

## **Mega-Events Center at UNLV**

### **Purpose**

This report has been prepared by Hobbs, Ong & Associates, Inc. in response to a request from UNLV and Majestic Realty, potential partners in the development of a 55,000+ seat mega-events center and other amenities on the UNLV campus. The purpose of this report is to explore and evaluate the need for, and economic benefits associated with, a covered mega-events center on the UNLV campus. In part, this report draws upon the work of the University of Michigan's Center for Sports Management, led by Professor Mark S. Rosentraub, and their report entitled, "An All-Weather, Covered Mega-Events Stadium on UNLV's Campus: The Economic Value and Importance of a Stadium with Seating for 55,000 or More Spectators for Nevada, Clark County, the Las Vegas Region's Resorts, and UNLV".

### **Introduction**

Las Vegas, despite its successes in diversifying its economy over the past several years, remains firmly rooted and invested in entertainment. In fact, attracting visitors to partake in a wide variety of entertainment alternatives is what Las Vegas has been designed to do and is, as history has shown, what it does best. It has continued to display its resiliency over the years as it has shifted from being gaming-centric to being a global destination for those who seek the best shopping, dining, room quality and value, and overall entertainment experience available. All of this said, there is one glaring void in the Las Vegas entertainment arsenal; the absence of a state-of-the-art, multi-purpose event center.

It is indeed ironic that Las Vegas, the "Entertainment Capital of the World", is one of the only major tourist destinations and metropolitan areas in the country that lacks such a state-of-the-art special event facility.

The lack of a mega-events center in Las Vegas is even more glaring when one considers that the primary mission of the Las Vegas economy is to attract visitors, and that the offering of special events is one of the primary means of attracting them to the market. Without such a facility Las Vegas, as a destination, lacks the ability to attract and offer special events that cannot be accommodated by its existing inventory of venues. In other words, the absence of such a facility is tantamount to a loss of potential visitors and the retention of existing customers and is contrary to the primary mission of the core Las Vegas economy.

The current inventory of event venues in Las Vegas includes a variety of specialized showrooms with comparatively small seating capacities and four "arena" venues with seating capacity ranging from just over 7,000 to less than 20,000. These venues are each very efficiently used, but are limited by size to events that fit an arena configuration. This inventory also includes the aging, open-air and non-centrally located Sam Boyd Stadium, which can seat 36,800 in its most common configuration for football.

To address this facility deficit, it has been proposed that a covered mega-events center with seating for 55,000 or more spectators be constructed on the western side of the UNLV main campus. A facility of this type and size, located in close proximity to both the Las Vegas Strip and McCarran International

Airport, would address the void described above while also providing a community asset that would serve not only the UNLV campus, but Las Vegas as a whole.

The benefits of adding a 55,000+ seat covered mega-events center on the UNLV campus include:

- The filling of a void in the current inventory of event facilities, which would improve the Las Vegas market's ability to attract events that are currently unattainable and to retain events that have grown beyond the capacity of their current venues.
- The availability of a neutral site venue close to the Las Vegas Strip that could be used for events that augment visitation to the resort corridor.
- The revitalization of the west end of the UNLV campus.
- With the movement of UNLV football to the campus, more of a campus community will result, benefiting students, faculty, staff and alumni.
- Enhanced quality of life for residents through the attraction of events beyond those specifically designed to attract new visitors. In this regard, the facility would serve as a highly desirable bridge between the university and the community as a whole.
- Economic revitalization of the areas immediately surrounding the UNLV campus.
- The new mega-events center will provide for significant branding opportunities for both UNLV and for Las Vegas.
- With the attraction of 15 new events to the community, it is estimated that **\$393.2 million in total direct annual economic benefit will inure to the Las Vegas economy.** Indirect benefits of \$95.4 million and induced benefits of \$114.8 million will also result. **The total direct, indirect and induced economic benefit arising from 15 new events is estimated to be \$603.4 million.** If 20 new events were held, this number would be expected to rise to \$804.6 million.
- With the attraction of 15 new events, it is estimated that nearly **\$36.8 million in new annual tax revenue** will be generated for state and local governments; and,
- Economic benefits associated with the construction of the new mega-events center includes the **generation of more than 5,000 direct, indirect and induced person years of employment**, generating more than **\$197 million in direct wages** for local working families. The building of the mega-events center alone would generate nearly \$30 million in tax revenue for state and local governments.

The economic and fiscal benefits noted above focus upon the attraction of new events and new visitors to the Las Vegas market, and do not include the value associated with events currently held in any existing venue in Las Vegas. All substitution effects were eliminated in the estimation of economic benefits.

The prudent and conservative assumptions used to produce the economic benefit estimates noted herein allow the conclusion to be drawn that considerable economic benefits to the hospitality industry and the community as a whole will be realized if a new mega-events center is added to the mix. Conversely, without a new mega-events center, there are numerous athletic and entertainment events that cannot take place in the Las Vegas market. There is even the possibility that some events that have traditionally been held in Las Vegas area will choose to relocate to other tourist destinations that have state-of-the-art mega-events facilities. The failure to attract new events and retain existing events has the potential to cost Las Vegas jobs, income, tax revenue and economic benefits that could otherwise inure to the community.

## Summary of Projected Economic Benefits

Discussions with representatives of the Las Vegas Convention and Visitors Authority and Las Vegas Events have indicated that the assumed attraction of 15 or more new events to the Las Vegas market is both reasonable and achievable. Included among the type of new events that could be readily attracted to the market are; three neutral-site collegiate football games, an additional college bowl game, an NFL exhibition game, two additional NCAA football games and/or basketball conference championship tournaments, multiple major music events, international soccer exhibitions, and unarmed combat (e.g., boxing, UFC, WWE) mega-events.

The identification of a reasonable and achievable number of new events is central to determining the economic impact arising from them.

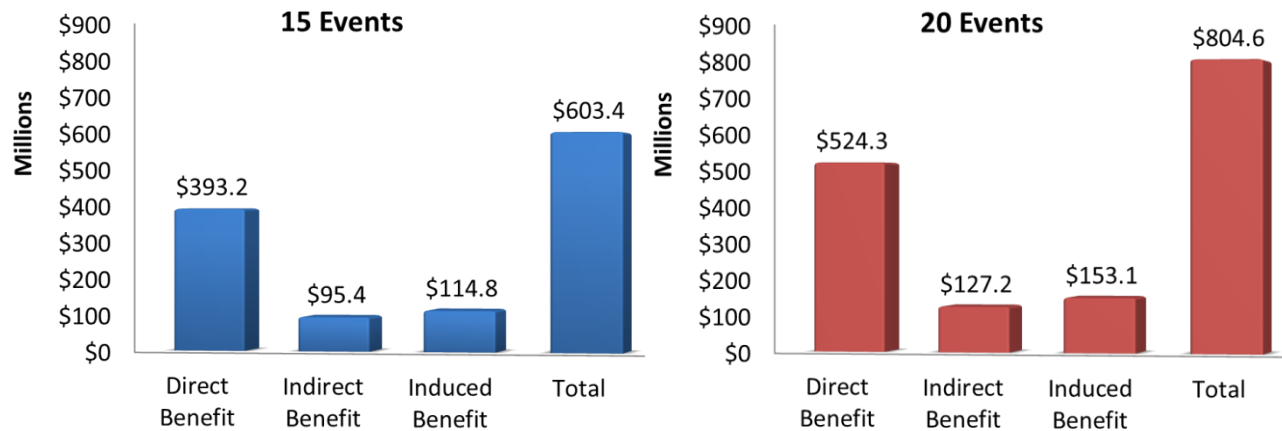
According to the estimates included in the report prepared by the University of Michigan's Center for Sports Management, the attraction of 15 new events (housed in a new 55,000 seat mega-events center) would produce 472,500 ticket sales to visitors. This would amount to 31,500 tickets sold to new visitors per event. Assuming an average ticket price of \$100, the University of Michigan estimates that visitors will spend \$47.2 million to attend events each year. They further estimate that, if each attendee were to spend \$40 on food, beverage and merchandise at each event, an additional \$18.9 million in consumption-related revenue would be generated each year. Total receipts for 15 events at the new mega-events center, including tickets, food and beverage, and merchandise are estimated to be \$66.1 million annually.

The University of Michigan report estimates that 15 new events at the mega-events center would produce a total of \$393.2 million in total annual benefit for the Las Vegas economy. The indirect benefits would approximate \$95.4 million, while the induced benefits would add \$114.8 million. Removing the new spending associated with tickets and other direct event-related revenue, and assuming that consumption at other places in Las Vegas would occur, the 15 events are still projected to produce nearly \$327.1 million in new annual spending within the resort corridor and among retail destinations with the Las Vegas market.

If, in a given year, Las Vegas were to attract 20 new events to the new mega-events center, the estimated economic benefit would rise to \$524.3 million annually. Including indirect and induced benefits, the total would rise to \$804.6 million at 20 events.

The 15 new events would also produce new tax revenues for the state and local governments within Clark County. The University of Michigan also estimates that \$37 million in new tax and fee revenue could be generated annually. Revenue sources include room tax, sales tax, live entertainment tax, gross gaming tax and car rental tax. Construction of the facility would generate an estimated \$26 million in sales tax and \$3.5 million in modified business (payroll) tax revenue.

For a more detailed view of the University of Michigan's economic and fiscal benefit estimates, please see the attached summary table (Attachment A).



## UNLV Benefits

A covered mega-events center on its campus will permit UNLV to integrate all of its sports programs with the academic life of students, faculty, and staff. UNLV will also be able to welcome its alumni and the entire community to its campus for sports and entertainment events throughout the year. The facility would also become a focal point for community and university interaction, serving as a bridge between the campus and residential population.

Beyond increasing the presence of UNLV in the community, the new mega-events center will offer an opportunity to create a springboard for further development of campus facilities and will reinvigorate interest in adjoining retail and commercial property. By way of example, the presence of a new mega-events center on the UNLV campus will also allow for the development of other facilities (e.g., a student residential village, including retail and other amenities) which will advance the university toward the desired goal of becoming a residential campus and community destination. This would, in turn, help to elevate the attractiveness and energy level of the campus on local, national and international levels. The impacts upon the areas bordering the western part of the campus, while not included in this report, are expected to be positive.

The development of a covered mega-events center on the UNLV campus would serve as the anchor for a master plan that would transform the campus into both a community gathering place and a vibrant residential campus, while also providing a needed asset for the hospitality industry.

## Summary and Conclusion

Las Vegas, while it is billed as the “Entertainment Capital of the World” and with an economy that is predominantly dependent upon attracting visitors to the Las Vegas market, has a deficiency in its inventory of facilities that can be used to attract net new visitors to the market. Las Vegas has a number of facilities that are capable of hosting special events, from very small and intimate events up to just under 20,000 attendees (e.g., UNLV Thomas and Mack Center). The deficiency is in the area of a state-of-the-art, mega-events center capable of hosting 55,000 or more attendees. The lack of such a facility can lead to the loss of events currently hosted in Las Vegas as well as the inability to compete for new events that require such a facility. In either case, this is tantamount to a loss of business for the Las Vegas market.

If 15 mega-events were held at such a facility, \$393.2 million in new annual direct spending is projected to take place in the market. If the mega-events center is not built, this spending will not occur and the foregone income would be an annual economic drain on economic development.

To build a covered mega-events center on its campus, UNLV will need to form a partnership with the market's resorts and hospitality industry, and will require the cooperation and involvement of the State and local entities. Such a partnership is not unprecedented; UNLV, the State of Nevada and the local community have worked together in the past to build a needed venue for events, the Thomas & Mack Center, which has produced substantial economic development gains for the region. In fact, the Thomas & Mack Center is among the nation's most successful arenas without an anchor professional sports team. By way of evidence, the Thomas & Mack Center has welcomed more than 21.7 million attendees to events over its life, and has averaged roughly 700,000 attendees per year over the past several years. Of the 700,000 attendees per year, approximately 300,000 are visitors to southern Nevada. The University of Michigan report estimates that more than \$200 million per year is spent in Las Vegas hotels and retail centers by visitors attending events at the Thomas & Mack Center. The Thomas & Mack Center has proven to be a key economic contributor to both the university and the hospitality sector.

Another partnership between the State of Nevada, UNLV and the Las Vegas hospitality sector to build a new mega-events center will generate new levels of spending at Las Vegas' resorts. The result will be increased visitation, more jobs, more wages and salaries, and more economic activity within the region's core tourism economy. It will result in a better UNLV, engaging the community and anchoring a new wave of campus investment. It will also mean increased state and local tax collections, not only for the local university, but for state and local programs such as education, public safety, roads and healthcare. Failing to act will inevitably have the opposite effect, all but insuring that large-scale events will be hosted in other parts of the country that want nothing more than to capture an increasing share of Las Vegas' tourism and events spending. A mega-events center is conspicuously absent in southern Nevada, and there is compelling evidence that its construction and its operation would not only preserve, but would enhance the competitiveness of its core economy.

## ATTACHMENT A

### New Annual Spending and Taxes Attributable to New Events in the Proposed UNLV Mega-Events Center

NUMBER OF <u>EXPORT</u> EVENTS	15 Events	20 Events
<b>NEW VISITOR EXPENDITURES:</b>		
<i>Lodging</i>	\$84,030,469	\$112,040,625
<i>Food and Beverage</i>	\$110,322,371	\$147,096,495
<i>Retail Spending</i>	\$51,946,178	\$69,261,570
<i>Entertainment (Shows)</i>	\$19,792,080	\$26,389,440
<i>Gaming</i>	\$97,193,250	\$129,591,000
<i>Local Transport</i>	\$25,804,406	\$34,405,875
<i>Sightseeing</i>	\$4,112,640	\$5,483,520
<b>TOTAL ANNUAL Benefit For The Las Vegas Regional Economy</b>	<b>\$393,201,394</b>	<b>\$524,268,525</b>
<i>Consumption on UNLV Campus</i>	\$66,150,000	\$88,200,000
<b>TOTAL ANNUAL Direct Economic Benefit for Resorts, Retail Centers in Metropolitan LV</b>	<b>\$327,051,394</b>	<b>\$436,068,525</b>
<b>ANNUAL TAX REVENUES:</b>		
<i>State of Nevada Sales Tax</i>	\$13,037,862	\$17,383,816
<i>Clark County Sales Tax</i>	\$2,414,419	\$3,219,225
<i>Live Entertainment Tax</i>	\$4,329,863	\$5,454,863
<i>Hotel Taxes</i>	\$10,083,656	\$13,444,875
<i>NV General Fund Gaming Tax Revenue</i>	\$6,560,544	\$8,747,393
<i>Car Rental Taxes and Fees</i>	\$362,688	\$483,584
<b>Total Tax Revenues Generated From New Visitors</b>	<b>\$36,789,032</b>	<b>\$48,733,756</b>

*Source: University of Michigan's Center for Sports Management*