



Downtown Novato Theater: Economic Impact Analysis

Performed by Marin Economic Forum

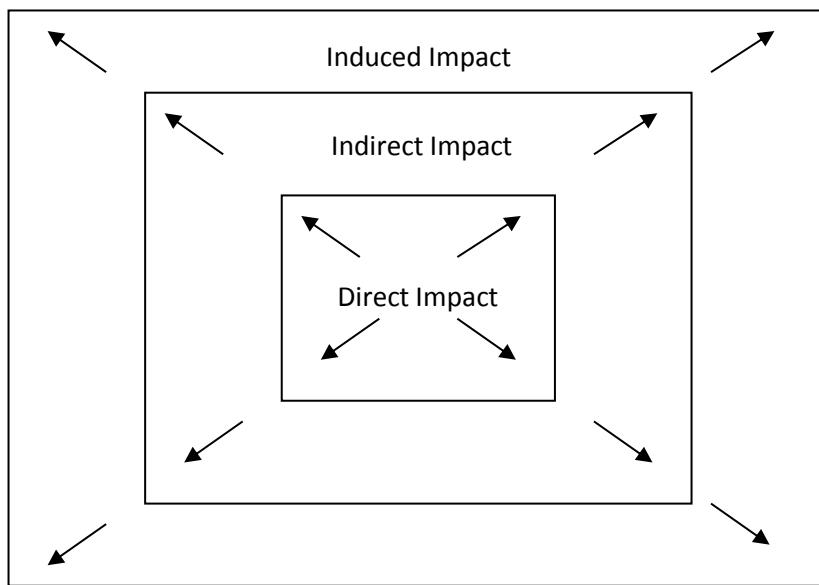
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Novato Theater Economic and Community Impact Analysis

Introduction

This report shows the economic impacts of the Downtown Theater in Novato, California. Such a project has two sets of effects, where one leads into the other. The construction and development of any new commercial properties, or the renovation and redevelopment of already constructed property for new uses, generate revenues for construction businesses. These revenues become further spending on local wages and businesses as suppliers to the project. As this spending takes place, there are broader effects on the greater Novato economy and community. The financial effects include an increase in local tax revenues due to new incomes and retail spending. Once the space is ready for the theater's operations, the theater will then have ongoing effects on business revenues, supported jobs and local tax receipts. Once construction is completed, the theater operations continue the economic impacts of this project. These ongoing economic benefits affect different industries than the renovations or construction otherwise. The logic is the same, and follows Figure 1 that the economic impacts come from the theater operations (direct), through the theater's supply chain and employee spending (indirect), to the broader Novato city economy (induced). In sum, these are the economic impacts of the construction projects.

Figure 1: Economic Impact Concept



The economic impacts come in three categories and have three stages of effects. The three categories discussed are new business revenues, supported jobs (as full-time equivalent positions) and new state and local tax revenues. The community impacts are partly due to the state and local tax revenues in that these new sources of tax receipts provide for community support, but there are also social benefits in terms of expansion of space for the arts and for local education to use the facilities. The three stages of effects from the theater's construction and operation are direct, indirect and induced; the sum of these three stages generates a "multiplier" effect on the local economy. Figure 1 shows a way to consider this multiplier idea, where the direct impacts generate both indirect and induced effects to create a multiplicative change on Novato's economy overall. The local area will be

defined as Novato, California; however, some of the effects will spill over onto the remainder of Marin County through sales tax revenues primarily.

Construction Impacts (two years, need to spread these impacts over 2 years)

This construction project would be a \$3.6 million commercial project. This is a business that wants to build and operate its own facility once construction ends, which provides a dual effect in terms of economic impacts. The data in Tables 1 through 3 are the new business revenues, supported full-time equivalent employment, and new local and state tax effects of that construction project. In the case of business revenues and employment, the top 14 industries for each impact are shown.

Table 1: New Business Revenues, Construction Phase

Industry	Direct	Indirect	Induced	Total
Construction of new commercial structures	\$2,280,900	\$0	\$57,900	\$2,338,800
Architectural, engineering, and related services	\$311,400	\$132,700	\$10,800	\$454,900
Other state and local government enterprises	\$195,600	\$5,500	\$10,500	\$211,600
Retail Stores - Electronics and appliances	\$197,400	\$800	\$4,500	\$202,700
Rental Income for Property Owners	\$0	\$0	\$196,100	\$196,100
Wholesale trade businesses	\$0	\$79,400	\$74,200	\$153,600
Real estate establishments	\$0	\$40,000	\$62,900	\$102,900
Insurance carriers	\$0	\$10,000	\$45,400	\$55,400
Food services and drinking places	\$0	\$12,000	\$41,200	\$53,200
Banks and Credit Unions	\$0	\$27,200	\$25,500	\$52,700
Medical and Dental Offices	\$0	\$0	\$46,300	\$46,300
State & local government, non-education payroll	\$0	\$0	\$45,000	\$45,000
Legal services	\$0	\$22,900	\$21,400	\$44,300
Construction of new residential structures	\$0	\$0	\$33,600	\$33,600
All Others	\$0	\$283,000	\$570,100	\$853,100
Total	\$2,985,300	\$613,500	\$1,245,400	\$4,844,200

Employment: New Jobs (Construction), Full-Time Equivalents

Industry	Direct	Indirect	Induced	Total
Construction of new commercial structures	10.6	0	0.3	10.9
Architectural and related services	2.5	1.1	0.1	3.7
Retail Stores - Electronics and appliances	1.5	0	0	1.5
State & local government, non-education employment	0	0	0.9	0.9
Bars and Restaurants	0	0.2	0.6	0.8
Other state and local government enterprises	0.6	0	0	0.6
Wholesale trade businesses	0	0.3	0.3	0.6
Real estate establishments	0	0.2	0.4	0.6
Medical and Dental Offices	0	0	0.3	0.3
Legal services	0	0.2	0.1	0.3
Employment services	0	0.2	0.1	0.3
State & local government, Education employment only	0	0	0.3	0.3
Services to buildings and dwellings	0	0.1	0.1	0.2
Business to Business - Direct and electronic sales	0	0	0.2	0.2
All Others	0	1.5	4.5	6
Total	15.2	3.8	8.2	27.2

State and Local Tax Impacts: Construction

State and Local Taxes	Amount
Employment Taxes	\$6,400
Sales Taxes	61,500
Property Taxes	49,900
Personal Income	90,700
Other Taxes and Fees	50,000
Total State and Local Taxes	\$258,500

Characteristics of the Theater¹

- A first-floor theater with a large film screen and stage, with 234 comfortable, modern seats, and a sloped floor (i.e., unlike all other venues available for local school productions and events);
- Backstage dressing rooms, in a rear addition;
- A spacious main lobby for concessions and receptions;
- A smaller, 48-seat theater, and upper lobby on the mezzanine;
- State-of-the-art sound and visual systems for film and live music, including digital;
- Full handicap accessibility; and
- Office space for Theater staff (in the rear addition and mezzanine).

Operations Impacts

These impacts represent the jobs supported and new incomes as a result of Novato Theater's operations once construction ends. The business plan provides an inflation-adjusted revenue figure for 2017, of approximately \$807,000. Due to initial leakages, the starting place of the economic impacts is \$794,900 in revenue.

New Business Revenues: Annual Average (Operations)

Industry	Direct	Indirect	Induced	Total
Theater Operations	\$807,200	\$100	\$400	\$807,700
Rental Income for Property Owners	0	0	\$84,200	\$84,200
Real estate establishments	0	\$37,100	\$26,400	\$63,500
Wholesale trade businesses	0	\$8,300	\$30,700	\$39,000
Independent artists, writers, and performers	0	\$32,800	\$300	\$33,100
Insurance carriers	0	\$7,400	\$19,600	\$27,000
Construction of new commercial structures	0	0	\$26,800	\$26,800
Consulting services	0	\$16,300	\$2,100	\$18,400
Medical and Dental Offices	0	\$0	\$18,200	\$18,200
Legal services	0	\$8,500	\$9,200	\$17,700
Bars and Restaurants	0	\$1,600	\$15,900	\$17,500
Advertising and related services	0	\$14,100	\$2,000	\$16,100
Construction of new industrial structures	0	0	\$15,000	\$15,000
All Others	0	\$124,100	\$265,400	\$389,500
Total	\$807,200	\$250,300	\$516,200	\$1,573,700

¹ These data come from the Novato Theater Business Plan (2013), which was done by the Novato Theater and provided to MEF. The Business Plan may not be public as of the date of this writing otherwise.

Employment Impacts: New Jobs overall (Operations), Full-Time Equivalents

Industry	Direct	Indirect	Induced	Total
Theater Operations	20.9	-	-	20.9
Independent artists, writers, and performers	-	0.5	-	0.5
State & local govt, non-education employment	-	-	0.4	0.4
Real estate establishments	-	0.2	0.1	0.3
Employment services	-	0.2	-	0.2
Bars and Restaurants	-	-	0.2	0.2
Promoters of performing arts	-	0.2	-	0.2
Wholesale trade businesses	-	-	0.1	0.1
Services to buildings and dwellings	-	0.1	-	0.1
Medical and Dental Offices	-	-	0.1	0.1
State & local govt, education employment	-	-	0.1	0.1
Consulting services	-	0.1	-	0.1
Construction of new commercial structures	-	-	0.1	0.1
All others	-	0.7	1.8	2.5
Total	20.9	2.0	2.9	25.8

New Tax Receipts: Operations (Annual)

State and Local Taxes	Amount
Employment Taxes	\$2,100
Sales Taxes	36,700
Property Taxes	29,500
Personal Income	34,200
Other Taxes and Fees	22,800
Total State and Local Taxes	\$125,300

Summary

In summary, the construction phase creates over 27 new jobs in Novato based on the construction spending, which generates over \$4.84 million in overall business revenue (including the construction costs) and over \$258K in local and state taxes (which does not include fees paid which are in the construction costs). For ongoing operations starting, using the projected revenue figures in 2017 as a benchmark and deflating those to 2013 dollars, over 25 new jobs are supported in Novato, with annual increases in business revenues and new state and local taxes of \$1.58 million and \$125K respectively.

The community not only gains the fee income from the construction project and tax revenues ongoing from theater operations and the sum of all economic impacts above, there is also new space in Novato committed to the arts. This space augments public and private education space, and acts as an expansion of space for community gatherings, exhibitions, and other educational functions.