

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: see below

DATE: December 14, 2005

SUBJECT: ECONOMIC IMPACT OF DOWNTOWN ENTERTAINMENT AND CULTURAL EVENTS

Downtown San Jose is the creative urban center of Silicon Valley, unique among other city and neighborhood centers for its concentrated, extensive mix of cultural and entertainment attractions, convention/meeting facilities, hotels, restaurants, workplaces, residential options, public spaces, and the university.

In this setting, Downtown Entertainment and Cultural Events are important for several reasons.

- *Build community strength and identity*—entertainment and cultural events can help celebrate the people of this community, connect them to each other, and build local pride
- *Drive economic impact*—entertainment and cultural events can help drive economic impact directly by attracting outside visitors and stimulating new spending locally
- *Drive repeat business*—entertainment and cultural events can introduce people to the Downtown, who may like what they see and return again in the future to patronize businesses, attractions, and events
- *Raise community profile*—entertainment and cultural events can shape a community's identity beyond the local community—for example, how San Jose is perceived in the Bay Area, nationally, or internationally.

Any individual event may bring multiple benefits to the community.

What Drives Economic Impact

In general, the key factor driving economic impact is the degree to which the event or attraction attracts visitors from outside the local area, who stay in hotels. Spending by visitors who live outside the local area (i.e., tourists and travelers) brings 'new dollars' into the area, which are then circulated locally. In this respect, spending by outside visitors is similar to a 'Driving Industry' company that brings new money into the local economy earned from sales outside the local area.

Typically, visitors coming from outside the area who stay overnight in a hotel or local residence, spend more money per day than locals. “The San Jose Visitor Study: Market Profile and Economic Impact FY 2003-04 Report” conducted by SJSU found that visitors in San Jose for conventions, trade shows, and business travel spend on average, \$141 per day. Day visitors spend, on average, \$58 per day. Visitors staying in private homes also have much higher spending patterns than local day visitors.

Type of Visitor to San Jose	Spending Per Day
Visitors Staying in Hotel	\$141/day (including hotel)
Visitors Staying in Private Homes	\$111/day
Day Visitors	\$58/day

The study showed that in FY 2004, San Jose attracted 4.03 million day-only visitors, and 2.7 million business travelers and tourists who stayed overnight. The total impact was \$1.157 billion in spending, and \$1.193 in direct, indirect, and induced economic impacts on the San Jose economy.

Inventory: Visitor Generation

Staff created an inventory (attached) showing the number of visitors and room nights generated by major events, venues, and attractions Downtown. Observations:

- San Jose has six events, four public venues, and five cultural attractions that draw 100,000+ people each to Downtown annually.
- Most current “Cultural Events and Festivals” do not generate significant hotel roomnights. Tahiti Fete dance festival, which attracts a significant share of its participants from across the nation and from other countries, is the exception.
- San Jose’s “Major Cultural Attractions”, at this point in their development, attract primarily locals and day visitors. The Tech Museum and Art Museum estimate that about 20% of their visitors are from outside the Bay Area.
- Of the Major Public Venues, the Convention Center attracts more than 400,000 people and generates more than 111,000 hotel nights. The HP Pavilion attracts more than 1.6 million people annually to Sharks games and to other performances and events.
- New Events and Attractions are poised to generate 60,000 new hotel roomnights—a 40% increase over the previous 143,000 roomnight base. These include the San Jose Grand

Prix, the ZeroOne Festival, the Rock N Roll Half Marathon, the Tour of California, the SJMA expansion, and Living Tomorrow San Jose (ENA stage).

Measuring Economic Impact

Some of the Downtown Events and Festivals have developed various measures of economic impact, based on their number of day visitors and overnight visitors (hotel stays). The Jazz Festival, for example, estimates the economic impact of their 2005 festival at \$6.6 million. The Grand Prix economic impact estimate is \$23 million.

The Office of Economic Development is preparing an RFP for assistance in developing a standardized “Economic Impact Tool” that could be used across multiple events, festivals, and venues to develop impact estimates. This tool would build on and integrate with surveys and calculations completed previously by the Convention and Visitors Bureau and the San Jose Sports Authority.

Since original survey research is difficult and expensive to conduct for every unique event or venue, the model will likely draw on per-visitor spending benchmark surveys completely intermittently.

Discussion

It is important to recognize that events, festivals, and attractions serve difference purposes, including but not limited to direct economic impact.

That point aside, the City and its partners can do more to generate increased spending by overnight and day visitors to Downtown. Strategic investment in new events and attractions, and in evolving the models for existing events and attractions, can develop a stronger portfolio of activity that truly drives economic activity Downtown and an even better return on investment.

PAUL KRUTKO
Director, Office of Economic Development

Visitor Generation: Major Downtown Events, Venues, and Attractions

	Annual Visitors	Annual Hotel Roomnights
Cultural Events and Festivals		
Christmas in the Park	400,000	375
Tapestry Arts Festival	175,000	300
San Jose America Festival/Fireworks	175,000	150
San Jose Jazz Festival	155,000	550
Holiday Parade	100,000	130
Tahite Fete	6,000	1,500
Cirque Du Soleil	95,000	
Cinco de Mayo Festival/Parade	95,000	25
Cinequest Film Festival/Cinema San Pedro	73,500	750
Music in the Park Series	49,000	
Downtown Ice	40,000	
Fiestas Patrias Festival/Parade	40,000	
Music in the Other Park Series	22,000	
	1,425,500	3,780
Major Public Venues		
Convention Center	405,345	
Convention Center: Conventions/Tradeshows	100,000	
California Theater	56,410	
Center for the Performing Arts	239,794	
Montgomery Theater	31,706	
SJSU Event Center		
HP Pavilion		16,324
Sharks	744,799	
Other Pavilion Performances/Events	887,663	
	2,465,717	16,324
Major Sporting Events (not included in Pavilion or Convention Center)		
San Jose Grand Prix	153,000	5,500
Major Cultural Attractions		
Tech Museum of Innovation	410,000	4,100
San Jose Museum of Art	200,000	
Repertory Theater	102,000	
Children's Discovery Museum	300,210	
	1,012,210	4,100
Major Private Venues/Attractions		
Camera 12 Cinemas	174,013	
Improv	85,000	
	259,013	