A REPORT OF THE ECONOMIC IMPACT OF THE OELWEIN EVENT AND CONFERENCE CENTER.

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Prepared by:

Northeast Iowa Community College, Business Consulting Group and Focus Forward, LLC Dubuque, Iowa 52003

Purpose and Limitations

This report presents the results of an analysis undertaken by Northeast Iowa Community College and Focus Forward, LLC.

The analysis relies on operational data from the Oelwein Event and Community Center (OECC) as well as estimates, assumptions, and other information developed by Focus Forward from its independent research effort.

The analysis quantified the potential economic and fiscal impact of the initial renovation of the OECC and annual operational impact of the center as described throughout this report.

Methodology

The economic impact of the Oelwein Center, like all economic impacts, is derived from expenditures. First, the temporary spending to renovate the building and construct the event center are quantified based on the projected budget. Next, the on-going impacts stem from four main measurable activities:

- (1) Oelwein Center operations,
- (2) wedding event spending,
- (3) large reception and event spending,
- (4) small reception and event spending.

Direct Economic Impacts

Cost projections for the renovation project provided by the Oelwein Center serve as the basis for the temporary renovation period calculations in this impact analysis. The direct economic impacts associated with on-going activity are based on projections from the Oelwein Center about the use of the facility throughout the year. Estimated revenue for the Center's operations as well as estimated spending by event organizers and attendees serve as the direct economic impact for these respective categories of impact.

Spin-off Economic Impacts

The total economic impact supported by The Oelwein Event and Conference Center includes direct as well as spin-off activity. The organization's direct economic activity as well as the spending by event organizers and attendees' ripples through the economy and supports spin-off economic activity in the form of indirect and induced impacts. Indirect impacts reflect economic activity resulting from the business-to-business expenditures initiated by event organizers and attendees spending. Induced impacts refer to the consumer-to-business expenditures initiated by workers that spend a portion of their earnings on goods and services in the economy.

Economic Impacts Defined

The economic impact of the Oelwein Center was measured in common measures of economic activity including employment, workers' earnings, economic output, and value added. Employment consists of a count of jobs that include both full-time, part-time workers and independent contractors. Workers' earnings consist of wages and salaries, employer-provided benefits, and proprietors' income. Economic output is gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Economic output can be thought of as the value of goods and services sold in the economy or revenues for businesses in the economy. Value added is defined as the value of gross output less intermediate inputs and represents the contribution to gross regional product.

The economic impact estimates in this report are calculated using the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis.

OELWEIN CENTER | EXECUTIVE SUMMARY

Temporary Renovation/Construction Impact

The total renovation and construction budget is estimated at \$3.2 million including \$167,000 for the acquisition of the building. The temporary economic impact of the renovation/construction of the Oelwein Center is based on the projected budget provided by the Oelwein Center. In total, these Center-related impacts support 38 jobs, \$1.8 million in workers' earnings, and \$4.4 million in economic output or sales.

Table 1. Temporary Economic Impact of Renovation/Construction of the Oelwein	Center
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		Indirect &	ĸ	
	Direct	Induced	Total	
Employment (Job Years)*	22.5	16.5	38	
Workers' Earnings	\$1,287,698	\$601,590	\$1,889,288	
Economic Output	\$2,562,519	\$1,858,919	\$4,421,438	

* A job year is defined as full employment for one person for 2080 hours in a 12-month span.

Oelwein Center Annual Economic Impact

The primary economic impact of the Oelwein Center includes four main activities detailed this report, including the economic impact from (1) Oelwein Center operations, (2) wedding event spending, (3) large receptions and event spending, (4) small receptions and event spending. In total, these impacts support \$2.32 million of economic output in the Oelwein region. Additionally, this economic activity will support 20 jobs and \$715,383 in workers' earnings annually. All of this economic activity contributes \$1.47 million in gross area product or value added to the economy.

Table 2. Annual Economic Impact of the Oelwein Center		
	Annual Impact	
Economic Output:		
Direct, indirect & Induced		
Total Economic Output	<u>\$2,320,346</u>	
Value Added:		
Total Value Added	<u>\$1,470,000</u>	
Jobs:		
Direct	12	
Indirect & Induced	8	
<u>Total Jobs</u>	<u>20</u>	
Workers' Earnings:		
Direct	\$350,102	
Indirect & Induced	\$365,281	
Total Workers' Earnings	<u>\$715,383</u>	

Wedding event spending accounts for 76% of the overall impact. The Oelwein Center's operations add another 15%. The impact from large receptions represents 7% of the total and small receptions account for the final 2%.



Composition of the Oelwein Center Economic Impact

The economic impact of the Oelwein Center affects industries throughout the economy. The following chart presents a graphical illustration of the total value added by industry. In total, the Oelwein Center is expected to support \$1.47 million in value added or gross area product. The sector seeing the largest increase in gross area product is the food service sector. Other stand-out sectors benefiting from the Oelwein Center include accommodation and "other services" which includes industry organizations like the Oelwein Center organization itself.

		Household	Economic	Value
	Employment	Earnings	Output	Added
Agriculture, forestry, fishing, and hunting	0.1	\$5,196	\$32,400	\$9,986
Mining	0.0	\$98	\$1,001	\$589
Utilities	0.0	\$2,171	\$16,390	\$8,843
Construction	0.1	\$5,862	\$21,959	\$12,337
Durable goods manufacturing	0.1	\$6,538	\$33,734	\$12,830
Nondurable goods manufacturing	0.2	\$11,329	\$74,203	\$18,210
Wholesale trade	0.25	\$16,175	\$58,844	\$39,912
Retail trade	1.2	\$30,915	\$100,291	\$65,579
Transportation and warehousing	0.4	\$20,235	\$65,038	\$34,783
Information	0.3	\$17,939	\$83,719	\$47,523
Finance and insurance	0.4	\$21,883	\$96,376	\$50,882
Real estate and rental and leasing	1.1	\$19,370	\$137,336	\$96,552
Professional, scientific, and technical services	1.5	\$151,734	\$130,912	\$97,707
Management of companies and enterprises	0.4	\$34,421	\$97,118	\$68,399
Administrative and waste management services	.7	\$23,283	\$59,367	\$36,788
Educational services	0.2	\$5,589	\$13,959	\$8,503
Health care and social assistance	.5	\$24,744	\$62,389	\$37,675
Arts, entertainment, and recreation	.6	\$21,833	\$84,632	\$67,457
Accommodation	3.1	\$58,797	\$214,119	\$135,468
Food services and drinking places	7.1	\$146,428	\$622,051	\$383,330
Other services	2	\$49,535	\$214,508	\$135,192
Households	0.1	\$1,308	\$0	\$1,455
Total	20.05	\$715,383	\$,2,320,346	\$1,470,000

Table 3. Total Economic Impact by Industry Sector

Economic Impact Summary

The on-going economic impact of the Oelwein Center includes four main activities detailed this section including the economic impact from (1) Oelwein Center operations, (2) wedding event spending, (3) large receptions spending, (4) small receptions spending. In total, these Center-related impacts support 32 jobs, \$1.0 million in workers' earnings, and \$3.6 million in economic output or sales.

Table 4. Total Economic Impact of the Oelwein Center					
			Large	Small	
	Center	Wedding	Receptions	Receptions	
	Operations	Spending	Spending	Spending	Total
Employment	2.0	27.6	2.2	0.7	32.5
Workers' Earnings	\$75,443	\$804,132	\$67,185	\$21,909	\$968,668
Economic Output	\$381,070	\$2,900,610	\$251,310	\$81,854	\$2,320,346

The above economic impacts are discussed and detailed by category below along with a summary of taxable spending supported by the facility.

Oelwein Center Operations

The Oelwein Center expects annual revenue from operating the event center of \$200,000. The organization anticipates employing 1.5 direct worker. This direct activity supports the following economic activity in the region.

Table 5. Economic Impact of Oelwein Center Operations

		Indirect &	
	Direct	Induced	Total
Employment	1.5	0.5	2.0
Workers' Earnings	\$52,500	\$22,943	\$75,443
Economic Output	\$200,000	\$181,070	\$381,070

The Oelwein Center's operations will support 2 jobs, \$75,000 in workers' earnings and \$381,070 in economic output annually.

The organization is expected to support the direct employment of 1.5 individuals, and the organization's spending will support another 0.5 spin-off jobs in the region. In total, the organization is expected to support 2 area jobs.

Similarly, while direct employees are estimated to have earn salaries and benefits of \$52,500, the organization's spending will support another \$22,943 in earnings for workers in related spin-off jobs in the area. Therefore, total workers' earnings supported by the organization are expected to be \$75,443 per year.

The direct economic output supported by the organization is estimated to be \$200,000. This included payments that the organization makes for employee salaries, purchases of goods and services and other expenditures. The direct spending generated \$181,070 in indirect and induced sales or economic output in area businesses and other organizations.

OELWEIN CENTER | ECONOMIC IMPACT

Weddings and Receptions

Although the Oelwein Center's spending and associated economic impact is notable, a large source of the overall impact of the facility will result from events taking place at the facility and spending by out-of-town visitors. Oelwein Center representatives anticipate a significant number of events utilizing the facility including 41 weddings, 30 large receptions/events, and 30 small receptions/meetings/events each year. The table below shows the expected average attendance for the three types of events.

Table 6. Oelwein Cente	r Events and Attenda	ince	
	Number of	Average	Annual
	Annual Events	Attendance	Attendance
Weddings	41	250	10,450
Large Receptions or Event	30	150	4,500
Small Meetings/Receptions/events	30	50	1,500
Total	<u>101</u>		<u>16,450</u>
Table 7. Oelwein C	enter Event Revenue		
		Annual	
	Per Use	Revenue	
Wedding Rental	\$3,500	\$143,500	
Large Receptions	\$1,500	\$45,000	
Small Meetings/Receptions	\$250	\$7,500	
Other		\$4,000	
Total		<u>\$200,000</u>	

The economic impact associated with Oelwein Center revenues are captured in the organization's operation activity; event revenue serves as the source of funds for the organization's expenditures. However, all other spending by event organizers or event attendees occur at local vendors or businesses in the Oelwein region. Included is the event spending profiles for each major category of event. In each case, average spending estimates are applied to the total number of events and economic impacts are derived. The spending estimates and economic impact associated with each visitor type is addressed in sections below.

In order to estimate the economic impact from event and visitor spending, using the RIMS II regional input-output model and categorizes event organizer and visitor expenditures into the following RIMS II industry categories.

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Spending Category	RIMS II Industry Category
Beauty & Spa	812100 Personal care services
Entertainment	711500 Independent artists, writers, and performers
Flowers & Decorations	4A0000 Other retail
Gifts & Favors	812100 Personal care services
Photography & Video	541920 Photographic services

Table 8. Spending Categories and RIMS II Industry Categories

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Planner/Consultant	561900 Other support services
Venue, Catering & Rentals	722A00 All other food and drinking places
Visitor Spending, Excluding Lodging (85%)	4A0000 Other retail
Visitor Spending, Excluding Lodging (15%)	722110 Full-service restaurants
Visitor Spending, Lodging	721000 Accommodation

Additional detail on these calculations can be found in the Methodology section of this report.

Wedding Spending

The spending associated with weddings was estimated based on a spending profile for weddings that may be held at the Oelwein Center. The average number of wedding attendees is assumed to be equal to the capacity of 250 people. The typical wedding is expected to result in \$19,009 in spending at local vendors or service providers. As addressed in greater detail in the Appendix, certain wedding spending categories are excluded if it is reasonably assumed not to occur locally.

Table 9. Wedding Organizer Spending		
	Local	
	Expenditures	
	Per Wedding	
Spending on Attire	\$0	
Beauty & Spa	\$131	
Entertainment	\$1,551	
Flowers & Decorations	\$1,590	
Gifts & Favors	\$334	
Invitations	\$0	
Jewelry	\$0	
Photography & Video	\$2,875	
Planner/Consultant	\$807	
Venue, Catering & Rentals	\$11,721	
Total	<u>\$19,009</u>	

Detailed wedding expenditures and sources are shown in the Appendix.

The spending by wedding visitors on lodging and other taxable purchases is detailed below. On average, it is assumed that 33.3% of the wedding guests are from outside of the area. These out-of-town guests are assumed to spend 2.5 days in the community and make \$25 in purchases at restaurants, grocery stores, and other retail locations per day in the community. It is also assumed that these out-of-town visitors spend 2 nights in a double-occupancy local hotel room costing \$92 per night.

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	Local	Local
	Expenditures	Expenditures
	Per Wedding	50 Weddings
Average Number of Attendees	250	12,500
Percent of attendees staying in a local hotel	33%	33%
People per hotel room	2.0	2.0
Average number of nights spent in a local hotel	2.0	2.0
Hotel Nights	<u>83.3</u>	<u>4,166.7</u>
Average cost of hotel night (Source: 2018 STR, Inc.)	\$92	\$92
Total Wedding Visitor Spending on Lodging	<u>\$7,667</u>	<u>\$383,333</u>

Table 10. Wedding Visitor Spending on Lodging

Table 11. Wedding Visitor Spending on Taxable			
	Local	Local	
	Expenditures	Expenditures	
	Per Wedding	50 Weddings	
Number of out-of-town Wedding visitors	83.3	4,166.7	
Average number of days spent in the city	2.5	2.5	
Total Wedding Visitor Days	208	10,417	
Average daily spending at restaurants and on other items locally	\$25	\$25	
Total Wedding Visitor Spending on Taxable Items	<u>\$5,208</u>	<u>\$260,417</u>	

In total, wedding organizers are expected to spend \$950,000 per year. Additionally, wedding visitors are estimated to spend \$260,000 on general taxable items and \$383,000 on lodging.

The anticipated wedding spending and spending by out-of-town wedding guests will support 27.6 additional jobs in the community and \$804,000 in additional workers' earnings and a total of \$2.9 million in total economic output or sales.

Table 12. Economic Impact of Weddings at Oelwein Center						
		Indirect &				
	Direct	Induced	Total			
Employment	17.5	10.2	27.6			
Workers' Earnings	\$418,120	\$386,011	\$804,132			
Economic Output	\$1,538,871	\$1,361,738	\$2,900,610			

OELWEIN CENTER | APPENDIX OELWEIN CENTER | FISCAL IMPACT

Overview of Methodology

This report presents the results of an analysis undertaken by Northeast Iowa Community College.

Economic impacts can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Oelwein Center. Second, this economic impact analysis calculates the indirect and induced impacts that result from the facility. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the facility. In addition, induced 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 workers and their families.

The RIMS II multipliers used in this analysis are shown below along with additional information about the RIMS II model.

	Final-demand	Final-demand	Final-demand	Final-demand	Direct-effect	Direct-effect
RIMS II Industry	Output	Earnings	Employment	Value-added	Earnings	Employment
4A0000 Other retail	1.8333	0.5564	21.6484	1.1439	1.7527	1.5276
541920 Photographic services	1.9524	0.6810	27.4504	1.1152	1.6937	1.4812
561900 Other support services	2.0129	0.6639	22.8471	1.1118	1.8370	1.6972
711500 Independent artists, writers, and	1.8502	0.5137	15.5650	1.0774	2.0523	2.3115
721000 Accommodation	1.7577	0.4992	17.6080	1.0817	1.8118	1.5998
722110 Full-service restaurants	1.9319	0.6339	27.4950	1.0682	1.7235	1.3992
722A00 All other food and drinking place	1.9292	0.4320	17.3062	0.8656	2.3757	1.7026
812100 Personal care services	2.0342	0.8421	36.9913	1.2779	1.5473	1.3640

Regional Input-Output Modeling System (RIMS II)

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. The RIMS II model is described in basic detail below.

Generally speaking, input-output modeling attempts to estimate the changes that occur in all industries based on a change in the demand for the output of an industry. An input-output model allows an analyst to identify the subsequent changes occurring in various industries within a regional economy in order to estimate the total impact on the economy. Total economic impact is the sum of three components: (1) direct, (2) indirect, and (3) induced impacts.

If the demand for the output of an industry, measured by industry sales or revenue, increases by \$1.0 million, total regional output increases by \$1.0 million. This initial change in output is called the change in direct economic output and also referred to as the direct expenditure effect. The change in total economic output in the region resulting from the initial change does not stop with the change in direct economic output. Businesses in a variety of industries within the region will be called upon to increase their production to meet the needs of the industry where the initial increase in demand occurs. Further, other suppliers must also increase production to meet the needs of the group of initial supplier firms to the industry. This increase in expenditures by regional suppliers is considered the indirect economic impact of the initial \$1.0 million in sales, and is classified as indirect expenditures of the total economic impact or the change in indirect economic output.

The total economic impact of the \$1.0 million in sales includes one more component, the induced impact. All economic activity, whether direct or indirect, that results from the initial increase in demand of \$1.0 million, requires workers, and these workers must be paid for their labor. This means that part of the direct and indirect expenditures is actually in the form of wages and salaries paid to

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workers in the various affected industries. These wages and salaries will in turn be spent in part on goods and services produced locally in the region. This spending is another part of the regional economic impacts referred to as induced impacts and is classified as induced expenditures or the change in induced economic output.

Based on the initial direct impact, the RIMS II model can be used to estimate the direct, indirect and induced impacts on economic output, value added, earnings and employment in a given region. Economic output is gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Value added is defined as the value of gross output less intermediate inputs. Workers' earnings or earnings consist of wages and salaries, employer provided benefits and proprietors' income. Employment consists of a count of jobs that include both full-time and part-time workers.

The RIMS II model is based on regional multipliers, which are summary measures of economic impacts generated from changes in direct expenditures, earnings, or employment. Multipliers show the overall impact to a regional economy resulting from a change in demand in a particular industry. Multipliers can vary widely by region. Multipliers are higher for regions with a diverse industry mix. Industries that buy most of their materials from outside the state or region tend to have lower multipliers. Multipliers tend to be higher for industries located in larger areas because more of the spending by the industry stays within the area.

The RIMS II model generates six types of multipliers for approximately 400 industrial sectors for any region in the United States. The multipliers include four "final-demand" multipliers and two "direct-effect" multipliers. Final demand multipliers indicate the impact of changes in final demand for the output of a particular regional industry on total regional output, earnings, employment and value added. Direct-effect multipliers indicate the impact of changes in regional earnings or employment within a particular industry on total employment or earnings within a region.

Final-demand output multipliers indicate the total regional output (direct, indirect and induced expenditures) that results from an increase in direct expenditures for a good produced by a particular regional industry. For example, if an industry in a particular region is said to have a final demand output multiplier of 2, this tells us that a \$1 increase in final demand for the good produced by that industry results in a \$2 increase in total output or expenditures within the regional economy. Finaldemand earnings multipliers indicate the impact of an increase in final demand for the good of a particular regional industry on the total earned income of households within the region. Final-demand employment multipliers indicate the increase in final demand for the good produced by a particular regional industry. Final-demand walue-added multipliers indicate the increase in total regional industry. Direct-effect earnings multipliers indicate the impact of a \$1 change in earnings within a particular regional industry on total earnings in all industries within a region. Direct-effect employment multipliers indicate the impact of a \$1 change in earnings in all industry on total earnings in all industries within a region.

Theoretically, changes in final demand drive the total change in economic output, earnings, and employment. However, these multipliers relationships can be used to estimate impacts in other ways if only limited information is known about a project. For example, the multiplier relationships can be used to estimate the increase in direct economic output based on a given level of employment in a specific industry.

Additional Notes on RIMS II

RIMS II multipliers are based on the average relationships between the inputs and outputs produced in a local economy. The multipliers are a useful tool for studying the potential impacts of changes in economic activity. However, the relative simplicity of input-output multipliers comes at the cost of several limiting assumptions.

- Firms have no supply constraints—Input-output based multipliers assume that industries can increase their demand for inputs and labor as needed to meet additional demand.
- Firms have fixed patterns of purchases—Input-output based multipliers assume that an industry must double its inputs to double its output.

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Firms use local inputs when they are available—The method used by RIMS II to develop regional multipliers assumes that firms will purchase inputs from firms in the region before using imports.

RIMS II, like all input-output models, is a "static equilibrium" model. This means that there is no specific time dimension associated with the results using the model. For the RIMS II model, it is customary to assume that the impacts occur in one year because the model is based on annual data.