

# Economic Impact of Proposed Community Park

## Downtown Pensacola Waterfront

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## *Executive Summary*

The purpose of this study is to analyze the economic impact that will result from the construction and operation of a proposed maritime community park on 27.5 acres of waterfront property in downtown Pensacola, Florida. Existing market research, including financial and operational information provided by the project developer, as well as demographic data and information on infrastructure were used to estimate the economic impact of the proposed park. The construction costs and potential spending associated with operation of the facilities at the park was entered into a model simulating the Pensacola metro area economy in order to estimate the overall magnitude of the economic impact that the proposed park would exert on the various sectors of the local economy.

Initial expenditures are assumed to include site development, construction of a community park/stadium facility, as well as a 500 space parking deck, a 55,000 square foot conference/learning center, a 60,000 square foot office building, a 50,000 square foot maritime museum facility, and 34,000 square feet of retail space. Basic findings of the study are that initial project development and construction would generate about \$124 million in one-time economic impact to the two-county area, representing about 1,694 jobs and \$51 million in labor income.

Ongoing operations expenditures are driven by net new local spending resulting from relocation of the Studer Group to the office facility, operation of the maritime museum and the spending of its visitors, spending associated with the conference center, its visitors and its UWF programs, as well as facilities maintenance. These activities, explained in more detail in the body of the report, can be expected to generate on the order of \$50.6 million dollars per year in net new economic activity for the local area. This translates to about 767 net new jobs and \$24.1 million in labor income per year that would not exist in the Pensacola economy absent the development of the new facilities.

Use of standard multiplier techniques permit the calculation of total local economic impact, including total inter-industry spending, employment, and incomes associated with spending that will be driven by park activities. Economic impact of the construction and operation of the facility is estimated using the IMPLAN economic simulation model (from MIG Group, Inc.). An explanation of economic multipliers is contained in Appendix A.

## *Background*

As the Industrial Revolution wound down after World War II, a new economy started to emerge. Gone were the heavy industrial and manufacturing facilities that once reigned supreme in the US economy. As reliance on goods production declined, a transition to a technology and knowledge-based economy occurred, bringing with it a level of wealth and a job market unrecognizable to many. At a fundamental level, the new economy is about a shift from a production-based economy to a knowledge-based economy. One traditional economic driver that has been significantly affected by this economic change is waterfront property.

The historical uses of waterfront property have changed significantly in the last century. As the 20<sup>th</sup> century dawned, the waterways prospered as a place of heavy industry, such as manufacturing and shipping. As the Industrial Revolution was kicking in to high gear and World War II was on the horizon, industry and commercial transportation dominated the shorelines of US cities. After WW II ended, the heavy waterfront industry began to decline as newer technologies for the shipping and rail industry made some waterfront operations obsolete. As the waterfronts fell into disrepair from lack of cargo tonnage, other industrial uses began to fill the void. Highways, parking lots, power plants and waste water treatment plants started their predomination of city waterfronts and prevented many communities from connecting with the waterfront properties. These activities, along with increased globalization, have rendered these old

waterfronts obsolete and many have fallen victim to disuse, disinvestment and disinterest.

The growing disenchantment with city and urban life manifested itself in the escape to the suburbs during the 1950's and 1960's. As the bulk of industries that once fueled local economies declined, attitudes of waterfront usage began to change. The withdrawal of the shipping and manufacturing industries created an opportunity for new users to capitalize on the waterfront for and exploit its natural draw, ambience and downtown location. The decade of the 1970's ushered in the concept of environmental concern for public access waterways, as well as the utilization of waterfront property as a community asset. Slowly, these areas began to recognize the lost opportunity waterfronts afforded and used the forgotten asset to revitalize the downtown areas and to spur economic development. Increasingly, waterfront uses have shifted from an industrial use to a quality of life enhancer. Many cities today are discovering that urban waterfronts are huge assets and the revitalization of the properties is important to development, as well as redefining the city's image.

Recently, city leaders and private developers discovered the value of waterfront parks beyond the façade of visual attractiveness. A new market is also emerging – one that suggests people expect more meaningful experiences through authentic places that have an individuality and appropriate development. Lifestyle is promoted to attract prospective new residents and communities that have already improved their waterfront recognize that redevelopment can help enhance a civic image and boost appeal of the city as a whole. In addition to the recreational appeal, there is also an expected boost to the tax base, increased employment, improved community connections, and an enhanced environment. Some of the economic success of city waterfronts is due to the migration of wealth to the coastal communities. As the economy shifts and telecommunications improve, it is not always necessary to conduct business in the office. Because of this, many people are realizing the quality of life benefit of

living by the waterfront without having to rely on location to have successful careers.

## *Overview of Pensacola Area Economy*

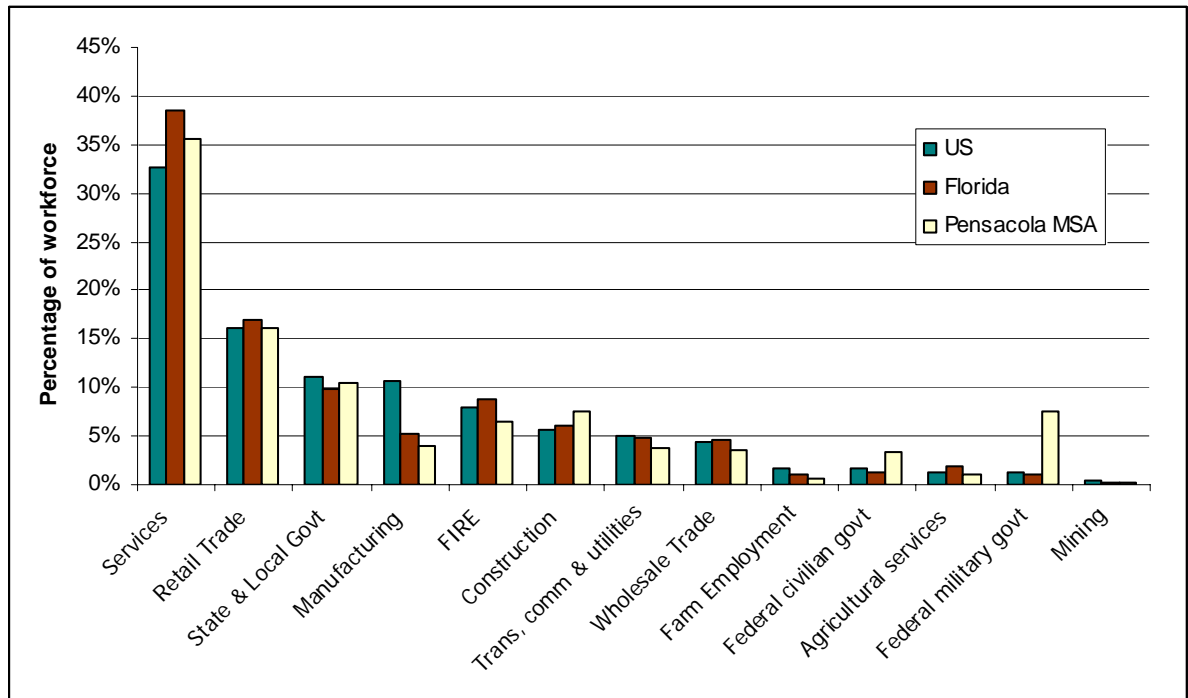
The Pensacola Metropolitan Statistical Area (MSA) consists of two counties, Escambia and Santa Rosa. Pensacola MSA had an estimated 2004 population of 437,050, with approximately 166,080 households and a mean household income of \$65,931. Average annual employment for the area is 219,390 persons. Total industry output for the MSA is approximately \$16,433,260,000<sup>1</sup>. The largest industry sector is the services sector, which employs an annual average of 78,160 persons, followed by retail trade (35,150), military/federal government (23,680), state and local government (22,800), and construction (16,380).

A review of employment data is a good way to identify and understand Pensacola's key industries. Employment data provides the number of people whose incomes depend directly on each particular industry. Employment data is also shown to provide an indication of which industries are growing and which are declining, as well as to reveal the relative importance of each industry to the local economy. Figure 3 compares relative employment by industry sector for the United States, Florida, and the Pensacola MSA. It shows the service industry employs the largest share of the MSA's workforce, and that the retail trade, government, and construction industries are also significant employers. The retail trade, military, and federal civilian sectors employ a larger percentage of the local workforce than is true for the State or Nation as a whole.

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<sup>1</sup> IMPLAN Professional Social Accounting & Impact analysis Software

**Figure 1 - Employment by Industry Sector for the U.S., Florida, and Pensacola**

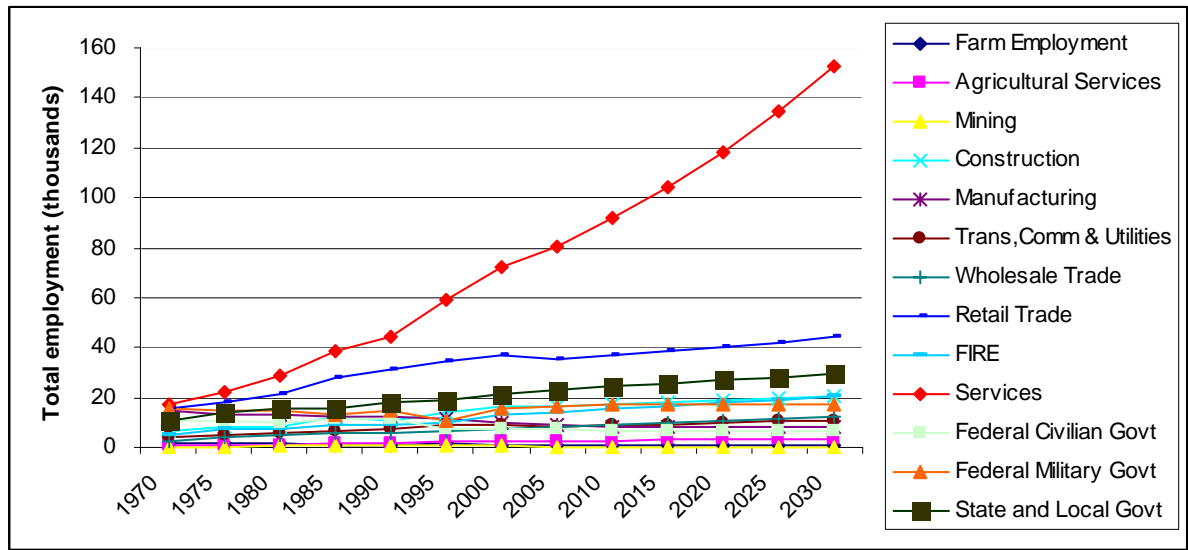


Source: Woods and Poole Economics 2004

## Employment Trends

Figure 4 below show trends in employment from 1970 to present, and projections to 2030, broken out by major industry sector. While sectors such as manufacturing, federal civilians, and transportation, communication and public utilities are projected to stay relatively stable over this period; other sectors are forecast to grow substantially, both on sheer numbers and as a share of Pensacola employment. Most notable in Figure 4 is the expansion of employment over the past few decades in services, construction, and retail trade. Each of these industries are beneficiaries of tourist spending. Growth trends in these industries are projected to continue into the next decade.

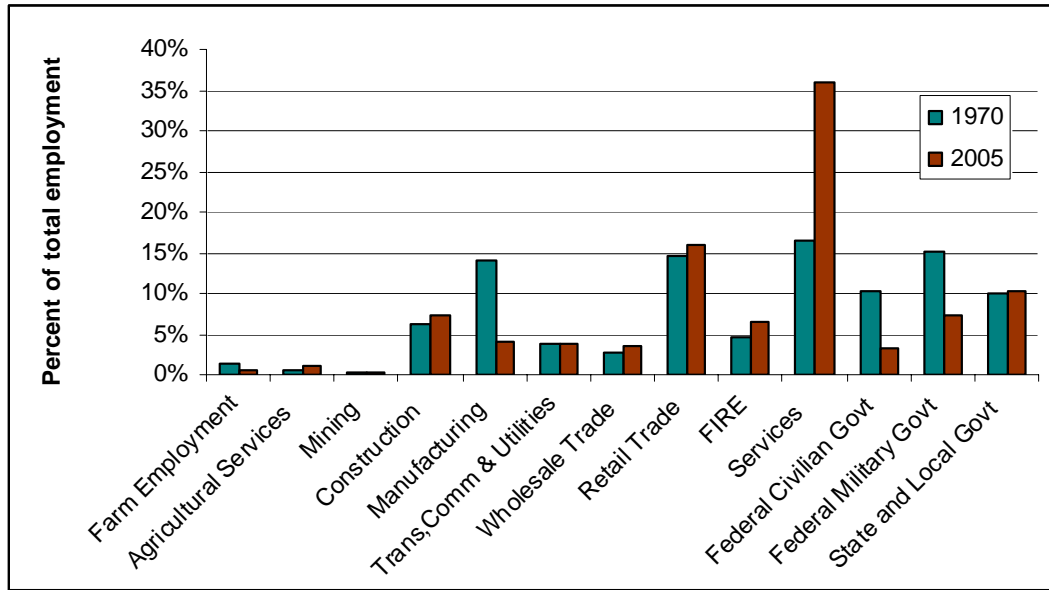
**Figure 2 - Pensacola Employment Projections Through 2030 by Industry**



Source: Woods and Poole Economics 2004

Figure 5 below shows what this differential job growth has meant for the share of MSA employment for different sectors. Here, the 1970-2005 period is shown. Over the past three decades, manufacturing employment has dropped from 14.0 percent of total employment to only 3.9 percent of employment. Meanwhile, employment in retail trade has increased over time (eating and drinking places are included under retail trade), and the share of retail in total employment has grown from 14 percent to 16 percent. The share of service employment, which includes lodging places, as well as a wide variety of business services, grew by more than half, from 16.5 percent to 36.1 percent of total MSA employment over the period. In addition, construction and finance, insurance and real estate sectors grew slightly as a share of total employment, while military and federal civilian share of total employment dropped sharply.

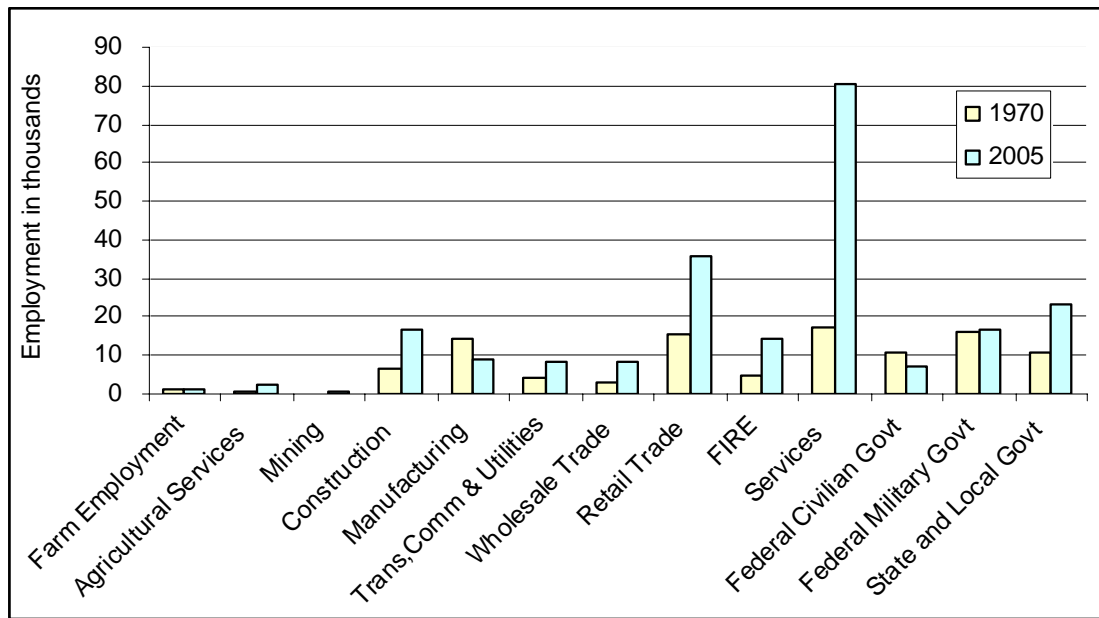
**Figure 3 - Changes in Percent of Employment by Industry Sector, 1970-2005**



Source: Woods and Poole Economics 2004

Figure 6 shows changes in the actual number of persons employed during the same 1970 through 2005 time-period for each major industry sector in the Pensacola area.

**Figure 4 – Changes in Number of Persons Employed by Industry Between 1970-2005**



## Population Trends

Changes in population and demographic composition have important implications for both public and private sector planning, and are believed to affect the demands for recreation and amusement activities.

Population and employment in the Southeastern United States are forecast to increase more rapidly than the U.S. average over the next two decades. Employment is forecast to grow at an average annual rate of 1.42 percent from 1997 to 2025 and population is expected to grow 0.99 percent per year on average in the Southeastern U.S. Florida, one of the fastest growing states in the Southeast, is expected to grow at an average annual rate of 1.31 percent from 1997 to 2025. This represents the eighth fastest projected population growth rate for any state in the nation. This 1.31 percent annual population growth rate signifies a decrease from the 1970 to 1997 growth rate of 2.85 percent a year, but is still well above the national average. Florida's strong and diverse manufacturing and agricultural economy coupled with a steady inflow of retirees provide a stable basis for population growth.

Rapid population growth in Florida has been accompanied by dramatic changes in the demographic composition of the population. The proportion of Florida's under age 15 population has declined from 26.2 percent in 1950 to 18.9 percent in 1999, while the proportion older than age 65 rose from 8.6 percent to 18.3 percent during the same time period. Florida's Black population also declined from 21.7 percent to 13.9 percent during the 1950-1999 time period.

The population of the Pensacola MSA is forecast to grow from an estimated 443,410 persons in 2005 to a projected 508,180 in 2015 (see Table 3). The proportion of Pensacola's MSA population over 65 is forecast to increase from 14.8 percent to 18.0 percent between 2005 and 2015. Working aged adults

between 20 and 64 years are expected to decline slightly from 59.3 percent of the population to 58.8 percent between 2005 and 2015, while males will remain approximately 49 percent of the population and females 51 percent.

**Table 1 - Population and Demographic Forecasts for the Pensacola MSA**

<b>Pensacola MSA Population</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>	<b>Percent Change 2005-2010</b>	<b>Percent Change 2010-2015</b>
TOTAL POPULATION (THOUSANDS)	443.41	475.02	508.18	7.1%	7.0%
AGE UNDER 5 YEARS	29.17	31.08	33.44	6.6%	7.6%
AGE 5 TO 9 YEARS	27.57	30.22	32.24	9.6%	6.7%
AGE 10 TO 14 YEARS	29.86	28.74	31.53	-3.7%	9.7%
AGE 15 TO 19 YEARS	34.29	32.14	30.95	-6.2%	-3.7%
AGE 20 TO 24 YEARS	36.14	37.06	34.74	2.5%	-6.2%
AGE 25 TO 29 YEARS	27.81	36.87	38.04	32.6%	3.2%
AGE 30 TO 34 YEARS	27.09	28.88	38.38	6.6%	32.9%
AGE 35 TO 39 YEARS	28.22	27.97	29.88	-0.9%	6.8%
AGE 40 TO 44 YEARS	33.81	29.26	28.97	-13.5%	-1.0%
AGE 45 TO 49 YEARS	33.75	34.66	30.04	2.7%	-13.3%
AGE 50 TO 54 YEARS	29.70	34.59	35.56	16.5%	2.8%
AGE 55 TO 59 YEARS	26.17	29.87	34.81	14.2%	16.5%
AGE 60 TO 64 YEARS	20.20	25.21	28.83	24.8%	14.4%
AGE 65 TO 69 YEARS	19.32	22.05	27.60	14.2%	25.2%
AGE 70 TO 74 YEARS	14.14	17.46	19.97	23.5%	14.4%
AGE 75 TO 79 YEARS	12.38	12.54	15.55	1.3%	24.0%
AGE 80 TO 84 YEARS	8.04	9.41	9.52	17.0%	1.2%
AGE 85 YEARS AND OVER	5.76	7.03	8.16	22.1%	16.1%
WHITE POPULATION (THOUSANDS)	338.03	357.42	377.43	5.7%	5.6%
BLACK POPULATION	78.97	87.86	97.45	11.3%	10.9%
HISPANIC POPULATION	11.24	12.79	14.56	13.7%	13.9%
POPULATION 0-17 YEARS	106.03	108.34	115.38	2.2%	6.5%
POPULATION AGE 18-24 YEARS	51.00	50.90	47.51	-0.2%	-6.7%
POPULATION AGE 65 YRS AND OVER	59.63	68.48	80.79	14.8%	18.0%
NUMBER OF HOUSEHOLDS	168.96	183.14	197.30	8.4%	7.7%

Source: Woods and Poole Economics 2004

### *Project Description*

The project calls for a multi-use community park on Pensacola Bay. The park will include a conference / continuing education center, a maritime museum and

research facility, a public green space six times larger than Seville Square, and a 3,500-seat multi-purpose stadium.

**Figure 5 – The Proposed Park**



Project details include a Community Park providing more than a half-mile of uninterrupted waterfront access; multi-use facility for sports, cultural, festival, and other community events; maritime museum and research facility; maritime museum dock facility for tall ships, research ships and visiting vessels; community conference/continuing education center; retail and office space and a multi-use stadium that will house the Pensacola Pelican's baseball team.

**Table 2 – Site Specifics**

<b>Site</b>	<b>27.5</b>	<b>Acres</b>
<b>Private Development - retail</b>	<b>34,000</b>	<b>SF</b>
<b>Community Park</b>	<b>3,500</b>	<b>seats</b>
<b>Parking Deck</b>	<b>500</b>	<b>spaces</b>
<b>Conference / Learning Center</b>	<b>55,000</b>	<b>SF</b>
<b>Office Building</b>	<b>60,000</b>	<b>SF</b>
<b>Maritime Museum</b>	<b>50,000</b>	<b>SF</b>

The project is expected to cost a total of \$70.7 million with some \$39.6 million in public funding and \$31.1 million in private funding. Some \$65 million of that total cost is projected to be expended in construction and related fees for the new community assets.

## *Project Components*

### Baseball

A major use proposed for the Trillium property is the construction and operation of a new baseball field as a home for the Pensacola Pelicans, a member of the Central League. In terms of economic impact, a baseball team can be characterized as a multi-product firm that provides access to baseball, the ball field and its services, and any corresponding goods such as concessions that may have increased value when consumed at a ball park. In addition to the quantifiable economic impacts associated with the proposed baseball stadium, there are also numerous intangible benefits. These benefits include the contribution the presence of professional sports makes in the improved quality of life for residents by providing additional entertainment options. Benefit flows also include the availability of professional athletes who may become involved in community outreach activities. The new stadium could provide a plethora of social, cultural and sporting events that would not occur in the area without its existence. Local economic development efforts may also benefit from the increased publicity and name recognition the community would receive due to

advertising by the team, and television and newspaper reporting on team activities. Each of these contributions has a significant but difficult to measure economic impact on the regional economy, which was not included in this analysis.

While the benefits are numerous, there are also some risks involved. For example, research suggests that a baseball field has little economic impact. This is because team revenues are considered modest compared to a metropolitan economy. Much of the revenue generated by the team might have instead been spent on other entertainment if the baseball team were not present. This is considered to be “substitution”, where spending on one activity merely replaces spending on other activities. Therefore, the present analysis attempts to incorporate only net new spending in the region that would not have been here otherwise. We do this by looking only at likely tourism-related attendance, where the dollars spent for baseball entertainment would probably not have been spent in our MSA otherwise.

The Haas Center has previously performed a study of the likely economic impact of a proposed stadium and operation of an AA baseball team to have been located in Walton or Okaloosa County. In calculating the impact of the Pelicans, we use the figures generated in the previous study for several categories, including annual stadium operating expenditures (maintenance, utilities, staff, insurance, equipment and supplies), annual stadium operating revenues (gate, concession and parking receipts, advertising revenues), the annual home team operating budget (player salaries, manager, coaches, and trainer salaries, office and game staff salaries, other team personnel salaries, maintenance and supplies), and annual spending by visiting teams (team and staff food per diems, lodging, umpires and transportation). Here we assume that spending for the Central League Pensacola Pelicans in these categories would be approximately 60% of the total spending associated with the AA team. Further, we assume that approximately 60% of this total spending would represent net new spending for

the economy. Given that the season for the Central League coincides with the peak tourism season in Pensacola and that the stadium is proposed for the waterfront, this assumption is reasonable.

The net new local spending for baseball operations is likely to have an annual economic impact for the local economy of \$2.1 million dollars, \$724,000 in income and 43 jobs relative to a situation where the Pelicans did not play in Pensacola.

### Conference Center

The proposed conference center as part of the new park should help draw conventions and trade shows to Pensacola, creating a positive economic impact to the area. However, the kinds of events drawn to a convention center are as significant as the level of occupancy to the center's economic impact. Centers can be used for traditional conventions, which draw organization members to a city from across the country, or with tradeshow, which demonstrate new products or services to an industry and draw fewer out-of-town visitors. The difference between generating attendance and actually increasing economic activity is crucial. Furthermore, convention centers alone do little to create jobs or induce spending. The impact is indirect and depends on the number of people they attract, how long those people choose to stay, and how much they ultimately spend. An even flow of convention attendees will create a sustained economic impact, which is more advantageous to the service establishments in the vicinity of meeting facilities.

Although the even flow of convention goers is a way to create positive economic impact, the larger economic impact comes from the overnight visitor. For example, if a center is filled with national conventions it draws visitors who occupy hotel rooms and spend their dollars in restaurants and shops. But if the center is filled with local events or consumer shows, and it may attract large

numbers of area residents who drive in for part of the day, and might spend money on lunch. The out of town guests will spend money on hotels, taxis, restaurants, souvenirs, and assorted retail goods.

In the Pensacola area, the tourism infrastructure is already in place. This will prove to be a draw to the convention center and will maximize the economic impact of out of town visitors. Frankly, there is no amount of national meeting boom that would bring convention goers to a poorly located or objectionable center, while a superior destination may survive even in a highly competitive environment. Therefore, other attractions besides the meeting facilities, such as the beaches, are also necessary to create interest in the community as a destination. Convention planners have varying motivations for choosing convention centers. Essentially, the convention location should serve as a retreat to “get away” because of the unique community draw. It should also be conveniently located to lodging facilities, local amenities, transportation and airport access.

Here we assume that the conference center will have approximately 27,000 square feet of exhibit space and total floor space of 55,000 square feet. It is likely to draw on the so-called SMERF (social, military, educational, religious and fraternal) regional marketplace, as well as replacing the functionality lost with the destruction of the Bayfront Auditorium. The economic impact estimates given below are based on a study done by Leisure Management International (LMI) for the new Okaloosa County Conference Center. The Okaloosa facility is somewhat larger, at 88,000 square feet, but is intended to draw upon much the same market. LMI estimated that the Okaloosa facility would generate 319 events per year, drawing some 291,000 patrons. If the Pensacola facility drew a proportionate number of both events and patrons, we could expect some 200 events annually drawing some 182,000 patrons. This is likely to be conservative, given the intended use of the facility by the Studer Group to host their healthcare management seminars.

Following the model suggested in the LMI analysis, the Pensacola Conference Center would generate an approximate annual impact of \$6.1 million in net new local spending, with 92 new jobs and approximately \$2.7 million in labor income annually.

### Corporate Relocation

Another bonus to the proposed maritime park is the relocation of Quint Studer's corporate headquarters of the Studer Group to the park. The impact of the corporate relocation closely mirrors the impact of a new business in the Pensacola area because it is the process of creating greater wealth within a community by bringing in new "outside" dollars. As part of the corporate relocation, there will be new construction that will directly inject money into the local economy, jobs that will shift to the Pensacola area and an increased tax base for the citizens.

In addition to housing Studer Group corporate employees, Quint Studer will begin to host the health-care training seminars that are currently located all over the country. This will increase visitation to the area as the seminar attract attendees from throughout the country, and their associated spending at restaurants, hotels and shops. Currently, Studer Group programs are responsible for between 4,000 and 8,000 room nights per year, along with approximately \$1,000,000 in annual catering revenue.

The likely economic impact attributable to the Studer Group activities includes the movement of some 80 high-wage employees from around the country to be based in the Pensacola metro area. This wages will generate a local economic impact of approximately \$12.4 million per year, creating some 134 jobs and \$3.5 million in labor income above and beyond the 80 jobs and \$8,000,000 in wages brought to Pensacola by the Studer Group.

## The University of West Florida

Universities operate as economic generators. They provide broad-based education and training to citizens, train youth for the jobs of tomorrow, help people retrain to meet new job challenges, aid in the transfer of technology from pure research to applied research to practical applications and preserve and extend cherished social and cultural values. The impact of these processes is achieved through the process of providing education, research, and private and public service, which has a dramatic fiscal and employment impact; the process of working directly and indirectly with business and government in the creation of economic and social goods; and in the creation of human capital which impacts directly on the economic growth of a region.

In addition to the quantifiable economic impact associated with a university, there are also numerous intangible benefits. These benefits include the contribution that universities makes in the generation of a well educated, knowledgeable, and skilled work force at relatively low search cost to regional employers in the public and private sectors. Benefit flows also include the availability of professional consulting services, computer and library services, tutoring, seminars, conferences, and workshops hosted by university faculty and staff on a pro bono basis or at minimal cost. University faculty and staff also participate in meaningful ways with numerous regional organizations in community outreach programs. A plethora of professional, social, cultural, and sporting events would not occur in an area without the support and direction of a university.

Courses are proposed across the UWF curriculum to take advantage of the new facilities at the Maritime Park. It is likely that the presence of new programs and new course offering in exiting programs will generate substantial net new enrollment in UWF's downtown programs. UWF administration assessment of likely student demand shows a head count of 150 additional graduate students,

each taking courses on a half-time basis, and a head count of 50 undergraduate students, each taking an average of 24 credit hours per year. Using current funding formulas, these student credit hours generate revenue of \$1.7 million per year. The total local economic impact of the tuition and fees generated by these student credit hours would be approximately \$3.5 million annually, along with 71 jobs and \$1.8 million in labor income.

A more complete analysis would capture additional impact of the contributions due to the difference in earnings between university graduates and non-graduates. Reflected in the earnings differential is the increased productivity and value to a community that a university graduate offers. Therefore, the present value of this lifetime earnings differential could be calculated for UWF graduates who have stayed in the area. However, since it is not known at this time the share of out-of-region versus local students, nor the percent likely to stay in the area after finishing their degree, we have not done such a calculation in this study.

### Maritime Museum

Tourism has long been an important contributor to the Pensacola regional economy. According to the Travel Industry of America, tourism contributed \$555 billion to the U.S. economy in 2001, making it the country's third largest retail industry behind automotive dealers and food stores. Travel and tourism provided more than 7.9 million jobs nationwide, and indirectly supported another 9.2 million.<sup>2</sup> Tourism is a primary focus of economic development efforts nationwide, with 44% of local governments reporting that tourism revenues are “important” or “very important” relative to other local industries<sup>3</sup>. It is in fact the first, second or third largest employer in 29 states.

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<sup>2</sup> Travel Industry Association of America, Bureau of Economic Analysis/U.S. Department of Commerce @ <http://www.tia.org/travel/EconImpact.asp>

<sup>3</sup> *Tourism-Based Economic Development Activities in Local Governments*, International City/County Management Association, 1996.

Heritage tourism has recently gained recognition as an important element in the overall tourism impact. The National Trust for Historic Preservation defines heritage tourism as “traveling to experience the places, artifacts and activities that authentically represent the stories and people of the past and present.” In the past decade, heritage tourism has attracted more attention and interest in the tourism industry. This is because the economic potential is significant, not only to attract more visitors to lesser-known locations but also to increase the spending generated from existing or new visitors. According to a recent study by the National Trust for Historic Preservation, 46 percent of Americans planning a pleasure trip include a visit to a historic site on their itinerary. The Travel Industry Association of America reports that people who engage in historic and cultural activities spend more, do more, and stay longer than other types of U.S. travelers, making them an attractive market to target. While the average U.S. traveler spends \$457 and 3.4 nights away from home per trip, visitors to historic and cultural attractions sites spend \$631 and 4.7 nights. Recent surveys also indicate that length of stay for heritage tourists is increasing. The percentage of travelers who added one or more nights increased significantly between 1998 and 2000 – from 49 percent to 57 percent. Those heritage travelers staying two or more extra nights increased from 9 percent to 26 percent. The American heritage traveler is also older, better educated, and more affluent than other tourists. Visiting historic and cultural sites is one of the most popular tourist activities today for families with children, seniors, travel groups, and even international visitors. Nationally in 2001, visiting historic and cultural sites ranked second to shopping in the list of activities that tourists engaged in while on vacation. Baby boomers represent the largest age segment in this market. International visitors to the U.S. are also interested in America’s heritage, with one of three visiting a historic or cultural attraction during their vacation. Benefits that accrue to communities that promote cultural heritage tourism include the diversification of their local economy, the preservation of their community's unique character, and the enhancement of their community pride.

With its rich maritime heritage, a maritime museum in Pensacola could tap into this growing area of tourism.

The Haas Center recently used a telephone survey to learn about operating characteristics at maritime museums across the country. Museums ranged in attendance, size and activities, with the most well-attended being the National Maritime Museum in Norfolk, VA. The average annual number of visitors at the museums providing visitor numbers (n = 9) was 97,000, ranging from a high of 400,000 per year at the Norfolk facility to a low of 8,000 at the Savannah facility. However, the median number of visitors was smaller at 65,000 and San Diego, which was the second most visited facility, had 150,000 visitors per year.

For those museums that could make an estimate of the percentage of local versus non-local visitors (n = 6), about 77% of visitors were thought to be non-local. Museum size, measured in square feet, varied substantially across responding museums, from 125,000 square feet for the Norfolk facility to three ships and a lighthouse for the Baltimore facility to 3,000 square feet plus assorted outbuildings (Westport, WA). The amount of capital invested in these facilities was typically not known by the facility managers. The date that the museum opened varied from 1948 to 1997, with a median year of opening of 1976, thus, the average age of the museums is from 25 to 30 years.

Of the ten museums that provided data on their revenue sources, the sources of revenue mentioned most often were:

- Admissions (9 mentions)
- Donations and fundraising drives (5 mentions)
- Memberships (3 mentions)
- Grants (2 mentions)
- Gift shop (2 mentions)
- City support (1 mention)
- Income from rental use of facility (1 mention)

The median admission fee (n = 10) for adults was \$6.50, with the median for children of \$3.00. Annual operating budgets ranged from \$70,000 to \$4 million and yielded average costs per visitor in the \$6 to \$15 per visitor range.

Each museum contact was asked to assess what their most successful program has been. Of the nine museums that responded to this question, four mentioned education programs, either directly with schools or via boy and girl scout programs. Three specifically mentioned shipbuilding (modern yachts and historic programs) or historic ship refurbishment programs. Two others mentioned boat shows, including tall ships and classic wooden boats. Other mentions were for the USS Wisconsin display, a submarine display, a scrimshaw program and a lighthouse walk.

Museum contacts were less willing to discuss what they considered to be difficult or unsuccessful programs, but examples included: a fine arts show, tours of neighboring maritime cities, capital campaign to build a tall ship and a raffle.

When asked what factors contribute to museum success, contacts responded that location makes a positive difference, with two saying that being in a tourist town helps and three saying that being on the waterfront draws visitors. Challenges were in finances and available space (to support operations) and in visibility (respondents felt that visitors had little leisure time and lots of options to choose from).

The proposed Maritime Museum will have many of the programmatic activities mentioned above, will be located on or near the waterfront, and, perhaps most importantly, will feature free admission. Because of these features, we assume that visitor numbers at Pensacola's Maritime Museum will likely exceed the figures for San Diego and approach the attendance of the Norfolk facility. Economic impacts are calculated using a baseline visitation figure of 350,000 visitors per year, of whom 77% are assumed to be non-local. Using tourism

spending figures generated by Haas Center surveys of area visitors, it is calculated that direct spending by out-of-town visitors will likely total \$6.9 million per year.

We estimate that this visitor spending will inject about \$5.2 million in direct spending each year that stays in the local economy (allowing for “leakages” such as spending that flows out of the region as retailers bring their product to market). When the total impact of this direct visitor spending is considered (i.e., when taking the “multiplier effect” into account), approximately \$7.9 million in total spending will be generated each year in the two-county region. About 126 jobs will be directly or indirectly supported by maritime museum-related visitor spending in the regional economy along with annual incomes to area workforce totaling approximately \$3.0 million.

Annual operations of the Maritime Museum are assumed to be supported by sales at the Museum shop, rental of classroom and other space, and by donations. Based on surveys of other maritime museum facilities and assumed attendance, it is likely that the annual operating budget of the Museum will be on the order of \$2 million per year, with about half in salaries and half in utilities, supplies and materials. It is assumed that the museum will be self-financing through the revenues mentioned above and the use of volunteer docents, along the lines of Pensacola’s National Museum of Naval Aviation. The annual local economic impact of museum operating expenditures will be approximately \$3.6 million in economic activity, supporting 75 jobs in the museum and the local supply chain.

## *Additional Impacts*

Annual spending flows will also be needed to support maintenance of constructed facilities. These are assumed at \$7 per square foot per year, yielding a total spending flow of \$1.46 million per year for the office, retail, conference and museum areas. The multiplied local economic impact of this maintenance spending will be approximately \$2.9 million per year, creating 79 jobs and \$1.4 million in labor income.

The presence of the approximately 35,000 square feet of retail space can be expected to generate about \$10.5 million per year in additional retail sales, using standard industry figures of \$300 per square foot per year. Here we assume that 50% of these retail sales represent net new sales for the local economy and do not represent substitution from other shopping areas in the local economy. Using national averages for sales per employee in retail establishments there will be approximately 53 new jobs created to meet the net new local sales need in the retail establishments associated with the maritime park. When the multiplied effect is considered, there will be 67 total jobs associated with \$4.1 million in net new local spending, along with \$1.3 million in new labor income.

## *Appendices*

### Appendix A – Understanding Multipliers

There are several key concepts that must be used to get a correct estimate of the total economic impact arising from tourism spending. One of these is a regional purchase coefficient. The Regional Purchase Coefficient (RPC) represents the proportion of local demand purchased from local producers. For example, an RPC of 0.25 for a given commodity means that for each \$1 of local demand, 25% will be purchased from local producers. RPC's are based on the characteristics of the region and describe the actual trade flows for the region mathematically. The greater the RPC, the greater the level of local economic activity that is occurring, and the larger the economic multiplier will be. The RPC's used in this study indicate the percentage of visitor spending that occurs within the Pensacola MSA. Spending that occurs outside the Pensacola MSA is not included in the reported economic impacts.

Another key concept of impact analysis is the price margin that separates wholesale from retail prices. Since this analysis involves retail prices in some spending categories and wholesale prices in others, the total spending (final demand) values needed to be subdivided into either retail or wholesale prices. Wholesale prices are those paid in business-to-business transactions, retail prices are those paid at the consumer level. Margins represent the difference between producer and purchaser prices. Margining assigns direct expenditures to the correct industry sector multipliers by splitting a purchaser price into the appropriate producer values. In this study the dollar value of impacts resulting from purchase by retail consumers are split appropriately so as to capture the portion going to the retailer, to the wholesaler, to transportation providers, and to the manufacturer.

Economic impact analysis describes the effects of tourism using economic measures such as spending, employment, labor income, and tax revenue.

Economic activities such as tourism generate spending in our local area, and cause jobs to be created that pay income to area residents and generate tax revenue that flows to government. However, quantifying these effects can be difficult, and the calculated economic impact should be considered an estimate based the best information available at the time.

Conceptually, the total economic impact of an event can be separated into three different types of effects. First is the direct effect of spending; which is the impact of new spending on first tier suppliers. Thus, ten dollars spent by a visitor at a local restaurant counts as a direct effect of ten dollars. This direct spending has the advantage that it can be counted relatively easily, but it does not capture the “multiplier effect” of the additional economic activity set in motion by the purchase of the meal.

To the direct effect must be added the indirect effect of spending. In order to produce the ten-dollar meal, the restaurant must purchase certain inputs from other businesses. To the extent that these inputs are local, these purchases represent additional local spending. For example, the restaurant may purchase two dollars worth of food inputs from the local produce market for every ten-dollar meal sold. The produce market may have paid a local farmer one dollar for the goods that are then sold to the restaurant, and the farmer may have paid 10 cents for local inputs into the farm. The indirect effect measures the cumulative local purchases from other businesses that are generated from the ten dollars spent on the meal. Because much of this spending goes either immediately or eventually to businesses outside of Pensacola, the indirect effect tends to be smaller than the direct effect. A reasonable estimate of the indirect effect of a ten-dollar meal might be five dollars.

To the direct and indirect effects must be added the induced effect, which measures the additional spending that occurs across the economy because of the income paid by all of the businesses involved, directly or indirectly, in

producing the meal. There is a flow of wages received by the waiters, cooks, produce store clerks, and others who play a part in putting that meal in front of the visitor. These people receive most of those wages as take-home pay, and they spend most of that take-home pay and save some. To the extent that their spending generates jobs in the local economy, there is additional economic impact attributable to the meal. However, much of that pay may go to a mortgage or car payment that leaves the local economy. In fact, most of the grocery store spending will leave the local economy to pay for food produced elsewhere in the country. But the part that pays the local banker administering the car loan, or the clerk at the local store, or other local employees, represents a local economic impact of that ten-dollar meal. A reasonable value for the induced effect might be three dollars.

Thus, the total local economic impact of the ten dollar meal would be eighteen dollars, representing the initial purchase (the direct effect), plus the local purchases made from other businesses in producing the meal (the indirect effect), plus the local purchases resulting from the spending by households who received wage income while producing the meal (the induced effect). Here, “the multiplier” is said to be 1.8, meaning that every dollar spent on that category (restaurant meals) has a total impact of \$1.80 on the local economy, once the direct, indirect and induced effects are accounted for.

The multiplier effect can also be seen in the number of jobs created by visitor spending. The number of jobs created includes those employees working directly in businesses that serve visitors, people working for companies that support operations of these businesses, and those who become employed as a result of the wage base associated with the tourism industry locally.

In order to say that the multiplier is 1.8 (versus some other number like 1.2 or 3.7), the U.S. Department of Commerce, Bureau of Economic Analysis, uses actual historical data, specific to each county in the country, to describe how

goods and services are produced in each county. These tables show the amount of inputs from other industries used to produce a dollar's worth of output in a particular industry. A number of commercial firms have elaborated on these tables and used them to produce software that models these economic relationships. This analysis uses IMPLAN economic impact software that has the power to create county-specific estimates of the economic effects of any specific policy initiative. The range of policy variables allows the user to characterize the policy to be evaluated, while the structure in the model helps the user to interpret the economic and demographic effects.