



SONOMA RACEWAY ECONOMIC IMPACT

INDUSTRY REPORT

2017



ECONOMIC DEVELOPMENT BOARD

BOARD OF DIRECTORS

PAM CHANTER, CHAIR ▫ JORGE ALCAZAR ▫ TERRI DENTE
 TERRY GARRETT ▫ KATHRYN HECHT ▫ LINDA KACHIU
 WAYNE LEACH ▫ MICHAEL NICHOLLS ▫ MICHAEL TOMASINI
 BEN STONE, Executive Director

EDB FOUNDATION SPONSORS

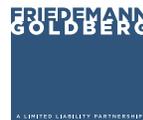
PRESENTING LEVEL



FOUNDATION LEVEL



PREMIER LEVEL



EXECUTIVE LEVEL

- AMERICAN AGCREDIT
- AMERICAN RIVER BANK
- COMCAST
- GEORGE PETERSEN INSURANCE
- KEEGAN & COPPIN CO.
- MIDSTATE CONSTRUCTION

- NORBAR
- SONOMA COUNTY ALLIANCE
- SUMMIT STATE BANK
- VANTREO INSURANCE
- ZAINER RINEHART CLARKE

MEDIA LEVEL



CONTENTS

4. EXECUTIVE SUMMARY

6-9. ANALYSIS

10. METHODOLOGY

11-12. APPENDIX

APPENDIX A: NOTE ON IMPLAN

APPENDIX B: NOTE ON VARIABLES

EXECUTIVE SUMMARY

January 2017

The Sonoma County Economic Development Board (EDB) is pleased to present the David Love Memorial Vintage Car Road Races Event Economic Impact Report.

Entertainment has become a measurement of quality of life across cities and counties. Entertainment venues, such as Sonoma Raceway, represent a key ingredient to advertising the county as a tourist destination. These venues not only provide residents a chance to attend local events, but also serve to attract tourists from around the state and country. Therefore, such venues often boost tourist-related economic activity, which positively impacts the economy in a number of ways and can work to improve the quality of life for local residents.

Sonoma Raceway is an important and valuable landmark in Sonoma County. This report analyzes the economic impact of the annual Classic Sports Racing Group (CSRG) event. That is, the extent to which the event affects the job market, average income, local economic activity, and the business profile of the county itself, traditionally known for its scenic views and wine industry.

Through reports such as this, the EDB gathers essential data so that businesses and policy makers can identify problems, engage in discussion, and partner to resolve issues that may hinder the economic success for our region. The EDB is committed to working with our partners to take the actions necessary to build on our strengths and to address our deficiencies – to improve economic opportunities for all Sonoma County residents.



The economic impact of the CSRG event at Sonoma Raceway is extensive, in both the direct effect of tourist spending and implicit effects that spread throughout the economy.

CSRG EVENT ECONOMIC IMPACT AT-A-GLANCE

- Tourist drivers outspent non-tourist drivers at a ratio of \$20 to \$1, while tourist spectators spent \$8 for every \$1 spent by a Sonoma County resident
- Spending by drivers and spectators created an estimated increase of \$920,000 in labor income and \$1.27 million in total value added for the county and its residents
- The event is estimated to sustain a total of 26 jobs throughout the County, combining the impact from both drivers and spectators
- The weekend-long event is predicted to have generated a total of \$1.9 million in economic activity, measured by output, throughout the County once the direct, indirect, and induced impacts were all taken into account



ANALYSIS

BACKGROUND

Sonoma Raceway is a year-round motorsports complex offering one of the most comprehensive schedules in the country, playing host to some of racing's top events and greatest moments. It is arguably the world's busiest racing facility, with track activity scheduled an average of 340 days a year. It is one of North America's most complete and versatile motorsports complexes, and home to one of the nation's only high-performance automotive industrial parks with approximately 75 tenants.

The CSRG David Love Memorial Vintage Car Road Races is an annual event that takes place at Sonoma Raceway each spring, in commemoration of one of its founders, David Love. It is considered a popular kickoff to the racing season, and racing teams from all over the country and the globe come to compete. There is always a large field of entrants from up and down the West Coast. For tourists and attendees, the main attraction is found in the opportunity to enjoy a large variety of vintage race cars in action, with featured vehicles dating from the 50s, 60s and 70s, from formula cars to production sports automobiles. The event takes place over three full days of racing and competitions.

PURPOSE OF THE STUDY

The purpose of this study is to estimate the economic impact on the Sonoma County area from the Classic Sports Racing Group David Love Memorial Vintage Car Road Races Event (CSRG Event), which took place at Sonoma Raceway from April 1st to April 3rd.

Following standard procedure for sports tourism economic impact studies, this analysis includes only the economic impact of spending from visitors from outside the county. The core purpose of this study is to quantify the economic impact on Sonoma County brought about by increased spending attributable to the event at the raceway. Economic impact is driven by increased spending in industries related to tourism such as lodging, transportation, food and beverage, entertainment, shopping, and other retail. Furthermore, there are industries directly affected due to the nature of this event, specifically racing and track operations and car maintenance. In this study, the researchers differentiated between drivers and spectators to derive the economic impact for both groups. Drivers and spectators for an event such as this are markedly different, and so each group warranted separate analysis and different survey questions. Results are presented in terms of employment, labor income, total value added, and total output (the value of goods and services produced within a given geographic region, including any intermediate goods purchased).

Economic impact is categorized in three ways: direct, indirect, and induced. The sum of the three captures the total effect.

- The direct effect refers to the actual effect in terms of increased spending in the region of the event
- Indirect impact estimates changes in inter-industry (business-to-business) transactions as supplying industries respond to increased demand from the directly affected businesses
- The induced effect estimates the changes in local spending by households resulting from income changes in the directly and indirectly affected business sectors

ANALYSIS

RESULTS

Results are broken down and presented by the different economic variables. This analysis distinguishes between the economic impact of drivers and spectators. Throughout the entire report the economic impact from drivers was substantially larger because of the higher level of initial spending. Summary results are reproduced below:

TABLE 1 - Total Economic Impact in Sonoma County: Driver Spending

	Employment	Labor Income	Total Value Added	Output
Direct Effect	18.1	\$615,081.34	\$758,055.77	\$1,049,110.34
Indirect Effect	2.1	\$80,560.56	\$121,929.89	\$204,150.65
Induced Effect	3.4	\$147,151.65	\$265,794.20	\$442,206.78
Total Effect	23.5	\$842,793.55	\$1,145,779.96	\$1,695,467.77

TABLE 2 - Total Economic Impact in Sonoma County: Spectator Spending

	Employment	Labor Income	Total Value Added	Output
Direct Effect	1.8	\$52,205.97	\$76,615.56	\$121,796.67
Indirect Effect	0.3	\$11,472.56	\$18,313.33	\$32,446.84
Induced Effect	0.3	\$13,511.29	\$24,402.78	\$40,598.75
Total Effect	2.4	\$77,189.82	\$119,331.67	\$194,842.26

Employment

The employment variable represents the number of employees needed to support the increased economic activity in the local economy for one year. As the CRSG event draws people into the county, who in turn spend money within the county, more people are needed to satisfy the additional demand created by the tourists. The economic model shows that the event is estimated to create an additional 26 jobs throughout the county, with 24 of these jobs attributable to driver spending while only 2 are attributable to spectators. The raceway itself will support much of this predicted increase in employment, because a large portion of the direct spending occurred at the raceway.

Labor Income

The labor income measure refers to all forms of employment income, including employee compensation (wages and benefits) and proprietor income. This metric represents an area of interest for county

ANALYSIS

residents because it captures the effect of extra visitor spending on the changes in the level of residents' personal incomes. In this way the labor income metric shows the level of personal income growth estimated to flow from additional spending by tourists. Based on the spending input estimates collected through the surveys, personal income in the county is predicted to increase by \$920,000. This number captures the combined economic impact from both spectators and drivers.

Total Value Added

Total value added provides tangible utility when reporting economic impacts. This measure captures the difference between total output and the cost of intermediate inputs. Total value added is also referred to as gross regional product. This means it is an aggregate of personal income, other property type income (e.g., interest, rents, royalties, and profits), and indirect business taxes such as excise and sales taxes. As the table shows, the model expects the CRSG event to increase gross regional product, or total value added in the county, by just under \$1.4 million. This shows the important impact that tourist spending attributable to the event can have on the broader economy.

Output

The output metric captures the total economic value of the project in the local economy, which is the value of goods and services produced within the county including intermediate good. This metric is useful in that it measures the effect of an additional unit of visitor spending on the overall level and volume of economic activity in the county. Output in the county is expected to increase by \$1.9 million due to the higher levels of spending brought about by tourists. Furthermore, this spending is not relegated to a single industry. Tourists spend throughout the economy, on lodging, transportation, food and beverage, entertainment, shopping, and other retail. In this way the benefits of increased economic activity are enjoyed throughout the region.

Economic Impact by Industry

The ability to analyze the breakdown of industry specific impacts represents an added benefit of the economic modeling systems utilized here. As Table 3 shows, the racing and track operations industry and the automotive repair and maintenance sector enjoyed the greatest gains in all categories from driver spending. The other three primary industries were the food, retail, and transportation industries. As the table shows the racing and track operation industry received a majority of the economic impacts. Specifically, this industry is responsible for supporting ten more jobs than the next highest industry.

Table 4 shows a different trend. The economic impact of spectator spending is strongest in food-related industries. Unlike the impact from driver spending, the economic impact on racing and track operations was high in terms of employment but only the fifth strongest in terms of output, fourth in terms of value added, and third in labor income. Spectators impacted food-related industries, retail, and lodging to a greater degree than driver spending in relative terms, albeit not in absolute terms. This divergence in economic impact stems from the fact that drivers spent substantial amounts on their automobiles, both at the raceway and other shops in the county, and on raceway fees spectators avoided, for example fees for storage and track practice. The information on industry-specific impacts provides greater insight into the flow of economic effects throughout the regional economy.

ANALYSIS

TABLE 3 - Total Economic Impact in Sonoma County: Driver Spending

Top Five for Employment		Top Five for Labor Income		Top Five for Value Added		Top Five for Output	
Industry	Total	Industry	Total	Industry	Total	Industry	Total
Racing & Track Operation	12.78	Racing & Track Operation	\$342,935	Racing & Track Operation	\$370,496	Racing & Track Operation	\$466,896
Auto Repair	2.91	Auto Repair	\$177,770	Auto Repair	\$241,624	Auto Repair	\$321,645
Food	1.63	Food	\$40,672	Retail	\$61,675	Food	\$98,195
Retail	1.30	Retail	\$35,854	Food	\$57,042	Retail	\$90,420
Transport	0.54	Transport	\$32,771	Transport	\$50,912	Transport	\$84,774

TABLE 4 - Total Economic Impact in Sonoma County: Spectator Spending

Top Five for Employment		Top Five for Labor Income		Top Five for Value Added		Top Five for Output	
Industry	Total	Industry	Total	Industry	Total	Industry	Total
Food	0.66	Food	\$16,369	Food	\$22,957	Food	\$39,519
Racing & Track Operation	0.42	Retail	\$11,253	Retail	\$19,357	Retail	\$28,379
Retail	0.41	Racing & Track Operation	\$11,198	Lodging	\$14,773	Lodging	\$24,854
Lodging	0.26	Lodging	\$8,607	Racing & Track Operation	\$12,098	Transport	\$15,982
Transport	0.10	Transport	\$6,178	Transport	\$9,598	Racing & Track Operation	\$15,245

METHODOLOGY

The Sonoma County Economic Development Board conducted primary data collection at the event for two days by handing out two separate surveys, one for spectators and another for drivers in attendance. The participants were all asked to complete the survey to the best of their knowledge, providing EDB staff with their estimated expenditure in Sonoma County during their time at the event, including money spent on trip expenses, race preparation, and food and drink at the venue. Drivers were also asked approximately how much they spent in various industries in Sonoma County while attending the event. These spending estimates are all self-reported by respondents and unverified by EDB staff. As a result, staff does not guarantee the accuracy of the numbers reported. This study relies on the necessary assumption that respondents accurately and truthfully reported their spending patterns.

A key feature of economic impact studies related to sport tourism events is that researchers are only concerned with the effect of non-resident visitors who spend money in the local community, both inside and outside the event. Such spending represents new money pumped into the regional economy and is attributable to the event attracting tourists. Therefore, to adhere to best practices in this field, this report excludes residents. On the survey, respondents were asked to indicate their zip code of residence. Results were then filtered by zip code and only those outside of Sonoma County were aggregated. Furthermore, survey responses were split between drivers and spectators and spending totals were calculated separately.

Next, EDB staff extrapolated these survey results to the entire population of out-of-town attendees. This was achieved by calculating the average spending per attendee in both categories. Next, the actual number of non-resident attendees was estimated. Using survey data, EDB staff calculated the percentage of tourist drivers and tourist spectators. These percentages were then applied to the total number of attendees as reported by the Sonoma County Raceway to estimate the number of non-resident drivers and spectators. Average spending per non-resident attendee in each category was then multiplied by the estimated number of non-residents. The results represent the best estimate for total visitor spending, separated for drivers and spectators and only including non-residents.

The survey asked questions about spending in industries recognized to be highly linked to sports tourism: lodging, transportation, food and drink establishments, retail/shopping, other recreation and amusement, and racing and track operations. For drivers there were the additional categories of car maintenance and preparation, and car transport. Each of the categories in the survey matches an industry in the IMPLAN economic modeling software. Additional aggregation of IMPLAN industry groupings was necessary to adhere to survey categories. For example, EDB staff aggregated the IMPLAN industries of full-service restaurants, limited-service restaurants, and all other food and drinking places into a grouping labeled 'Food' because the survey only asked how much attendees spent on food and drink during their visit, without distinguishing where this money was spent. These spending figures were then inputted into IMPLAN to obtain the predicted direct, indirect and induced impact of the CSRG event.

APPENDIX

APPENDIX A: NOTE ON IMPLAN

In the field of economic impact modeling, IMPLAN is one of the most widely used and reliable economic modeling systems. Its popularity stems from its reasonable cost, ease-of-use, and its robustness. IMPLAN is based on the input-output (I-O) economic modeling schema, which means that its underlying system takes into account all the dollar flows between different sectors of the specified region.

IMPLAN provides estimates at the county level through a series of equations relating economic spending to total regional production. In this way it provides accurate estimates of the economic multipliers because it uses actual and estimated information. The data set used in this study is from 2014, so the information is relatively up-to-date and reflects realistic economic conditions. By using data on the actual economy to model the flow of dollars through the region, IMPLAN accurately estimates total regional sales, employment, and earnings that can be attributed to the event based on spending inputs.

Further adding to the quality of IMPLAN modeling techniques is the use of regional production coefficients (RPCs). These coefficients allow the model to precisely estimate the pattern of local purchases. This increases the accuracy with which IMPLAN estimates the economic impact of spending inputs flowing through various industries. IMPLAN is rooted in reliable data, as it uses econometric trade flow studies from the Commodities Flows Survey from the Bureau of Transportation Statistics.

The veracity with which IMPLAN models the structure of the regional economy is important to accurately capture the multiplier effects and the 'leakages' from the economy. Leakages occur as money leaves the regional economy through taxes, purchases of goods and services from outside the County, and saving by households or businesses. The more muted these leakages, the higher the multiplier, and vice versa. Since IMPLAN uses data based in reality, it accurately takes into account economic leakages when it calculates the multipliers. Therefore, results should be considered reliable and robust.

APPENDIX B: NOTE ON VARIABLES

It is vital to note which results represent the most robust and informative metrics. Ignoring the underlying definitions of the employment, labor income, total value added, and output measures opens the door for overstated and misleading results and interpretations.

Employment

Employment numbers represent the increase in employment brought about by the increases in spending attributable to the event or the additional physical amount of labor required to meet the changes in demand. However, this number carries with it important caveats. The employment metric shows the number of full-time equivalent job opportunities that are supported in the County by the event. However, the economic modeling software does not distinguish between part-time and full-time jobs. These means that each job reported could range from 1 to 40 hours. Additionally, the economic model assumes that all existing employees are fully employed; therefore, any extra visitor spending and additional demand created by the event necessitates an increase in the level of employment. This is unlikely to be the case. More often than not current employees will be asked to increase the number of hours they work to manage peak demand or a few short-term staff will be added. Finally, IMPLAN assumes that all additional employment comes from within the county. Especially for short-term events such as the one under consideration, IMPLAN often overstates the effect on employment levels.

Labor Income

Of the metrics presented by IMPLAN, labor income represents the most relevant to county residents. This measure captures the effect of extra visitor spending on the changes in the level of residents' personal incomes. This measure pertains to members of the county because it shows the level of personal income growth estimated to flow from additional spending by tourists. Personal income includes both proprietor

APPENDIX

income and employee compensation. It is important to recognize that the labor income represents an increase in personal income spread throughout the impacted industries in the county; therefore, it represents the level of tangible economic benefits residents expect to experience.

Total Value Added

Total value added is also referred to as gross regional product. This means it is an aggregate of personal income, other property type income (e.g., interest, rents, royalties, and profits), and indirect business taxes such as excise and sales taxes. Of the four metrics reported by IMPLAN, total value added provides the most realistic and conservative estimate of true economic impact on the County's economy. For this reason it is favored by policy makers and analysts. This metric is bolstered by two facts. First, total value added takes into account the natural leakage factors that occur as money circulates through the regional economy. This means that the model recognizes that some of the value added to final products is captured by businesses outside the region. Therefore, it would be erroneous to count this as value added in the Sonoma County economy. Next, the value added metric does not double-count intermediate inputs, as the output metric does. The value added metric therefore avoids overstating results.

Output

While the output metric is useful in some instances, for studies such as this it is not the best metric to consider. The primary flaw of the output metric is it double-counts intermediate inputs. Double-counting occurs because output adds the sale of intermediate transactions (i.e., goods and services sold in order to create the supply for final demand) and the value of those intermediate sales in final demand sales. Therefore the output metric reflects gross sales volume for the region's economy, but it overstates the net sales impact. This metric is useful in that it measures the effect of an additional unit of visitor spending on the overall level of economic activity in the County. While knowing the volume of economic activity, both intermediate and final output, created by the event is relevant, it is more important to look at the event's impact on personal income, value added, and employment.

ACKNOWLEDGMENTS

A special thank you for the Sonoma Raceway for assistance in data collection and surveying.

Surveying and preliminary work was completed by Alex Avard and Aadhar Chhabra. Sean Werkema conducted the analysis and prepared this report.

Thank you to anyone else who contributed their time and effort.



SONOMA**EDB**.ORG

707 - 565 - 7170

141 STONY CIRCLE, STE. 110, SANTA ROSA, CA 95401