



ECONOMIC IMPACT ANALYSIS of the
BIRMINGHAM-JEFFERSON
CIVIC CENTER AUTHORITY

April 28, 2015

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EXECUTIVE SUMMARY

The Birmingham-Jefferson Civic Center Authority (the “Authority”) fills an important role in the Birmingham metro area. The Authority’s main purpose is to provide facilities to expand community activities and further economic development. The Authority accomplishes this core mission through operation of the Birmingham-Jefferson Convention Complex (the “BJCC Complex”). At its venues, the BJCC Complex hosts a wide variety of civic events throughout the year, providing a forum for conventions and trade shows, concerts, sporting events, community events, theater, consumer shows, banquets and business meetings. In addition, the Authority operates two hotels adjacent to the BJCC and the new Uptown Entertainment District (“Uptown”), also located adjacent to the BJCC.

The BJCC Complex is located in downtown Birmingham, the largest city in Alabama. Birmingham is located in Jefferson County, which is situated in north-central Alabama, and easily accessible by Interstate and U.S. Highways from most areas in the State of Alabama. Birmingham is the center of the Birmingham-Hoover Metropolitan Statistical Area (“MSA”), the largest MSA in Alabama and the 17th-largest in the southeastern United States. As mentioned, the Authority’s operations can be broken down into three distinct business activities, and this report depicts economic impacts by individual activity, and as a combined group of activities. These activities are:

1. BJCC Venues – This is the core purpose of the BJCC Complex, providing venues for hosting conventions, business meetings, trade shows, concerts, consumer shows, theater, musical theater, ballet, sporting events and general entertainment events, such as the circus.
2. BJCC Hotels – The Authority owns the 771-room Sheraton hotel and the 294-room Westin hotel. Both hotels are full-service hotels with restaurants, lounges and other amenities. The Sheraton also has a large ballroom, along with meeting rooms and banquet facilities, and also hosts conventions, meetings, dinners and other entertainment events. The Westin provides smaller flexible meeting space and more upscale accommodations.
3. Uptown – This entertainment district is the newest addition to the BJCC Complex, and consists of a mix of restaurants, from fine dining to casual fare.

EXECUTIVE SUMMARY

The economic impact to the metro area's economy from the activity generated by the BJCC Complex is \$204.5 million. This includes spending at BJCC Venues, the BJCC Hotels and Uptown, plus related visitor spending at other businesses in the metro area. The following table summarizes the jobs, income and total spending that are generated in the MSA's economy from the activities at the BJCC Complex:

IMPACT SUMMARY -- BJCC COMPLEX AND RELATED VISITOR SPENDING

| Impact Type | Employment | Labor Income | Output (Spending) |
|---------------------|--------------|---------------------|----------------------|
| Direct Effect | 1,960 | \$44,867,675 | \$120,755,586 |
| Indirect Effect | 315 | 16,711,596 | 46,929,269 |
| Induced Effect | 281 | 13,202,113 | 36,844,234 |
| Total Effect | 2,556 | \$74,781,384 | \$204,529,088 |

PURPOSE, BACKGROUND, DATA AND APPROACH

PURPOSE

Balch & Bingham LLP was engaged to perform an Economic Impact Analysis for the Birmingham-Jefferson Civic Center Authority (the “Authority”) of its operations in Birmingham and the Birmingham-Hoover Metropolitan Statistical Area (“MSA”). The purpose of this study is to provide information on the importance of the Birmingham-Jefferson Convention Complex (“BJCC Complex”) to the local economy, including estimates of total output (spending) and employment in the greater Birmingham area. The MSA was used as the study region, and includes the following seven counties: Blount, Bibb, Chilton, Jefferson, St. Clair, Shelby and Walker. The overwhelming majority of the BJCC Complex’s economic impacts occur in the county in which it is located – Jefferson County.

BACKGROUND

The BJCC Complex is operated by the Authority. The BJCC Complex has three distinct activities: The BJCC Venues (“BJCC Venues”), which provide meeting and entertainment space for a wide variety of business, community, entertainment and sporting events; The Sheraton Birmingham and The Westin hotels (“BJCC Hotels”) and the Uptown Entertainment District (“Uptown”).

The BJCC Venues consist of the following:

- 220,000-plus square feet of Exhibition Space
- 74 meeting rooms with a total of 100,000 square feet of flexible space
- A 19,000-seat Arena
- A 1,000-seat Theater
- A 3,000-seat Concert Hall
- The Forum, which contains meeting rooms and Class A office space
- A parking garage, a parking deck, and several ground level parking lots

DETAILED ECONOMIC IMPACT ANALYSIS

The following diagram from the BJCC's website depicts most of the venues described above:



The BJCC Venues provide the core of activities at the BJCC Complex. Without the various meeting and event venues, the need for the adjacent hotels and restaurants would be diminished.

The BJCC Hotels include:

- The Sheraton Birmingham – a full-service, 770-room hotel that includes 54 suites. The Sheraton also has a 25,000-square-foot ballroom that can accommodate up to 2,000 guests.
- The Westin – a 294-room hotel that opened in 2013. The Westin includes four suites, the Todd English P.U.B. restaurant, and 9,000 square feet of flexible meeting space.

UPTOWN

The Uptown Entertainment District is the newest addition to the BJCC Complex. The first restaurant in Uptown opened in February 2014 and the District was 100% leased by May 2014.

The District's tenants include a mix of dining establishments that serve patrons of the BJCC Complex and the local community. During 2014, Uptown hosted street festivals, pep rallies, food tastings and concerts. Uptown has filled a void for the BJCC Complex by providing BJCC patrons with restaurants and entertainment within walking distance, thereby increasing visitor expenditures at the BJCC Complex. The following is a list of the restaurants and restaurant-bar combinations that are tenants at Uptown:

DETAILED ECONOMIC IMPACT ANALYSIS

- Texas de Brazil – fine dining – a Brazilian-American steakhouse and bar
- The Southern Kitchen and Bar – casual dining –southern cuisine
- Octane – casual dining –hand crafted coffee, food and cocktails
- Cantina Laredo – family dining –Mexican food and full bar
- Mugshots Grill and Bar – casual dining – gourmet burgers
- Bottle and Bone – casual dining – includes a butcher shop and specializes in craft beers and wines

SOURCE OF DATA

The Authority provided event, attendance, sales and employment figures for its operations for the fiscal year ended August 31, 2014 for this study. Estimated employment and sales figures were provided for the restaurants in Uptown that have been operating for less than 12 months. Some of the estimates for Uptown were based on partial-year actual operating results.

The results of this study represent the economic impacts that one would expect to occur in the local economy from the activities conducted at the BJCC Complex during fiscal year 2014. Because these activities occurred over a 12-month period, one could expect that the economic impacts in this study would occur in any year in which the same (or a similar group of) events occur at the BJCC Complex. Actual results will vary.

APPROACH

To prepare the report, we relied on the information provided by the Authority on its operations. We also used industry averages to estimate BJCC visitor spending that occurred in the local economy outside of the BJCC Complex (“Off-Complex Spending”).

The impacts in this report are measured and reported for five areas:

1. Spending at the BJCC Venues
2. Spending at the BJCC Hotels
3. Spending in Uptown
4. Off-Complex Related Visitor Spending
5. Total BJCC Complex and Off-Complex Related Visitor Spending

Off-Complex Spending can occur in local restaurants, hotels, bars, clubs, malls, gas stations and

entertainment venues, such as golf courses or museums, among other places. This spending occurs when events held at the BJCC Complex either draw local people from their homes or attract people from outside the local area.

BJCC COMPLEX ECONOMIC ACTIVITY & RELATED VISITOR SPENDING

VISITOR SPENDING IN LOCAL ECONOMY OUTSIDE OF BJCC COMPLEX



VISITOR SPENDING AT BJCC COMPLEX

- BJCC VENUES
(Arena, Concert Hall, Theater, Exhibition Halls, Medical Forum)
- BJCC HOTELS
(Sheraton & Westin: 1,064 rooms combined)
- UPTOWN
(Restaurants & Bars)

DETAILED ECONOMIC IMPACT ANALYSIS

Expenditure and employment data for each of the areas noted above was entered into the economic impact software program IMPLAN. IMPLAN is used by organizations throughout the U.S. to model the economic impact of various economic activities. Specifically, IMPLAN results estimate direct, indirect and induced economic impacts.

The language of economic impact studies can be confusing. As mentioned above, IMPLAN's economic impacts are reported as direct, indirect or induced. The following defines these terms using a restaurant as an example:

- Direct impacts – the amount that is spent on the actual event or project. For example, a hypothetical restaurant has sales of \$1 million, 20 employees and total earnings from the proprietor and employees of \$450,000. The results from the actual operations of the restaurant represent “direct” impacts: that is the direct output (spending), employment and income that occurs at the restaurant. Direct impacts occur in the specific geographic area in which the restaurant is located (city, county, etc.).
- Indirect impacts – the changes in spending (output), employment and income to other businesses in the region that supply goods and services related to the activities of the restaurant. These businesses and industries are “linked” to the restaurant business as suppliers of goods or services. For example, wholesale grocers and linen services experience increased sales due to the existence of the restaurant in our example.
- Induced impacts – the changes in spending, jobs and income in the region that result from household expenditures that occur due to income earned either from the restaurant (direct) or its linked businesses and industries (indirect – the wholesale grocer described in indirect impacts above).
- Total impacts – the combined direct, indirect and induced impacts.

The important distinction to remember is that *indirect* impacts occur in related business or industry spending; *induced* impacts occur from related household spending.

Economic impacts are depicted in this report for the following measures:

- Employment – the additional jobs created by the presence of the economic activity being measured. Job counts include full- and part-time annual average jobs and do not reflect the wages or quality of the jobs.
- Labor Income – the increases in wages, salaries and proprietor income resulting from the economic activity in the local economy. Labor income includes the wages and benefits paid to

DETAILED ECONOMIC IMPACT ANALYSIS

employees and the profits earned by self-employed workers.

- Output – the value of production or total spending that is created in producing the goods and services consumed or provided in the economic activity being measured.

The impact of the BJCC Complex on the area's economy is measured not only by the economic activity that occurs at the BJCC Complex, but also by the estimated spending outside of the BJCC Complex by BJCC visitors. We have estimated that a significant portion of the visitor spending is captured at the BJCC Complex. However, some visitor expenditures will occur outside of the BJCC Complex and further impact the local economy. Industry averages were used to estimate visitor spending for the following categories: food, transportation, lodging, gifts and souvenirs, and miscellaneous other spending. The estimated expenditures that occur outside of the BJCC Complex were then modeled in IMPLAN to calculate the economic impacts to the metro Birmingham area.

The BJCC Complex provides venues to host events and activities that allow Birmingham to compete with other metropolitan areas in terms of amenities for its citizens. Many people in Alabama have attended an event at the BJCC Complex, whether to attend a business meeting, a child's sporting event, a graduation or to watch a performance or a show that is part of a national tour. The BJCC Complex is an important part of the fabric of life in Birmingham. This report measures only the economic impacts from the BJCC Complex and related visitor spending. It does not purport to quantify social impacts, or the importance of such a venue in the Birmingham area in terms of its contributions to cultural and quality of life factors.

This report also does not account for the substitution effect, or the concept that local consumers would replace BJCC-related spending with other spending in the local economy if the spending at the BJCC Complex didn't occur. It could be argued that if the BJCC's events were not offered locally, patrons would likely travel out of the area to attend similar events in other cities, and therefore such expenditures would be lost to the local economy. A complex econometric analysis would need to be conducted to adjust for the substitution effect, and such a study is outside the scope of this assignment.

The estimated economic impacts are not intended to be used for financing purposes, and should not be referenced or used in any disclosure documents prepared in connection with a financing.

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As previously stated, the economic impacts were measured for the BJCC Venues, the BJCC Hotels, the restaurants in Uptown and Off-Complex visitor spending. This report depicts the impacts for each of these areas of spending and then combines them to show the total impact.

1. BJCC Venues – Economic Impacts:

As previously described, the BJCC Venues consist of a group of facilities that provide space for sporting events, musical and theatrical entertainment, conventions, meetings, trade shows, consumer events and other activities.

The following table depicts the estimated output (spending), jobs and related income in the local economy from the BJCC Venues only. These facilities include the arena, exhibition halls, meeting rooms, concert hall, theater, office space (The Forum), and parking facilities:

BJCC VENUES - IMPACT SUMMARY

| Impact Type | Employment | Labor Income | Output |
|----------------------|------------|---------------------|---------------------|
| Direct Effect | 553 | \$9,257,749 | \$25,335,347 |
| Indirect Effect | 63 | 3,209,446 | 8,807,888 |
| Induced Effect | 58 | 2,720,853 | 7,592,556 |
| Total Effects | 674 | \$15,188,049 | \$41,735,791 |

The operations of the BJCC Venues directly provide 553 part- and full-time jobs in Birmingham and the economic impacts from the BJCC Venues result in an additional 121 jobs, for a total of 674 jobs in Birmingham. The income associated with these jobs is approximately \$15.2 million. This includes the employees who are hired by contractors of the Authority. Such contractors include security, housekeeping and setup. The BJCC Venues impact the local economy with approximately \$41.7 million of spending each year.

2. The BJCC Hotels – Economic Impacts

The following table depicts the estimated output, employment and income from the operations of the Westin and the Sheraton:

BJCC-OWNED HOTELS - IMPACT SUMMARY

| Impact Type | Employment | Labor Income | Output |
|----------------------|------------|----------------------|----------------------|
| Direct Effect | 479 | \$12,830,314 | \$38,850,002 |
| Indirect Effect | 119 | 6,199,285 | 17,170,220 |
| Induced Effect | 86 | 4,026,243 | 11,237,389 |
| Total Effects | 684 | \$ 23,055,842 | \$ 67,257,611 |

The BJCC Hotels employ 479 people directly, and add another 205 jobs to the Birmingham area. The income associated with these jobs is approximately \$23 million. The total output, or spending, in the local economy from the BJCC Hotels accounts for over \$67 million in local spending each year.

3. The Uptown Entertainment District – Economic Impacts

As previously stated, Uptown is the newest addition to the BJCC Complex, and includes six restaurants. The first restaurant opened in February 2014 and the District was 100% leased by May 2014, with all restaurants open for business by the end of 2014.

The economic impacts from the District are depicted in the table below. Actual 12-months' operating data was not available for all of the Uptown establishments. Estimates of annual revenues and employees were used as inputs into the IMPLAN model, when actual results were not available. The estimates were provided by the Authority. Some of the estimates are based on partial-year operating results.

UPTOWN ENTERTAINMENT DISTRICT - IMPACT SUMMARY

| Impact Type | Employment | Labor Income | Output |
|----------------------|------------|--------------------|---------------------|
| Direct Effect | 282 | \$5,465,824 | \$11,930,000 |
| Indirect Effect | 27 | 1,576,952 | 4,523,616 |
| Induced Effect | 31 | 1,478,178 | 4,125,718 |
| Total Effects | 341 | \$8,520,954 | \$20,579,334 |

Uptown provides jobs for 282 people, and an additional 58 jobs in the MSA's economy are attributable to economic activity in the entertainment district. The local economy benefits from approximately \$8.5 million in earnings from the jobs linked to Uptown's economic activity. Output, or spending in the local economy, totals over \$20.5 million from the addition of Uptown to the BJCC Complex.

4. Off-Complex Related Visitor Spending in the Surrounding Community

Visitors spend money on a variety of goods and services during a trip to the BJCC Complex. Visitors will spend money on food, lodging, transportation, clothing, gifts and other miscellaneous items in connection with attending an event at the BJCC Complex. In order to capture the full economic impact of the BJCC Complex, it is necessary to estimate the impacts that occur *outside* of the BJCC Complex as a result of the activities *inside* the BJCC Complex. For the purposes of this study, these expenditures are referred to as Off-Complex related visitor spending.

In order to estimate the visitor spending that would occur in the local economy from Off-Complex spending, event attendees at the BJCC Complex were divided into two groups: convention and trade show attendees (multi-day event attendees) and single-day event attendees. Conventions, trade shows and meetings can last for several days and typically attract attendees from outside the local area. Many of these visitors will need hotel accommodations, taxis, car rentals, and dine multiple times at local restaurants during their visits. Consumer shows, concerts, sporting events and other similar single-day activities typically capture more of a local or regional audience. Visitors to these types of events will likely spend much less on transportation, food, retail and lodging than visitors who attend multi-day conventions and meetings.

For single-day event visitors, it is assumed that a significant portion of the related visitor spending occurs

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at the BJCC Complex. For meals, snacks, refreshments and entertainment, it is estimated that 50% of visitor spending occurred outside of the BJCC Complex, and that 100% of the retail and ground transportation spending occurred outside of the BJCC Complex. Only a small portion of the estimated lodging expense per visitor (which is minimal for single-day event visitors) is assumed to occur outside the BJCC Complex.

For multi-day event visitors, Off-Complex spending on lodging was estimated to occur only when attendance at a convention or meeting exceeded the capacity of the BJCC Hotels.

Based on our assumptions, the economic impact from Off-Complex visitor spending to the local economy is depicted in the following table:

OFF-COMPLEX VISITOR SPENDING IN THE AREA ECONOMY

| Impact Type | Employment | Labor Income | Output |
|----------------------|------------|----------------------|----------------------|
| Direct Effect | 645 | \$ 17,313,788 | \$ 44,640,237 |
| Indirect Effect | 105 | 5,725,912 | 16,427,544 |
| Induced Effect | 106 | 4,976,839 | 13,888,571 |
| Total Effects | 857 | \$ 28,016,539 | \$ 74,956,352 |

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Spending by visitors to the BJCC Complex in the surrounding community totals just under \$75 million per year, and accounts for 857 jobs in the area, including over 400 jobs in the restaurant industry. The table below depicts the industries most impacted by Off-Complex visitor spending:

INDUSTRIES MOST IMPACTED BY OFF-COMPLEX SPENDING (Ranked by Employment)

| Description | Total Employment | Labor Income | Total Output |
|---|------------------|--------------|---------------|
| Full-service restaurants | 235 | \$ 5,575,735 | \$ 12,169,897 |
| Limited-service restaurants | 198 | 5,619,681 | 12,152,712 |
| Other amusement and recreation industries | 71 | 1,761,487 | 4,386,664 |
| Retail - General merchandise stores | 47 | 1,277,289 | 3,382,621 |
| Automotive equipment rental and leasing | 37 | 1,284,527 | 8,107,554 |
| Transit and ground passenger transportation | 35 | 985,672 | 2,266,489 |
| Hotels and motels, including casino hotels | 30 | 818,813 | 2,479,354 |
| Real estate | 22 | 546,383 | 3,568,310 |
| Retail - Gasoline stores | 15 | 553,211 | 1,132,365 |
| Employment services | 9 | 269,755 | 383,322 |

5. BJCC Complex & Off-Complex Related Visitor Spending – Combined Economic Impacts:

The following table depicts the estimated output (spending), jobs and related income in the local economy from all of the BJCC-related activity:

IMPACT SUMMARY -- BJCC COMPLEX AND RELATED VISITOR SPENDING

| Impact Type | Employment | Labor Income | Output |
|----------------------|--------------|---------------------|----------------------|
| Direct Effect | 1,960 | \$44,867,675 | \$120,755,586 |
| Indirect Effect | 315 | 16,711,596 | 46,929,269 |
| Induced Effect | 281 | 13,202,113 | 36,844,234 |
| Total Effects | 2,556 | \$74,781,384 | \$204,529,088 |

Over 2,500 jobs in the metro area and \$204.5 million in spending (output) occurs in the metro economy as a result of economic activity at the BJCC Complex. The industries most impacted by the BJCC Complex, in terms of employment, are listed in the following table:

TOP INDUSTRIES IMPACTED BY THE BJCC COMPLEX AND RELATED OFF-COMPLEX VISITOR SPENDING (RANKED BY TOTAL EMPLOYMENT)

| Description | Total Employment | Labor Income | Total Output |
|---|------------------|--------------|--------------|
| Full-service restaurants | 530 | \$11,350,215 | \$24,773,585 |
| Hotels and motels | 512 | 13,741,959 | 41,610,449 |
| Real estate | 289 | 2,231,952 | 14,561,300 |
| Limited-service restaurants | 209 | 5,923,658 | 12,810,069 |
| All other food and drinking places | 112 | 3,424,533 | 9,227,520 |
| Services to buildings | 97 | 2,400,478 | 5,043,386 |
| Investigation and security services | 88 | 1,867,383 | 3,055,914 |
| Other amusement and recreation industries | 73 | 1,813,572 | 4,516,373 |
| Retail - General merchandise stores | 58 | 1,586,996 | 4,202,812 |
| Other personal services | 43 | 819,062 | 1,908,356 |

CONCLUSION

The BJCC Complex spurs important economic activity in the Birmingham area's economy, providing over 2,500 jobs and accounting for over \$204 million in annual spending. The wages and income associated with the jobs at the BJCC Complex provide \$74.8 million to households in the MSA's economy. The BJCC attracts visitors to a variety of events, resulting in money being introduced into the local economy that might have been spent in other areas. The industries most impacted by the presence of the BJCC Complex include the restaurant industry, hotels and motels, entertainment, personal services and real estate. The BJCC Complex is an important addition to the metropolitan Birmingham area, providing not only social benefits, but also measurable economic benefits.