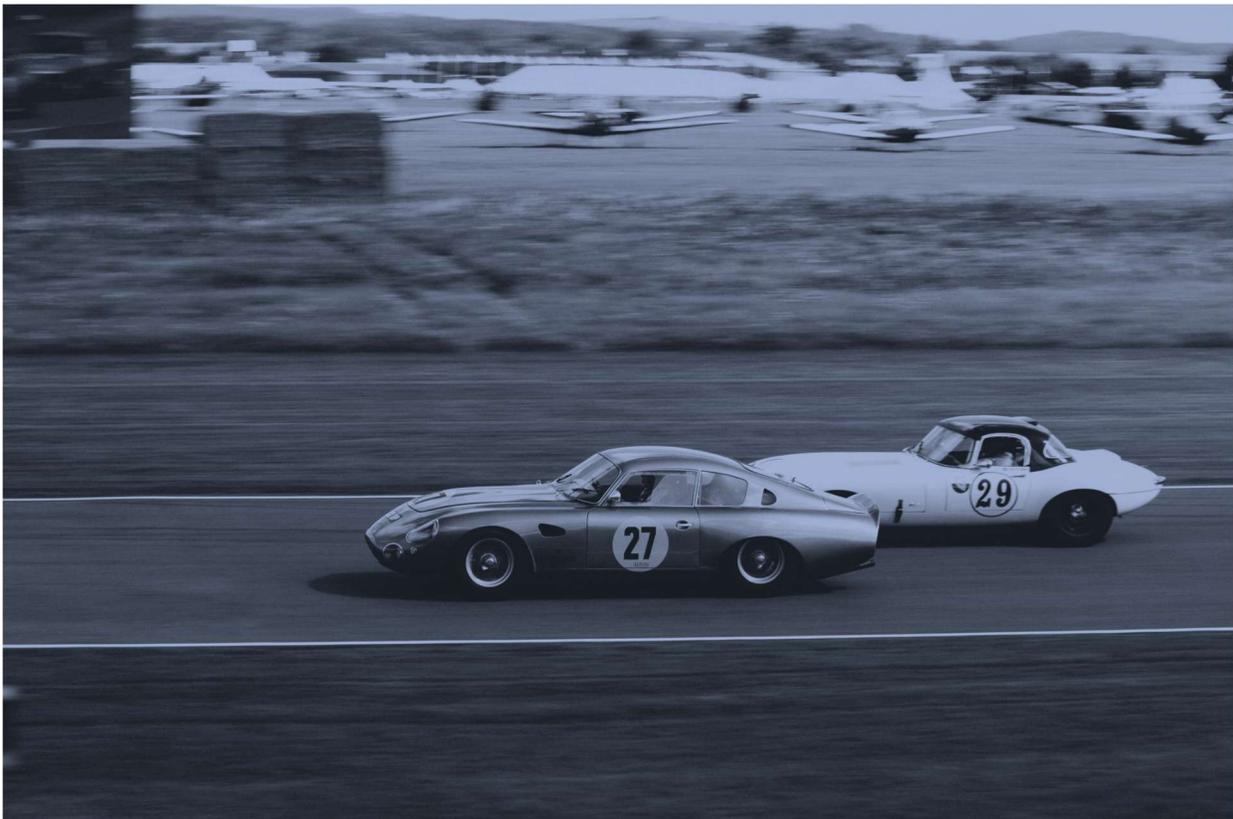


ECONOMIC IMPACT OF CAMPBELL RIVER MOTORSPORTS PARK



MARCH 2019



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For:

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1 INTRODUCTION

This economic impact assessment is focused on the proposed development of the Campbell River Drag Racing and Motorsports Park on approximately 45 acres of vacant land situated at the north end of the Campbell River Airport.

The report is an independent estimate of the economic impacts, although it relies on some background information and assumptions contained in the March 2018 Business Case report prepared by McElhanney Consulting Services for the Vancouver Island Motorsports Association (VIMSA).

The proposed Campbell River Motorsports Park will occupy 20 hectares of land in the initial development phase. Key elements of the park include a full ¼ mile drag strip designed to meet the National Hot Rod Association (NHRA) standards, pit and staging areas for competitors, safety barriers, spectator stands, washrooms, and concession areas. In addition to this, a 5 metre high sound berm is proposed along the east border of the raceway to mitigate sound pollution towards the nearest residential areas at the corner of Dogwood and Jubilee Parkway.

If completed, the Motorsports Park will be the only dedicated ¼ Mile drag racing strip on Vancouver Island and serve an avid user group that must currently either compete on shorter raceways on the Island or travel to the Mainland for events. Existing races located in Port Alberni and Port McNeill are patronized by Island-wide generate significant tourist traffic.

The impact of additional visitors to Campbell River, including both spectators and participants in events, is projected be the largest source of economic impacts. It would include direct spending by visitors on typical tourist items like food, accommodations, and retail goods, as well as additional spending on automotive parts and services by visiting event participants.

Section 2 of the report summarizes the economic impact methodology and terminology used in the report.

Section 3 contains an assessment of the short-term economic impacts from project construction.

Section 4 contains an assessment of the ongoing economic impacts once the project is operational. Most activities in the facility will grow in usage in the first few years as they become better-known in the community and among tourists, so the assessment is based on likely usage levels 3-5 years after construction, after the initial period of growth is complete.

Section 5 provides additional commentary on the net fiscal impact of the project on the City of Campbell River (referring to the local government rather than the economy overall).

2 ECONOMIC IMPACT OVERVIEW

An economic impact analysis is a comparison between two alternative scenarios:

1. Economic activity that is observed or expected WITH a proposed project.
2. Economic activity that is observed or expected WITHOUT a proposed project.

The difference between these two scenarios is the net economic impact of the project.



For the Motorsports Park, the focus is on projecting the tourism and other impacts once the facility is operation. The baseline scenario is very straightforward – without a motorsports park none of the projected activity will occur as there is no alternative facility or events in Campbell River.

Input-Output Model

The economic impact calculations in this report rely on Statistics Canada's input-output model.¹ There are three types of impacts:

- The **direct effect** is the change in local economic output caused by the Motorsports Park, such as the additional spending of event spectators.
- The **indirect effect** is generated by the suppliers to the industries touched by the direct effect, and the suppliers to those suppliers, and on down the supply chain. As the direct industries increase production (e.g., as local restaurants sell additional meals to the extra tourists), they increase demand for inputs (food supplies, electricity, cleaning services, etc.), which increases demand for inputs to those inputs, and so on.
- The **induced effect** is created by the increased household income generated by both the direct and indirect effects. For example, restaurant workers who get extra shifts serving motorsports visitors will spend their additional income on the typical range of household items. This creates another cascade of impacts among all the suppliers of household goods and services, such as

¹ The most recent multipliers published by Statistics Canada are for 2014. All multipliers have been adjusted to take account of general price inflation since that time.

grocery stores and all their suppliers, hair salons and all their suppliers, movie theatres and their suppliers, etc.

Due to the complexity of modern supply chains, the indirect and induced effects spill outside Campbell River's borders as local companies and local households purchase a certain amount of goods and services from elsewhere. **Only the direct effect is typically assumed to be captured within the local market.**

The input-output model allows the direct impact to be converted into various measures of economic activity, including:

- **Economic Output** is the total dollar increase in expenditures in the economy, including the direct, indirect, and Induced impacts. Note that it includes the purchase of intermediate inputs that are used to produce final goods and services.
- **GDP (Gross Domestic Product)** is the total "value-added" generated in the economy, meaning that the value of intermediate inputs is excluded.
- **Employment** may be expressed as "jobs" or as "person-years" depending on the duration of the typical activity.
- **Labour Income** is the total wages earned by workers at all levels of the provincial supply chain.

Data Sources and Assumptions

Section 3 and 4 of the report outline the expected direct impact from project construction (Section 3) and the projected operation of the motorsports park (Section 4).

The analysis relies on project information contained in the business case report prepared by McElhanney Consulting Services, as well as supplementary information from the VIMSA website, a discussion with Jim Johnson of VIMSA and multiple City of Campbell River staff, as well as extensive research of market information and previous economic impact studies at similar facilities throughout North America. Specific document references are provided when appropriate throughout this report.

All currency values in this analysis are adjusted to 2018 Canadian dollars. This is because inflation and exchange rate values are available for 2018, but not yet for 2019.

3 CONSTRUCTION IMPACTS

The project's estimated capital budget is \$5.4 million over two phases.

The first phase will include site preparation, the construction of the track itself along with the return road and pit area, and the building of safety and electrical features and initial buildings.

The second phase, which is anticipated several years after the first, includes putting asphalt on all internal roads and the pit area, constructing more buildings, and installing municipal water and sewer services.

Not included in the project's capital budget is the construction costs for a road extension of Airport Drive to the proposed site. The estimated road construction cost is \$800,000. Installing fencing around the site and potentially other items required by the City and/or Airport will add an additional \$200,000. Combined with the road cost, this additional \$1 million is added to the \$5.4 million capital budget for total construction-related spending of \$6.4 million.

Temporary Economic Impacts

The economic impact of a construction project on a local area depends on the location of key project contractors and the amount of spending on customized equipment or other items that are not sourced locally.

It is premature to know these percentages at this early stage, but assuming most work is contracted locally, **the project will have a local employment impact of 23 person-years in the construction phase.** The total BC-wide employment impact is an estimated 46 person-years.

TABLE 4: SUMMARY OF ESTIMATED CONSTRUCTION-RELATED ECONOMIC IMPACTS FROM PROPOSED CAMPBELL RIVER MOTORSPORTS PARK

	TOTAL LOCAL IMPACT (ESTIMATED)	TOTAL PROVINCIAL IMPACT
Temporary Employment (Person-Years)	23	46
Economic Output (Total Spending)	\$5.4 million	\$10.9 million
Labour Income	\$1.7 million	\$3.5 million

4 OPERATING IMPACTS

The economic impacts of the proposed Motorsports Park are driven by tourism. This includes spectators who are traveling to Campbell River to attend events (addressed in Section 4.1) and participants who are also traveling to Campbell River to race (addressed in Section 4.2).

Spectators and participants who are Campbell River residents are not included in the analysis because their expenditures are not a net increase in local economic activity. Social, recreational, and other types of benefits and costs are not included in this analysis.

For both spectators and participants, there are three key questions to answer in calculating total tourism expenditures:

1. How many out-of-town people attend events in a year?
2. How much money do they spend on a daily basis?
3. How is their spending distributed across different types of businesses?

The answers to these three questions are estimated from surveys and economic impact studies conducted at similar events in other communities, with appropriate adjustments for cost inflation, the Canada-US dollar exchange rate, and the scale of other events relative to possible Campbell River events. Information on attendance and the frequency of events is provided by VIMSA and compared to existing events on Vancouver Island and other indicators of market size.

4.1 Tourist Spending

According to VIMSA, an annual schedule of events would include one weekend event of similar scale to the Thunder in the Valley event in Port Alberni, 2-3 additional weekend events of smaller scale, and Friday night racing through most of the summer months (weather permitting) oriented primarily to local racers and casual enthusiasts.

The Port Alberni event reports attendance as high as 2,300 to 2,500 per day for Thunder in the Valley (when held at their airport). Assumptions for total attendance and the tourist share at each event are shown in the table below.

TABLE 2: ATTENDANCE AND TOURISM ASSUMPTIONS FOR ANNUAL EVENTS AT CAMPBELL RIVER MOTORSPORTS PARK

	EVENTS PER YEAR	DAYS PER EVENT	SPECTATORS PER DAY	TOTAL SPECTATOR- DAYS	TOURIST SHARE	TOTAL TOURIST- DAYS
Thunder in the Valley Comparable	1	2	2,000	4,000	35%	1,400
Other Weekend Events	2.5	2	1,000	5,000	35%	1,750
Friday Night Events	14	1	400	5,600	5%	280
Total						3,430

Given the track record of the Port Alberni Thunder in the Valley event, it is reasonable that within a few years Campbell River could attract a similar number of spectators. This figure is conservatively estimated at 2,000 per day for the two-day weekend.

The assumption of 35% tourists is based on the McElhanney business plan and seems reasonable given the size of the Vancouver Island market. The tourist share of the Friday night events is reduced to 5% because these are oriented mainly to the local market and because tourist expenditures can be attributed to the event only when it is the primary motivation for the visit to Campbell River, which is likely to be minimal for an event lasting only one evening.

In addition to the spectators, visiting drivers and their crew also create a tourism impact. Note that average crew size includes the primary driver.

TABLE 3: PARTICIPANT TOURISM ASSUMPTIONS FOR ANNUAL EVENTS AT CAMPBELL RIVER MOTORSPORTS PARK

	EVENTS PER YEAR	DAYS PER EVENT	PARTICIPATING CARS PER DAY	AVERAGE CREW SIZE	TOTAL CREW- DAYS	TOURIST SHARE	TOTAL TOURIST- DAYS
Thunder in the Valley Comparable	1	2	300	2.5	1,500	50%	750
Other Weekend Events	2.5	2	200	2.5	2,500	50%	1,250
Friday Night Events	14	1	150	1.5	3,150	25%	788
Total							2,788

The tourist shares are significantly higher for participants because many drivers living on Vancouver Island and elsewhere in BC and the U.S. Pacific Northwest will tour a circuit of events over the course of a season. In this way proposed events in Campbell River are a complement to Thunder in the Valley and the smaller events in Port McNeill because having multiple events to attend makes it more worthwhile for drivers located on the mainland to travel to Vancouver Island for several weeks at a time.

Combining the estimates for spectators and participants answers our first question – how many out-of-town people attend events in a year? **The estimate is 6,218 visitor-days.**

Expenditure Analysis

When estimating the economic impacts of a tourism event or facility, the most accurate measure of visitor spending is through a detailed survey of attendees. As the Campbell River Motorsports Park is only at the conceptual stage, the analysis must rely on surveys of similar events and assume that the results are applicable.

There has not been a comprehensive survey of motorsports event attendees or a full economic impact analysis for event on Vancouver Island or elsewhere in British Columbia, to our knowledge. The McElhanney study for VIMSA references an estimate of \$350 of visitor spending (per day or per event is not clear) at the Thunder in the Valley event in Port Alberni. This appears to be an informal estimate by Port Alberni event organizers and a formal survey or analysis supporting this figure has not been identified.

In the absence of a regional or provincial study that can be adapted for Campbell River, the following economic impact studies and visitor surveys were identified from around North America over the last 20 years:

- A 2000 study by the University of North Texas of a potential ¼ mile drag racing facility in Immokalee, FL² relied on visitor surveys conducted by racing organizations interested in the proposed facility (a 1/8 mile drag strip was in informal use on an unused airport runway and other a motorsports park with other tracks was located nearby), and other research from racing venues and consultant estimates. This study estimated per day visitor spending at \$101.

The equivalent figure for 2018 in Campbell River is \$162 per day.³

- A 2007 study by the University of Nebraska of a proposed drag racing facility near Lincoln relied on several previous studies, including several focused on a drag racing facility in Topeka, Kansas. The per day spending figure they adapted from the previous studies was \$91 per day.

The equivalent figure for 2018 in Campbell River, after adjusting for exchange rates and inflation, is \$113 per day.

- A 2007 consulting study of Canadian motorsports parks⁴, which included all motor racing events and not just drag racing, produced a per day visitor spending estimate of \$184.

The equivalent figure for 2018 in Campbell River, after adjusting for inflation, is \$214.

The studies noted above provide the most directly-comparable results. In addition:

- A 2006 consulting study of the Portland International Raceway in Oregon⁵, based on a 2005 survey, is the best data source suggested by VIMSA. This study is very detailed, but does not provide directly comparable information that can be used to assess the spending impact of tourists. It combines the spending impacts of local residents and tourists and of spectators and participants, plus only 25% of its survey respondents attend drag racing events. An attempt to re-calculate the figures in this report for spectators only yields an estimate of \$69 US per day, or \$99 CDN today. This is believed to be lower due to the blending of local resident expenditures and is not used in the analysis, other than estimates of spending on auto-related parts and service (see section 4.2).

² Center for Economic Development and Research, University of North Texas, *Economic Impact Analysis: Proposed Autoracing Complex in Immokalee, Florida*, September 2000.

³ This conversion has two parts. The first is converting the US dollar figure from 2000 to a Canadian dollar figure in the same year. This conversion is best done using “purchasing power parity” exchange rates. The regular exchange rate is appropriate if a Canadian was making the same purchases in Florida, but the purchases are not in Florida, they are in BC. A Statistics Canada study (Ryan Macdonald, “Do Relative Canada/U.S. Prices Equate to the Exchange Rate?”, *Economic Insights*, Statistics Canada, 2015) estimated PPP exchange rates and suggests the same purchases in Canada in 2000 would cost \$121. BC inflation because the equivalent

⁴ TNS Canadian Facts, *Economic Impact of Expiry of the Exemption for Lead in Racing Fuels*, 2007.

⁵ ECONorthwest, *Economic Impact Analysis: An Assessment of the Economic Impacts of Portland International Raceway in 2004*, April 2006.

Apart from the motorsport studies, there are multiple additional data sources for general tourist spending. These include regular surveys by Statistics Canada (notably the Travel Survey of Residents of Canada) and periodic local market surveys commissioned by Destination BC or local destination marketing organizations.

We have used these general tourism surveys to prepare dozens of tourism economic impact assessments throughout British Columbia and the latest per-day estimates for a general tourist are \$119. This figure includes all types of tourists, including those who stay in campgrounds or stay with friends and relatives and have a lower per-day expenditure. Hotel users have a much higher per-day estimate. Based on the descriptive information in the other economic impact studies, as well as informal evidence from Port Alberni and Port McNeill, it is reasonable to conclude that motorsports tourists are higher-spending than average, so the blended average of the Florida, Kansas and Canada numbers (\$162 per day) will be used in this analysis.

In summary, the average motorsports visitor is assumed to spend \$162 per day while visiting Campbell River.

Only the Portland study referenced above includes a breakdown of spending on specific categories, including food, lodging, retail (non-auto), travel costs, and miscellaneous expenses. These are generally the same categories shown in the Travel Survey of Residents of Canada, so the breakdown according to the average Canadian tourist is used.

Based on the calculations outlined in this section, the approximately 6,200 visitor-days (including both spectators and participants) yield a total direct spending impact of \$860,000.

4.2 Auto-Related Spending

Section 4.1 outlined spending by visitors to Campbell River. This section addresses additional spending specifically related to motorsports.

Visiting Cars

According to the Portland International Raceway survey of facility users, a re-calculated estimate of per-event spending on automotive parts and service suggests an average of \$528 US per event, or \$759 CDN today. Most survey respondents (72%) are residents of the Portland metro area, so this likely covers all expenditures related to event participation, including tune-ups and repairs in between events as well as specific race-related expenditures.

It is assumed that out-of-town participants in Campbell River events would spend half of this amount in their home community and half in Campbell River on the race weekend. The estimates of out-of-town participation by drivers and crew show an estimated 1,325 trips by non-local cars to Campbell River (based on the assumptions in Table 3). Applying half the typical per-event spending (\$380) per car yields a total estimate of auto-related spending by visitors of \$505,000.

Local Cars

Another economic benefit of having a local facility is that locally-based drivers no longer need to travel elsewhere to compete. This means that their race-related auto expenditures that would otherwise leave the community are retained in Campbell River.

It is not known exactly how many local participants in Campbell River events would otherwise leave the community, so to be conservative the per-event spending on auto-related expenses is set at half the level of visiting cars, or \$190. Note that the “home” expenditures on car maintenance and repair are already captured in Campbell River and are not affected by having a local facility (unless it is assumed that drivers relocate to Campbell River on a permanent basis).

After subtracting the 1,325 trips by out-of-town cars, the total participation by local cars is an estimated 2,375 “race-days.” These calculations are based on the split between local and out-of-town cars shown in Table 3.

Applying an average of \$190 of event-related spending that would otherwise leave the community, local cars contribute an estimated \$450,000 in local auto-related expenditure that would not exist without the permanent facility.

For simplicity, estimates of auto-related spending are split evenly between automotive parts and auto-related repair and maintenance. **The combined estimate of auto-related expenditures in Campbell River is \$955,000.**

4.3 Facility Operations

In addition to the tourism-related impacts, the ongoing operations of the Motorsports Park will also create a local and regional economic impact. These operations are funded through gate admissions, participant fees, memberships, sponsorships, etc.

Based on Table 3 in the McElhanney business case report, annual operating expenditures for the facility are estimated at just over \$200,000. Several of the items are excluded from the local impact analysis, including membership fees paid to the National Hot Rod Association (NHRA) and half of the prize payouts.

What is left is an estimated annual operating budget of \$160,000. This is part of the ongoing economic impact of the facility.

4.4 Summary of Operating Impact

TABLE 4: SUMMARY OF ESTIMATED OPERATING ECONOMIC IMPACTS

	DIRECT IMPACT (LOCAL)	TOTAL LOCAL IMPACT (INCLUDING SPINOFFS*	TOTAL PROVINCIAL IMPACT
Tourist Spending (Spectators + Participants)	\$860,000		
Auto-Related Spending by Non-Local Participants	\$505,000		
Additional Auto-Related Spending by Local Participants	\$450,000		
Operating Expenditures by Motorsports Facility	\$160,000		
Economic Output (Total Spending)	\$1,975,000	\$2.2 million	\$3 million
Ongoing Employment (Person-Years)	14.7	16.8	22.4
Annual Labour Income		\$750,000	\$1,025,000

* "Spinoff" includes indirect and induced impacts.

As explained in Section 2, the input-output multipliers that are prepared for the economic impact assessment are available only at the provincial level. The local estimates of indirect and induced spending and employment (the "spinoffs") are approximate only and based on a now-outdated BC Stats report that provided regional multipliers.⁶ Some additional comments on the results:

- The indirect and induced impact, relative to the direct impact, is relatively modest, adding only about 10% to the total local impacts.
- Local spinoffs for primarily tourist-serving activity are typically smaller than for some other industries. This is affected by lower incomes in this sector (relative to forestry or professional services, for example).
- Retail spending has a lower spinoff effect if the items sold are not produced locally. A significant portion of the retail spending in this study is for automotive parts, which are not assumed to be manufactured locally. This means only the retail margin on most items is captured by local businesses and the rest flows elsewhere in BC or beyond to purchase the goods being sold.
- The employment estimates are expressed as person-years. The motorsports facility will be seasonal, and the impacts will be highly variable from week to week depending on the timing of larger events. This means that the employment impacts are likely to be spread across potentially dozens of workers who get extra shifts at hotels, restaurants, retail stores, etc.
- The share of the employment that is realized as full-time, year-round jobs cannot be estimated with the available data, but is likely to be a small part of the total employment impact due to the tourist and event focus of the facility.

⁶ BC Stats, *British Columbia Local Area Economic Dependencies: 2006*, March 2009.

5 FISCAL IMPACT

The economic impact assessment discussed earlier in this report is focused on the community-wide impact on the economy, including employment, total spending, and tax revenue.

A fiscal impact assessment is a narrower view that is focused specifically on the net financial impact of the project on the City of Campbell River as a local government. A detailed calculation of the net impact is beyond the scope of this report, but what follows are some high-level comments on the positive and negative fiscal impacts that are likely to be realized.

Property Tax Revenue

The proposed Motorsports Park will be constructed on City-owned land. The municipality is exempt from charging itself property taxes, but improvements by leaseholders are payable.

Based on calculations by City of Campbell River staff, the annual property taxes due on the facility at current tax rates and assessment valuations, is \$35,000 to \$55,000 depending on the property class (Recreation or Light Industry).

Property tax impacts from the new economic activity outlined in Section 4 are realized only in a roundabout fashion (unlike a sales tax which grows directly in proportion to additional spending). Statistics Canada's Input-Output model contains multipliers for local government revenue, but this includes all local governments in BC and past experience suggests these multipliers are not reliable for a single community.

An alternative method to provide an approximation of the local taxation impact has the following steps:

- Total municipal property tax in 2017 (based on values as of July 2016) from non-residential sources was \$8.7 million.
- As of the 2016 Census (May 2016), total employment in Campbell River that had a fixed place of work in the city, not including home-based employment, was 11,700.
- Based on the two figures above, average municipal property tax revenue on a per-job basis was approximately \$742 in 2018. Even though some jobs are located on much higher-tax properties (major industry and utilities), more than three-quarters (77%) of non-residential tax is paid on business/other properties in Class 6, which is where most of the motorsports-related job growth is likely to occur.
- The estimated local employment impact of 16.8 jobs (from Table 4) means that, on average, the additional municipal property tax revenue from employment elsewhere in the community is about \$12,500.
- In theory, property tax revenue from additional residents attracted to Campbell River either for new employment opportunities or because they view the motorsports park as a desirable

recreational amenity, could also be included. Estimating a possible migration impact from the project is beyond the scope of this analysis.

Operating Expenditures

The City's operating expenditures across a wide range of departments will increase, both from the development of the motorsports park site itself as well as the general impact of additional visitors, jobs and commercial development that occurs in response. This includes maintenance of additional infrastructure (roadway, underground utilities, etc.) and additional staff administrative time to manage public inquiries, manage the inter-relationship with the Airport, and so on.

The scale of these additional operating costs, and how they compare to additional property tax revenue, has not been estimated.

Capital Expenditures

The most significant additional costs for the City relate to the acquisition and preparation of the project site itself. The City will need to borrow several million dollars to purchase the land outright, free of the current requirement to use it for airport purposes. Interest costs for this purchase are likely to be more than \$100,000 per year.

There will also be significant staff time required to manage an alternative approval process (which is required to secure public assent to borrow the required funds).