ANALYSIS OF THE ECONOMIC & FISCAL IMPACT OF CULTURAL AND SPORTING EVENTS IN SAN JOSE: EXPLANATION OF RECOMMENDED METHODOLOGY AND IMPACT ASSESSMENT FOR SIX REPRESENTATIVE EVENTS

(A PRIMARY STUDY)

Prepared for City of San Jose

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1.0 EXECUTIVE SUMMARY

The City of San Jose ("City") retained SportsEconomics, LLC ("SportsEconomics") to evaluate the economic and fiscal benefits to the City of San Jose ("City") associated with the operations of six primary events hosted in the city. This analysis presents estimates of the quantifiable impacts and a discussion of qualitative benefits to the City currently generated as a result of the events it annually hosts. The study's key findings are presented in this Executive Summary. The full Report must be read in its entirety, including the limiting conditions provided at the end of the Report, to understand the background, methods and assumptions underlying the study's findings.

The purpose of this Report was to estimate the total gross economic impact of six primary events hosted in the City from July through October of 2006. In an effort to estimate the annual impact of similar cultural and sporting events hosted in the City, the following events were selected to be representative: (1) San Jose Grand Prix, July 28-30, (2) ZeroOne San Jose Festival and Symposium, August 7-13, (3) Comcast San Jose Jazz Festival, August 17-20, (4) Tapestry Arts Festival, September 2-4, (5) Mariachi Festival and Conference, October 3-8, and (6) San Jose Rock and Roll Half Marathon and Expo, October 7-8, 2006. The data for each of these event types will then be used to estimate the impacts of similar events which run in the City throughout the year. A primary reason why these six diverse events were chosen was to provide important baseline visitor spending data that will be used as input for the Economic Impact Tool that is being developed. The diverse characteristics of these events are viewed as representative of the kinds of events that happen and could happen throughout the year in San Jose (where it will not be feasible to do primary surveys for every single event going forward). This Report will present the findings for all six of the events described above.

More than 3,000 surveys were collected representing over 10,000 people. Total attendance at the six events was over 400,000 with just less than half of those attendees being local residents. Approximately 130,000 attendees represented "unique visitors" who spent an average of just over $400 during their stay.[1] The events studied generated considerable economic impacts for the City. Moreover, substantial tax revenues were also generated. Specifically, the total economic impact on the City from these events, and from the event operations, was approximately $74.1 million, with over 1,280 jobs created, and more than $1.9 million in new tax revenues. The details are shown in Exhibit 1-1 below.

[1] An explanation of "unique visitors" and the entire economic impact methodology is described in Section 2.

Exhibit 1-1

FINDING # 1 :	In addition to the media exposure for the City resulting from the events, the events studied also generated considerable economic impacts for the City.
FINDING # 2 :	Direct Economic Impact to City: $45.3 million.
FINDING # 3 :	Total Economic Impact to City: $74.1 million.
FINDING # 4 :	Induced Economic Impacts to City: $44.2 million in increased resident income and 1,280 FTE jobs created.
FINDING # 5 :	Incremental Tax Impacts to City: $1.9 million.

The economic impact portion of this study evaluates the areas described as follows:

- **Direct Spending** – This represents dollars spent within the City related to the events that otherwise would be spent outside the City's economy (e.g., non-local visitor spending, and event-related spending by vendors, media, participants (artists, racing teams), and corporate/sponsors) that is truly incremental to the City).
- **Indirect Spending** – Indirect Spending results from the re-spending of those "direct" dollars as they circulate through the local economy (commonly referred to as the "multiplier effect", which is discussed in a following section).
- **Total Economic Impact**– Total Economic Impact (Output) is equal to the sum of direct and indirect spending.

  Direct spending also increases economic activity, which increases resident income levels (associated with new and existing jobs), resulting in additional spending within the local economies, referred to as the induced effect. The Total Economic Impact is inclusive of the induced impacts.

  - **Induced Economic Impact Affecting Earnings** – The direct and indirect increase in resident income levels resulting from direct spending activity related to the events hosted by the City.
  - **Induced Economic Impact Affecting Employment** – The number of direct and indirect full-time equivalent (FTE) jobs that are supported in the local economy as a result of direct spending activity related to the events hosted by the City.
- **Fiscal Impact** – The annual taxes collected as a result of the events' operations and non-local visitors traveling to the City that would not have accrued to the region if it were not for the presence of the events.

The operations of such events can benefit a community in a variety of ways. Initial rounds of spending are generated by spectators on tickets, concessions, merchandise and parking, as well as before and after the events

at local hotel, restaurant, entertainment, retail and other establishments. For events hosted at facilities such as the HP Pavilion, spending is also generated by the operation of the facility itself, which contributes through its direct expenditures within the community as well as through the taxes paid to the local government. Further, the operations of a facility can generate venue-related spending in areas such as advertising and sponsorships. Although spending originates from local spectators or other local sources, as well as from spectators and sources outside the area ("visitors"), for purposes of this Report, only those sources of initial direct spending that are generated from outside the area or by organizations within the area that would not have spent the money locally otherwise are considered "net new" to the community. Spending by visitors inside of an event may be considered economic impact if the vendors inside of the event are local businesses. Care is taken to avoid double-counting expenditures by visitors that are then re-spent by event organizers in the local community.

Spending by local spectators and revenue generated by local sources is assumed to be entirely displaced. In other words, it is assumed that this spending would have occurred in the local economy in some other form if it were not spent before, during, and after an event. For example, if a local resident did not spend money at an event, it is assumed that he would have spent that money on another form of purchase in the local economy, such as for concert or theatre tickets, shopping, dining, etc. Therefore, since such spending is not considered new to the local economy, it has not been included in the estimates of economic and fiscal impacts presented in this Report. Similarly, the indirect spending estimates are based on the "adjusted" direct spending figures. See Exhibit 1-2 below for a detailed summary of the findings for the six events.[2] Explanations of all findings are contained within the relevant sections of the Report.

[2] Briefly, a single person attending a three-day event will be counted as three in terms of Attendance, while only counted as one for Unique Attendees. Unique Visitors are further delineated into "Time-Switchers" (those visitors who chose to come to *this* particular event instead of coming to San Jose another time, thus substituting *this* event for another one), and "Casual" Visitors (those visitors in San Jose primarily for another reason, but also chose to come to *this* event). Therefore, "Relevant" Visitors are those unique visitors who are in San Jose for this event who are not "Time-Switchers" or "Casual" Visitors. A full description of these definitions is found in Section 2.0.

Exhibit 1-2

Detailed Summary of Economic Impact Findings from the Six Primary Events

Categories	Grand Prix	ZeroOne Festival	Jazz Festival	Tapestry Arts Festival	Mariachi Festival	Rock 'n' Roll Marathon	Total
Total Attendance	117,600	84,600	76,000	130,000	34,500	63,000	505,600
Number of Unique Attendees (individual people attending event)	49,000	27,800	46,300	118,000	30,500	39,300	311,000
Local Residents who Attended Event (not Visitors)	20,600	10,200	8,700	70,500	18,600	11,100	139,800
Total Number of Unique Visitors Participating in Event Activities	28,300	17,500	37,600	47,500	11,900	28,300	171,200
Number of "Time-switchers" Only	2,000	600	3,100	1,000	1,800	700	9,100
Number of "Casual" Visitors Only	3,900	1,000	5,900	8,100	1,900	3,100	23,800
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	800	100	1,700	1,700	700	800	5,700
Number of "Relevant" Visitors: Count Towards Economic Impact	21,700	15,900	27,000	36,700	7,600	23,700	132,600
Average Expenditure Estimates							
Average Daily Expenditure Per "Relevant" Visitor	$126	$84	$107	$74	$62	$162	$106
Average Number of Days Stayed Per "Relevant" Visitor	2.2	2.7	1.9	1.9	1.1	2.3	2.1
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Event	$282	$243	$206	$141	$69	$368	$226
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Event	$164	$39	$26	$82	$60	$70	$75
Direct Spending Categories							
Transportation	$877,300	$339,200	$497,700	$362,600	$62,200	$640,000	$2,779,000
Parking	$278,900	$101,600	$232,400	$273,400	$32,000	$227,600	$1,146,000
Retail	$586,400	$626,900	$856,400	$1,162,000	$68,800	$1,195,800	$4,496,400
Lodging	$1,040,000	$948,300	$1,497,700	$781,500	$28,300	$3,502,200	$7,798,000
Entertainment	$572,700	$316,700	$431,300	$445,200	$79,700	$994,800	$2,840,300
Food & Beverage	$2,502,500	$1,363,500	$1,837,900	$2,067,300	$195,000	$1,916,700	$9,882,900
Miscellaneous	$246,800	$163,400	$202,300	$103,900	$54,000	$255,800	$1,026,100
Total Relevant Visitor Spending Outside of Event	$6,104,700	$3,859,700	$5,555,700	$5,195,900	$520,000	$8,733,000	$29,968,900
Total Spending Inside Event Area	$3,543,100	$621,200	$715,100	$3,020,100	$456,900	$1,654,600	$10,010,900
Corporate/Team/Media/Sponsor/Vendor	$3,749,300	$955,400	$260,800	$56,500	$13,000	$246,100	$5,281,100
Total Direct Spending	$13,397,100	$5,436,200	$6,531,600	$8,272,500	$989,900	$10,633,700	$45,261,000
Indirect Spending	$10,227,700	$3,840,300	$4,353,000	$4,089,100	$528,600	$5,846,200	$28,885,000
Total Economic Impact	**$23,624,800**	**$9,276,600**	**$10,884,700**	**$12,361,600**	**$1,518,500**	**$16,479,800**	**$74,146,000**
Induced Economic Impact Affecting Resident Income	$12,862,200	$5,313,600	$6,453,800	$8,047,700	$959,400	$10,601,700	$44,238,400
Induced Economic Impact Affecting Employment (FTE jobs)	360	160	190	240	30	300	1,280
Fiscal Impact Categories							
Sales and Use	$93,700	$33,100	$48,900	$75,200	$7,000	$62,000	$319,900
Gate Fee or Participation Payment	$117,600	$0	$7,500	$0	$0	$0	$125,100
Parking Revenues	$9,200	$0	$0	$0	$0	$0	$9,200
Hotel Occupancy	$104,000	$94,800	$149,800	$78,200	$2,800	$350,200	$779,800
Hotel Business Improvement District fee	$3,700	$10,800	$8,000	$5,800	$900	$10,800	$39,900
Direct Taxation	$328,200	$138,800	$214,200	$159,100	$10,700	$423,000	$1,273,900
Indirect Taxation	$230,800	$86,700	$98,300	$92,300	$11,900	$132,000	$652,000
Total Fiscal Impact	$559,000	$225,500	$312,400	$251,400	$22,600	$554,900	$1,925,900

As described in Section 4.0 of this Report, there are aspects of economic impact that are difficult to quantify. For instance, sports and cultural events can provide free media coverage for a city (known as media impact) that can lead to future tourism in the community. An indicator of media impact is provided for two of the events. Additionally, local events can provide an emotional benefit to residents above and beyond any tangible financial benefit. This is known as psychic impact or public consumption benefit. Valuing this is beyond the scope of this study. However, even though the amount of local spending is not counted as part of economic impact, it does provide information on the entertainment value to local residents of an event. Therefore, local spending estimates are measured for each event.

Section 2.0 of this Report describes economic impact concepts and the methodology used. Section 3.0 provides the specific findings of economic impact and other analyses. Section 4.0 discusses limitations of the study, including sources of economic impact that are not accounted for, thus making the estimates here conservative.

2.0 ECONOMIC IMPACT METHODOLOGIES & CONCEPTS

One purpose of economic impact analysis is to provide the public with relevant information regarding the return on an investment in a project or event. The management of financial resources is decided directly by government officials or indirectly by citizen voting. Economic impact provides a metric for comparison to other possible investment projects or events.

Economic impact is based on the theory that a dollar flowing into a local economy from outside of the local economy is a benefit to the locality. In order to measure economic impact, the cause of the impact must first be identified. The most important underlying principle in evaluating economic impact is to measure new economic benefits that accrue to the region that would not have otherwise occurred. While this sounds simple, part of the difficulty lays in measuring what would have happened to the region without the event having taken place, considering that the situation is purely hypothetical.

The financial return for residents is in the form of new jobs, new earnings, and new tax revenues that occur because of the occurrence of the sporting or cultural event.[3] These new earnings, for instance, are generated for residents who are not directly associated with the sporting or cultural event, but who are the beneficiaries of the positive externalities that sports and cultural events can provide to communities. Positive externalities, or overflow benefits, are those benefits that are produced by an event, but are not captured by the event owners or facility being used. When a visitor comes to the City of San Jose to watch an event, they may spend money at local food establishments, gas stations, retail stores, etc. This spending benefits the owners and employees of those establishments thereby creating a positive direct economic impact.

An important concept that is determined early in a study is the geographic area of impact. Generally, the geographic region upon which the economic impact is measured is the region that is considering funding part of the event costs. In this way, the proper cost-benefit analysis is performed. If the local government partially funds a event or facility, then the residents of the region pay for the investment. The correct comparison is to determine the benefits that the local region receives, not some other city, county, or state or combination thereof.

The area of impact is a significant factor in determining the amount of economic impact that occurs. As an example, imagine a resident of Cupertino who typically spends his entertainment dollars attending the movies near home. This person, for instance, may decide to attend an event in the City of San Jose instead of his usual entertainment habits near home. In this case, he is adding new money to the City of San Jose and providing a positive economic impact, as his spending would have otherwise occurred in Cupertino. However, he is not adding new money to the Santa Clara MSA because it includes Cupertino, and this spending is therefore considered substituted, displaced, or redirected spending. Thus, he is providing zero economic impact for the MSA, but positive impact for the City of San Jose. On the other hand, a resident of Berkeley would provide

[3] Additionally, having local major cultural and sporting events enhances community and civic pride. This is known as psychic impact and is discussed in Section 4.0.

economic impact for the City, County, and MSA since Berkeley lies outside of all of these geographies. For the purposes of this study, the geographic area of impact is the City of San Jose.

Because spending by local residents is considered to be displaced spending and is not counted as part of economic impact, it is very important to delineate attendees into visitors and local residents. There is a further delineation of visitors into: (1) visitors who were already in town for another reason, but decided to attend the event anyway ("casual" visitors), (2) visitors who would have come to town during another nearby time period, but instead opted to attend the event during this time period forgoing coming to town another time ("time-switchers"), and (3) visitors who are in town because of the event and would not have otherwise come to town. This latter group, referred to as "relevant visitors", constitutes visitors whose spending is fully counted as being part of direct spending economic impact. The spending by "casual" visitors and "time-switchers" is not fully counted as new spending, only the incremental spending is counted (if it can be measured).[4]

Economic benefit is measured through direct spending, which has two different components. The first component is visitor spending. For example, how much are people spending because of sporting or cultural events? This also includes how much they are spending for their entire stay on restaurants, retail, transportation, etc. Another component is organizational spending. How much is spent by event organizers to run these events, accounting for the source of funding for the events? If the City is partially funding a local event, than those expenditures should not be counted as part of economic impact since the City could have spent that money elsewhere within the community. Care is taken to avoid double-counting of spending by spectators inside of an event coupled with the event organizers spending in town (see Section 2.1 for more details). Some vendors within an event are local businesses and thus spending by visitors on those vendors provides economic impact. However, spending by visitors on vendors who are not local does not necessarily provide local economic impact. To account for this issue economic impact is measured in two ways, one counting all visitors spending inside of an event and another not counting it at all. This provides the upper and lower bounds for economic impact.

For the purposes of this Report, quantifiable impacts are in the form of *economic impacts* which are subdivided into three stages of impact: *direct*, *indirect*, and *induced* impacts. Each of these is further sub-divided into *total output*, *earnings* or *income*, *employment*, and *fiscal* effects. Descriptions of each term follow.

[4] In this report, incremental spending for time-switchers is measured by accounting for the number of additional days these visitors indicated they stayed in the City for the events that exceeded the trip to the City they were substituting, multiplied by the average spending per time-switcher per additional day.

2.1 DIRECT SPENDING METHODOLOGY

Direct spending is measured for spending in the City that would not otherwise occur without the presence of and the events it hosts. This spending will be derived from:

- Visiting spectator spending outside of the events (at local restaurants, retail stores, etc.); and
- Visiting teams/artists/corporations/sponsors and other event participants' spending.

Each of these expenditure categories are adjusted for spending that occurs outside of the City. This Report utilizes ***primary research*** (surveys and direct data gathering during the events) to estimate spending. Many economic impact studies double-count the spending of the event organizers locally in order to produce the event and the spending by event spectators inside of the event. However, some of the spending inside of an event may go to locally-based vendors (thus providing economic impact). The economic impact findings are discussed in Section 3.0.

2.2 INDIRECT AND INDUCED SPENDING METHODOLOGY

The economic output that results from the direct spending during an event subsequently affects many other industries and workers. For instance, when a group of visitors attends an event in the City, they may spend money in a local restaurant before the event. The restaurant will disburse some of this money to pay employees, to purchase food, to pay utilities, and so on. The food wholesaler will pay the farmer who then purchases clothing at the local retail store. These additional expenditures continue through the successive rounds until the money either leaks out of the local economy or is saved within the local economy for a significant period of time.

The *indirect* economic impacts are those that occur in the local region or area of impact (City of San Jose) that is the re-spending of the initial visitor expenditures. Indirect spending arises from the need of one industry to purchase goods or services from other industries to produce its output. When one business that is a direct recipient of event-related spending purchases goods from another business within the City in order to produce its output, the second business also realizes economic benefit through the "ripple" (or indirect effect) of the initial expenditure. For example, when attendees purchase food at the venue, the concessionaire must purchase goods from producers/manufacturers in order to maintain inventory levels. To the extent this "re-spending" occurs in the San Jose economy, the initial dollars spent with the concessionaire have secondary effects on the local economy. Indirect impacts occur in various industries including: the wholesale industry as purchases of food and merchandise products are made; the transportation industry as the products are shipped from purchaser to buyer; and the manufacturing industry as products used to service the venue and racing teams are produced. The summation of each successive round of re-spending constitutes the indirect impact estimate.

In this study, expenditures made by the event organizer to host and manage the event and expenditures made by the vendors to offer concessions and merchandise during the event are included as indirect spending. Some of

the direct spending by spectators and participants on tickets, participation fees, concessions, merchandise, etc. is then re-spent by the event organizer to host the event. In other words, the cause for the event organizer's spending is based on the direct revenues it generates from spectators and participants. The round of spending by the event organizer is the second round, and is thus indirect spending. This is also true for vendors.

The *induced* economic impact is the effect of the direct and indirect economic impact on earnings and employment. Induced effects occur when the income levels of residents rise as a result of increased economic activity and a portion of the increased income is re-spent with in the local economy. As the initial spending and subsequent re-spending occurs, a portion is retained as income to local residents and employees, and as local, regional, and state taxes. This indirect spending results in increased economic activity, which leads to increases in employment and which increases household income levels and allows for additional household spending (the "induced effect"). These impacts will be reported in terms of employment and earnings impacts.

2.3 MULTIPLIER EFFECT TO MEASURE INDIRECT AND INDUCED IMPACTS

As previously noted, direct spending stimulates additional spending, referred to as the indirect effect. Direct spending also increases economic activity, which increases resident income levels (associated with new and existing jobs), resulting in additional spending within the local economies, referred to as the induced effect. These secondary indirect and induced effects are referred to as the "multiplier effects" of the initial direct spending. These effects are measured through the application of economic multipliers, which quantify the extent that dollars introduced to a local or regional economy are re-spent on goods and services within the local economy.

The concept of multipliers is based on the theory that part of a dollar injected into a local economy will be re-spent locally, thereby affecting more than the original recipient of the dollar. Multipliers are derived by tracing the interrelationships of industries within a specified economy to understand the impact that a dollar spent in a given industry has on other industries in that economy. A business that is an initial recipient of new spending will purchase goods and services from other producers. These purchases comprise the indirect effect of the initial expenditure. This process is repeated until subsequent purchases are made from producers that are not a part of the San Jose economy (i.e., a producer imports an input from another city, state, or country) and the flow of money within the San Jose economy ceases (or "leakage" occurs). The businesses, hotels, and organizations that receive the initial direct spending generally re-spend it in five ways:

- With other private sector businesses in the same local economy on inventory, maintenance, etc.;
- With employees who reside in the same local economy as wages, tips, etc.;
- With local government as sales taxes or property taxes;
- With non-local governments as sales taxes or taxes on profits;
- With employees, business, or organizations who reside outside of the local economy.

The first three items are types of spending that re-circulate throughout the local economy. These last two categories of spending are considered "leakages" outside of the geographic region and reflect the notion that a region is not economically isolated, but engages in commerce with other regions. The larger and more diverse the geographic region, the less leakage there is, all else equal.

Using the above five scenarios, input-output tables are created that disaggregate an economy into industries and examine the flow of goods and services among them. Multipliers are then mathematically derived which uniquely describe the change in output for each and every industry as a result of the injection of one dollar of direct impact into any of those industries. The process allows a separate multiplier to be applied for each of the 528 industry groups.

The size of a given economy's multiplier is directly related to its geographic size, population and diversity of its industrial and commercial base. A larger population is generally able to support a more diverse economic base and more products are likely to be manufactured and purchased locally. Therefore, money injected into an economy with a larger population is re-spent more often, causing greater changes in local business volume. Conversely, a smaller defined local geographic region implies that more event attendees are visitors, as described above. However, smaller geographic areas suffer from a greater degree of "leakage" because a smaller geographic region is less self-sufficient than a larger region.

In this Report, direct spending is used to estimate indirect spending by using multipliers from a regional economic impact model based on the USDA Forest Service IMPLAN (IMpact Analysis for PLANning), now supplied by MIG (Minnesota IMPLAN Group).[5] IMPLAN produces a report that provides multipliers for over 500 sectors of economic activity at the city, county, region, and state level, using data provided by the U.S. Department Bureau of Economic Analysis.

The following represents an example of multiplier effects within a locality. If a group of spectators from outside of the City visits San Jose because of an event and spends $1,000 in the community, or if this money is spent by one of the exhibitors affiliated with the event that is headquartered outside of the City (e.g., Comcast), then this initial direct expenditure stimulates economic activity and creates additional business spending, employment, household income, and government revenue in the City. The initial spending (by the visitor or exhibitor) is called the *direct impact* and the ripple effect is termed the *multiplier effect.*[6]

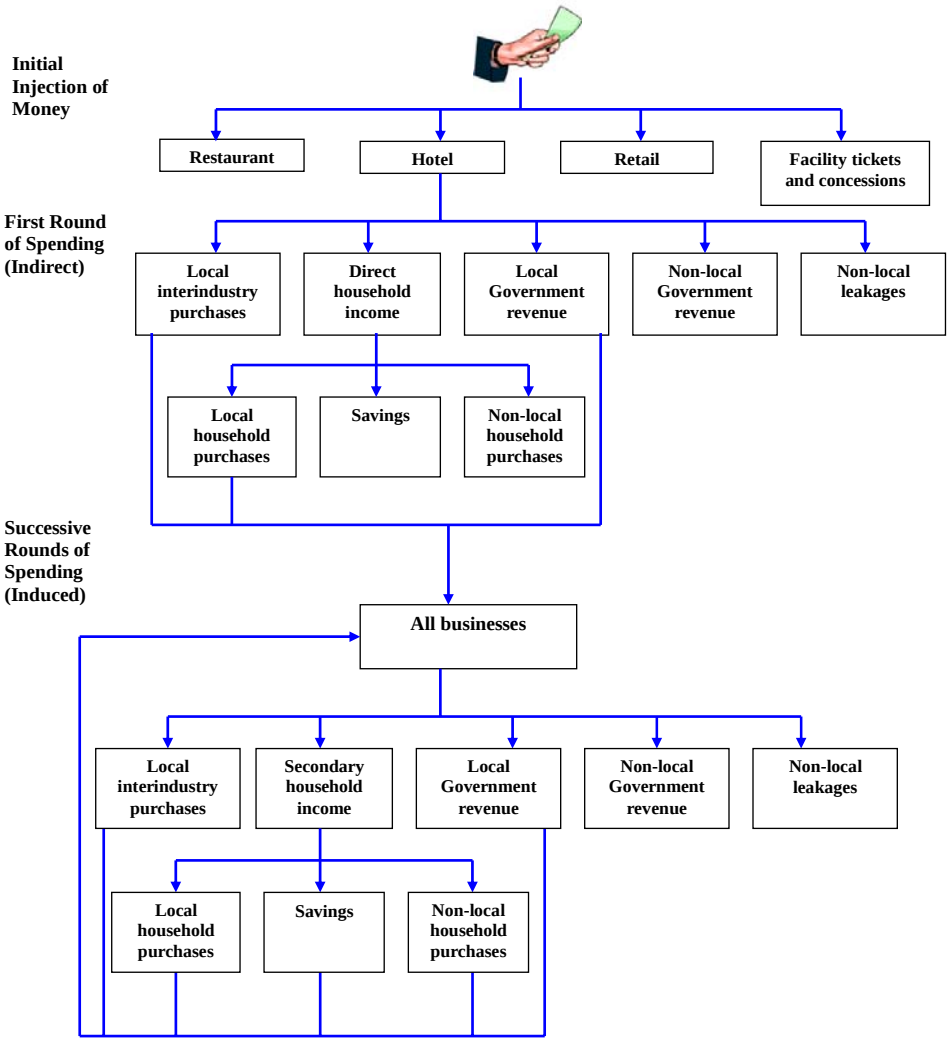
The local theatre, restaurants, retail stores, transportation, and others who receive the initial injection of money will spend it in one of the five ways listed above. The remaining portion of the initial spending that does not leak out of the economy is then spent in one of the same five ways and the chain of events continues. The

[5]Once estimates of direct spending are calculated, these estimates are entered into IMPLAN to obtain the total economic impact estimates. IMPLAN is a statistical software package that helps to calculate the total economic impact of various phenomena. The detailed matrix of multipliers imbedded in the IMPLAN software help to calculate the various spin-off impacts that originate from the initial direct injection of non-local money into a given region. Specifically, IMPLAN generates the following gross economic impact estimates: the short-term impact upon local spending and the long-term impact upon value-added. This long-term impact is comprised of additional local income; additional business taxes; and additional property-type income.

[6] To be clear, the multiplier effect leads to the calculation of the indirect and induced impacts.

subsequent rounds of spending are termed *indirect impacts* and stem from the *multiplier effect*. Exhibit 2-1 shows the direct and indirect effects generated by an injection of spending by incremental visitors to the event.[7]

Exhibit 2-1



As illustrated, direct spending that occurs from spectators in the venue, spectators out of the venue, and for team/exhibitor-related activities fosters additional spending in various industries. This indirect spending results in increased economic activity, which increases household income levels and allows for additional household spending (the "income effect").

There are different types of multipliers and each has a specific purpose. *The multipliers are complementary, not additive.*

[7] Hotel Spending is used as an example for how indirect and induced impacts are generated from the direct spending. A similar flow of spending could be mapped for any of the other initial direct spending categories (e.g., restaurant, retail, or inside facility spending.

The first type of multiplier is called an *output*, sales, or transaction multiplier. It measures the direct, indirect, and induced effect of an extra unit of visitor spending on economic activity within a local economy. This multiplier relates tourism expenditure to the increase in business financial turnover that is created. There are 528 industries, each having its own multiplier. In the analysis that follows, the multipliers have been reduced to 39 aggregated industry sectors with the relevant tourism sectors analyzed.

The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure. We selected multipliers for the following industries, as these industries provide the best representation of initial spending associated with the operations of events the City may host: commercial sports, hotels, eating and drinking places, entertainment, retail trade, local transportation, and miscellaneous spending. Three different sets of multipliers are generated by IMPLAN corresponding to measures of regional economic activity, including: total sales, personal income, and jobs. Multipliers for total sales, personal income, and jobs were identified for each of the industries listed above.

An *earnings* (also known as an *income)* multiplier, the second type, measures the direct, indirect, and induced effects of an extra unit of visitor spending on the level of household income in the local economy. It is operationalized as the ratio of change in income to the initial autonomous change in expenditure that brings it about. It is the clearest indicator of the effect of economic impact on residents of the host community.

The third type of multiplier is called an *employment* multiplier. Employment multipliers measure the direct, indirect, and induced effects of an extra unit of visitor spending on employment in the local economy. It measures how many full-time equivalent (FTE) jobs are supported in the local economy as a result of visitor expenditures.

2.4 FISCAL IMPACT METHODOLOGY

In addition to economic impacts, the government of the City of San Jose (as well as those of Santa Clara County and the State of California) benefit from the operations of these events in the form of tax revenues.[8] Fiscal impacts are calculated by analyzing the marginal tax rates for each category in relation to direct impacts. Indirect impacts are measured by using recent historical aggregate average tax rates collected by the local government, accounting for the share that pertains to the tax categories listed below.

Fiscal information used in this analysis was obtained from the Office of Economic Development for the City of San Jose, Bureau of Economic Analysis, State of California GSP, the State of California Department of Finance, www.economy.com, and other governmental resources. The primary taxes affected by event-related expenditures include the State of California Sales and Use tax, and the Innkeepers tax. The following is a brief discussion of these taxes.

[8] To reiterate, only fiscal impacts to the City are measured in this report. Fiscal impacts to the State and County are generated by these events and operations, but are not detailed in this report.

Sales Tax

The State of California levies a tax of 6.75 percent on the sale of most consumer goods and services.[9] However, the City of San Jose levies an additional tax of 1.5 percent, bringing the total rate to 8.25 percent.[10] Since the area of impact is defined as the City, only taxes flowing to that entity are included in this analysis.

The sales tax is applied to prepared food items, retail products, auto rental, gasoline, and business services, and not applied to local transportation services (taxi, bus, etc.), and admissions to amusement establishments (movie theaters, golf, football, baseball, etc.). It is applied to merchandise and concessions sold inside of an event that charges an admission fee. For events that do not charge an admission fee, it is applied to alcohol and merchandise sales, but not food sales.[11]

Transit Occupancy (Hotel Occupancy) Tax

In addition to sales tax, the City of San Jose levies a ten percent Transit Occupancy Tax on hotel room sales. In addition to the Transient Occupancy Tax, additional funds are levied which are directed towards the Business Improvement District (BID).

Hotel Business Improvement District (HBID) Fee[12]

In March 2006, a marketing partnership of 35 hotels began collection of the Hotel Business Improvement District (HBID) Fee. Funds generated are used for visitor and convention promotion. Funds collected are managed by the non-profit corporation, San Jose Hotels, Inc.

All hotels operating within the hotel business improvement district (HBID) are charged a flat fee per occupied room per night. The fee paid by a specific hotel is determined by which zone it is in:

- Zone A consists of hotels within a one-mile radius of the San Jose McEnery Convention Center,
- Zone B consists of hotels located one to three miles from the convention center,
- Zone C consists of hotels located outside of the three-mile radius.

The Zone A fee is $2.00; the Zone B fee is $1.00; the Zone C fee is $0.75. The weighted average HBID fee is $1.25, with the number of rooms available in each zone used as the weight. This amount, $1.25, will be used to calculate the HBID portion of fiscal impact.

Food and Beverage Tax

The City of San Jose does not levy a separate tax on the sale of prepared food and beverages. However, the sale of prepared food and beverages is subject to sales tax.

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[9] The State General Fund is allocated 93%, and the County of Santa Clara is allocated 7%.
[10] The City of San Jose receives 1.0 percent of the tax, and the Valley Transit Authority receives an additional 0.50 percent, for a total of 1.5 percent directed towards local funds.
[11] Sales tax collection information is provided by the City of San Jose.
[12] Please see http://www.sanjoseca.gov/clerk/Agenda/062006/062006_04.03a.pdf for more details.

Gate Fee

At outdoor events that are gated and ticketed, the Fees and Charges Resolution includes a 5% "gate fee" that is collected on gross admissions revenue. This is paid to the City and is earmarked for the Festival, Parade & Celebration grant program.

Other Taxes

In addition to the above major taxes affected by venue events noted above, the Counties and State may realize additional event-related tax revenues such as gasoline tax and others.

These taxes and corresponding tax rates provide the basis to calculate fiscal impact for the City from direct and indirect revenues as a result of event-operations. Indirect fiscal impact is based on the average (not marginal) taxes collected for each dollar spent within San Jose.

3.0 MEASUREMENT OF ECONOMIC AND FISCAL IMPACT FROM EVENTS

The analysis described in this section is primarily based on the surveys administered before, during, and after the 2006 San Jose Grand Prix ("Grand Prix"), ZeroOne San Jose Festival and Symposium ("ZeroOne"), 2006 Comcast San Jose Jazz Festival ("Jazz Festival"), 2006 Tapestry Arts Festival ("Tapestry Arts"), 2006 Mariachi Festival and Conference ("Mariachi Festival"), and 2006 San Jose Rock and Roll Half Marathon and Expo ("Rock and Roll") events ("primary events").[13] An intercept survey was administered to visitors and local residents in and around these events. The preponderance of the surveys were filled out via direct interviews with respondents.

As noted, an important component of direct spending includes fan expenditures outside event venues at local establishments such as restaurants, retail shops and other such places. Survey respondents were asked their location of residence, reason for their visit, and about the level and types of activities for which they spend their money in order to develop an estimate regarding the level of fan spending before and after events. As discussed previously, economic impact is generated only when "new" money is injected into the local economy. In other words, only the spending that would not have occurred were it not for the events the City hosted is considered economic impact. To quantify this amount, spending was only included for attendees who met three conditions:

- Attendees must live outside the City of San Jose in order to generate "new" spending for the City;
- Attending an event must have been the primary purpose for traveling to the area; and
- Attending an event must not replace a future visit to the City.

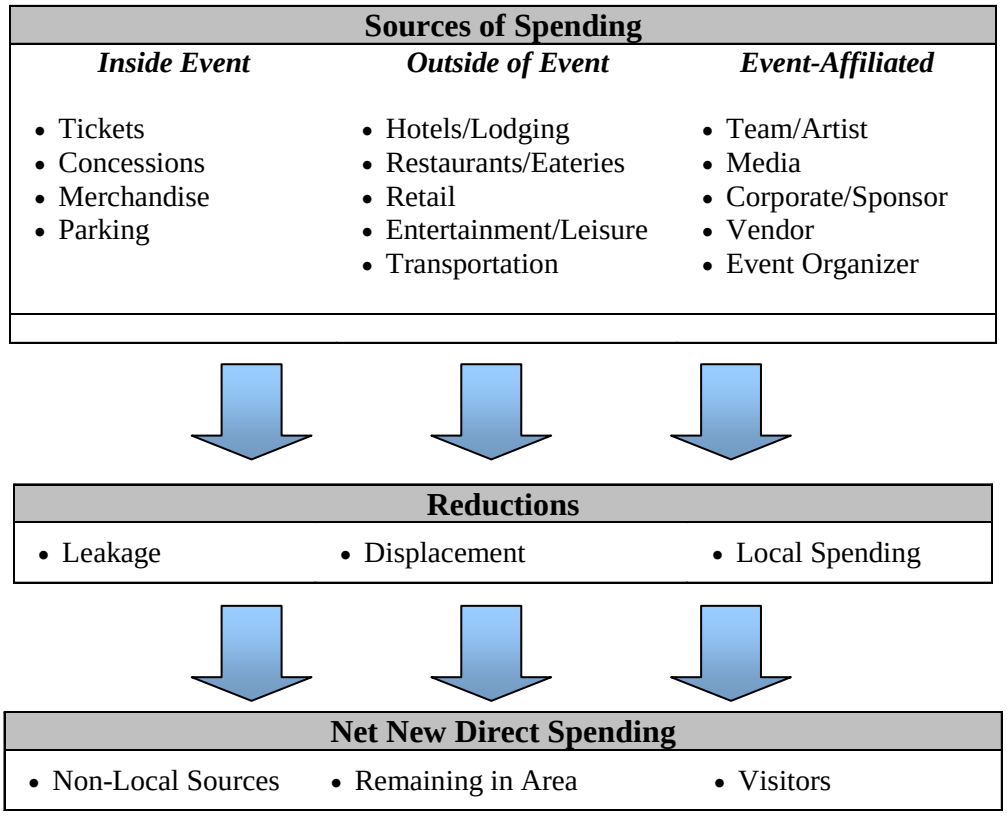
As described in Section 2.0, the economic impact of the events is derived from new spending in the local region, mostly due to from visitors to the community. Corporate and team expenditures related to the event also provide economic impact. These sources of revenue are new to the community and do not come from local residents, but from those outside of the community.[14] Impacts are in the form of total output, earnings, and employment and begin with direct spending, followed by indirect and fiscal impacts.

Finally, the operations of these events also generate spending within the area of impact. The expenditures by event organizers that are captured within the City are included in the total economic impact. Impacts are in the form of total output, earnings, and employment and begin with direct spending, followed by indirect and fiscal impacts.

Organizational spending and visitor spending at local restaurants, retail stores, and other relevant establishments constitute the direct impacts in this Report. Exhibit 3-1 shows the sources of direct operations impact and various adjustments made to account for re-directed spending, as opposed to new spending, and leakages outside of the area of impact.

[13] Surveys were conducted during several days for each of these events.
[14] Spending by local residents due to the events was measured for all event types, but to be conservative this spending is excluded from the impact figures given for the events.

Exhibit 3-1



For each of the main participant groups under analysis (incremental visitors, non-incremental visitors, and local residents), we have per day, per group data on how much they spent on lodging, transportation, dining, event-related merchandise, retail, and miscellaneous items.

Each set of sample data is extrapolated up to its corresponding population in order to obtain direct spending estimates for each of the primary spending categories listed above. The amount of incremental visitor spending is calculated by determining the total number of incremental visitors in the population (not local residents, time-switchers or casual visitors), and then taking a weighted average of those individuals' spending, per person, per day. From this, we can determine the proportions of spending that were allocated to each of the spending categories, such as lodging, transportation, dining, etc. These relative proportional spending figures can be used to extrapolate the amount of spending that occurred in each of these spending categories during the events being measured.[15]

[15] This calculation is slightly modified for hotel expenditures since not all non-local groups stayed in a hotel. The modification is that the calculation is weighted to account for the number of parties that, separately, used a local hotel.

3.1 CUMULATIVE IMPACT OF SIX EVENTS MEASURED

There were a total of nearly 3,000 usable surveys administered during the primary events, which represents more than 9,700 people based on the size of each party represented in the survey responses. In total, there were more than 525,000 attendees to these events, of which 59% were considered "unique".[16] Of those, approximately 45% were local residents of the City.

The cumulative number of unique visitors who came to the City and participated in one of the primary events was approximately 171,181.[17] Of the visitors to the City, those for which expenditures are counted toward the economic impact for the primary events are nearly 132,608 visitors, 23% fewer than the total number of visitors.[18] The typical visitor spent nearly $301 on average during their trip to San Jose to attend an event.[19]

As shown in Exhibit 3-2, based on these findings from the survey analysis, the cumulative direct expenditures by incremental or relevant visitors to the City are nearly $30 million outside of the event areas but within the City of San Jose, and an additional $10 million when accounting for spending inside the event areas, for a total of nearly $40 million in impact.

Exhibit 3-2

Cumulative Findings from the Visitor Surveys

Category	Estimate
Total Attendance	525,602
Number of Unique Attendees (individual people attending event)	310,961
Local Residents who Attended Event (not Visitors)	139,780
Total Number of Unique Visitors Participating in Event Activities	171,181
Number of "Time-switchers" Only	9,146
Number of "Casual" Visitors Only	23,754
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	5,672
Number of "Relevant" Visitors: Count Towards Economic Impact[1]	132,608
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	$106
Average Number of Days Stayed Per "Relevant" Visitor	2.1
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Event	$226
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Event[3]	$75
Total Direct Spending of "Relevant" Visitors Outside Event[2]	**$29,968,906**
Total Direct Spending of "Relevant" Visitors Inside Event[3]	**$10,010,935**

[1]Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

[2]Spending is only within the City of San Jose.

[3]Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

[16] Attendance was provided by event organizers and the City of San Jose, and was not validated by SportsEconomics. Unique attendees and locals were estimated based on survey responses for each event, and are cumulated to arrive at a total percentage for the entire population of event attendees.

[17] This represents the total number of attending visitors for all six primary events.

[18] The difference accounts for "time-switchers" and "casual" visitors.

[19] This figure represents the average of attendee spending per trip across the primary events studied. This is comprised of approximately $226 outside the events, and an additional $75 inside of the events during their entire trip to the City to attend an event.

A measure of direct visitor spending in each category is shown below in Exhibit 3-3. The total new incremental direct spending in the City due to the primary events studied, including team/artist spending and organizational spending by the event organizers, is more than $45.2 million.

Exhibit 3-3

Cumulative Economic Impact of Events on San Jose - Output

Direct Spending	City	City[1]
Total Direct Spending	$45,260,989	$35,250,053
Indirect Spending	$28,884,961	$17,064,718
Total Economic Impact	$74,145,950	$52,314,771

[1]Does not include effects of spending within events.

New incremental indirect spending is about $28.9 million in the City. Total economic impact, in terms of output, is about $74.1 million on the City because of the events and related activities. If inside spending were not included, total economic impact would fall to $65.0 million. This includes nearly $13.6 million in total business spending related to the operation of these events.[20] All measurements account for incremental visitor spending, not local resident spending, that is above and beyond what they would have spent if not for these events taking place in San Jose. An estimate from the non-incremental visitors surveyed of direct spending because of the events is about $20 million (not shown in table). An estimate of direct spending by local residents because of the events is about $56 million (not shown in table). If included, non-incremental visitors and locals would bring the total economic impact of the events to approximately $150 million.

The induced impact measures the extent to which the employees of all impacted firms spend their additional income gained from the initial rounds of impact. Combined, these impacts comprise what is typically called a spillover or trickle-down effect, and take time to occur as the money spent directly from non-local sources takes time to work its way through the local economy.

Induced economic impacts on the City of San Jose due to the primary events are shown in Exhibit 3-4.[21] About 1,281 full-time equivalent jobs are generated from the direct and indirect spending, resulting in nearly $44.2 million in earnings impact within the City.[22]

[20] This includes spending by teams and artist participating in the event, non-local media visiting the City for the purpose of covering the event, corporate and sponsor spending at the event, incremental spending by vendors selling at the event, and expenditures by event organizers. With the exception of event organizer expenditures, which was included in indirect spending, all other spending is reflected in the $45.2 million in direct spending shown above. For further explanations of this spending and how it is accounted for, please refer to the Methodology section of this Report.

[21] The cumulative earnings and employment figures represent the sum of these categories for the primary events measured in this Report.

[22] These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly $44.2 million is turned into incremental earnings.

Exhibit 3-4

Cumulative Economic Impact of Events - Income and Employment		
Type of Impact	**City**	**City[1]**
Income	$44,238,426	$34,916,267
Employment	1,281	1,037

[1]Does not include effects of spending within events.

Fiscal impacts represent annual taxes collected as a result of the operations of these primary events and non-local visitors traveling to the region to attend events in the City of San Jose. Fiscal information used in this analysis was obtained from the California Department of Revenue, the California Economic Development Portal, other governmental resources, the County Treasurer's office, and other economic impact studies. The primary taxes affected by event-related expenditures include the Sales and Use tax and the Innkeepers tax. This analysis only includes taxes that would not accrue to the City were it not for these events taking place.

The following tables illustrate the estimated fiscal impacts resulting from the primary events hosted in the City in 2006. The new incremental direct tax impact of these events on the City are based on the various tax rates described in Section 2.4.

As Exhibit 3-5 shows, the total new incremental tax impact measurement for the primary events is over $1.9 million for the City.[23] If inside spending were not counted, fiscal impact would fall to less than $1.5 million. These impacts are only for the tax categories discussed in this study, not all possible tax revenue sources, and do not include taxable spending by local residents or "casual" visitors or "time-switchers".

Exhibit 3-5

Cumulative Economic Impact of Events - Incremental Tax Impact		
Tax Category	**City**	**City[1]**
Direct Taxation	$1,273,933	$1,085,876
Indirect Taxation	$651,980	$385,136
Total Fiscal Impact	$1,925,913	$1,471,012

[1]Does not include any taxes on spending within events.

[23] Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

3.2 ECONOMIC IMPACT OF SAN JOSE GRAND PRIX

For the Grand Prix, the usable surveys represented more than 1,600 people based on the size of each party (number of people) represented in the survey responses.[24] The economic impact measurements based on this survey are described in this section. Additionally, information on team spending was estimated based on surveys administered to teams. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

Of the spectators represented by the surveys administered during the 2006 San Jose Grand Prix on July 30, 2006, 42% were local residents of the City.[25] The average size of the party represented in each survey is 2.9 for visitors and 3.2 for local residents.[26] Of that traveling party, visitors indicated that they paid for 2.1 persons, whereas locals paid for an average of 2.4 persons. As shown in Exhibit 3-6 below, the average number of days that each person stayed in the City was 2.2. The typical visiting spectator spent $126 per day outside of the race, and an additional $164 on event-specific spending inside of track area.[27] On average, spectators spent approximately $446 for their entire trip to San Jose.

The number of unique visitors who came to San Jose and participated in activities related to the Grand Prix was approximately 28,316 out of 48,962 unique attendees.[28] Of the visitors to the City, about 7% were "time-switchers", meaning that they would have come to the City during some other nearby time period, but instead chose to come during the weekend of the race to attend the events. Similarly, 14% were "casual" visitors who were in town for other reasons, but chose to take part in event-related activities as part of their stay. To be conservative, expenditures by "time-switchers" and "casual" visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway.[29] Thus, the number of visitors to the City for which expenditures are counted toward the economic impact of the Grand Prix events are 21,654, 24% fewer than the total number of visitors.

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[24] The measurement error in the results that follow is equal to 3.0%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

[25] This was determined by referencing all zip codes that are located in the City of San Jose. This was determined by referencing all zip codes which were in the City of San Jose. The respondent sample is based on the number of surveys administered during the event, multiplied by the number of persons in the respondent's traveling party.

[26] The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that the survey respondent was paying for when estimating expenditure responses.

[27] Excluding ticket costs, the spending inside the track per relevant visitor decreases to $68. Excluding tickets would decrease total economic impact.

[28] The total attendance for the Grand Prix was estimated to be 117,552 with most attending multiple days. This was provided by the event organizers. However, some of these attendees cannot be considered "unique", as they attended more than one event that weekend. This was estimated via question 3 in the survey, in which respondents were asked what other events they were attending that weekend. Attendance estimates were therefore reduced by the number of respondents that indicated they were attending other events besides the race. Ticket sales were also reduced such that they were only accounting for spectators purchasing a ticket to the Sunday race. All other spectator attendance was based on survey responses indicating which days and events they attended. Therefore, the total attendance utilized was discounted so as to not double-count non-unique attendee spending, or count local residents of course.

[29] However, spending from time-switchers that they indicated was more, but for the event, was captured, which amounted to approximately $950 in additional spending. In total, time-switchers which had incremental spending accounted for less than 1% of the population.

Exhibit 3-6

Key Findings from the San Jose Grand Prix Visitor Survey

Category	Estimate
Total Attendance	117,552
Number of Unique Attendees (individual people attending event)	48,962
Local Residents who Attended Event (not Visitors)	20,646
Total Number of Unique Visitors Participating in Race Activities	28,316
Number of "Time-switchers" Only	2,041
Number of "Casual" Visitors Only	3,871
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	750
Number of "Relevant" Visitors: Count Towards Economic Impact1	21,654
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	$126
Average Number of Days Stayed Per "Relevant" Visitor	2.2
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside race	$282
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside race3	$164
Total Direct Spending of "Relevant" Visitors Outside Race[2]	**$6,104,666**
Total Direct Spending of "Relevant" Visitors Inside Race[3]	**$3,543,078**

[1]Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

[2]Spending is only within the City of San Jose.

[3]Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

This estimate of the number of visitors to the City because of the Grand Prix is a conservative measurement. Visitors who came to town because of the event, but did not attend the event are not represented in these findings. Amazingly, this is quite common at major sporting events – often college students attempting to attend college sports events or wanting to be near the action. For instance, at the 2005 NCAA Men's Final Four basketball tournament held in San Antonio, over 7,000 visitors came to town because of the basketball tournament, but did not attend any of the games. That is a 14% increase above the number of visitors who did attend the games. To the extent that scalping or any other ticket transfers occur, these will usually be in the direction of local residents selling to visitors. This is also known to be true of racing events, in which event spectators are commonly known to "tail-gate" or park outside of the facilities during the weekends of the events, but do not actually attend the events. Therefore it is possible that thousands more visitors came to the City because of the events than is represented in these findings.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in the City are over $6.1 million outside of the race area, and $3.5 million when accounting for spending inside the race area.

As shown in Exhibit 3-7, total business spending used in this measurement of direct economic impact is more than $3.7 million.[30] Including expenditures by event organizers and vendors, total business spending due to this event was more than $8.2 million.[31]

[30] Business spending includes spending by teams, corporations, vendors and media spending was provided by the event organizers for the purposes of this study. Team spending was estimated via a separate survey administered to teams that

Exhibit 3-7

Expenditures by Organizations Affiliated with Hosting the Event	
Team Expenditures[1]	$3,122,448
Media Expenditures[2]	$126,865
Corporate/Sponsor Expenditures[3]	$500,000
Vendor Expenditures[4]	$360,860
Event Organizer Expenditures[5]	$4,151,000
Total	**$8,261,172**

[1]Team Spending captured via separate survey instrument. Number of teams and type of teams provided by City of San Jose and event organizer.

[2]Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and event organizer.

[3]Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

[4]Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

[5]Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-8. The total new incremental direct spending in the City due to the Grand Prix and related events is over $13.3 million.

participated in the Grand Prix. There were a total of 108 amateur and professional teams that participated in this event, composed of 17 Professional teams and 91 Amateur teams. Therefore, this ratio of visitors was applied to the total team population, and multiplied by the average spending per visiting team to arrive at an estimate of team expenditures. The average spending per visiting Professional team was nearly $62,000 per team per trip, with the average team spending 4.8 days in town. The average spending per visiting Amateur team was nearly $5,800 per team per visit, with the average team spending 5.5 days in town.

Estimates for spending by the City were provided by the City. The amount spent for 2006 will diminish in coming years, falling to an investment of $1.14 million in 2007 and $639,000 annually for 2008-2014. These expenditures are not counted in the economic impact analysis, yet there is an opportunity cost to these funds.

[31] Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of report.

Exhibit 3-8

Economic Impact of Grand Prix on San Jose - Output		
Direct Spending	**City**	**City[1]**
Transportation	$877,312	$877,312
Parking	$278,948	$278,948
Retail	$586,419	$586,419
Lodging	$1,039,955	$1,039,955
Entertainment	$572,672	$572,672
Food & Beverage	$2,502,539	$2,502,539
Miscellaneous	$246,821	$246,821
Total Relevant Visitor Spending Outside of Race	$6,104,666	$6,104,666
Spending Inside Race Area	$3,543,078	$0
Team/Media/Sponsor	$3,749,312	$3,749,312
Total Direct Spending	$13,397,057	$9,853,978
Indirect Spending (incl. Event Organizer and Vendor)	$10,227,717	$4,435,389
Total Economic Impact	**$23,624,774**	**$14,289,367**

[1]This column does not include spending within the race area.

New incremental indirect spending is about $10.2 million in the City.[32] Total economic impact, in terms of output, is about $23.6 million in the City due to the Grand Prix and related activities. Excluding spending within the race area, total impact would be $14.3 million. All measurements account for incremental visitor spending, not local residents spending, that is above and beyond what they would have spent if not for the Grand Prix taking place within San Jose.

Spending by Local Residents

An estimate of spending from non-incremental visitors because of the events is about $6.2 million. An estimate of spending by local residents because of the events is about $13.7 million. If included, non-incremental visitors and locals would bring the total economic impact of the events to approximately $43.6 million.[33]

Induced Economic Impact

Induced economic impacts on the City due to the Grand Prix are shown in Exhibit 3-9. About 362 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than $12.8 million in earnings impact within the City.[34]

[32] It is possible that the direct spending estimates do not include spending by those spectators who sat in luxury suites, as those suites were not surveyed. However, it is possible that some suite-holders were intercepted during the normal survey activity.

[33] These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses.

[34] These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly $12.8 million is turned into incremental earnings.

Exhibit 3-9

Economic Impact of Grand Prix - Earnings & Employment		
Type of Impact	**City**	**City[1]**
Income	$12,862,211	$9,562,905
Employment	362	276

Fiscal Impact

As Exhibit 3-10 shows, the total new incremental tax impact measurement for the Grand Prix is over $559,000 for the City.[35] If inside spending were not counted, fiscal impact would fall to $291,000. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by about $867,000.

Exhibit 3-10

Net New Incremental Tax Impact of Grand Prix on City		
Tax Category	**City**	**City[1]**
Sales and Use	$93,727	$73,981
Participation Payment[2]	$117,552	$0
Net Parking Revenue[3]	$9,192	$9,192
Hotel Occupancy	$103,996	$103,996
Hotel Business Improvement District fee	$3,741	$3,741
Direct Taxation	$328,207	$190,909
Indirect Taxation	$230,831	$100,103
Total Fiscal Impact	**$559,038**	**$291,012**

[1]Does not include spending inside the event area.

[2]A ticket tax of $3 per ticket sold was collected on behalf of the City.

[3]Net parking revenue was generated at City lots during the Grand Prix.

Media Impact

In addition to economic impact, the City may also benefit from the national and international focus and media attention created by such events. During broadcasts of the Grand Prix, for instance, the announcers mention the name of the City, often increasing awareness about it. Additionally, television viewers saw many images of people enjoying themselves in San Jose, creating an enhanced image of the area. As a result of the Grand Prix, San Jose was exposed to millions of people through appearances in many media forums such as newspapers, radio, and the Internet. The benefits derived are similar to those of companies who advertise their company name as opposed to a specific product.

Although it is extremely difficult to measure the translation of media coverage into actual new visitor expenditures, the event did generate valuable media impressions. This media impact is *not* part of the economic impact, but was measured by the San Jose Sports Authority as having $4.6 million in media value, which

[35] Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

generated nearly 200 million impressions during the days following the event.[36] Over 500 media credentials were issued to report on the race and approximately 170 countries broadcast the race.

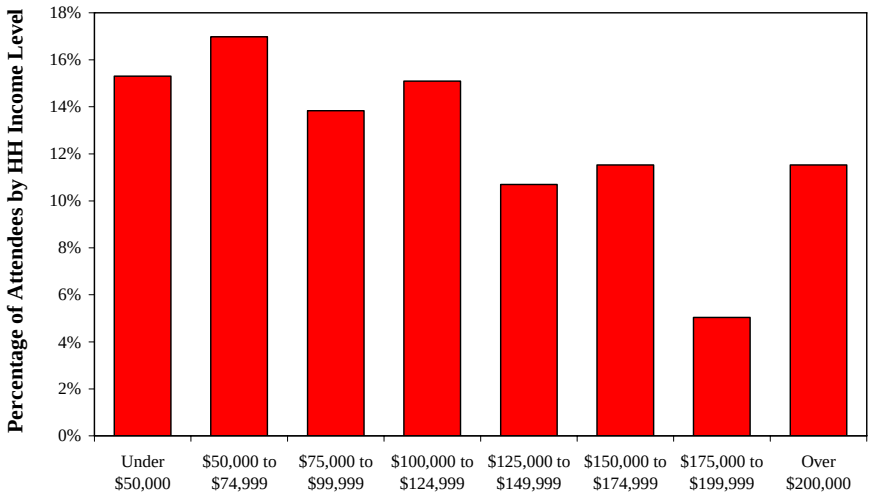
Other Findings from the Survey Analysis

Of the survey respondents, nearly 60% were visitors to the City, and 41% were visitors to Santa Clara County. Approximately 10% of event attendees were from out of state.

As expected, these events were primarily spectator events, with more than 94% of respondents having no official affiliation with the City or the event. Of those listing an affiliation, 2% were members of a team or crew, and nearly 3% were either working with a vendor or sponsor at the event.

Nearly half of respondents had annual household incomes less than $100,000, and more than a quarter had incomes above $150,000. The classification of household incomes is shown below in Exhibit 3-11, with the average household income of visiting attendees at $109,460.[37] This income is nearly 64% higher than the median household income for the San Francisco Bay Area.[38]

Exhibit 3-11



The age of visitors attending the Grand Prix skewed older, with nearly half of visitors over age 45, as shown in Exhibit 3-12 below. The average age was 42 years old.[39]

Exhibit 3-12

[36] The media coverage for this event was significantly augmented by a fight between the two drivers. As a result, it is estimated that the coverage for the 2006 Grand Prix is triple what it would normally be for the race. These calculations were provided by the San Jose Sports Authority, and were not audited by SportsEconomics. The $4.6 million is composed of $3.4 million in television media value (41 million impressions), and $1.2 million in print value (158 million impressions).

[37] The calculation of average household incomes is based on using the midrange of each income category for all categories except the $125,000+ category, which used $125,000 as its weight.

[38] Source: http://www.bayareacensus.ca.gov/bayarea.htm.

[39] The calculation of average age is based on using the midrange of each age category for all categories except the 55+ category, which used 65 as its weight.

Nearly three-quarters of respondents drove to the event in a personal car or truck, 3% flew to the event, 1% rented a car, 8% said they took public transportation (bus/BART), and nearly 14% responded using an alternate form of transportation. Therefore, nearly 97% of attendees used ground transportation to come to the event, even though nearly 10% of attendees were from outside of the state of California.

The majority of visitors (89%) listed the Grand Prix as the primary reason for their trip to San Jose. Approximately 9% were already on vacation to the City, 2% were primarily in the City for business, and the remainder visited the City for an unspecified "Other" reason.

Approximately 8% of attendees listed attending other cultural activities while in San Jose, 14% visited the Tech or Art Museum(s), 16% attended an event at HP Pavilion, and 6% listed having attended another type of unspecified event/attraction during their visit to the City. [40]

With regard to Grand Prix activities, 20% also attended the StreetFest, 3% attended the Driver VIP Party, 2% attended the Go-Cart races, and 4% attended the Canary Fundraiser.

In terms of marketing and the mode of communication in which the respondent learned of the events, 27% of all respondents listed Radio or television, 13% listed the Internet, 21% listed the Mercury Newspaper, 27% listed Word of Mouth, 51% indicated they knew because it was an annual event, and 4% listed "Other".[41] It is not known whether those who learned of the event via the Internet visited the event or city's websites. Similarly, it is not known what television channel or broadcast respondents were viewing which contained information about the events.

[40] Respondents could select all categories that apply, therefore may sum to greater than 100%.
[41] Since respondents were allowed to circle all modes of communication that factored into their decision, these figures will not sum to 100%.

Nearly 23% of respondents stayed in a Hotel or Motel during their visit, and 74% listed staying in a private residence. The remaining 3% stayed in a non-specified form of lodging. None of the visitors indicated staying in an RV.

Almost all (95%) visitors rated their visit as "Excellent" or "Good".

3.3 ECONOMIC IMPACT OF 2006 ZEROONE SAN JOSE FESTIVAL AND SYMPOSIUM

For the ZeroOne event, the usable surveys represented 600 people based on the size of each party (number of people) represented in the survey responses.[42] The economic impact measurements based on this survey are described in this section. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

Of the spectators represented by the usable surveys administered during the ZeroOne Festival and Symposium, 19.9% were local residents of the City.[43] The average size of the party represented in each survey is 2.9 for visitors and 2.2 for local residents.[44] From the traveling party, both visitors and local residents indicated that they paid for 1.7 persons. As shown in Exhibit 3-13 (below), the average number of days that each person stayed in the City was 2.7.[45] The typical visitor spent $84 per day outside of the Festival, and an additional $39 on event-specific spending inside of Festival areas for the entire period, leading to nearly $123 in spending per day. On average, spectators spent approximately $282 for their entire trip to San Jose.[46]

The number of unique visitors who came to the City and participated in ZeroOne event activities was approximately 17,547 out of 27,760 unique attendees.[47] Approximately about 3% of spectators were "time-switchers", meaning that they would have come to San Jose during some other nearby time period, but instead chose to come during the week of August 7-13, 2006 to attend the events. Similarly, 6% were "casual" visitors who were in town for other reasons, but chose to take part in event-related activities as part of their stay. To be conservative, expenditures by "time-switchers" and "casual" visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway.[48] Thus, the number of visitors to San Jose for which expenditures are counted toward the economic impact of the ZeroOne Festival and Symposium is 15,892, 9% fewer than the total number of visitors.[49]

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[42] The measurement error in the results that follow is equal to 4.1%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

[43] This was determined by referencing all zip codes which were in the City of San Jose. This was determined by referencing all zip codes which were in the City of San Jose. The respondent sample is based on the number of surveys administered during the event, multiplied by the number of persons in the respondent's traveling party.

[44] The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that they were paying for when indicating their expenditure responses.

[45] ISEA attendees stayed an average of 5.3 days, and the remaining spectators stayed an average of 2.4 days.

[46] ISEA attendees spent a greater amount per day than other spectators, spending an average of $853 for their entire trip to the City, whereas other spectators spent an average of $215 during their trip. Spending averages were weighted by percentages of population that were ISEA attendees vs. those that were non-ISEA attendees. This includes one-time ticket purchases, which were approximately $26 per visitor.

[47] The total attendance for all dates of the ZeroOne Festival and Symposium was estimated to be 84,571. However, most of these attendees cannot be considered "unique", as they attended more than one of the ZeroOne events that week. Moreover, the attendance was estimated per venue and exhibit, and was likely double counting many visitors per day. Therefore, based on the responses to question 3 and 4 in the survey, in which respondents were asked to indicate what other days and events they were attending that week, this number was discounted so as not to double-count non-unique attendee spending. This figure also does not include locals.

[48] There was no incremental spending from time-switchers.

[49] This excludes non-unique, non-incremental visitors to the events in addition to time switchers and casuals.

Exhibit 3-13

Key Findings from the San Jose ZeroOne Festival Visitor Survey

Category	Estimate
Total Attendance	84,571
Number of Unique Attendees (individual people attending event)	27,760
Local Residents who Attended Event (not Visitors)	10,214
Total Number of Visitors Participating in Festival Activities	17,547
Number of "Time-switchers" Only	576
Number of "Casual" Visitors Only	1,007
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	72
Number of "Relevant" Visitors: Count Towards Economic Impact[1]	15,892
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	$84
Average Number of Days Stayed Per "Relevant" Visitor	2.7
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Festival	$243
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Festival[3]	$39
Total Direct Spending of "Relevant" Visitors Outside Festival[2]	**$3,859,656**
Total Direct Spending of "Relevant" Visitors Inside Festival[3]	**$621,182**

[1]Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

[2]Spending is only within the City of San Jose.

[3]Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in San Jose is over $3.8 million outside of the Festival and Symposium areas, and is nearly $4.5 million including the spending in both the inside and outside areas.[50]

As shown in Exhibit 3-14, total business spending used in this measurement of direct economic impact is nearly $1.0 million.[51] Including expenditures by event organizers and vendors, total business spending due to this event was more than $2.2 million.[52]

[50] It can be assumed that inside spending is that spent inside the Symposium areas, or "Indoor" areas of the event, as well as spending in the areas of the Festival designated for outdoor sales of merchandise and concessions.

[51] Business spending includes spending by corporations, vendors and media spending was provided by event organizers for the purposes of this study. Artist spending was estimated via a separate survey administered to participating Artists during the Festival and Symposium. The number of Artists was provided by the event organizers, and the visiting population was assumed to be the same as the rest of the sample. Therefore, this ratio of visitors was applied to the total Artist population, and multiplied by the average spending per Artist team to arrive at an estimate of expenditures.

[52] Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of report.

Exhibit 3-14

Expenditures by Organizations Affiliated with Hosting the Event	
Artist Expenditures[1]	$691,698
Media Expenditures[2]	$90,980
Corporate/Sponsor Expenditures[3]	$172,697
Vendor Expenditures[4]	$0
Event Organizer Expenditures[5]	$1,326,734
Total	**$2,282,109**

[1]Artist spending captured via separate survey instrument. Number of artists provided by City of San Jose and event organizers.

[2]Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and event organizer.

[3]Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

[4]Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

[5]Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-15. The total new incremental direct spending in the City due to the ZeroOne Festival is nearly $5.4 million.

Exhibit 3-15

Economic Impact ZeroOne Festival on San Jose - Output		
Direct Spending	**City**	**City[1]**
Transportation	$339,213	$339,213
Parking	$101,621	$101,621
Retail	$626,923	$626,923
Lodging	$948,301	$948,301
Entertainment	$316,698	$316,698
Food & Beverage	$1,363,512	$1,363,512
Miscellaneous	$163,388	$163,388
Total Relevant Visitor Spending Outside of Event	$3,859,656	$3,859,656
Spending Inside Event Area	$621,182	$0
Corporate/Team/Media/Sponsor/Vendor	$955,375	$955,375
Total Direct Spending	$5,436,213	$4,815,031
Indirect Spending	$3,840,349	$2,289,120
Total Economic Impact	**$9,276,562**	**$7,104,151**

[1]This column does not include spending within the race area.

New incremental indirect spending is about $3.8 million in the City. Total economic impact, in terms of output, is about $9.3 million on San Jose because of the ZeroOne Festival and related activities. If excluding spending inside the Festival, total economic impact would be reduced to $7.1 million.

Spending by Local Residents

All measurements account for incremental visitor spending, not local residents spending that is above and beyond what they would have spent if not for the ZeroOne Festival taking place in San Jose. An estimate from the non-incremental visitors surveyed of spending because of the events is about $1.5 million. An estimate of spending by local residents because of the events is about $2.5 million. If included, non-incremental visitors and locals inside and outside of the event would bring the total economic impact of the events to approximately $13.3million.[53]

Induced Economic Impact

Induced economic impacts on the City due to the ZeroOne Festival are shown in Exhibit 3-16. About 157 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than $5.3 million in earnings impact within the City. [54]

Exhibit 3-16

Economic Impact ZeroOne Festival - Earnings & Employment

Type of Impact	City	City[1]
Income	$5,313,600	$4,735,157
Employment	157	141

[1]Does not include spending inside the event area.

Fiscal Impact

As Exhibit 3-17 shows, the total new incremental tax impact measurement for the ZeroOne Festival is more than $225,400 for the City.[55] If inside spending were not counted, fiscal impact would fall to $189,000. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by nearly $65,400.

Media Impact

In addition to economic impact, the City may also benefit from the national and international focus and media attention created by such events. Although it is extremely difficult to measure the translation of media coverage into actual new visitor expenditures, the event did generate valuable media impressions. This media impact is *not* part of the economic impact, but was measured by the City. There were nearly 150 local, regional, national, and international credentialed journalists who attended the individual and multiple events. Nearly 100 stories about

[53] These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses.

[54] These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly $5.3 million is turned into incremental earnings.

[55] Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

ZeroOne/ISEA2006 have appeared-from extensive multi-day coverage in the San Jose Mercury News to a full-page spread in the "Arts" section of the Sunday New York Times. Wired, Southwest Spirit and Associated Press covered the event as well as a variety of international art and technology publications. Google lists about 125,000 mentions of "ZeroOne San Jose". Approximately 2,300 blogs on the Internet mention ZeroOne/ISEA2006.

Exhibit 3-17

Net New Incremental Tax Impact ZeroOne Festival

Tax Category	City	City[1]
Sales and Use	$33,146	$32,307
Hotel Occupancy	$94,830	$94,830
Hotel Business Improvement District fee	$10,778	$10,778
Direct Taxation	$138,754	$137,915
Indirect Taxation	$86,700	$51,663
Total Fiscal Impact	**$225,453**	**$189,578**

[1]Does not include spending inside the event area.

Other Findings from the Survey Analysis

Of the survey respondents, nearly three-quarters were visitors to the City, and 65% were visitors to Santa Clara County. Approximately one-third of event attendees were from out of state. The largest percentages of out of state visitors were international, with 4% of attendees from Australia and 5% from the United Kingdom.

As expected, these events were primarily spectator events, with nearly 64% of respondents having no official affiliation with the City or the event. Of those listing an affiliation, 5% were a City or event employee, 3% were with the media, 19% were an exhibiting or participating artist, 1% were working with a vendor, and 9% listed an "Other" affiliation with the event.

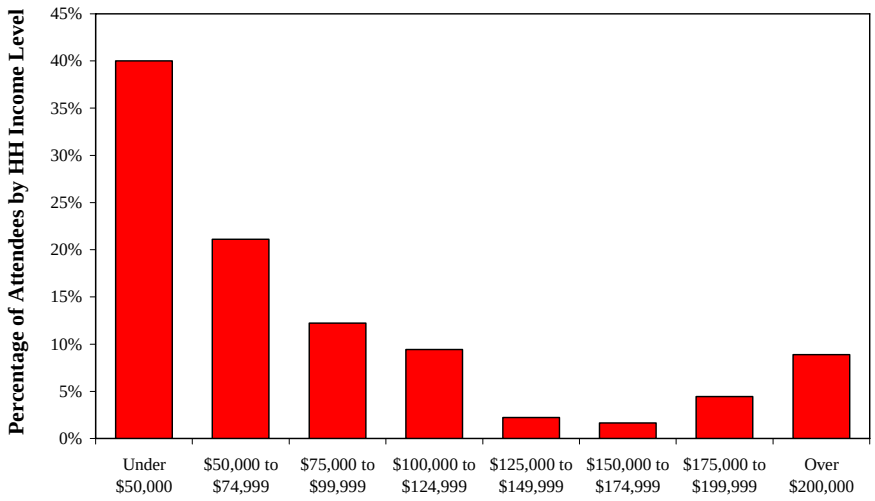
Many attendees came to multiple days of the event, with just 30% indicating they attended just one day. Half of attendees came three days or less, and nearly one-quarter came all 6 days. Approximately 40% listed having attended events on Tuesday, 46% on Wednesday, 50% on Thursday, 68% on Friday, 59% on Saturday, and 25% on Sunday. More than half came to the ISEA Symposium, and approximately 40% listed attending a performative cinema or Repertory/Theater Performance.

The majority (90%) of attendees said that the ZeroOne Festival was the primary reason for their visit to the City. The remaining 10% was fairly evenly split between listing business or vacation as the primary purpose of their visit.

Approximately 37% of attendees listed attending other cultural activities while in San Jose, 52% visited the Tech or Art Museum(s), 6% attended an event at HP Pavilion, and 2% listed having attended another type of unspecified event/attraction during their visit to the City.[56]

Incomes skewed lower, with more than 60% of respondents had annual household incomes less than $75,000, and nearly three-quarters had incomes below $100,000. The classification of household incomes is shown below in Exhibit 3-18, with the average household income of visiting attendees at $76,389.[57] This income is nearly 15% higher than the median household income for the San Francisco Bay Area.[58]

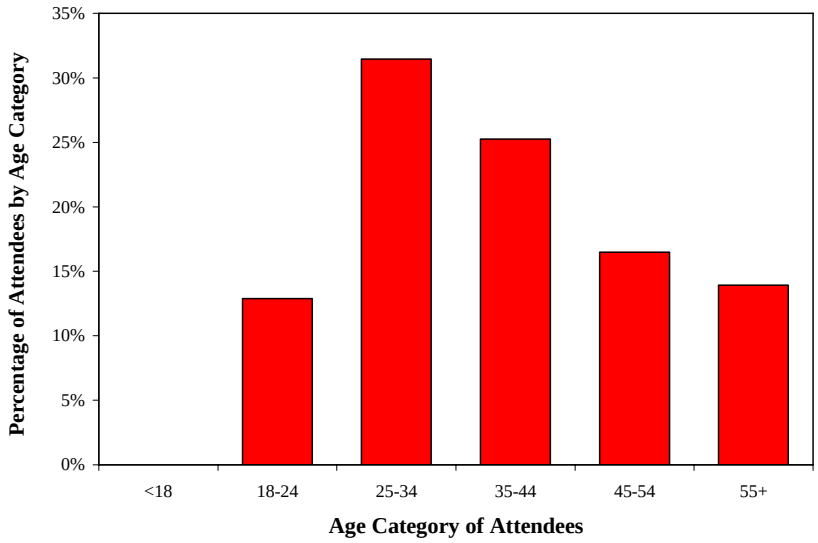
Exhibit 3-18



The age of visitors attending the ZeroOne Festival skewed younger than other events, with more than 56% of visitors between the ages of 25 to 44, as shown in Exhibit 3-19below. The average age was 38 years old.[59]

Exhibit 3-19

[56] Respondents could select all categories that apply, therefore may sum to greater than 100%.
[57] The calculation of average household incomes is based on using the midrange of each income category for all categories except the $125,000+ category, which used $125,000 as its weight.
[58] Source: http://www.bayareacensus.ca.gov/bayarea.htm.
[59] The calculation of average age is based on using the midrange of each age category for all categories except the 55+ category, which used 65 as its weight.



More than half of respondents drove to the event in a personal car or truck, 1% stayed in an RV, 23% flew to the event, 5% rented a car, 6% said they took public transportation (bus/BART), and nearly 10% responded using an alternate form of transportation. Therefore, more than three-quarters of attendees used ground transportation to come to the event, even though one-third of attendees were from outside of the state of California.

Nearly 39% of respondents stayed in a Hotel or Motel during their visit, and 44% listed staying in a private residence. The remaining 16% stayed in a non-specified form of lodging. None of the visitors indicated staying in an RV.

In terms of marketing and the mode of communication in which the respondent learned of the events, 4% of all respondents listed Radio or television, 36% listed the Internet/E-mail, 20% listed the Mercury Newspaper, 29% listed Word of Mouth, 6% indicated they knew because it was an annual event, and 11% listed "Other".[60] Of those listing an "Other" affiliation, common responses involved having to work or participate in the event, or affiliation with the ISEA or Symposium. It is not known whether those who learned of the event via the Internet visited the event's or city's websites. Similarly, it is not known what television channel or broadcast respondents were viewing which contained information about the events.

Nearly 84% of visitors rated their visit as "Excellent" or "Good", and 14% felt their experience at the event was "Average".

[60] Since respondents were allowed to circle all modes of communication that factored into their decision, these figures will not sum to 100%.

3.4 ECONOMIC IMPACT OF 2006 COMCAST SAN JOSE JAZZ FESTIVAL

For the 2006 Jazz Festival, the usable surveys represented nearly 4,400 people based on the size of each party (number of people) represented in the survey responses.[61] The economic impact measurements based on this survey are described in this section. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

Of the respondents represented in the survey sample, 18.8% were local residents of the City.[62] The average size of the party represented in each survey is 5.8 for visitors and 3.4 for local residents.[63] From the traveling party, visitors indicated that they paid for 2.0 persons, whereas locals paid for an average of 2.1 persons. As shown in Exhibit 3-20 (below), the average number of days that each person stayed in the City because of the event was 1.9.[64] The typical visiting spectator spent $107 per day outside of the Festival, and an additional $26 on event-specific spending inside of the Festival areas for the entire period visited, leading to nearly $134 in spending per day. On average, spectators spent approximately $232 for their entire trip to San Jose.[65]

The number of unique visitors who came to the City and participated in Jazz Festival activities was approximately 37,617 out of 46,316 unique attendees.[66] Of the visitors to the City, about 8% were "time-switchers", meaning that they would have come to San Jose during some other nearby time period, but instead chose to come to attend the Jazz Festival. An additional 16% were "casual" visitors who were in town for other reasons, but chose to take part in event-related activities as part of their stay.[67] To be conservative, expenditures by "time-switchers" and "casual" visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway. Thus, the number of visitors to San Jose for which expenditures are counted toward the economic impact are 27,022, 28% fewer than the total number of visitors.

[61] The measurement error in the results that follow is equal to 2.9%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.
[62] This was determined by referencing all zip codes which were in the City of San Jose. The respondent sample is based on the number of surveys administered during the event, multiplied by the number of persons in the respondent's traveling party.
[63] The size of the party relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that they were paying for when indicating their expenditure responses.
[64] Spectators stayed slightly longer than performers. The average performer spent 1.2 days in the City.
[65] This includes an average spectator ticket cost of $10.18.
[66] This comes from a total attendance estimate of 76,000 provided by the event organizers.
[67] One reason for the relatively high number of casual visitors is that many of the casual visitors traveled in larger parties, with an average traveling party of 9 persons.

Exhibit 3-20

Key Findings from the San Jose Jazz Festival Visitor Survey

Category	Estimate
Total Attendance	76,000
Number of Unique Attendees (individual people attending event)	46,316
Local Residents who Attended Event (not Visitors)	8,699
Total Number of Visitors Participating in Festival Activities	37,617
Number of "Time-switchers" Only	3,058
Number of "Casual" Visitors Only	5,867
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	1,671
Number of "Relevant" Visitors: Count Towards Economic Impact[1]	27,022
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	$107
Average Number of Days Stayed Per "Relevant" Visitor	1.9
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Festival	$206
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Festival[3]	$26
Total Direct Spending of "Relevant" Visitors Outside Festival[2]	**$5,555,706**
Total Direct Spending of "Relevant" Visitors Inside Festival[3]	**$715,094**

[1]Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

[2]Spending is only within the City of San Jose.

[3]Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in San Jose is approximately $5.5 million outside of the Festival, and is over $6.2 million including the spending in both the inside and outside areas.[68]

As shown in Exhibit 3-21, total business spending used in this measurement of direct economic impact is nearly $260,800.[69] Including expenditures by event organizers and vendors, total business spending due to this event was more than $1.4 million.[70]

[68] This includes ticket costs, which were estimated to be approximately $5.00 per ticket.

[69] Business spending includes spending by corporations, vendors and media spending. The number of attending artists, sponsors, media and vendors was provided by the event organizers for the purposes of this study. Wherever other information was not possible, visiting population assumed to be same as the rest of the sample. Artist spending and Media expenditures were captured via the spectator survey via question 2, and were analyzed separately from spectator responses.

[70] Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of report.

Exhibit 3-21

Expenditures by Organizations Affiliated with Hosting the Event	
Artist Expenditures[1]	$37,800
Media Expenditures[2]	$5,760
Corporate/Sponsor Expenditures[3]	$217,280
Vendor Expenditures[4]	$1,698
Event Organizer Expenditures[5]	$1,200,000
Total	**$1,462,538**

[1]Artist spending captured via separate survey instrument. Number of artists provided by City of San Jose and event organizers.

[2]Number of visiting Media estimated by Jazz Festival. Media spending captured by survey.
[3]Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

[4]Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

[5]Estimates provided by Jazz Festival organizers, and represent on-going expenses for event operations. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-22. The total new incremental direct spending in the City due to the Jazz Festival is more than $6.5 million.

Exhibit 3-22

Economic Impact Jazz Festival on San Jose - Output		
Direct Spending	**City**	**City[1]**
Transportation	$497,688	$497,688
Parking	$232,438	$232,438
Retail	$856,372	$856,372
Lodging	$1,497,718	$1,497,718
Entertainment	$431,308	$431,308
Food & Beverage	$1,837,896	$1,837,896
Miscellaneous	$202,286	$202,286
Total Relevant Visitor Spending Outside of Event	$5,555,706	$5,555,706
Spending Inside Event Area	$715,094	$0
Corporate/Team/Media/Sponsor/Vendor	$260,840	$260,840
Total Direct Spending	$6,531,641	$5,816,546
Indirect Spending	$4,353,034	$2,892,901
Total Economic Impact	**$10,884,674**	**$8,709,447**

[1]This column does not include spending within the race area.

New incremental indirect spending is about $4.3 million in the City. Total economic impact, in terms of output, is about $10.9 million on San Jose because of the Jazz Festival and related activities. If excluding spending inside of the event, the total economic impact would be reduced to $8.7 million.

Spending by Local Residents

All measurements account for incremental visitor spending, not local residents spending that is above and beyond what they would have spent if not for the Jazz Festival taking place in San Jose. An estimate from the non-incremental visitors surveyed of spending because of the event is about $3.5 million. An estimate of spending by local residents because of the events is about $2.6 million. If included, non-incremental visitors and locals inside and outside of the event would bring the total economic impact of the events to nearly $17.0 million.[71]

Induced Economic Impact

Induced economic impacts on the City due to the Jazz Festival are shown in Exhibit 3-23. About 191 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than $6.4 million in earnings impact within the City.[72]

Exhibit 3-23

Economic Impact Jazz Festival - Earnings & Employment

Type of Impact	City	City[1]
Income	$6,453,824	$5,787,930
Employment	191	173

[1]Does not include spending inside the event area.

Fiscal Impact

As Exhibit 3-24 shows, the total new incremental tax impact measurement for the Jazz Festival is more than $312,400 for the City.[73] If inside spending were not counted, fiscal impact would fall to $266,500. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by nearly $122,000.

[71] These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses.

[72] These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly $6.4 million is turned into incremental earnings.

[73] Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

Exhibit 3-24

Net New Incremental Tax Impact Jazz Festival		
Tax Category	**City**	**City[1]**
Sales and Use	$48,895	$43,448
Gate Fee[2]	$7,539	$0
Hotel Occupancy	$149,772	$149,772
Hotel Business Improvement District fee	$7,975	$7,975
Direct Taxation	$214,181	$201,195
Indirect Taxation	$98,258	$65,290
Total Fiscal Impact	**$312,439**	**$266,486**

[1]Does not include spending inside the event area.

[2]A ticket tax or gate fee of 5% of admissions revenue was collected by the City.

Other Findings from the Survey Analysis

Of the survey respondents, 69% were visitors to the City, and 53% were visitors to Santa Clara County. Approximately 17% of event attendees were from out of state.

As expected, these events were primarily spectator events, with 92% of respondents having no official affiliation with the City or the event. Of those listing an affiliation, 2% were a City or event employee, 1% were with the media, 1% were performers, 2% were working with a vendor, and 2% listed an "Other" affiliation with the event.

Half of attendees came to multiple days of the event, with 20% coming all three days. Approximately 26% listed having attended events on Friday, 65% on Saturday, and 66% on Sunday.

The majority (83%) of attendees said that the Jazz Festival was the primary reason for their visit to the City. Approximately 5% of attendees were already in town on business, 9% were visiting the City on vacation, and 3% listed another, unidentified reason as the primary purpose of their visit.

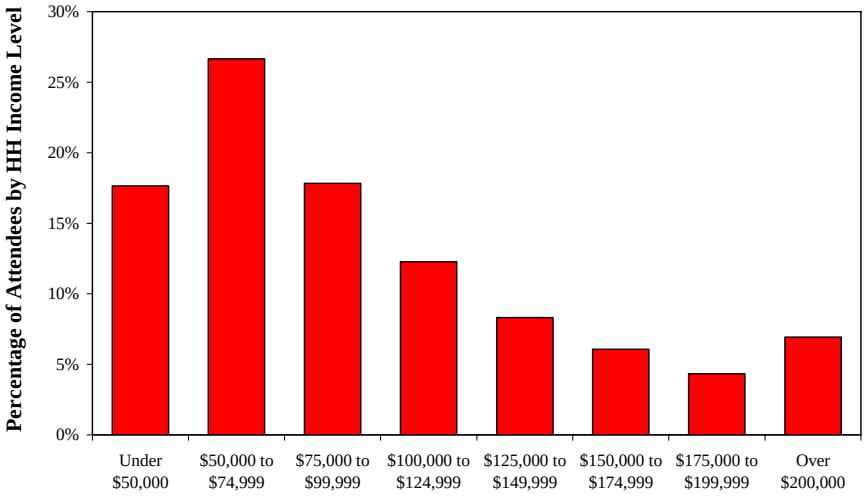
With regard to which stages at the Festival had the most attendance, the main stage attracted the most visitors, with 69% of respondents listing having visited that stage. The Salsa stage attracted 44% of attendees, 42% visited the Latin Stage, 39% visited the Blues Stage, 21% attended Jazz at the Rep, 15% went to Big Band, 12% went to Jazz in Restaurants, and less than 10% went to the Youth Stage, Smith Dobson, or Jazz Beyond. [74]

Approximately 12% of attendees listed attending other cultural activities while in San Jose, 18% visited the Tech or Art Museum(s), and 8% attended an event at HP Pavilion.[75]

[74] Respondents could select all categories that apply, therefore total may sum to greater than 100%.
[75] Respondents could select all categories that apply, therefore may sum to greater than 100%.

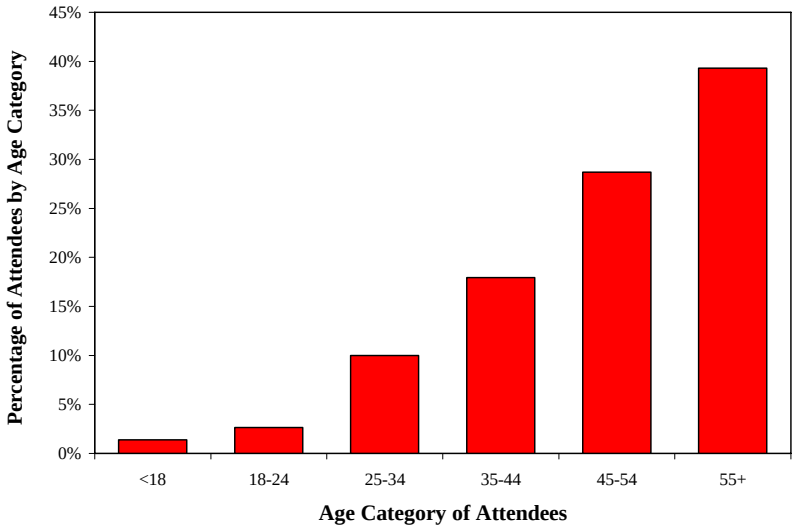
More than 44% of respondents had annual household incomes less than $75,000, and nearly three-quarters had incomes below $125,000. The classification of household incomes is shown below in Exhibit 3-25, with the average household income of visiting attendees at $93,685.[76] This income is nearly 40% higher than the median household income for the San Francisco Bay Area.[77]

Exhibit 3-25



The age of visitors attending the Jazz Festival skewed older than other events, with nearly 40% of visitors older than 55, as shown in Exhibit 3-26 below.

Exhibit 3-26



[76] The calculation of average household incomes is based on using the midrange of each income category for all categories except the $125,000+ category, which used $125,000 as its weight.
[77] Source: http://www.bayareacensus.ca.gov/bayarea.htm.

More than half (52%) of the population classified themselves as Caucasian, 16% identified themselves as African-American, 18% as Hispanic, 6% as Asian, and the remaining 8% as some other race or combination of two or more races.

Approximately 83% of respondents drove to the event in a personal car or truck, 4% flew to the event, 1% rented a car, 3% said they took public transportation (bus/BART), and 9% responded using an alternate form of transportation. Therefore, more than 97% of attendees used ground transportation to come to the event, even though 17% listed traveling from outside of the state of California.

Nearly 38% of respondents stayed in a Hotel or Motel during their visit, and 51% listed staying in a private residence. The remaining 11% stayed in a non-specified form of lodging and less than 1% of visitors indicated staying in an RV.

Of those listing a hotel or motel, 23% listed the Fairmont, 20% listed the Hilton, 12% listed the Marriott, 7% listed the Crowne Plaza, 6% listed the St. Claire, 5% listed the Super 8, 5% listed the Hyatt, and less than 3% listed either the Wellesley Inn and Suites, Vagabond Inn, Ramada, Radisson, Motel 6, Montgomery, Hotel De Anza, Holiday Inn, Fair Oaks Inn, Days Inn, Clarwin, or Arena Hotel as the chain for which they booked their lodging.

In terms of marketing and the mode of communication in which the respondent learned of the events, 13% of all respondents listed Radio or television, 13% listed the Internet/E-mail, 23% listed the Mercury Newspaper, 26% listed Word of Mouth, 43% indicated they knew because it was an annual event, and 2% listed "Other".[78] Of those listing an "Other" affiliation, common responses involved having to work or participate in the event. It is not known whether those who learned of the event via the Internet visited the event's or city's websites. Similarly, it is not known what television channel or broadcast respondents were viewing which contained information about the events.

Nearly all visitors (96%) rated their visit as "Excellent" or "Good", and just 1% felt their experience at the event was below Average.

[78] Since respondents were allowed to circle all modes of communication that factored into their decision, these figures will not sum to 100%.

3.5 ECONOMIC IMPACT OF 2006 TAPESTRY ARTS FESTIVAL

For the 2006 Tapestry Arts Festival, there usable surveys represented nearly 1,800 people based on the size of each party (number of people) represented in the survey responses.[79] The economic impact measurements based on this survey are described in this section. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

Of the respondents represented in the survey sample, 60% were local residents of the City.[80] The average size of the party represented in each survey is 2.8 for visitors and 3.0 for local residents.[81] As shown in Exhibit 3-27 (below), the average number of days that each person stayed in the City because of the event was 1.9. The typical visiting spectator spent $74 per day outside of the Festival, and an additional $82 on event-specific spending inside of Festival areas during the entire visitation period, leading to nearly $156 in spending per day. On average, spectators spent approximately $224 for their entire trip to San Jose.

The number of unique visitors who came to the City and participated in Tapestry Arts Festival activities was approximately 47,534 out of 118,046 unique attendees.[82] Of the visitors to the City, about 2% were "time-switchers", meaning that they would have come to San Jose during some other nearby time period, but instead chose to come to attend the Tapestry Arts Festival. An additional 17% were "casual" visitors who were in town for other reasons, but chose to take part in event-related activities as part of their stay. To be conservative, expenditures by "time-switchers" and "casual" visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway. Thus, the number of visitors to San Jose for which expenditures are counted toward the economic impact are 36,737, 23% fewer than the total number of visitors.

[79] The measurement error in the results that follow is equal to 2.5%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

[80] This was determined by referencing all zip codes which were in the City of San Jose. The total respondent population based on the number of surveys administered multiplied by the average survey respondent party size.

[81] The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that they were paying for when indicating their expenditure responses.

[82] Attendance estimates provided by Tapestry Arts Festival. In total, there were 150,000 attendees to the event, which broke out as follows: 46,000 on Saturday, 69,000 on Sunday, and 35,000 on Monday. However, some of these attendees cannot be considered "unique", as they attended more than one of the Tapestry Arts Festival events that week. This was estimated via question 3 in the survey, in which respondents were asked to indicate what other days of the event they were attending that week. To be conservative, the total attendance was discounted by the number of respondents which indicated they were attending more than one these events so as not to double-count non-unique attendee spending. This figure also does not include locals.

Exhibit 3-27

Key Findings from the San Jose Tapestry of Arts Festival Visitor Survey

Category	Estimate
Total Attendance	130,000
Number of Unique Attendees (individual people attending event)	118,046
Local Residents who Attended Event (not Visitors)	70,512
Total Number of Visitors Participating in Festival Activities	47,534
Number of "Time-switchers" Only	988
Number of "Casual" Visitors Only	8,098
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	1,712
Number of "Relevant" Visitors: Count Towards Economic Impact[1]	36,737
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	$74
Average Number of Days Stayed Per "Relevant" Visitor	1.9
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Festival	$141
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Festival[3]	$82
Total Direct Spending of "Relevant" Visitors Outside Festival[2]	**$5,195,871**
Total Direct Spending of "Relevant" Visitors Inside Festival[3]	**$3,020,094**

[1]Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

[2]Spending is only within the City of San Jose.

[3]Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in San Jose is nearly $5.2 million outside of the Festival, and is $8.2 million including the spending in both the inside and outside areas.

As shown in Exhibit 3-28, total business spending used in this measurement of direct economic impact is nearly $56,500.[83] Including expenditures by event organizers and vendors, total business spending due to this event was more than $418,500.[84]

[83] Business spending includes spending by corporations, vendors and media spending. The number of attending artists, sponsors, media, and vendors was provided by the event organizers for the purposes of this study. Wherever other information was not possible, visiting population assumed to be same as the rest of the sample. Artist spending was estimated via a separate survey administered to participating Artists during the Festival. Media expenditures were captured via the spectator survey via question 2.

[84] Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of report.

Exhibit 3-28

Expenditures by Organizations Affiliated with Hosting the Event	
Artist Expenditures[1]	$46,490
Media Expenditures[2]	$5,000
Corporate/Sponsor Expenditures[3]	$5,000
Vendor Expenditures[4]	$0
Event Organizer Expenditures[5]	$362,000
Total	**$418,490**

[1]Artist spending captured via separate survey instrument. Number of artists provided by City of San Jose and event organizers.

[2]Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and event organizer.

[3]Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

[4]Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

[5]Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-29. The total new incremental direct spending in the City due to the Tapestry Arts Festival is more than $8.2 million.

Exhibit 3-29

Economic Impact Tapestry Arts Festival on San Jose - Output		
Direct Spending	**City**	**City[1]**
Transportation	$362,592	$362,592
Parking	$273,359	$273,359
Retail	$1,162,026	$1,162,026
Lodging	$781,502	$781,502
Entertainment	$445,166	$445,166
Food & Beverage	$2,067,342	$2,067,342
Miscellaneous	$103,883	$103,883
Total Relevant Visitor Spending Outside of Event	$5,195,871	$5,195,871
Spending Inside Event Area	$3,020,094	$0
Artist/Media/Sponsor	$56,490	$56,490
Total Direct Spending	$8,272,454	$5,252,361
Indirect Spending (incl. Event Organizer and Vendor)	$4,089,109	$2,635,647
Total Economic Impact	**$12,361,563**	**$7,888,008**

[1]This column does not include spending within the race area.

New incremental indirect spending is about $4.1 million in the City. Total economic impact, in terms of output, is about $12.3 million on San Jose because of the Tapestry Arts Festival and related activities. If excluding spending inside of the event, the total economic impact would be reduced to $7.9 million.

Spending by Local Residents

All measurements account for incremental visitor spending, not local residents spending that is above and beyond what they would have spent if not for the Tapestry Arts Festival taking place in San Jose. An estimate from the non-incremental visitors surveyed of spending because of the event is about $3.0 million. An estimate of spending by local residents because of the events is about $21.0 million. If included, non-incremental visitors and locals inside and outside of the event would bring the total economic impact of the events to approximately $36.4 million.[85]

Induced Economic Impact

Induced economic impacts on the City due to the Tapestry Arts Festival are shown in Exhibit 3-30. About 239 full-time equivalent jobs are generated from the direct and indirect spending, resulting in nearly $8.0 million in earnings impact within the City. [86]

Exhibit 3-30

Economic Impact Tapestry Arts Festival - Earnings & Employment

Type of Impact	City	City[1]
Income	$8,047,728	$5,235,424
Employment	239	166

[1]Does not include spending inside the event area.

Fiscal Impact

As Exhibit 3-31 shows, the total new incremental tax impact measurement for the Tapestry Arts Festival is more than $251,400 for the City.[87] If inside spending were not counted, fiscal impact would fall to $193,400. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by nearly $130,500.

[85] These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses.

[86] These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly $8.0 million is turned into incremental earnings.

[87] Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

Exhibit 3-31

Net New Incremental Tax Impact Tapestry Arts Festival on City		
Tax Category	**City**	**City[1]**
Sales and Use	$75,170	$49,999
Hotel Occupancy	$78,150	$78,150
Hotel Business Improvement District fee	$5,786	$5,786
Direct Taxation	$159,107	$133,935
Indirect Taxation	$92,300	$59,484
Total Fiscal Impact	**$251,407**	**$193,420**

[1]Does not include spending inside the event area.

Other Findings from the Survey Analysis

Of the survey respondents, 42% were visitors to the City, and just 24% were visitors to Santa Clara County. Less than 7% of event attendees were from outside of the state of California.

As expected, this was primarily a spectator event, with 85% of respondents having no official affiliation with the City or the event. Of those listing an affiliation, 3% were a participating artist, 8% were working with a vendor, 3% listed an "Other" affiliation with the event, and less than 1% listed as being with the Media or working with the City or the event..

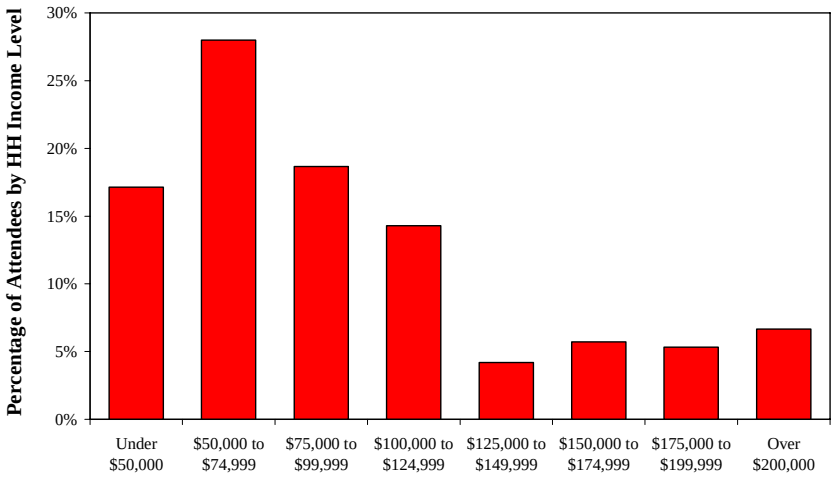
More than three-quarters only came to one day of the event, with just 16% coming all three days. Approximately 63% listed having attended events on Saturday, and 49% on Sunday, and 21% on Monday.

Just two-thirds of attendees said that the Tapestry Arts Festival was the primary reason for their visit to the City. Approximately 14% of attendees were already in town on business, 16% were visiting the City on vacation, and 5% listed another, unidentified reason as the primary purpose of their visit.

Approximately 45% of respondents had annual household incomes less than $75,000, and more than three-quarters had incomes below $125,000. The classification of household incomes is shown below in Exhibit 3-32, with the average household income of visiting attendees at $92,571.[88] This income is nearly 40% higher than the median household income for the San Francisco Bay Area.[89]

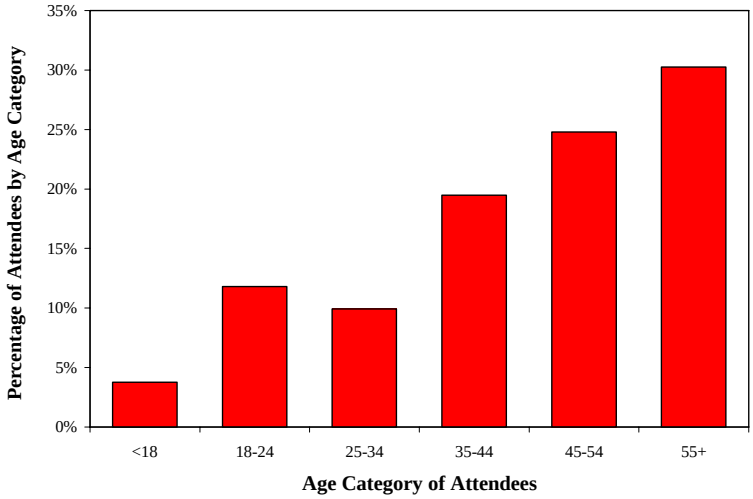
[88] The calculation of average household incomes is based on using the midrange of each income category for all categories except the $125,000+ category, which used $125,000 as its weight.
[89] Source: http://www.bayareacensus.ca.gov/bayarea.htm.

Exhibit 3-32



The age of visitors attending the Tapestry Arts Festival skewed older than other events, with more than 55% over age 45, as shown in Exhibit 3-33 below. The average age was 43 years old.[90]

Exhibit 3-33



Approximately 84% of respondents drove to the event in a personal car or truck, 1% flew to the event, 1% rented a car, 4% said they took public transportation (bus/BART), and 10% responded using an alternate form of transportation.

In terms of marketing and the mode of communication in which the respondent learned of the events, 14% of all respondents listed Radio or television, 7% listed the Internet/E-mail, 26% listed the Mercury Newspaper,

[90] The calculation of average age is based on using the midrange of each age category for all categories except the 55+ category, which used 65 as its weight.

24% listed Word of Mouth, 36% indicated they knew because it was an annual event, and 5% listed "Other".[91] Of those listing an "Other" affiliation, common responses involved having to work or participate in the event, or some other form of Word of Mouth. It is not known whether those who learned of the event via the Internet visited the event's or city's websites. Similarly, it is not known what television channel or broadcast respondents were viewing which contained information about the events.

Nearly 17% of respondents stayed in a Hotel or Motel during their visit, and 80% listed staying in a private residence. Nearly 3% of visitors indicated staying in an RV, even though less than 1% listed this as their primary mode of transportation. Less than 1% stayed in a non-specified form of lodging.

Nearly all visitors (90%) rated their visit as "Excellent" or "Good", and just 2% felt their experience at the event was below Average.

[91] Since respondents were allowed to circle all modes of communication that factored into their decision, these figures will not sum to 100%.

3.6 ECONOMIC IMPACT OF 15TH ANNUAL SAN JOSE INTERNATIONAL MARIACHI FESTIVAL

For the 2006 Mariachi Festival, there usable surveys represented nearly 1,000 people based on the size of each party (number of people) represented in the survey responses.[92] The economic impact measurements based on this survey are described in this section. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

Of the respondents represented in the survey sample, 61% were local residents of the City.[93] The average size of the party represented in each survey is 3.0 for visitors and 3.2 for local residents.[94] As shown in Exhibit 3-34 (below), the average number of days that each person stayed in the City because of the event was 1.1.[95] The typical visiting spectator spent $62 per day outside of the Festival, and an additional $60 on event-specific spending inside of Festival areas during the entire trip, leading to nearly $122 in spending per day.[96] On average, spectators spent approximately $129 for their entire trip to San Jose.[97]

The number of unique visitors who came to the City and participated in Mariachi Festival activities was approximately 11,905 out of about 34,452 unique attendees.[98] Of the visitors to the City, about 15% were "time-switchers", meaning that they would have come to San Jose during some other nearby time period, but instead chose to come to attend the Mariachi Festival. An additional 16% were "casual" visitors who were in town for other reasons, but chose to take part in event-related activities as part of their stay. To be conservative, expenditures by "time-switchers" and "casual" visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway. Thus, the number of visitors to San Jose for which expenditures are counted toward the economic impact is 7,564, 36% fewer than the total number of visitors.[99]

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[92] The measurement error in the results that follow is equal to 2.1%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

[93] This was determined by referencing all zip codes which were in the City of San Jose. The total respondent population based on the number of surveys administered multiplied by the average survey respondent party size.

[94] The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that they were paying for when indicating their expenditure responses. The local traveling party for attendees of the Friday concert was 3.8, and the party size for the Sunday Feria was 2.9. These figures represent the weighted average of the responses.

[95] The concert attendees stayed an average of 1.2 days, and those who attended the Feria stayed an average of 1.1 days. These figures represent the weighted average of the responses.

[96] The concert attendees spent an average of $78 outside of the event, and $88 inside the event, for a total of $166 per day. Those who attended the Feria spent an average of $54 outside of the event, and $47 inside the event, for a total of $101 per day. These figures represent the weighted average of the responses.

[97] This represents the weighted average of daily spending multiplied by the weighted average of days per visitor trip.

[98] Attendance estimates provided by the Mariachi Festival. In total, there were 34,452 attendees to the event, which broke out as follows: 370 on Tuesday, 500 on Wednesday, 450 on Thursday, 10,332 on Friday, 2,800 on Saturday, and 20,000 on Sunday. However, some of these attendees cannot be considered "unique", as they attended more than one of the Mariachi Festival events that week. This was estimated via question 3 in the survey, in which respondents were asked to indicate what other days of the event they were attending that week. To be conservative, the total attendance was discounted by the number of respondents which indicated they were attending more than one these events so as not to double-count non-unique attendee spending. This figure also does not include locals.

[99] The populations of casuals and time-switchers were relatively high due to the fact that their traveling party sizes were larger than the average relevant visiting party.

The spending for the Gala Concert and for the Feria del Mariachi differed, as did the demographic compositions of the events. While the spending included in the calculation of economic impact was based on a weighted average of the events, the spending on Friday by concert attendees was higher than that for the free Feria del Mariachi, which took place on Sunday. The cost of the concert likely drew higher income attendees, which may have led to higher spending.

Exhibit 3-34

Key Findings from the San Jose Mariachi Festival Visitor Survey

Category	Estimate
Total Attendance	34,452
Number of Unique Attendees (individual people attending event)	30,543
Local Residents who Attended Event (not Visitors)	18,639
Total Number of Unique Visitors Participating in Event Activities	11,905
Number of "Time-switchers" Only	1,787
Number of "Casual" Visitors Only	1,851
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	702
Number of "Relevant" Visitors: Count Towards Economic Impact[1]	7,564
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	$62
Average Number of Days Stayed Per "Relevant" Visitor	1.1
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Festival	$69
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Festival[3]	$60
Total Direct Spending of "Relevant" Visitors Outside Festival[2]	**$520,046**
Total Direct Spending of "Relevant" Visitors Inside Festival[3]	**$456,915**

[1]Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

[2]Spending is only within the City of San Jose.

[3]Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in San Jose is nearly $520,000 outside of the concert and Festival, and is nearly $979,000 including the spending in both the inside and outside the concert and Festival areas.

As shown in Exhibit 3-35, total business spending used in this measurement of direct economic impact is nearly $13,000.[100] Including expenditures by event organizers and vendors, total business spending due to this event was nearly $113,000.[101]

[100] Business spending includes spending by corporations, vendors and media spending. The number of attending artists, sponsors, media, and vendors was provided by the event organizers for the purposes of this study. Wherever other information was not possible, visiting population assumed to be same as the rest of the sample. Artist spending was estimated via a separate survey administered to participating Artists during the Festival. Media expenditures were captured via the spectator survey via question 2.

[101] Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of report.

Exhibit 3-35

Expenditures by Organizations Affiliated with Hosting the Event	
Artist Expenditures[1]	$12,000
Media Expenditures[2]	$986
Corporate/Sponsor Expenditures[3]	$0
Vendor Expenditures[4]	$0
Event Organizer Expenditures[5]	$100,000
Total	**$112,986**

[1]Artist spending captured via separate survey instrument. Number of artists provided by City of San Jose and event organizers.

[2]Estimates include only non-local spending by media organizations to cover the event, estimated by City of San Jose and event organizer.

[3]Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.

[4]Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

[5]Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-36. The total new incremental direct spending in the City due to the Mariachi Festival is nearly $990,000.

Exhibit 3-36

Economic Impact Mariachi Festival on San Jose - Output		
Direct Spending	**City**	**City[1]**
Transportation	$62,167	$62,167
Parking	$32,040	$32,040
Retail	$68,838	$68,838
Lodging	$28,304	$28,304
Entertainment	$79,722	$79,722
Food & Beverage	$194,996	$194,996
Miscellaneous	$53,979	$53,979
Total Relevant Visitor Spending Outside of Event	$520,046	$520,046
Spending Inside Event Area	$456,915	$0
Artist/Media/Sponsor	$12,986	$12,986
Total Direct Spending	$989,947	$533,032
Indirect Spending (incl. Event Organizer and Vendor)	$528,594	$263,465
Total Economic Impact	**$1,518,542**	**$796,497**

[1]This column does not include spending within the race area.

New incremental indirect spending is about $528,600 in the City. Total economic impact, in terms of output, is about $1.5 million on San Jose because of the Mariachi Festival and related activities. If excluding spending inside of the event, the total economic impact would be reduced to less than $800,000.

Spending by Local Residents

All measurements account for incremental visitor spending, not local residents spending that is above and beyond what they would have spent if not for the Mariachi Festival taking place in San Jose. As shown by the survey responses, this Festival is primarily an event enjoyed by City residents, rather than attracting a large population of visitors. An estimate of spending by local residents because of the events is about $13.2 million. An estimate from the non-incremental visitors surveyed of spending because of the event is about $3.0 million. If included, non-incremental visitors and locals inside and outside of the event would bring the total economic impact of the events to approximately $18.4 million.[102]

Induced Economic Impact

Induced economic impacts on the City due to the Mariachi Festival are shown in Exhibit 3-37. About 28 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than $959,000 in earnings impact within the City. [103]

Exhibit 3-37

Economic Impact Mariachi Festival - Earnings & Employment

Type of Impact	City	City[1]
Income	$959,382	$533,903
Employment	28	17

[1]Does not include spending inside the event area.

Fiscal Impact

As Exhibit 3-38 shows, the total new incremental tax impact measurement for the Mariachi Festival is more than $22,600 for the City.[104] If inside spending were not counted, fiscal impact would fall to $14,400. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by nearly $58,500.

[102] These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses.

[103] These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly $959,000 is turned into incremental earnings.

[104] Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

Exhibit 3-38

Net New Incremental Tax Impact Mariachi Festival on City		
Tax Category	**City**	**City[1]**
Sales and Use	$7,023	$4,767
Hotel Occupancy	$2,830	$2,830
Hotel Business Improvement District fee	$860	$860
Direct Taxation	$10,713	$8,457
Indirect Taxation	$11,932	$5,946
Total Fiscal Impact	**$22,644**	**$14,403**

[1]Does not include spending inside the event area.

Media Impact

In addition to economic impact, the City may also benefit from the exposure and media attention created by such events. As a result of the Mariachi Festival, San Jose was exposed to millions of people through appearances in many media forums such as newspapers, radio, and television. The benefits derived are similar to those of companies who advertise their company name as opposed to a specific product. Although it is extremely difficult to measure the translation of media coverage into actual new visitor expenditures, the event did generate valuable media impressions.[105] This media impact is *not* part of the economic impact measured for the Festival in this study. According to analysis conducted for the City of San Jose and the Mexican Heritage Plaza, the total sponsored media impressions surpassed 40 million.

Other Findings from the Survey Analysis

Of the survey respondents, 39% were visitors to the City, and 30% were visitors to Santa Clara County. Less than 1% of event attendees were from out of state.

As expected, these events were primarily spectator events, with 83% of respondents having no official affiliation with the City or the event. Of those listing an affiliation, 3% were a City or event employee, 2% were with the media, 6% were working with a vendor, and 6% listed an "Other" affiliation with the event.

Just 16% of attendees came to multiple days of the event, with 1% coming all three days. Approximately 4% listed having attended events on Tuesday, 5% on Wednesday, 6% on Thursday, 37% on Friday, 10% on Saturday, and 64% on Sunday.[106]

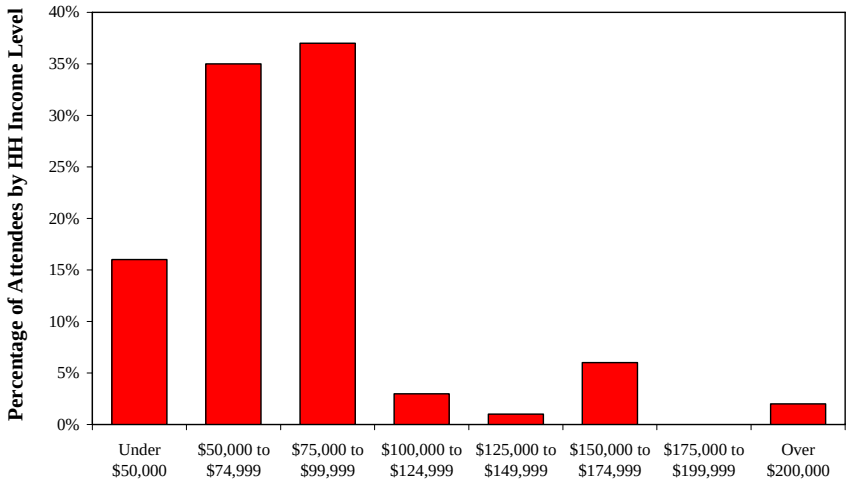
The majority (80%) of attendees said that the Mariachi Festival and activities were the primary reason for their visit to the City. Approximately 9% of attendees were already in town on business, 11% were visiting the City on vacation, and 1% listed another, unidentified reason as the primary purpose of their visit.

[105] Notwithstanding, it is possible to calculate the cost that the local CVB would have to incur to get a similar amount of media coverage based on standard advertising rates. However, this analysis is beyond the scope of this study.
[106] Since the majority of responses were collected at the Concert on Friday and the Feria on Sunday, these days may be over represented in the sample.

The incomes differed by the major event types, with the Friday night concert attracting a higher income demographic than that for the Feria. A reason for this may be that the high cost of the concert may have attracted attendees with higher disposable income, whereas the Feria, which offered free entertainment, may have attracted attendees with relatively lower disposable income.

In total, nearly three-quarters of attendees had annual household incomes less than $75,000, and the average household income of visiting attendees was $61,512.[107] This income is 10% below the median household income for the San Francisco Bay Area.[108] In comparison, half of concert attendees had annual household incomes less than $75,000, and the average household income of visiting attendees was $76,750. The classification of household incomes for concert attendees is shown below in Exhibit 3-39.

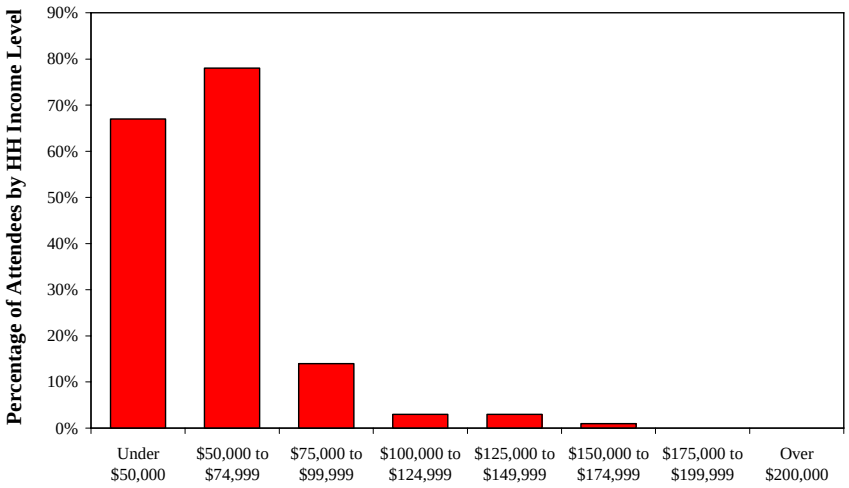
Exhibit 3-39



Nearly 87% of Feria attendees had annual household incomes less than $75,000, and the average household income of visiting attendees was $52,334. The classification of household incomes for concert attendees is shown below in Exhibit 3-40.

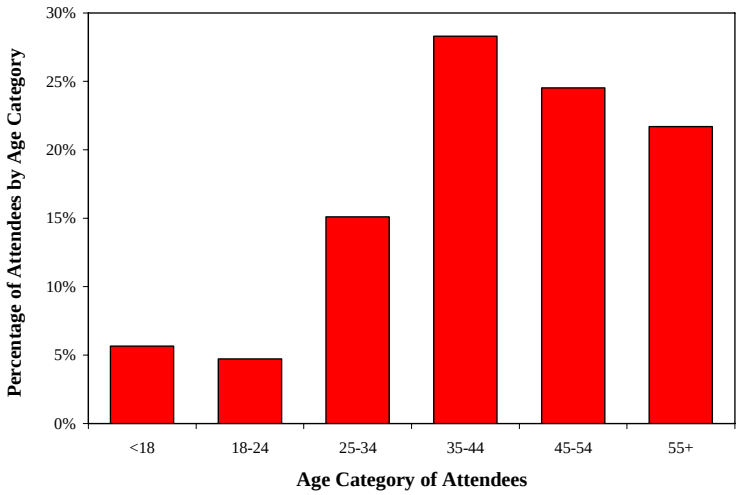
[107] The calculation of average household incomes is based on using the midrange of each income category for all categories except the $125,000+ category, which used $125,000 as its weight.
[108] Source: http://www.bayareacensus.ca.gov/bayarea.htm.

Exhibit 3-40



In total, the Festival attendance skewed towards the middle of the age brackets, with 43% of attendees aged 35 to 55. The average age of attendees was 38 years old.[109] In comparison, nearly half of concert attendees were aged 45 or older, and the average age of attendees was 42 years old. The classification of age categories for concert attendees is shown below in Exhibit 3-41.

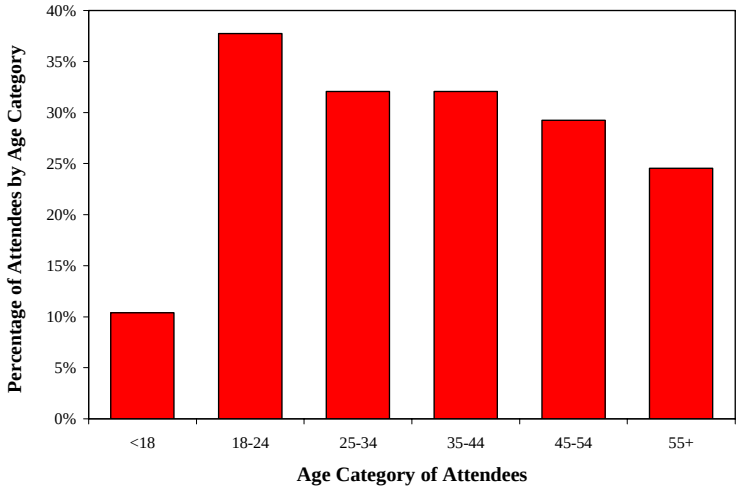
Exhibit 3-41



In comparison, the Feria had better distribution among ages, with nearly half of Feria attendees were aged 34 or younger. The average age of attendees was 36 years old. The classification of age categories for Feria attendees is shown below in Exhibit 3-42.

[109] The calculation of average age is based on using the midrange of each age category for all categories except the 55+ category, which used 65 as its weight.

Exhibit 3-42



Not surprisingly, nearly 84% of the population classified themselves as Hispanic. Just 5% of attendees identified themselves as Caucasian, 1% identified themselves as African-American, 4% as Asian, and the remaining 6% as some other race or combination of two or more races.

Nearly all (95%) of respondents drove to the event in a personal car or truck, and less than 1% arrived in an RV, flew to the event or rented a car. Just 1% said they took public transportation (bus/BART), and 2% responded using an alternate form of transportation.

In terms of marketing and the mode of communication in which the respondent learned of the events, 40% of all respondents listed Radio or television, 7% listed the Internet/E-mail, 11% listed the Mercury Newspaper, 32% listed Word of Mouth, 11% indicated they knew because it was an annual event, and 3% listed "Other".[110] Of those listing an "Other" affiliation, common responses involved having to work or participate in the event, or some other form of Word of Mouth. It is not known whether those who learned of the event via the Internet visited the event's or city's websites. Similarly, it is not known what television channel or broadcast respondents were viewing which contained information about the events.

[110] Since respondents were allowed to circle all modes of communication that factored into their decision, these figures will not sum to 100%.

3.7 ECONOMIC IMPACT OF ROCK 'N' ROLL HALF MARATHON SAN JOSE

For the 2006 Rock 'n' Roll Marathon, the usable surveys represented nearly 1,800 people based on the size of each party (number of people) represented in the survey responses.[111] The economic impact measurements based on this survey are described in this section. Other analyses of the surveys, such as details of attendee demographics and psychographics, are contained later in this section.

Of the respondents represented in the survey sample, 28% were local residents of the City.[112] The average size of the party represented in each survey is 3.0 for visitors and 3.8 for local residents.[113] As shown in Exhibit 3-43 (below), the average number of days that each person stayed in the City because of the event was 2.3. The typical visiting spectator spent $162 per day outside of the Rock 'n' Roll Half Marathon, and an additional $70 on event-specific spending inside of race-related areas during the entire trip, leading to nearly $231 in spending per day. On average, spectators spent approximately $438 for their entire trip to San Jose.

The number of unique visitors who came to the City and participated in Rock 'n' Roll Half Marathon activities was 28,262 out of 39,333 unique attendees.[114] Of the visitors to the City, about 3% were "time-switchers", meaning that they would have come to San Jose during some other nearby time period, but instead chose to come to attend the Rock 'n' Roll Half Marathon. An additional 11% were "casual" visitors who were in town for other reasons, but chose to take part in event-related activities as part of their stay. To be conservative, expenditures by "time-switchers" and "casual" visitors are not included in the economic impact calculations because this spending would have occurred in the City anyway. Thus, the number of visitors to San Jose for which expenditures are counted toward the economic impact are 23,740, 16% fewer than the total number of visitors.

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[111] The measurement error in the results that follow is equal to 2.1%. This is the error rate at the 95% significance level. Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact.

[112] This was determined by referencing all zip codes which were in the City of San Jose. The total respondent population based on the number of surveys administered, multiplied by the average survey respondent party size.

[113] The size of the party, as described in the survey, relates to the number of people represented in the traveling party. The smaller party size represents the number of persons in their party that they were paying for when indicating their expenditure responses.

[114] Attendance estimates provided by the event organizers. In total, there were approximately 6,000 persons at the Friday expo, 2,500 of which were registered runners, 17,500 at the Saturday expo, 7,000 of which were registered runners, 9,527 runners at the Sunday race, and 30,000 at the Finish Line festival. However, some of these attendees cannot be considered "unique", as they attended more than one of the Rock N' Roll Half Marathon events that week. This was estimated via question 3 in the survey, in which respondents were asked to indicate what other days of the event they were attending that week. It is assumed that all runners attended the Expo and the Finish Line Festival. To be conservative, the total attendance was discounted by the number of respondents which indicated they were attending more than one these events so as not to double-count non-unique attendee spending. This figure also does not include locals.

Exhibit 3-43

Key Findings from the San Jose Rock N' Roll Half MarathonVisitor Survey

Category	Estimate
Total Attendance	63,027
Number of Unique Attendees (individual people attending event)	39,333
Local Residents who Attended Event (not Visitors)	11,071
Total Number of Visitors Participating in Event Activities	28,262
Number of "Time-switchers" Only	698
Number of "Casual" Visitors Only	3,060
Number of Visitors who are both "Casual" Visitors and "Time-switchers"	765
Number of "Relevant" Visitors: Count Towards Economic Impact[1]	23,740
Average Expenditure Estimates	
Average Daily Expenditure Per "Relevant" Visitor	$162
Average Number of Days Stayed Per "Relevant" Visitor	2.3
Average Expenditure for Entire Trip Per "Relevant" Visitor Outside Event	$368
Average Expenditure for Entire Trip Per "Relevant" Visitor Inside Event[3]	$70
Total Direct Spending of "Relevant" Visitors OutsideEvent[2]	**$8,732,961**
Total Direct Spending of "Relevant" Visitors Inside Event[3]	**$1,654,572**

[1]Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

[2]Spending is only within the City of San Jose.

[3]Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area.

Based on these findings from the survey analysis, the total direct expenditures by incremental or relevant visitors in San Jose is nearly $8.7 million outside of the race, and is $10.3 million including the spending in both the inside and outside areas.

As shown in Exhibit 3-44, total business spending used in this measurement of direct economic impact is nearly $246,100.[115] Including expenditures by event organizers and vendors, total business spending due to this event was more than $946,100.[116]

[115] Business spending includes spending by corporations, vendors and media spending. The number of attending artists, sponsors, media, and vendors was provided by the event organizers for the purposes of this study. Wherever other information was not possible, visiting population assumed to be same as the rest of the sample. Artist spending was estimated via a separate survey administered to participating artists during the Festival. Media expenditures were captured via the spectator survey via question 2.

[116] Expenditures by event organizers and vendors are not included in direct spending, and are instead included in indirect spending. For explanation of rationale, please refer to the Methodology section of report.

Exhibit 3-44

Expenditures by Organizations Affiliated with Hosting the Event	
Media Expenditures[1]	$2,144
Corporate/Sponsor Expenditures[2]	$244,000
Vendor Expenditures[3]	$125,000
Event Organizer Expenditures[4]	$575,000
Total	**$946,144**

[1]Media spending captured via survey instrument. Number of non-local media provided by event organizers.
[2]Estimates include corporate and sponsor spending at the event provided by City of San Jose and/or event organizer. Conservative given inability to track all spending.
[3]Estimates include only vendor spending by non-local vendors to operate at event, estimated by City of San Jose and event organizer. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

[4]Estimates provided by event organizers, and represent on-going operational expenses net of City funding. This is not included in direct spending, and is instead included in indirect spending. For explanation of rationale, please refer to Methodology section of report.

Direct and Indirect Spending

A measure of direct visitor spending in each category is shown below in Exhibit 3-45. The total new incremental direct spending in the City due to the Rock 'n' Roll Half Marathon is more than $10.6 million.

Exhibit 3-45

Economic Impact Rock N' Roll Half Marathon on San Jose - Output		
Direct Spending	**City**	**City[1]**
Transportation	$640,050	$640,050
Parking	$227,631	$227,631
Retail	$1,195,839	$1,195,839
Lodging	$3,502,242	$3,502,242
Entertainment	$994,779	$994,779
Food & Beverage	$1,916,661	$1,916,661
Miscellaneous	$255,759	$255,759
Total Relevant Visitor Spending Outside of Event	$8,732,961	$8,732,961
Spending Inside Event Area	$1,654,572	$0
Artist/Media/Sponsor	$246,144	$246,144
Total Direct Spending	$10,633,677	$8,979,105
Indirect Spending (incl. Event Organizer and Vendor)	$5,846,158	$4,548,196
Total Economic Impact	**$16,479,836**	**$13,527,301**

[1]This column does not include spending within the race area.

New incremental indirect spending is about $5.8 million in the City. Total economic impact, in terms of output, is about $16.5 million on San Jose because of the Rock 'n' Roll Half Marathon and related activities. If excluding spending inside of the event, the total economic impact would be reduced to $13.5 million.

Spending by Local Residents

All measurements account for incremental visitor spending, not local residents spending that is above and beyond what they would have spent if not for the Rock 'n' Roll Half Marathon taking place in San Jose. An estimate from the non-incremental visitors surveyed of spending because of the event is about $2.6 million. An estimate of spending by local residents because of the events is about $2.9 million. If included, non-incremental visitors and locals inside and outside of the event would bring the total economic impact of the events to approximately $22 million.[117]

Induced Economic Impact

Induced economic impacts on the City due to the Rock 'n' Roll Half Marathon are shown in Exhibit 3-46. About 304 full-time equivalent jobs are generated from the direct and indirect spending, resulting in more than $10.6 million in earnings impact within the City.[118]

Exhibit 3-46

Economic Impact Rock N' Roll Half Marathon - Earnings & Employment

Type of Impact	City	City[1]
Income	$10,601,682	$9,060,948
Employment	304	264

[1]Does not include spending inside the event area.

Fiscal Impact

As Exhibit 3-47 shows, the total new incremental tax impact measurement for the Rock 'N' Roll Half Marathon is nearly $555,000 for the City.[119] If inside spending were not counted, fiscal impact would fall to $516,100. If spending by non-incremental visitors and locals were included, the fiscal impact to the City for this event would grow by nearly $101,700.

Exhibit 3-47

Net New Incremental Tax Impact Rock N' Roll Half Marathon on City

Tax Category	City	City[1]
Sales and Use	$61,981	$52,474
Hotel Occupancy	$350,224	$350,224
Hotel Business Improvement District fee	$10,766	$10,766
Direct Taxation	$422,971	$413,464
Indirect Taxation	$131,961	$102,649
Total Fiscal Impact	**$554,932**	**$516,113**

[1]Does not include spending inside the event area.

[117] These figures are provided for informational purposes only. As stated earlier, spending by non-incremental visitors and local residents is not included in economic impact. The non-incremental and local visitor populations were determined via survey responses.

[118] These impacts are not additive to the total economic impacts presented in the previous section. Rather, of the total impact, nearly $10.6 million is turned into incremental earnings.

[119] Tax impacts to the State of California and to Santa Clara County were also generated from the events, but are not reported in this report.

Other Findings from the Survey Analysis

Of the survey respondents, 77% were visitors to the City, and 64% were visitors to Santa Clara County. Approximately 21% of event attendees were from out of state.

As expected, these events were both participant and spectator events, with 83% of respondents having no official affiliation with the City or the event. Of those listing an affiliation, 5% were a City or event employee, 1% were with the media, 6% were volunteering, 5% were working with a vendor, and less than 1% listed an "Other" affiliation with the event.

Due to the fact that all participants in the race had to attend the Expo, 80% of attendees came to multiple days of the event, with 10% coming all three days. Approximately 15% listed having attended events on Friday, 75% on Saturday, and 81% on Sunday.

The majority (87%) of attendees said that the Rock 'N' Roll Half Marathon race and activities were the primary reason for their visit to the City. Approximately 5% of attendees were already in town on business, 6% were visiting the City on vacation, and 2% listed another, unidentified reason as the primary purpose of their visit.

Approximately 69% of respondents drove to the event in a personal car or truck, 1% arrived in an RV, 24% flew to the event, 2% rented a car, 2% said they took public transportation (bus/BART), and 2% responded using an alternate form of transportation. Of those flying to the event and providing a response for the airport in which they arrived for their visit, 13% arrived to an airport in San Jose, 1% arrived in Oakland (OAK), 1% arrived in San Francisco (SFO), and less than 1% listed their arrival location as Sacramento.

Nearly 35% of respondents stayed in a Hotel or Motel during their visit, and 57% listed staying in a private residence. The remaining 7% stayed in a non-specified form of lodging and less than 1% of visitors indicated staying in an RV.

Of those listing a hotel or motel, 23% listed the Hilton, 14% listed the Holiday Inn, 13% listed the Marriott, 14% listed the St. Claire, 6% listed the Crowne Plaza, 7% listed the Arena Hotel, and less than 3% listed either the Wyndham, Wyngate, Ramada, Radisson, Hyatt, Hotel De Anza, Fairmont, Fairview, Freemont, Clarion, or Best Western as the chain for which they booked their lodging.

In terms of the method used to book their lodging, 39% used the Event website (www.RnRSJ.com), 2% listed the San Jose CVB, 11% listed booking through the hotel directly, 19% booked "Online", and 30% listed another, unidentified method for booking their lodging. It is not known whether those who booked via the Internet visited the event's or CVB's websites. Similarly, it is not known what might be the "Other" methods for which lodging was booked.

4.0 LIMITATIONS OF THE STUDY

This portion of the Report provides a brief analysis of the limitations of the study. There are a number of areas where the authors were conservative in the analysis, and a few areas where the authors were liberal. The overall goal was to come up with a proper, but conservative, estimate of the annual economic impact of the events the City hosts annually.

4.1 LIMITATIONS THAT MAKE THE ESTIMATE AN UNDERESTIMATE OF TRUE ECONOMIC IMPACT

Expenditures by the media (e.g., ESPN2) on local businesses to produce their coverage of the various events held within the City of San Jose are not always fully accounted for in this Report due to a lack of information available. Also, any business expenditures above what were reported are not counted in the measurement of economic impact, but they should be.

As with all survey analysis, the treatment of blank responses to certain questions can affect the final results. In the Visitor Survey, there were blanks on some of the spending categories. Treating them as zero lowers the overall estimate economic impact. Treating them as the average of other responses on the same question creates an unbiased estimate (unless the respondent meant for the answer to be zero, but left it blank). In this Report, blank responses were treated as zero if the responses followed other spending categories which were completed. This method results in a lower measure of economic impact than if any of those categories were treated as not being equal to zero.

As described in Section 2.0, it is properly conservative for spending by local residents and by "casual" visitors and "time-switchers" to be excluded from economic impact because it is assumed that their spending would have occurred even without the event having taken place. However, local residents sometimes indicate that they spend more during these events than they would have otherwise. Although, large events can cause some local residents to leave town in order to avoid the crowds, thus reducing economic impact.

Only fiscal impacts related to the tax categories are calculated in this Report. There are other types of taxes and fees that are not included in this measurement of tax revenues generated within the City.

One shortcoming of standard economic impact analysis is that most measurements only account for the current new spending because of an event, team, etc., but ignore the possibility that an event might cause an increase in the number of future visitors to the community.[120] These future visits (and associated economic impact) should at least partially be attributed to the events, yet the impacts of the future visits are not part of the measurement in this Report. Another way in which this occurs, is through the media coverage of an event.

[120] For instance, the 2004 NCAA Men's Final Four basketball tournament economic impact analysis reported that approximately 20% of visitors said that coming to the area for the Final Four would make them come some other time during the future.

Communities which support sporting and cultural events are believed to derive significant benefit from the national and international focus and media attention created by such events. During televised events, for instance, the announcers mention the name of the City, often increasing awareness about it. Additionally, television viewers saw many images of people enjoying themselves in City, creating an enhanced image of the area. The City is exposed to millions of people through appearances in many media forums such as newspapers, radio, and the Internet. The benefits derived are similar to those of companies who advertise their company name as opposed to a specific product. The advertising or media attention creates "awareness" and "goodwill" toward that company, or in this case, the City. Increased awareness is translated into economic benefits in subtle, but meaningful ways. It is extremely difficult to measure the translation of media coverage into actual new visitor expenditures. This media impact is not part of the economic impact measured in Section 3.0, unless calculations were otherwise provided by the event. If calculations were provided (e.g., the San Jose Grand Prix), SportsEconomics and its representatives did not attempt to audit these calculations, and they are stated for informational purposes only.

One role of government is to aid in the provision of cultural, civic, and entertainment goods and services that residents enjoy, but that no private firm is willing to provide because the goods or services are "public goods".[121] Major sports and cultural events add to the quality of life in a region in a manner similar to that of zoos, museums, aquariums, parks, arts institutions, and other public goods, but in significantly different ways. Cultural events of all types provide an entertainment option for some, especially those who value attending or viewing the events. Moreover, many of these events may be perceived by local residents as helping to portray San Jose as a cosmopolitan, 'major-league' city.

Psychic Impact

Psychic impact is the emotional impact that is generated by hosting significant regional, national or international events. Cultural events often are part of the fabric of a community. They add to civic pride and increase community spirit. Emotional benefits that are received by members of a community who are not directly involved with managing an event, but who still strongly identify with the event, are part of the overall psychic impact. Sports or other cultural events are often a common connection that provides entertainment and conversation at the office or in the neighborhood, for instance. Most other industries do not provide the same degree of emotional impact.

As an example, when Atlanta was awarded the 1996 Summer Olympics, locals were moved by the announcement. Many people cried with joy. They felt that Atlanta had now proved itself as a "real" international city. Newspaper reports described the city as a sea of honking horns and cheers as people were swept up with jubilation. If it were possible to quantify in financial terms the collective emotional upswing of Atlantans, what would it have been? The new psychic impact techniques focus on measuring this value. Proper decision-making on how the public should invest its tax dollars requires knowledge of economic impact *plus* psychic and image impact.

[121] Much of the value of psychic impact is a "public good" meaning that its consumption is non-excludable and non-rival. In general, public goods are funded by governments in the appropriate jurisdiction (e.g., parks, national defense). Because these benefits derive from externalities, no private investor could hope to capture enough of the benefits to justify privately financed construction.

A more recent example comes from Minnesota where the former governor, Arne Carlson, feels that "If you were to make a list of 10 or 15 of the most prized possessions of the state, [the Twins] would probably be one of them, and you never want to lose one of your prized possessions. Never."

Event owners are able to capture part of the value of psychic impact through ticket sales, merchandise sales, etc. However, much of the impact, as discussed above, is provided free to the residents through sheer knowledge of the event. This is one of the reasons for the public-private partnerships that build sports venues.

A few estimates of the psychic impact of sports teams have been generated. For instance, the Pittsburgh Penguins of the NHL are worth approximately $16 million per year to the residents of Pittsburgh solely in terms of emotional impact. This works out to an average of about $7.27 per person in the Pittsburgh MSA. The Indiana Pacers have an annual psychic impact on the Indianapolis community of about $35 million per year. The Minnesota Vikings are worth approximately $10 per resident of the state. There are not any current measures of psychic impact of cultural events such as the ones examined in this Report. Estimates of psychic impact are not included in this Report.

The field of economic impact analysis is ripe for the inclusion of psychic impact measurement. There are methods, such as Contingent Valuation Method, that can help quantify these important aspects of sports and cultural events.

4.2 LIMITATIONS THAT MAKE THE ESTIMATE AN OVERESTIMATE OF TRUE ECONOMIC IMPACT

This analysis does not account for "reverse time-switchers", those local residents who leave town during the event period *because* of the event. To the extent that there are any "reverse time-switchers", the expenditures that would have been spent by them in town are now spent outside of the local area. There is not any anecdotal evidence that leads the authors to believe that there is any significant loss in local spending due to "reverse time-switchers".

Opportunity Costs

Economic impact analysis often neglects to account for important opportunity costs. For instance, if the City of San Jose had to turn down a major event (that would have generated its own economic impact) because of a time conflict with any of the events measured in this Report, then the total net new incremental gain from hosting the event should account for the lost economic impact that would have occurred had the other event been hosted. The authors are unaware of any such situation in this particular case.

Another potentially important opportunity cost are the impacts from visitors who would have come to town under normal circumstances, but were unable to because the event filled all of the hotels to capacity. If these would-be visitors came anyway and stayed outside of town, then it isn't a loss in revenue. However, if there were people who did not come to the City of San Jose because of an event hosted within the city, then any economic

impact from the event being measured should take that loss into account. The authors are unaware of any hotel capacity constraints caused by any event hosted in the city.

Finally, all of the event attendance figures and operational and corporate expenditures were provided by the event organizers. Where possible, attempts were made to discount for non-unique visitors. However, since it is in the best interest of events to have larger economic impact, the possibility exists that these figures may have been inflated by organizers for this purpose. SportsEconomics is not responsible for auditing these figures. However, guidelines were provided and discussions with event organizers and City staff took place to ensure that they were aware of issues which may cause them to overstate these figures. Moreover, if alternate information was provided by the media, the events did need to verify which figures they wanted to use, and to explain the rationale for the difference in the estimates.

4.3 OTHER LIMITING CONDITIONS

The accompanying analyses do not constitute an audit, examination, review or compilation of historical or prospective financial information conducted in accordance with Generally Accepted Auditing Standards or with standards established by the American Institute of Certified Public Accountants ("AICPA").

Information, estimates and opinions furnished to us and contained in the Report were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us, and is subject to corrections, errors, omissions and withdrawals without notice. Information from all sources not generated by SportsEconomics was taken without verification or audit. Our analyses are based on estimates and assumptions provided by the City of San Jose, event organizers, and surveys developed in connection with this engagement.

The analyses were based on the work plan described in our contract, estimates and assumptions provided by the City of San Jose, estimates and assumptions from previous studies, information developed from primary and supplemental research, knowledge of the industry and other sources, including certain information that the City of San Jose and event organizers provided. These sources of information and bases of significant estimates and assumptions are stated in the Report.