

# A Report of the Economic Impact of Impact Arts Performing Arts Center in Warrensburg, MO

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# **A Report of the Projected Economic Impact from Impact Arts Performing Arts Center**

## **Introduction**

This report presents the results of an economic impact analysis performed by Impact DataSource, Austin, Texas. The analysis was to determine the impact that the Impact Arts Performing Arts Center in Warrensburg, Missouri will on the economy of the Warrensburg area and the revenues for the city and county during construction and over the first ten years of operations.

## **Description of the Facility**

Impact Arts Performing Arts Center is a planned 44,000 square foot, environmentally friendly arts complex, where children and adults of all ages and backgrounds will be able to connect with one another through shared experiences in a state-of-the-art facility. This beautiful arts center will have 2 theatres—a black box for smaller shows and a traditional auditorium that can seat more than 750 people. These performance spaces will make Impact Arts PAC a road house to attract touring artists to our community as well as a venue for performance companies to rent for concerts and shows that they are producing locally. In addition to the two theatres, the arts center will have versatile, multi-purpose spaces allowing it to serve as an events center for meetings, community projects and private events benefiting the entire community on a weekly basis.

As a compliment and a source of income for a not-for-profit Performing Arts Center of this size and caliber, the PAC will also be a home to educational arts spaces for tenants, including a Dance, Music & Theatre Academy, Visual Arts Studio and the potential for a Culinary Arts School.

The estimated cost of the center is \$24 million. Further, the center will initially have a staff of 45 with average annual salaries of \$40,000.

## **Location**

Located in the heart of the Greater Warrensburg area, at the corner of Ridgeview and DD Highway, this not-for-profit cultural arts center is perfectly situated not only for the people of Warrensburg to benefit from and enjoy, but also the residents, students and personnel of all surrounding communities, school districts, the University of Central Missouri and Whiteman Air Force Base. Local and surrounding school districts will be able to rent the facility for performances, as well as bring students for educational field trips. Students at both UCM and surrounding high schools will be able to participate in internships, taking advantage of the modern space and equipment. This facility will open up the possibility for schools

to host larger events such as Show Choir competitions, All-district music concerts, art shows, etc. -- bringing hundreds of families to Warrensburg in support of their children. The Community Theatre, Band and Choir groups will have a state-of-the-art space to grow and thrive in, allowing them to increase the number of performances they are able to produce for the community.

How the economy of the area will be impacted during construction of the facility is discussed next.

## Key Findings of this Analysis

Some key findings of this analysis are the following:

### **During Construction:**

Economic output -- amount of money pumped into Warrensburg's economy	\$27,907,200
Jobs	192
Salaries	\$10,968,576

#### Estimated revenues for:

##### City of Warrensburg:

Sales taxes	\$45,119
Building permits and	\$500,000
Subtotal city	\$545,119

Johnson County sales taxes	\$66,174
Total city and county	\$611,292

### **Over the First Ten Years of Operations:**

#### Some economic impacts:

Direct and indirect economic output -- money to be pumped into the local economy	\$26,693,047
Number of direct and indirect permanent jobs to be created	71
Direct and indirect permanent salaries	\$26,484,996
Estimated taxable sales and purchases expected in the City	\$43,531,275
Estimated lodging sales at local motels	\$6,849,960

#### Revenues for the city and county:

City sales and hotel taxes	\$1,158,709
County sales taxes	\$1,197,110
Total	\$2,355,819

Details of these impacts and revenues for the city and county begin on the following page.

# The Estimated Economic Impact during the Facility's Construction

## *Economic Impact During Construction*

### Direct Impact

The project's construction costs are expected to be \$24 million of which an estimated 80% or \$19.2 million may be considered local costs.

Therefore, the project will generate \$19.2 million in direct revenues for area construction companies, architects, engineers, and others in the construction industry. In addition, an estimated 142 direct construction and related workers will work on the project each year during construction. The estimated direct construction payroll will be \$7.68 million.

### Direct and Indirect Impact

This construction activity and direct construction jobs and salaries will, in turn, create and support revenues in other businesses in the area and indirect jobs and salaries during the time that the project is being constructed. In total, the project may support an estimated \$27.9 million in gross area product or economic activity in area during its construction, an estimated 192 total jobs each year during construction of the project, and total salaries estimated to be \$10.9 million, as shown below.

<b>Economic Impact During Construction of the Project</b>	
Revenues for area businesses:	
Direct	\$19,200,000
Indirect	\$8,707,200
Total revenues	\$27,907,200
Jobs:	
Direct	142
Indirect	50
Total jobs	192
Salaries:	
Direct	\$7,680,000
Indirect	\$3,288,576
Total salaries	\$10,968,576

Multipliers used in the above calculations of indirect economic outputs, jobs and salaries are discussed later in this report.

### Sales Taxes to be Collected by the City and County During Construction of the Project

#### Taxable Sales

The following estimated taxable sales will be generated during construction of the project:

<b>Taxable Sales During Construction of the Project</b>	
Local cost of constructing the project	\$19,200,000
Percent of costs for materials	60%
Percent of costs for labor	40%
Total cost of materials	\$11,520,000
Estimated percent of construction materials that will be taxable in Warrensburg	0%
Total taxable construction materials	\$0
Total direct construction labor	\$7,680,000
Percent of construction salaries to be spent on taxable goods and services	35%
Percent of construction salaries to be spent in Warrensburg	40%
Total taxable spending by construction workers in Warrensburg	\$1,075,200
Indirect salaries (salaries to be paid to workers supported in indirect jobs in the community)	\$3,288,576
Percent of construction salaries to be spent on taxable goods and services	35%
Percent of construction salaries to be spent in Warrensburg	40%
Total taxable spending by construction workers in Warrensburg	\$460,401
Estimated taxable spending in Warrensburg by indirect businesses (spending excluding payments for salaries)	\$870,720
Summary of taxable spending in Warrensburg:	
Purchases of construction materials for the project	\$0
Taxable spending by direct and indirect workers	\$1,535,601
Taxable spending by indirect businesses	\$870,720
Total taxable spending during construction	\$2,406,321

*Sales Tax Collections*

The following sales taxes will be collected by local taxing districts during construction of the project:

<b>Estimated Taxable Sales and Sales Tax Collections During Construction</b>	
<b>Taxable Sales:</b>	
Purchases of construction materials	\$0
Taxable spending by workers	\$1,535,601
Taxable spending by indirect businesses	\$870,720
<b>Total taxable sales</b>	<b>\$2,406,321</b>
<b>Sales tax collections:</b>	
Sales tax rate:	
City of Warrensburg	1.875%
Johnson County	2.750%
Sales tax collections during construction:	
City of Warrensburg	\$45,119
Johnson County	\$66,174
<b>Total</b>	<b>\$111,292</b>

**Building Permits and Fees to be Collected by the City During Construction of the Project**

The City will collect the following estimated building permits and fees during development and construction of the project:

<b>Estimated City Building Permits and Fees During Construction of the Project</b>	
Building permits and fees	\$240,000

## Total City and County Revenues During Construction of the Project

During construction, the project will generate the following revenues for the city and county:

City and County Revenues During Construction of the Project			
	City	County	Total
Sales taxes	\$45,119	\$66,174	\$111,292
Building permits and fees	\$500,000		\$500,000
<b>Total</b>	<b>\$545,119</b>	<b>\$66,174</b>	<b>\$611,292</b>

How the facility will impact the economy of the area during its first ten years of operations is discussed next.

## The Estimated Economic Impact of the Facility's Operations over the First Ten Years

The facility will have the following economic impact on the Warrensburg area over the first ten years of operations:

Economic Impact over the First Ten Years of Operations of the Facility	
Total estimated economic output -- money that the operations of the facility will pump into Warrensburg's economy	
Direct	\$18,342,207
Indirect and induced	\$8,350,840
<b>Total</b>	<b>\$26,693,047</b>
Total number of permanent jobs to be created	
Direct	54
Indirect and induced	17
<b>Total</b>	<b>71</b>
Total estimated annual salaries of permanent jobs created:	
Direct	\$22,273,894
Indirect and induced	\$4,211,102
<b>Total</b>	<b>\$26,484,996</b>
Estimated taxable sales and purchases expected in the City	\$43,531,275
Estimated lodging sales at local motels	\$6,849,960

The above economic impact are detailed on Appendix B.

How this economic activity translates into additional sales and hotel taxes for the city and county is



discussed next.

## **Additional Tax Revenues for the City and County over the First Ten Years of the Operations of the Facility**

The city and county will receive the following tax revenues from the operations of the facility, its workers and visitors to the community:

<b>Additional Revenues For the City and County Over the First Ten Years of the Facility's Operation</b>			
	Sales Taxes	Hotel Taxes	Total
City of Warrensburg	\$816,211	\$342,498	\$1,158,709
Johnson County	\$1,197,110		\$1,197,110
Total	\$2,013,321	\$342,498	\$2,355,819

The above revenues for the city and county are detailed on Appendix C.

### **Discounted Cash Flow for the City and County During the First Ten Years of the Facility's Operations**

The discounted cash flow over the first ten years for the city and county from the operations of the facility is shown below.

<b>Discounted Cash Flow for the City and County Over the First Ten Years from the Operations of the Facility</b>	
City of Warrensburg	\$853,328
Johnson County	\$882,644
Total	\$1,735,972

The above discounted cash flow or present value of net benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. Today's dollar and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 6% to make the dollars comparable -- by expressing them in today's dollars or in present value.

# Conduct of the Analysis

This analysis was conducted by Impact DataSource using information supplied by Impact Arts, Inc. along with local tax rates and some Impact DataSource estimates and assumptions.

Using this data, the economic impact from the facility and sales and hotel taxes for the City of Warrensburg and Johnson County were calculated during construction and during the first ten years of operations.

In addition to the direct economic impact of the facility and its employees, spin-off or indirect and induced benefits were also calculated. Indirect revenues, jobs and salaries are created in new or existing area firms, such as maintenance companies, supply and service firms, that may supply goods and services to the facility. In addition, induced revenues, jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

To estimate the indirect and induced economic impact of the facility and its employees on the Warrensburg area, regional economic multipliers were used. Regional economic multipliers for Missouri and areas of the state are included in the US Department of Commerce’s Regional Input-Output Modeling System (RIMS II).

Three types of regional economic multipliers were used in this analysis: economic output, employment and workers' earnings.

An output multiplier was used to estimate the indirect and induced output generated in the area for each dollar of construction costs and revenues generated for the facility's operations.

An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the Warrensburg area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. These multipliers show the estimated number of indirect and induced jobs created for every one direct job at the facility and the amount of salaries paid to these workers for every dollar paid to a direct worker at the facility. The multipliers used in this analysis are below:

<b>Indirect Multipliers Used in the Analysis During the Development and Construction and Operations</b>		
	Construction	Operations
Output	0.4535	0.4553
Employment	0.3497	0.1891
Earnings	0.4282	0.3833

## **About Impact DataSource**

Impact DataSource is a 27-year-old Austin, Texas economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in 39 states, including Missouri. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department.

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.

Data and rates used in the analysis follow on Appendix A along with schedules of the results of calculations of economic impacts on Appendix B and calculations of tax revenues for the city and county on Appendix C.

**Appendix A**  
**Rates and Data Used in this Analysis**

**Local Tax Rates:**

City of Warrensburg sales tax rate	1.875%
Johnson County sales tax rate	2.750%
City of Warrensburg hotel tax rate	5%

**Other Community Rates:**

Expected inflation rate over the first ten years	3.0%
Discount rate used in analysis to compute discounted cash flows	6%
Estimated percent of a typical worker's salary that will be spent on taxable goods and services	35%

**Data on the Facility's Operations:**

The facility's estimated revenues:

Year 1	\$600,000
Year 2	\$618,000
Year 3	\$636,540
Year 4	\$655,636
Year 5	\$675,305
Year 6	\$695,564
Year 7	\$716,431
Year 8	\$737,924
Year 9	\$760,062
Year 10	\$782,864

Expected annual increase in taxable sales after the first year	3%
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Estimated annual projected taxable sales at the facility by those renting the facility, concert promoters, food and merchandise vendors, etc.:

Year 1	\$1,000,000
Year 2	\$1,030,000
Year 3	\$1,060,900
Year 4	\$1,092,727
Year 5	\$1,125,509
Year 6	\$1,159,274
Year 7	\$1,194,052
Year 8	\$1,229,874
Year 9	\$1,266,770
Year 10	\$1,304,773

Expected annual increase in taxable sales after the first year 3%

Number of workers hired at the facility each year:

Year 1	45
Year 2	1
Year 3	1
Year 4	1
Year 5	1
Year 6	1
Year 7	1
Year 8	1
Year 9	1
Year 10	1
Total	54

Average annual salaries \$40,000

Average annual increase 2.50%

Percent of retail shopping by a typical worker in the city 40%

**Visitors to the Facility:**

Estimated number of events, performances, concerts, rentals, etc. that may bring visitors to the facility from the area (outside of Warrensburg) and from out-of-town and likely that these visitors will spend money in other businesses in 150

Estimated number of visitors to these events, performances, concerts, rentals, etc. 25,000

Estimated percent of these visitors from:

Warrensburg	50%
The area	20%
Out-of-town	30%

**Area visitors:**

Estimated percent to visitors from the area likely to spend money in other local businesses -- eating out, shopping and on entertainment 40%

Estimate spending per area visitor in local businesses \$50  
Estimated average annual increase over ten years 3%

**Out of town visitors:**

Estimated percent of out-of-town visitors likely to spend money in other local businesses -- eating out, shopping and on entertainment 60%

Estimate spending per out-of-town visitor in local businesses \$75  
Estimated average annual increase over ten years 3%

Estimated percent of out-of-town visitors likely stay overnight in a local hotel 60%

Average number of nights 2

Average occupancy per room 2

Average nightly room rate \$115

**Summary of out of town visitors spending on lodging:**

Estimated number of total visitors in year 1	25,000
Annual increase in number of visitors	3%
Percent of total visitors from out of town	30%
Percent of out of town visitors likely to stay overnight in a local motel	60%
Number of nights	2
Occupancy per room	2
Average nightly room rate	\$115

	Estimated Number of Visitors	Spending on Lodging by Out-of-Town Visitors
Year 1	25,000	\$517,500
Year 2	25,750	\$549,016
Year 3	26,523	\$582,451
Year 4	27,318	\$617,922
Year 5	28,138	\$655,554
Year 6	28,982	\$695,477
Year 7	29,851	\$737,831
Year 8	30,747	\$782,765
Year 9	31,669	\$830,436
Year 10	32,619	\$881,009
Total		\$6,849,960



**Summary of visitor taxable spending in other businesses in the community:**

Estimated number of total visitors in year 1	25,000
Annual increase in number of visitors	3%
Percent of total visitors from:	
The area	20%
Out of town	30%
Percent spending money in the city:	
Area visitors	40%
Out of town visitors	60%
Average spending by visitors:	
The area	\$50
Out of town	\$75

	Estimated Number of Visitors	Area Visitors	Out-of-Town Visitors		Total
			On Lodging	On Retail Spending	
Year 1	25,000	\$500,000	\$517,500	\$1,125,000	\$2,142,500
Year 2	25,750	\$530,450	\$549,016	\$1,193,513	\$2,272,978
Year 3	26,523	\$562,754	\$582,451	\$1,266,197	\$2,411,403
Year 4	27,318	\$597,026	\$617,922	\$1,343,309	\$2,558,257
Year 5	28,138	\$633,385	\$655,554	\$1,425,116	\$2,714,055
Year 6	28,982	\$671,958	\$695,477	\$1,511,906	\$2,879,341
Year 7	29,851	\$712,880	\$737,831	\$1,603,981	\$3,054,693
Year 8	30,747	\$756,295	\$782,765	\$1,701,663	\$3,240,723
Year 9	31,669	\$802,353	\$830,436	\$1,805,295	\$3,438,084
Year 10	32,619	\$851,217	\$881,009	\$1,915,237	\$3,647,463
Total		\$6,618,319	\$6,849,960	\$14,891,217	\$28,359,496

**Appendix B**  
**Schedules Showing the Results of Economic Impact Calculations**  
**From the Facility's Operations**

**Estimated economic output:**

Year	Direct Output	Indirect Indirect	Total Salaries
1	\$1,600,000	\$728,448	\$2,328,448
2	\$1,648,000	\$750,301	\$2,398,301
3	\$1,697,440	\$772,810	\$2,470,250
4	\$1,748,363	\$795,995	\$2,544,358
5	\$1,800,814	\$819,875	\$2,620,689
6	\$1,854,839	\$844,471	\$2,699,309
7	\$1,910,484	\$869,805	\$2,780,289
8	\$1,967,798	\$895,899	\$2,863,697
9	\$2,026,832	\$922,776	\$2,949,608
10	\$2,087,637	\$950,459	\$3,038,097
<b>Total</b>	<b>\$18,342,207</b>	<b>\$8,350,840</b>	<b>\$26,693,047</b>

**Number of local jobs added each year and worker salaries to be paid:**

Year	Direct Jobs	Indirect Jobs	Total Jobs	Direct Salaries	Indirect Salaries	Total Salaries
1	45	17	62	\$1,800,000	\$340,308	\$2,140,308
2	1	0	1	\$1,886,000	\$356,567	\$2,242,567
3	1	0	1	\$1,975,175	\$373,427	\$2,348,602
4	1	0	1	\$2,067,630	\$390,906	\$2,458,536
5	1	0	1	\$2,163,473	\$409,026	\$2,572,500
6	1	0	1	\$2,262,816	\$427,808	\$2,690,624
7	1	0	1	\$2,365,775	\$447,273	\$2,813,048
8	1	0	1	\$2,472,466	\$467,444	\$2,939,911
9	1	0	1	\$2,583,014	\$488,345	\$3,071,359
10	1	0	1	\$2,697,544	\$509,998	\$3,207,542
<b>Total</b>	<b>54</b>	<b>17</b>	<b>71</b>	<b>\$22,273,894</b>	<b>\$4,211,102</b>	<b>\$26,484,996</b>

**Local taxable spending on which sales taxes will be collected:**

Year	Direct and Indirect Workers' Spending	Visitors' Spending	Taxable Sales at the Facility	Total
1	\$299,643	\$2,142,500	\$1,000,000	\$3,442,143
2	\$313,959	\$2,272,978	\$1,030,000	\$3,616,938
3	\$328,804	\$2,411,403	\$1,060,900	\$3,801,107
4	\$344,195	\$2,558,257	\$1,092,727	\$3,995,179
5	\$360,150	\$2,714,055	\$1,125,509	\$4,199,714
6	\$376,687	\$2,879,341	\$1,159,274	\$4,415,302
7	\$393,827	\$3,054,693	\$1,194,052	\$4,642,572
8	\$411,588	\$3,240,723	\$1,229,874	\$4,882,185
9	\$429,990	\$3,438,084	\$1,266,770	\$5,134,844
10	\$449,056	\$3,647,463	\$1,304,773	\$5,401,292
<b>Total</b>	<b>\$3,707,899</b>	<b>\$28,359,496</b>	<b>\$11,463,879</b>	<b>\$43,531,275</b>

**Local spending by visitors on lodging by out-of-town visitors:**

Year	Spending on Lodging
1	\$517,500
2	\$549,016
3	\$582,451
4	\$617,922
5	\$655,554
6	\$695,477
7	\$737,831
8	\$782,765
9	\$830,436
10	\$881,009
<b>Total</b>	<b>\$6,849,960</b>

**Appendix C**  
**Schedules Showing Calculations for Tax Revenues for the**  
**City and County from the Operations of the Facility**

**Revenues for the City of Warrensburg:**

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**Sales tax collections on:**

	Direct and Indirect Workers' Spending	Visitors' Spending	Taxable Sales at the Facility	Total
1	\$5,618	\$40,172	\$18,750	\$64,540
2	\$5,887	\$42,618	\$19,313	\$67,818
3	\$6,165	\$45,214	\$19,892	\$71,271
4	\$6,454	\$47,967	\$20,489	\$74,910
5	\$6,753	\$50,889	\$21,103	\$78,745
6	\$7,063	\$53,988	\$21,736	\$82,787
7	\$7,384	\$57,275	\$22,388	\$87,048
8	\$7,717	\$60,764	\$23,060	\$91,541
9	\$8,062	\$64,464	\$23,752	\$96,278
10	\$8,420	\$68,390	\$24,464	\$101,274
Total	\$69,523	\$531,741	\$214,948	\$816,211

**Total hotel tax collections:**

Year	Hotel Taxes
1	\$25,875
2	\$27,451
3	\$29,123
4	\$30,896
5	\$32,778
6	\$34,774
7	\$36,892
8	\$39,138
9	\$41,522
10	\$44,050
Total	\$342,498

Revenues for the City of Warrensburg - Continued

**Total sales and hotel revenues of the City of Warrensburg:**

Year	Revenues	Cumulative Revenues
1	\$90,415	\$90,415
2	\$95,268	\$185,684
3	\$100,393	\$286,077
4	\$105,806	\$391,883
5	\$111,522	\$503,405
6	\$117,561	\$620,966
7	\$123,940	\$744,905
8	\$130,679	\$875,585
9	\$137,800	\$1,013,385
10	\$145,325	\$1,158,709
Total	\$1,158,709	

**Revenues for Johnson County:**

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**Sales tax collections on:**

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	Direct and Indirect Workers' Spending	Visitors' Spending	Taxable Sales at the Facility	Total	Cumulative Collections
1	\$8,240	\$58,919	\$27,500	\$94,659	\$94,659
2	\$8,634	\$62,507	\$28,325	\$99,466	\$194,125
3	\$9,042	\$66,314	\$29,175	\$104,530	\$298,655
4	\$9,465	\$70,352	\$30,050	\$109,867	\$408,523
5	\$9,904	\$74,637	\$30,951	\$115,492	\$524,015
6	\$10,359	\$79,182	\$31,880	\$121,421	\$645,436
7	\$10,830	\$84,004	\$32,836	\$127,671	\$773,106
8	\$11,319	\$89,120	\$33,822	\$134,260	\$907,366
9	\$11,825	\$94,547	\$34,836	\$141,208	\$1,048,575
10	\$12,349	\$100,305	\$35,881	\$148,536	\$1,197,110
Total	\$101,967	\$779,886	\$315,257	\$1,197,110	

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