



Economic Impact Analysis of The Memphis Grizzlies and The FedExForum

**Performed for
Greater Memphis Chamber**

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Market Research | Economic Development Consulting | Strategic Planning



Economic Impact Analysis of The Memphis Grizzlies and The FedExForum On Memphis/Shelby County

Scope and Methodology

Younger Associates was retained by the Greater Memphis Chamber of Commerce to conduct an economic impact analysis of the Memphis Grizzlies and the FedExForum on the local economy.

The economic impact calculations are based on methodology developed by Younger Associates which incorporates actual local statistics and U.S. Bureau of Economic Analysis data. Younger Associates methodology is recognized by the International Economic Development Council and is utilized in courses by the Economic Development Institute.

The firm has applied this analytical process in hundreds of projects over the past 20 years. Over the years, the findings from this process have proven to be accurate in determining job creation and economic activity, and somewhat conservative in projecting tax revenue generation.

Local tax rates, past tax collection ratios, local wage rates, and regional consumer spending patterns were among the factors used to model the Shelby County economy. Regional input-output multipliers specific to Shelby County and the types of business activities involved were utilized. Current operating expenditures, attendance statistics for all Memphis Grizzlies games, and attendance data for all other events held at the FedExForum was provided by the management of the Memphis Grizzlies.

Economic Impact

Economic impact is generated by the ongoing operations of the FedExForum facility and by the business operations of the Memphis Grizzlies. In the case of spectator sports, additional impact is generated from the spending by visitors who are attracted to Memphis by the sports and other entertainment events held at the FedExForum throughout the year. Spending in Shelby County by the visiting NBA teams also generates economic impact.

Each year numerous events held at the FedExForum attract out-of-county visitors to Shelby County. The impact generated by spending in Shelby County by these visitors is included in this impact analysis.

The total economic impact on Memphis/Shelby County generated by these activities is \$223 million annually. This includes the impact of all spending by the Memphis Grizzlies, by the operation of the FedExForum, and all visitor spending, as it flows through the Shelby County economy.

The total number of jobs supported in the Shelby County economy as a result of the economic activity generated because of the FedExForum and the Memphis Grizzlies is 1,534. This includes the jobs employed directly by these two entities and jobs that exist throughout the Shelby County economy in support of the operations and visitor spending.

Memphis/Shelby County local tax revenues generated as a result of the Grizzlies, the FedExForum operations and the related visitor spending total \$5.3 million annually. This includes local sales tax, hotel/motel tax, other taxes such as business licenses, alcohol tax, motor vehicle registration and additional property taxes generated as a result of increased spending and employment. State and federal taxes are not included in this analysis.

The following table summarizes the economic impact, jobs supported and taxes generated by each type of operational and visitor spending.

	Economic Impact	Jobs Supported	Local Tax Revenue Generated
Operations	\$207,275,250	1,374	\$4,634,946
NBA Visiting Team Spending/ Grizzlies Spectator Spending	\$9,351,345	93	\$400,425
Special Event Visitor Spending	\$6,671,473	67	\$263,061
Total	\$223,298,068	1,534	\$5,298,432

The ongoing economic impact that the Memphis Grizzlies and FedExForum generates each year is in addition to the initial impact that was generated when the forum was constructed. An analysis conducted by the Greater Memphis Chamber in 2001 projected that the spending related to the construction of the facility generated a one-time \$432.9 million impact within Memphis and Shelby County.

This number is the direct impact of the forum construction and does not include the impact of additional private investment that was induced by the public investment in the arena. New capital investment was attracted to the area surrounding the arena to take advantage of the increased visitor and economic activity.

In addition to the Greater Memphis Chamber analysis, an impact analysis was also prepared by the University of Memphis in 2001. This current study finds the economic impact of the Memphis Grizzlies and the FedExForum has outperformed those early projections.

The Chamber study was a preliminary look at economic impact and community development opportunity. As such, the study did not attempt to capture all the sources and types of economic impact.

The early projections of team and facility operations spending, as well as visitor team spending, used for the University of Memphis analysis were lower than the actual spending in the most recent year. The projected percentage of visitors from outside Shelby County was also lower than actual attendance percentage from out of county. Better-than-expected performance in these areas has resulted in greater economic impact than the early projections made before actual data was available.

The two earlier studies included community development and social benefits that are not examined in this study which is strictly focused on economic impact. The 2001 studies noted such benefits as national media exposure for Memphis, opportunities for downtown revitalization, and minority participation in arena construction. While these benefits have been derived from the Memphis Grizzlies and the FedExForum, we have not separately placed a value on them outside economic output and local tax revenue generation measures.

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Annual Impact

Economic Impact	\$	223,298,068
From Operations - FedExForum & Memphis Grizzlies	\$	207,275,250
Visitor/Spectator Spending (Lodging & Retail Sales)	\$	9,351,345
Special Event Spending (Retail Sales)	\$	6,671,473
Local Tax Generated	\$	5,298,432
From Operations - FedExForum & Memphis Grizzlies	\$	4,634,946
Visitor/Spectator Spending - Direct & Indirect		
Hotel/Motel (Direct)	\$	11,056
Sales (Direct & Indirect)	\$	184,146
Other Local Taxes (Indirect)	\$	19,109
Property (Indirect)	\$	186,114
Special Event Spending - Direct & Indirect (Lodging & Retail Sales)		
Sales (Direct & Indirect)	\$	131,862
Other Local Taxes (Indirect)	\$	13,767
Property (Indirect)	\$	117,432
Jobs Supported (Direct & Indirect)		1,534
From Operations - FedExForum & Memphis Grizzlies		1,374
Visitor/Spectator Spending (Lodging & Retail Sales)		93
Special Event Spending (Retail Sales)		67

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Annual Impact of Operations - FedExForum & Memphis Grizzlies Team

Annual Operating Budget ¹	\$	97,500,000
Final Demand Output Multiplier for Spectator Sports ²		2.1259
Economic Impact from Operations	\$	207,275,250
Final Demand Employment Multiplier for Spectator Sports ³		19.7493
Total Jobs Supported from Operations (Full and Part-Time)		1,926
Direct Employment (Adjusted to Full-Time Equivalent)		695
Indirect Employment		1,231
Indirect Employment Adjusted to Full-Time Equivalent		679
Total Employment (Adjusted to Full-Time Equivalent)		1,374
Annual Average Wage for Shelby County ⁴	\$	49,086
Total Wages Paid to Jobs Supported by Operations ⁵	\$	84,305,205
Indirect Sales Tax Revenue ⁶	\$	976,887
Indirect Other Tax Revenue ⁷	\$	282,320
Indirect Residential/Commercial Property Tax Revenue ⁸	\$	3,375,739
Total Tax Revenue	\$	4,634,946

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Impact from Visitor Team Spending - Lodging

Annual Hotel Rooms for Visiting Teams (60 nights x 35 rooms)	2,100
Average Room Rental Rate ⁹	\$ 78.58
Annual Revenue from Room Rental	\$ 165,018
Final Demand Multiplier for Lodging ¹⁰	1.7985
Economic Impact from Visitor Lodging	\$ 296,785
Hotel/Motel Tax (6.7% - City & County) ¹¹	\$ 11,056
Local Sales Tax Option (2.25%) ¹²	\$ 3,713
Total Local Taxes Generated from Room Rental	\$ 14,769
Final Demand Employment Multiplier for Lodging ¹³	16.1864
Jobs Supported from Visitor Team Lodging	3
Annual Average Wage for Shelby County ⁴	\$ 49,086
Total Wages Paid to Jobs Supported by Visitor Spending ⁵	\$ 184,073
Indirect Sales Tax Revenue ⁶	\$ 2,133
Indirect Other Tax Revenue ⁷	\$ 616
Indirect Residential/Commercial Property Tax Revenue ⁸	\$ 28,370
Total Indirect Tax Revenue From Team Lodging	\$ 31,119

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Impact from Visitor Team Spending - Other

Total Team Visitors (60 days x 35 people)		2,100
Average Spending Per Person Outside FedExForum ¹⁴	\$	60.00
Total Visitor Team Spending	\$	126,000
Final Demand Output Multiplier for Retail Trade ¹⁵		1.7822
Economic Impact Spending Outside the FedExForum	\$	224,557
Sales Tax Generated from Spending Outside the FedExForum ¹²	\$	2,835
Final Demand Employment Multiplier for Retail Trade ¹⁶		17.8278
Jobs Supported From Visitor Team Spending		2
Annual Average Wage for Shelby County ⁴	\$	49,086
Total Wages Paid to Jobs Supported by Visitor Spending ⁵	\$	122,715
Indirect Sales Tax Revenue ⁶	\$	1,422
Indirect Other Tax Revenue ⁷	\$	411
Indirect Residential/Commercial Property Tax Revenue ⁸	\$	3,505
Total Tax Revenue	\$	5,338

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Impact from Visitor/Spectator Spending Outside FedExForum

Total Attendance (5-Year Average) ¹	604,952
Percent of Attendance Outside Shelby County ¹	35.0%
Attendance from Outside Shelby County	211,733
Average Spending Per Person Outside the FedExForum ¹⁷	\$ 23.40
Total Spending Outside the FedExForum	\$ 4,954,552
Final Demand Output Multiplier for Retail Trade ¹⁵	1.7822
Economic Impact Spending Outside FedExForum	\$ 8,830,003
Sales Tax Generated from Spending Outside the FedExForum ¹⁰	\$ 111,477
Final Demand Employment Multiplier for Retail Trade ¹⁶	17.8278
Jobs Supported From Spectator Spending	88
Annual Average Wage for Shelby County ⁴	\$ 49,086
Total Wages Paid to Jobs Supported by Visitor Spending ⁵	\$ 5,399,460
Indirect Sales Tax Revenue ⁶	\$ 62,566
Indirect Other Tax Revenue ⁷	\$ 18,082
Indirect Residential/Commercial Property Tax Revenue ⁸	\$ 154,239
Total Tax Revenue	\$ 234,887

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Special Event Spectator Spending

	Total
Total Attendance (5 year average) ¹	399,935
Percent of Attendance Outside Shelby County ¹	40%
Total Visitors from Outside Shelby County	159,974
Average Spending Per Person Outside the FedExForum ¹⁷	\$ 23.40
Total Spending Outside the FedExForum	3,743,392
Sales Tax Generated from Spending Outside the FedExForum ¹⁰	84,226
Final Demand Output Multiplier for Retail Trade ¹⁵	1.7822
Economic Impact from Spending Outside the FedExForum	6,671,473
Final Demand Employment Multiplier for Retail Trade ¹⁶	17.8278
Jobs Supported from Special Event Visitor Spending	67
Annual Average Wage for Shelby County ⁴	\$ 49,086
Total Wages Paid to Jobs Supported by Visitor Spending ⁵	\$ 4,110,953
Indirect Sales Tax Revenue ⁶	\$ 47,636
Indirect Other Tax Revenue ⁷	\$ 13,767
Indirect Residential/Commercial Property Tax Revenue ⁸	\$ 117,432
Total Tax Revenue	\$ 178,835

Notes for Memphis Grizzlies and the FedExForum Economic Impact Analysis:

1. Data provided by Memphis Grizzlies Staff.
2. US Bureau of Economic Analysis, RIMS II final demand multiplier for Shelby County, Tennessee for Spectator Sports.
3. US Bureau of Economic Analysis, RIMS II employment multiplier for Shelby County, Tennessee – number of jobs created per million dollars of output for Spectator Sports.
4. Based on the State of Tennessee Department of Workforce Development 2008 Annual Average Wage for all industry sectors for Shelby County assuming a 3.5% increase for 2009 and 2010.
5. Wages and benefits were calculated using the total jobs supported multiplied by the annual average wage plus a 25% allowance for benefits.
6. US Department of Labor, “Consumer Expenditure Survey, Southern US” 2008; factor applied to determine the rate of indirect or “downstream” expenditures on sales taxable goods and services at the local option tax rate of .0225.
7. Based upon July 2009 – June 2010 collections of Business, Alcohol, Motor Vehicle and other local taxes compared to local sales tax.
8. Property taxes on new property value created within Shelby County per each new job created in the local workforce based upon historical trend. The new property value may be new single family homes, new rental property, expansions or improvements to existing residential or commercial property. Although commercial property value is included, the residential rate of assessment is used as a conservative measure. The assessment rate of 25% and a combined City of Memphis (\$3.1957) and Shelby County (\$4.02) tax rate of \$7.2157 per \$100 of assessed value is used.
9. Based on the 2009 Average Daily Rental Rate for lodging in Memphis/Shelby County as reported in the March 2010 Memphis & Shelby County Tourism Economic Impact report from the Memphis Visitors and Convention Bureau.
10. US Bureau of Economic Analysis, RIMS II aggregate final demand multiplier for Shelby County, Tennessee for Lodging.
11. Calculation based on the current hotel/motel tax rate of 6.7% for Memphis and Shelby County, Tennessee applied to total room revenue generated.
12. Calculation based on the local sales tax option of 2.25 % for Memphis-Shelby County, Tennessee applied to all retail sales.
13. US Bureau of Economic Analysis, RIMS II aggregate employment multiplier for Shelby County, Tennessee – number of jobs created per million dollars of output for Lodging.

14. Based on the Average Daily Expenditures by a Day Tripper as reported in the March 2010 Memphis & Shelby County Tourism Economic Impact report from the Memphis Visitors and Convention Bureau.
15. US Bureau of Economic Analysis, RIMS II aggregate final demand multiplier for Shelby County, Tennessee for Retail Trade.
16. US Bureau of Economic Analysis, RIMS II aggregate employment multiplier for Shelby County, Tennessee – number of indirect jobs created per million dollars of output for Retail Trade.
17. Based upon the Average Daily Spending Per Leisure Visitor as reported in the 2008 Visitor Profile for the Tennessee Department of Tourism.

*All calculations are in constant 2010 dollars.