



The Shane Lalani Center for the Arts AN ECONOMIC IMPACT ANALYSIS 2018



Prepared by:
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General Project Description

This analysis seeks to measure the economic and social impacts of the ***Shane Lalani Center for the Arts*** in Livingston, Montana. The Shane Center is a multi-use complex that serves entertainment, art, trade, retail, athletic and education needs of the Park County region. In 2018, more than 58,000 guests attended events, classes, activities and entertainment performances.

The Shane Center is dedicated to fostering creativity and building community through various arts programming, classes and events. The mission of the Shane Lalani Center for the Arts is to strengthen community through participation in the arts.

The Shane Center is home to a thriving theatre company – mounting top-notch community theatre productions, classes, educational outreach programming for area schools and the Young Actors' Workshop each August. In addition, The Shane Center offers access to a variety of short and long-term rental spaces available for a wide range of artistic endeavors and community events. The Shane Center is home to the Dulcie Theatre, a 165 seat auditorium; a ballroom with attached catering space; the Mike and Eve Art Rehearsal Hall and the Movement Room all available for public use. The Shane Center also has a diverse group of long term tenants that can be found on the tenant directory page.

In striving to bring the community together through the arts, The Shane Center is committed to excellence, inclusiveness, and affordable access to programming and facilities.

This Study is funded in part by a grant from NorthWestern Energy.

Definitions and Methods

Typically an economic analysis uses input/output modeling to generate an impact report but there is a growing realization that some local community assets are also significant economic ‘engines’ and innovative analytic solutions are best used to value their contributions. “Place Makers’ is the term that currently describes the economic opportunity generated by art-centers, fairgrounds, event centers and other community-supported facilities that produce a broad mix of civic and economic benefits. This study used software technology and proprietary processes to supplement the resources of a traditional impact analysis.

The economic analysis is divided into six reports as described below. The Gross Economic Output report reflects the project’s total economic benefit including all direct and indirect benefits. The total includes benefits that occur within and without of the project area.

The Gross County Product represents the economic benefit that is retained in the local area. Total Labor Income, Capital Income and Indirect Business Taxes are subsets of the Gross County Product. When added together, labor income, capital income and indirect taxes roughly equal the Gross County Product.

1. **Gross Economic Output:** The aggregated market value of goods and services produced by businesses and government enterprises in the economy. It is essentially equal to the revenue collected by businesses (including indirect taxes) within the County or impact area.
2. **Gross County Product:** The total of value added created by the production of goods and services in the economy. It represents the sum of labor compensation, capital type income and indirect business taxes. Gross County Product is best described as new money added as a result of the combined activities of this project.
3. **Total Labor Income:** The compensation to employees and self-employed proprietors including both wages and indirect payments such as retirement benefits, health insurance and other similar fringe benefits.

4. **Total Employment:** The number of jobs generated within the impact area including full-time and part-time positions, salaried workers and sole proprietors.
5. **Capital Income:** The sum of income such as business profits, interest and rental income. Capital Income is best described as non-labor benefits.
6. **Indirect Business Tax:** Taxes and fees not based in the businesses' income. It may represent sales taxes (if any) levied by the state and county and also property taxes levied against businesses as well as federal, state and local fees.

Background and Methodology:

The analysis seeks to measure the economic impact of the Shane Lalani Center for the Arts including both direct and indirect operational impacts that derive from its operations and investments. Information relating to the annual budget, active projects, vendors and estimated tenant sales were provided by The Shane Center. The facility, like most nonprofits who make space available to tenants, does not have the resources to gather detailed information on vendor sales. This study however; applied best-practice methods to project these revenues and their economic benefits.

This study also seeks to measure the economic benefits to the local area of the more than 58,000 annual visitors to The Shane Center who spend money at local hotels, restaurants and retail stores. The Shane Center estimates that 20% of the visitors arrive from outside the area. The analysis used available data to conclude that an out-of-area visitor unit is 2.2 people and the average daily expenditure for a visitor unit is \$150; note that no expenditure estimates were applied for local attendees. The study then used findings from the Institute of Tourism and Recreation Research, [2017 Nonresident Visitation, Expenditures & Economic Impact Estimates](#), Kara Grau, which helped to estimate how the visitor expenditures might be distributed in the economy.

The Shane Center also houses retail spaces, studios, and cafe operations which combined generate more than \$440,000 in annual revenues.

It also hosts many events throughout the year that produce vendor sales. In most instances the vendor sales are earned by third parties but because the community recognizes an economic benefit they are included in the analysis. In preparing this analysis it was not possible to capture either the total tenant sales or vendor revenues attributable to The Shane Center and likely the measured impacts are understated.

Lastly The Shane Center has a current capital improvements program and a projected capital program. Both of these programs are included in the analysis.

The report that follows represents a broader view than direct expenditures or employment. For example the analysis measures the economic “footprint” as dollars multiply inside and outside of the market area and includes both direct and indirect impacts. This analysis seeks to quantify the economic benefits to the project area. The results of this report are based on datasets that are historically-representative of the economic impacts.

About the Northern Rocky Mountain Economic Development District

The Northern Rocky Mountain Economic Development District has prepared economic impact reports for state agencies, cities, counties, economic development districts and private corporations.

Each report is based on datasets that are specific to the project's location and unique industry sectors. Rob Gilmore, the report's author has more than 15 years' experience analyzing projects and is recognized for his work in creating solutions that monetize social impacts.

Rob is the recipient of the Ford Foundation's Award for Innovations in American Government and the Council of State Government's Award for Innovation.

Summary of Economic Impacts

Gross Economic Output: The analysis shows that The Shane Center generates a total of \$3.4 million in annual gross economic output. Gross Economic Output includes direct and indirect/induced impacts. There are several elements that comprise The Shane Center's direct impacts.

Direct Impacts: The total of \$2.6 million in direct impact is made up of The Shane Center's annual operating budget, its current and forecasted capital improvement expenses, the estimated benefits from vendor revenues and the estimated values for visitor spending. Direct dollars, plus the indirect and induced benefits total the gross economic output. Indirect and Induced benefits show how direct dollars multiply as expenditures from The Shane Center operations, visitor spending and vendor revenues course through the local area.

Indirect and Induced Impacts. There were \$825,169 in indirect and induced (multiplied) impacts. Visitor spending is divided into two types of secondary effects - indirect and induced. Indirect effects are the changes in sales, income or jobs in sectors within the region that supply goods and services to the tourism sectors, (for example, visitors using local motels or the increased sales in linen supply firms resulting from more motel sales are an indirect effect of visitor spending). Induced effects result from increased household spending from local earnings in the tourism and supporting sectors.

Gross County Product: Of the total \$3.4 million in economic benefits, the Gross County Product or the benefit retained in Park County, is estimated at \$2.0 million. This analysis uses three additional studies described below to further define the Gross County Product and its local benefits. When the totals of these three studies are added together, they roughly equal the Gross County Product:

- 1) Total Labor Income - \$1.3 million. Labor income is defined as the amount of benefit that goes to wages and compensation. The report also includes a study for Total Employment. The study restates Labor Income as the number of jobs

benefited. The Shane Center analysis shows that the combined impacts of Shane Center operations, vendor revenues and visitor spending benefits 52 jobs. Job benefits include full-time, part-time and seasonal workers. The Shane Center's direct expenditures influence local jobs but by far the largest job benefits come from the facility's ability to foster increased visitor dollars and vendor revenues.

2) Capital Income - \$546,220. Capital Income is also described as non-labor benefits it includes profits, interest income, rents etc.

3) Indirect Business Tax - \$204,058. Indirect business taxes are derived from both direct and indirect sources but in this analysis they are mostly the result of vendor revenues and visitor spending as millions of new dollars flow through Park County.

The Economic Impact Report (attached below) details the impacts. The report has been divided into its respective expenditure and revenue elements to add clarity on how benefits are derived. The study's reporting categories are described above in the "Report Methodology and Assumptions" section.

- \$3.4 million in Gross Economic Output
- \$2.0 million in Gross County Product.
- \$1.3 million in Total Labor Income
- 52 total jobs (full and part-time).
- \$546,220 in Capital Income.
- \$204,058 in Indirect Business Taxes and Fees.

How To Read This Analysis

The report has several headings, including direct impact, indirect and induced impact and total impact. Definitions for these headings are posted in Wikipedia at http://en.wikipedia.org/wiki/MIG,_Inc. A summary of the website follows:

The Multiplier Model is derived mathematically using the [input-output model](#) and Social Accounting formats. The Social Accounting System provides the framework for the predictive Multiplier Model used in economic impact studies. Purchases for final use drive the model. Industries that produce goods and services for consumer consumption must purchase products, raw materials, and services from other companies to create their product. These vendors must also procure goods and services. This cycle continues until all the money is leaked from the region's economy.

There are three types of effects measured with a multiplier: the direct, the indirect, and the induced effects. The direct effect is the known or predicted change in the local economy that is to be studied. The indirect effect is the business to business transactions required to satisfy the direct effect. Finally, the induced effect is derived from local spending on goods and services by people working to satisfy the direct and indirect effects.

1. **Direct effects** take place only in the industry immediately affected: if DEMCO (example name for this hypothetical company) adds 39 employees, the [manufacturing industry](#) gains 39 employees.
2. **Indirect effects** concern inter-industry transactions: because DEMCO is expanding, they have an increased demand for locally produced materials needed to produce their product. This will affect all of their suppliers, possibly resulting in a few more jobs. Supplier employment gain would be the Indirect effects.
3. **Induced effects** measure the effects of the changes in household income: employees hired by DEMCO and suppliers may add expenditures in restaurants and shops. These changes affect the related industries.^[1]
4. **Impacts** the total changes to the original economy as the result of a defined event. i.e. Direct effects + Indirect effects + Induced effects = Impacts
5. **Frequency** (not included in the Wikipedia definition) identifies whether the event provides a one-time benefit or if the benefit is annually reoccurring. Events are reported in this analysis as either 'one-time' or 'on-going'.

Economic Impact Analysis – Shane Lalani Center for the Arts

Gross Economic Output

Represents the total economic impacts including direct and indirect benefits.

The aggregated market value of goods and services produced by firms and government enterprises in the County's economy. It is essentially equal to the revenue collected by businesses (including indirect taxes) within the County.

Target Industry	Frequency	Direct Impact	Indirect and Induced Impact	Total Impact
Shane Center Direct Benefits				
Shane Center – Annual Operations	On Going	\$433,549	\$119,563	\$553,112
Shane Center – Volunteer Contributions	On Going	\$514,035	\$141,759	\$655,794
Shane Center Capital Improvement - Current	One Time	\$82,859	\$30,311	\$113,170
Shane Center Capital Improvement - Projected	On Going	\$400,000	\$146,324	\$546,324
Shane Center – Tenant Revenues	On Going	\$440,350	\$146,310	\$586,660
Shane Center Indirect Visitor Benefits				
Visitor- Food and beverage stores	On Going	\$48,037	\$15,738	\$63,775
Visitor- Food services and drinking places	On Going	\$160,123	\$46,588	\$206,711
Visitor - Gasoline stations	On Going	\$144,111	\$36,684	\$180,795
Visitor - Hotels and motels, including casino hotels	On Going	\$152,117	\$46,421	\$198,538
Visitor - Miscellaneous store retailers	On Going	\$256,197	\$85,123	\$341,320
Visitor - Automotive	On Going	\$40,030	\$10,348	\$50,378
Totals:		\$2,671,408	\$825,169	\$3,496,577

Gross County Product

Shows what amount of the total economic impact is retained in the local area.

The total value added created by the production of goods and services in the local economy. It is analogous to the concept of Gross Domestic Product at the national level. It represents the sum of labor compensation, capital type income (profits, interests and rents), and indirect business taxes (which are mainly sales taxes, but also include property taxes and government mandated fees).

Target Industry	Frequency	Initial Purchase	Total Impact
Shane Center Direct Benefits			
Shane Center – Annual Operations	On Going	\$433,549	\$318,296
Shane Center – Volunteer Contributions	On Going	\$514,035	\$377,386
Shane Center Capital Improvement - Current	One Time	\$82,859	\$53,437
Shane Center Capital Improvement - Projected	On Going	\$400,000	\$257,968
Shane Center – Tenant Revenues	On Going	\$440,350	\$409,981
Shane Center Indirect Visitor Benefits			
Visitor- Food and beverage stores	On Going	\$48,037	\$38,623
Visitor- Food services and drinking places	On Going	\$160,123	\$92,116
Visitor - Gasoline stations	On Going	\$144,111	\$118,533
Visitor - Hotels and motels, including casino hotels	On Going	\$152,117	\$119,444
Visitor - Miscellaneous store retailers	On Going	\$256,197	\$238,528
Visitor - Automotive	On Going	\$40,030	\$22,799
Totals:		\$2,671,408	\$2,047,112

Total Labor Income

Is a subset of Gross County Product and shows the local benefit to salaries and wages.

The compensation to employees and self-employed proprietors including both wages and indirect payments such as retirement benefits, health insurance and other similar fringe benefits.

Target Industry	Frequency	Initial Purchase	Total Impact
Shane Center Direct Benefits			
Shane Center – Annual Operations	On Going	\$433,549	\$184,087
Shane Center – Volunteer Contributions	On Going	\$514,035	\$218,261
Shane Center Capital Improvement - Current	One Time	\$82,859	\$41,538
Shane Center Capital Improvement - Projected	On Going	\$400,000	\$200,524
Shane Center – Tenant Revenues	On Going	\$440,350	\$272,410
Shane Center Indirect Visitor Benefits			
Visitor- Food and beverage stores	On Going	\$48,037	\$24,921
Visitor- Food services and drinking places	On Going	\$160,123	\$58,696
Visitor - Gasoline stations	On Going	\$144,111	\$55,668
Visitor - Hotels and motels, including casino hotels	On Going	\$152,117	\$66,580
Visitor - Miscellaneous store retailers	On Going	\$256,197	\$158,489
Visitor - Automotive	On Going	\$40,030	\$15,667
Totals:		\$2,671,408	\$1,296,841

Total Employment

This table restates the Labor benefit shows the benefit to salaries and wages as jobs.

The number of jobs generated within the County, and includes: * full-time and part-time positions * salary workers *sole proprietors.

Target Industry	Frequency	Initial Purchase	Total Impact
Shane Center Direct Benefits			
Shane Center – Annual Operations	On Going	\$433,549	4
Shane Center – Volunteer Contributions	On Going	\$514,035	4
Shane Center Capital Improvement - Current	One Time	\$82,859	1
Shane Center Capital Improvement - Projected	On Going	\$400,000	7
Shane Center – Tenant Revenues	On Going	\$440,350	16
Shane Center Indirect Visitor Benefits			
Visitor- Food and beverage stores	On Going	\$48,037	1
Visitor- Food services and drinking places	On Going	\$160,123	4
Visitor - Gasoline stations	On Going	\$144,111	2
Visitor - Hotels and motels, including casino hotels	On Going	\$152,117	3
Visitor - Miscellaneous store retailers	On Going	\$256,197	9
Visitor - Automotive	On Going	\$40,030	1
Totals:		\$2,671,408	52

Capital Income

Is a subset of Gross County Product and shows non-labor benefits including interests and profits that are realized by both the direct and indirect impacts.

The sum of all property type income (such as business profits, interest income and rental income) generated within the County.

Target Industry	Frequency	Initial Purchase	Total Impact
Shane Center Direct Benefits			
Shane Center – Annual Operations	On Going	\$433,549	\$122,860
Shane Center – Volunteer Contributions	On Going	\$514,035	\$145,669
Shane Center Capital Improvement - Current	One Time	\$82,859	\$9,665
Shane Center Capital Improvement - Projected	On Going	\$400,000	\$46,657
Shane Center – Tenant Revenues	On Going	\$440,350	\$68,202
Shane Center Indirect Visitor Benefits			
Visitor- Food and beverage stores	On Going	\$48,037	\$7,728
Visitor- Food services and drinking places	On Going	\$160,123	\$23,748
Visitor - Gasoline stations	On Going	\$144,111	\$40,962
Visitor - Hotels and motels, including casino hotels	On Going	\$152,117	\$37,220
Visitor - Miscellaneous store retailers	On Going	\$256,197	\$39,680
Visitor - Automotive	On Going	\$40,030	\$3,829
Totals:		\$2,671,408	\$546,220

Indirect Business Tax

Is a subset of Gross County Product and shows the direct and indirect local tax benefit including state, federal and local government taxes.

Are taxes and fees that are not based in the businesses' income. For the most part they represent sales taxes levied by the State and the county, but also include property taxes levied against businesses as well as fees imposed by federal, state and local governments.

Target Industry	Frequency	Initial Purchase	Total Impact
Shane Center Direct Benefits			
Shane Center – Annual Operations	On Going	\$433,549	\$11,353
Shane Center – Volunteer Contributions	On Going	\$514,035	\$13,461
Shane Center Capital Improvement - Current	One Time	\$82,859	\$2,234
Shane Center Capital Improvement - Projected	On Going	\$400,000	\$10,787
Shane Center – Tenant Revenues	On Going	\$440,350	\$69,369
Shane Center Indirect Visitor Benefits			
Visitor- Food and beverage stores	On Going	\$48,037	\$5,974
Visitor- Food services and drinking places	On Going	\$160,123	\$9,670
Visitor - Gasoline stations	On Going	\$144,111	\$21,903
Visitor - Hotels and motels, including casino hotels	On Going	\$152,117	\$15,644
Visitor - Miscellaneous store retailers	On Going	\$256,197	\$40,359
Visitor - Automotive	On Going	\$40,030	\$3,303
Totals:		\$2,671,408	\$204,058