0	9,000	6,654	5,738	58,298
February	12,750	11,518	2,578	1,875	3,686	4,500	0	9,000	6,654	5,738	58,298
March	38,250	34,554	7,734	1,875	3,686	4,500	0	9,000	6,654	5,738	111,990
April	63,750	57,590	12,891	3,750	7,372	9,000	0	9,000	6,654	5,738	175,744
May	63,750	57,590	12,891	5,625	11,057	13,500	0	9,000	6,654	5,738	185,804
June	63,750	5,759	12,891	5,625	11,057	13,500	0	9,000	665	5,738	127,985
July	76,500	6,911	15,469	5,625	11,057	13,500	0	9,000	665	5,738	144,465
August	63,750	5,759	12,891	5,625	11,057	13,500	0	9,000	665	5,738	127,985
September	63,750	57,590	12,891	5,625	11,057	13,500	0	9,000	6,654	5,738	185,804
October	63,750	57,590	12,891	3,750	7,372	9,000	0	9,000	6,654	5,738	175,744
November	38,250	34,554	7,734	1,875	3,686	4,500	0	9,000	6,654	5,738	111,990
December	12,750	11,518	2,578	1,875	3,686	4,500	0	9,000	6,654	5,738	58,298
Total	573,750	352,452	116,016	45,000	88,459	108,000	0	108,000	61,879	68,850	1,522,406

Table 5 Economic Impact

	2017
Employment	
Number of year-round jobs	8.3
Number of day jobs	2146
Number of day jobs per event	32
Wage and Salaries (\$)	
Annual	\$229,836
Per year-round job	\$27,842
Average per day job created	\$107.08
Average hourly rate	\$13.39
Average per event	\$3,443.24

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2017
Employment													
Number of day jobs	88.7	88.7	154.6	211.4	268.3	185.4	196.7	196.7	268.3	244.4	154.6	88.7	2,146
Wage and Salaries (place of work)	\$9,497	\$9,497	\$16,551	\$22,641	\$28,731	\$19,849	\$21,062	\$21,062	\$28,731	\$26,168	\$16,551	\$9,497	\$229,836
Percent of Activity	4.1%	4.1%	7.2%	9.9%	12.5%	8.6%	9.2%	9.2%	12.5%	11.4%	7.2%	4.1%	

Table 7 Revenue and Cost Assumptions for the First Year in Operation

Event center	Rental fees	Number	Total
Wedding and receptions	\$3,000	45	\$135,000
Reunions and misc.	\$800	24	\$19,200
Bar services	\$127,260		\$127,260
Business events	\$2,000	24	\$48,000
Civic groups	\$200	48	\$9,600
		Total	\$339,060
Annual price adjustment	2.0%		

Costs for the First Year of Operation

	Construction cost	Interest	Payment period
Debt payment (Community Center)	\$3,245,000	3.50%	30
PMI Community Center	\$176,435		
Payment in Lieu of Taxes	\$16,953		
Operation and maintenance			
Staffing	\$120,000		
Insurance	\$8,000		
Advertising	\$25,000		
Maintenance	\$7,500		
Contract labor	\$15,000		
Bar cost	\$22,552		
Miscellaneous	\$2,000		
Utilities	\$27,600		
Total O & M	\$227,652		
Total Cost in First Year	\$421,039		

Table 8 Estimated Revenue Stream

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Number of Events											
Wedding and receptions	45	47	49	51	53	55	57	57	57	57	57
Reunions and misc.	24	25	26	27	27	27	27	27	27	27	27
Business events	24	26	28	30	32	34	36	36	36	36	36
Civic groups	48	48	48	48	48	48	48	48	48	48	48
Revenue											
Wedding and receptions	\$135,000	\$143,820	\$152,939	\$162,365	\$172,107	\$182,173	\$192,574	\$196,425	\$200,354	\$204,361	\$208,448
Reunions and misc.	\$19,200	\$20,400	\$21,640	\$22,922	\$23,381	\$23,848	\$24,325	\$24,812	\$25,308	\$25,814	\$26,330
Bar services	\$127,260	\$135,558	\$144,137	\$150,526	\$160,546	\$168,328	\$176,357	\$179,884	\$183,482	\$187,151	\$190,895
Business events	\$48,000	\$53,040	\$58,262	\$63,672	\$69,276	\$75,077	\$81,084	\$82,705	\$84,359	\$86,047	\$87,768
Civic groups	\$9,600	\$9,792	\$9,988	\$10,188	\$10,391	\$10,599	\$10,811	\$11,027	\$11,248	\$11,473	\$11,702
Total	\$339,060	\$362,610	\$386,966	\$409,673	\$435,701	\$460,026	\$485,151	\$494,854	\$504,751	\$514,846	\$525,143

Table 9 Estimated Net Fiscal Impact for the First Ten Years (30-year repayment schedule)

Revenue	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Roomrentals and bar service	\$339,060	\$362,610	\$386,966	\$409,673	\$435,701	\$460,026	\$485,151	\$494,854	\$504,751	\$514,846	\$525,143
Museum space repayment	\$324,500	\$324,500	\$324,500	\$324,500	\$324,500						
Costs											
Operations & maintenance	\$227,652	\$232,205	\$236,849	\$241,586	\$246,417	\$251,346	\$256,373	\$261,500	\$266,730	\$272,065	\$277,506
Payment in Lieu of Taxes (PILOT)	\$16,953	\$18,131	\$19,348	\$20,484	\$21,785	\$23,001	\$24,258	\$24,743	\$25,238	\$25,742	\$26,257
Debt payment (Community Center)	\$176,435	\$176,435	\$176,435	\$176,435	\$176,435	\$176,435	\$176,435	\$176,435	\$176,435	\$176,435	\$176,435
Net Revenue (rental & lease minus O&M)	\$111,408	\$130,405	\$150,118	\$168,087	\$189,283	\$208,681	\$228,778	\$233,354	\$238,021	\$242,781	\$247,637
Net Benefit	\$242,521	\$260,340	\$278,834	\$295,669	\$315,563	\$9,244	\$28,086	\$32,176	\$36,348	\$40,604	\$44,945

Table 10 Long-Term Projection of Net Revenue

	Revenues	Costs	Net
2017	\$663,560	\$421,039	\$242,521
2018	\$687,110	\$426,770	\$260,340
2019	\$711,466	\$432,632	\$278,834
2020	\$734,173	\$438,504	\$295,669
2021	\$760,201	\$444,637	\$315,563
2022	\$460,026	\$450,782	\$9,244
2023	\$485,151	\$457,065	\$28,086
2024	\$494,854	\$462,678	\$32,176
2025	\$504,751	\$468,403	\$36,348
2026	\$514,846	\$474,242	\$40,604
2027	\$525,143	\$480,198	\$44,945
2028	\$535,646	\$486,273	\$49,372
2029	\$546,359	\$492,470	\$53,888
2030	\$557,286	\$498,791	\$58,495
2031	\$568,431	\$505,238	\$63,194
2032	\$579,800	\$511,814	\$67,986
2033	\$591,396	\$518,522	\$72,875
2034	\$603,224	\$525,363	\$77,861
2035	\$615,288	\$532,342	\$82,947
2036	\$627,594	\$539,460	\$88,134
2037	\$640,146	\$546,720	\$93,426
2038	\$652,949	\$554,126	\$98,823
2039	\$666,008	\$561,680	\$104,328
2040	\$679,328	\$569,385	\$109,943
2041	\$692,915	\$577,244	\$115,671
2042	\$706,773	\$585,260	\$121,513
2043	\$720,909	\$593,437	\$127,472
2044	\$735,327	\$601,777	\$133,550
2045	\$750,033	\$610,283	\$139,750
2046	\$765,034	\$618,960	\$146,073
2047	\$780,335	\$627,811	\$152,524

Appendix

Table A-1 Existing Event Centers Along Lake Michigan

Name	City	Capacity	Lodging	Beachfront
Laketown Golf and 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
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
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
Lake Michigan College	South Haven	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