



DEPARTMENT of ECONOMIC DEVELOPMENT

REDEVELOPMENT AGENCY STAFF MEMO

DATE: October 24, 2019
PREPARED BY: Susan Lundmark
RE: Update on the Economic Impact of Eccles Theater

REQUESTED ACTION: Written Briefing
RECOMMENDATION: None
BUDGET IMPACTS: None

EXECUTIVE SUMMARY: In 2018, the RDA engaged Land Economics Consultants to conduct a study of the economic impact of the Eccles Theater project. The purpose of the report is to serve as an update to a similar study completed in 2011, prior to the contemporaneous construction of the Eccles Theater and the 111 Main Street office tower. The updated economic study was completed in October, 2019; the highlights of the study are included in this memorandum and the full study is attached.

In addition to the study commissioned by the RDA, the Broadway League published a study in June 2019 entitled *The Economic Impact of Touring Broadway 2016-2017*. That report was a nationwide study and includes the Eccles Theater as one of the nearly 200 theaters evaluated in the study. Highlights from the Broadway League study are included in this memo, and the complete study is available for public purchase here:

<https://www.broadwayleague.com/research/order-research-reports/>

RECOMMENDATION OF REDEVELOPMENT ADVISORY COMMITTEE: None; RDA staff will present the update outlined in this memorandum to the Redevelopment Advisory Committee on November 6, 2019.

ANALYSIS & ISSUES: The George S. and Dolores Doré Eccles Theater (“Eccles Theater”), was constructed at its current location at 131 Main Street and first opened to the public in October, 2016. In 2011, the RDA retained the Economics Practice at AECOM to conduct an economic impact analysis as a part of a larger pre-development strategic analysis of what was then called simply the Utah Performing Arts Center (UPAC). AECOM’s Economic Impact Analysis attempted to predict both quantitative and qualitative outcomes of constructing both the Eccles Theater and the immediately adjacent 111 Main office tower, which was built by City Creek Reserve Inc.



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The Eccles Theater, which is operated by the Salt Lake County Division of Arts & Culture, is now beginning the fourth season of touring Broadway shows. By all accounts the theater has exceeded expectations as a downtown economic driver and as a pre-eminent venue that provides a distinct cultural resource in the state of Utah. According to information received from the Salt Lake County Division of Arts & Culture, since opening in 2016, the Eccles Theater has realized the following:

- 985,000 tickets sold
- 478 events held, and
- \$5.3 million in sales tax generated.

Land Economics Consultants Study Highlights

In order to quantify and document the impacts of the Eccles Theater during its initial Broadway seasons, the RDA retained Land Economic Consultants to provide an update to the original 2011 economic impact analysis (Land Economics Consultants is owned by one of the economists who helped draft the original 2011 study). The updated study focused on the 2017 Broadway season, and was meant to document the ways in which the Eccles Theater either did or did not achieve the economic impact that was forecast prior to construction.

Highlights of the Economic Impacts of the Eccles Theater and Associated Office Development are shown below. The full study is included here as Attachment A: *Economic Impact of the Eccles Theater and Associated Office Development; 2017 Update*.

Study Highlights:

- One-time economic expansion (in Salt Lake County) of over \$500 million during design and construction of Eccles Theater and 111 Main office tower.
- \$22.2 million in ongoing economic impact (in Salt Lake County) each year due to project additions of Eccles Theater and 111 Main Tower in the Block 70 project area.
- 228 permanent jobs created.
- Increase of 279,000 additional tickets distributed in 2017 (over the average of the prior three years; see Figure 1). As shown in Figure 1, there was an (expected) decrease in ticket sales at other Salt Lake County venues in 2017, but the overall impact of the addition of the Eccles Theater in Salt Lake City was a significant net increase in ticket sales within the County.
- As shown in Table 1 below, the 2017 Actual Economic Output for the combined Eccles Theater+Office Tower project outperformed what was forecast in 2011 in nearly every category, especially in the “Touring Productions” and “Audience” categories.
- In addition to the quantifiable impacts stated above, the study also discusses less quantifiable impacts, calling the Block 70 project “a net positive story”, with the following impacts:
 - A stimulus to the ecosystem of arts groups in Salt Lake County.
 - Expanded total volume of performances and size of aggregate audience in Salt Lake City venues.
 - Beneficial impacts to the Salt Lake County economy, both during construction and now ongoing by operating on a sustainable basis.
 - Increased foot traffic and spending, as well as enhanced safety through eyes on the street, in downtown.
 - Enhanced cultural offering, urbanism, and attractiveness of Salt Lake City to visitors.

Figure 1 Total Tickets Distributed within the Ecosystem of Salt Lake City Venues

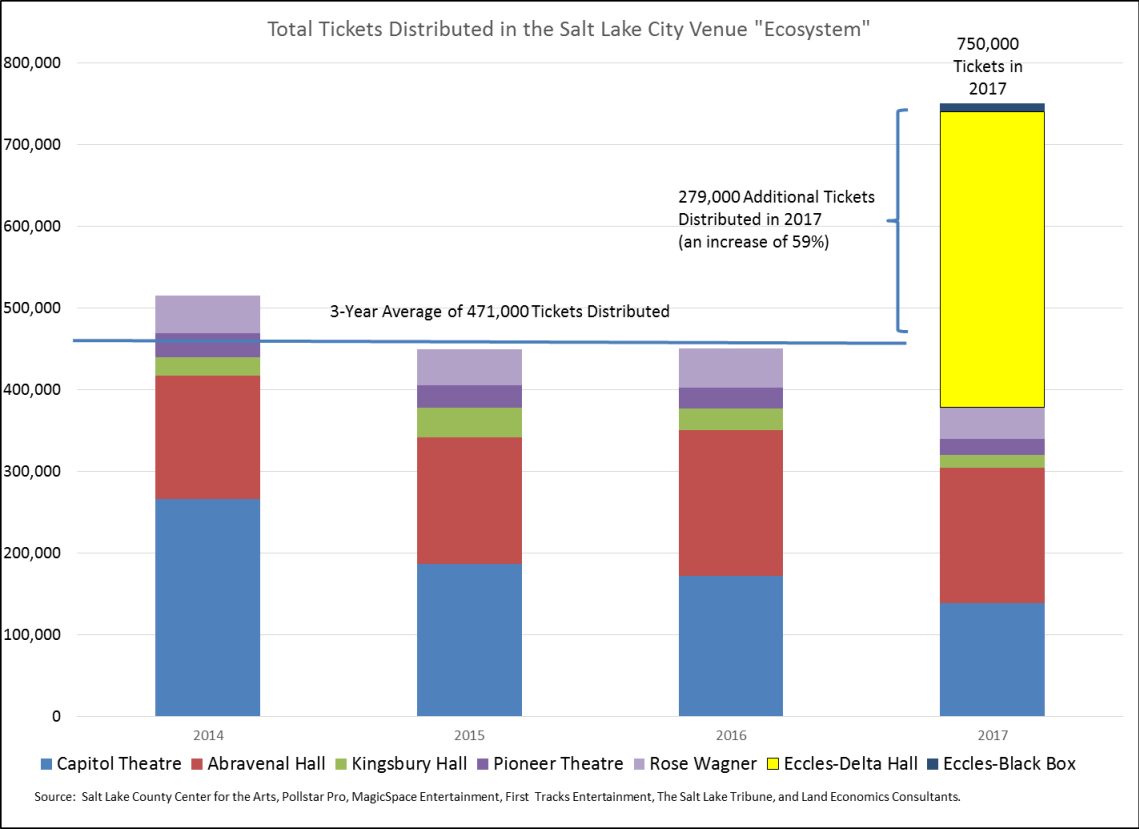


Table 1: Comparison of 2011 Forecasts for Economic Output with 2017 Actuals

	Output Forecast in 2011	Actual Output in 2017	Difference
<u>One-time Impacts</u>			
Theater Construction	\$201,951,000	\$273,946,000	36%
Office Construction	<u>\$289,157,000</u>	<u>\$246,984,000</u>	-15%
Total One-time	\$491,108,000	\$520,930,000	6%
<u>Ongoing Impacts</u>			
Theater			
Theater Operations	\$4,619,000	\$4,324,000	-6%
Touring Productions	\$584,000	\$1,304,000	123%
Induced Visitation:			
Audience	\$3,163,000	\$9,568,000	202%
Touring Cast & Crew	<u>\$1,057,000</u>	<u>\$893,000</u>	-16%
Subtotal Theater	\$9,423,000	\$16,089,000	71%
Office Operations	<u>\$5,418,000</u>	<u>\$6,149,000</u>	13%
Total Ongoing	\$14,841,000	\$22,238,000	50%

Source: US Bureau of Economic Analysis, RIMS II Multipliers, Land Economics Consultants

Broadway League 2016-2017 Study Highlights (June, 2019)

- In the 2016-2017 season, Touring Broadway contributed \$3.8 billion across the United States.
- The economic impact of Touring Broadway includes both direct and indirect spending.
 - Direct spending is attributed to 1) direct spending by producers and venue owners in the local economy to present shows and maintain theater venues; and 2) direct spending by patrons of the performances who spend money in the local economy at shops, restaurants, and on transportation needs.
 - Indirect spending includes the ways in which the local businesses take the money they earn from Touring Broadway and re-spend it, some of which is nearly always locally spent again.
- Direct spending in 2017 totaled \$728.8 million in local communities.
- Indirect spending in 2017 totaled \$1.2 million in metropolitan areas.
- In 2017, patrons of Touring Broadway spent an average of \$85 on expenses related to their theater experience, including dining, hotel, parking, and shopping. These expenses are above and beyond what patrons spent on theater tickets, and, as stated above, primarily impact the local economy of the theater venue.
- In addition to the direct and indirect spending outlined above, national spending on salaries and benefits due to Touring Broadway was \$236 million.

PREVIOUS BOARD ACTION: None for this study

ATTACHMENTS:

- A. Study: Economic Impact of the Eccles Theater and Associated Office Development; 2017 Update

ATTACHMENT A:

Study: Economic Impact of the Eccles Theater and Associated Office Development; 2017 Update



2017 Update Analysis

**Economic Impacts of the
Eccles Theater and
Associated Office Development**

Prepared for the

**Redevelopment Agency of
Salt Lake City**

Submitted by

Land Economics Consultants, LLC (LEC)

October 15, 2019

LEC Project No. 1802

Table of Contents

Executive Summary.....	iii
I. Introduction.....	1
II. Project Performance in its First Year.....	3
Eccles Theater Impacts on the Performing Arts Ecosystem	3
Recommendations for Future Tracking of the Arts Venue Ecosystem.....	10
III. Economic Impacts.....	11
Impact Methodology: The Concept of the Multiplier	11
Framework for Analysis.....	12
One-Time Impacts of Constructing the Project.....	13
Theater	13
Office Building	14
Ongoing Economic Impacts of Project Operations.....	15
Assumptions for Theater Operations	16
Assumptions for Induced Visitation as a result of Theater Operations	17
Office Tower Operations	22
Summary of Economic Impacts for the 2017 First Year of Operations	23
Comparison of Forecasts Made in 2011 with 2017 Actuals	23
IV. Impacts on Downtown Salt Lake City	27
Difficulty in Documenting Project Benefits Statistically	27
Importance of Urbanism and Downtown Synergy	29
Summary of Findings	33

Index of Tables/Figures

Table 1: Comparison of 2011 Forecasts for Economic Output with 2017 Actuals	iv
Table 2: Eccles Theater - Delta Hall: Comparison of Projected Performance vs. Actual.....	3
Table 3: Facilities Constituting the Venue “Ecosystem” in the City of Salt Lake	5
Table 4: Trends in Number of Performances within the Venue Ecosystem, Before and After Eccles Theater Opened	6
Table 5: Trends in Total Tickets Issued ¹ within the Venue Ecosystem, Before and After Eccles Theater Opened	8
Table 6: Change in Final Demand in Salt Lake County due to Project Construction	14
Table 7: One-Time Economic Impacts of Construction.....	15
Table 8: Estimated Net New and Backfilled Attendance.....	19
Table 9: Patron Visitor Origin 2017	19
Table 10: Theater Visitor Spending.....	20
Table 11: Estimated Net New and Backfilled Production Person Days.....	21
Table 12: Summary of Ongoing Theater Economic Impacts	22
Table 13: Summary of All Economic Impacts on Salt Lake County.....	23
Table 14: Comparison of 2011 Forecasts for Economic Output with 2017 Actuals	24
Table 15: Comparison of 2011 Forecasts for Employment with 2017 Actuals	25
Figure 1 Total Tickets Distributed within the Ecosystem of Salt Lake City Venues.....	iii
Figure 2: Total Number of Performances in the Ecosystem of Salt Lake City Venues	7
Figure 3 Total Tickets Distributed within the Ecosystem of Salt Lake City Venues.....	8
Figure 4: Downtown Trend in Retail Sales including Eating and Drinking Establishments	28
Figure 5: Employment in Restaurants and Retail Stores Downtown 2011 to 2017.....	29
Figure 6: Trends in Why People Go Downtown	32
Figure 7: Eccles Theater’s Entry into the Performing Arts Ecosystem	33



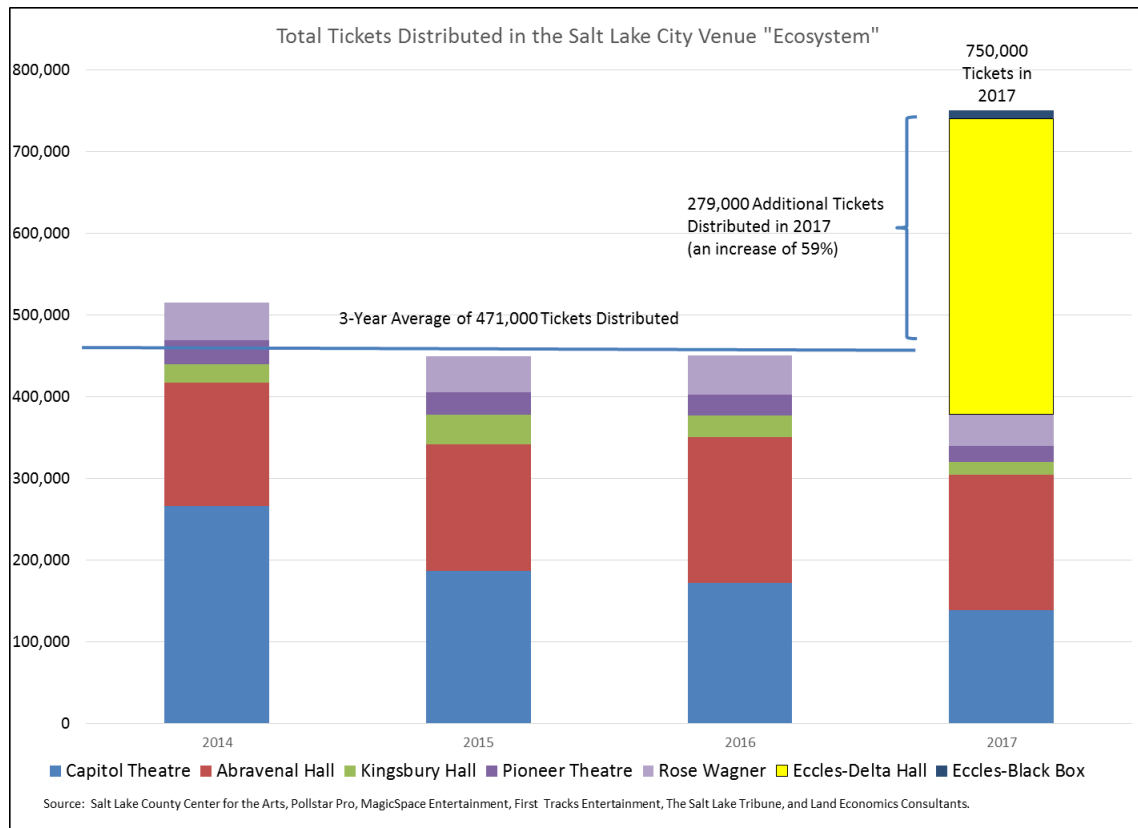
Executive Summary

2017 Update Analysis: Economic Impacts of the Eccles Theater and Associated Office Development

In 2011, a series of studies were completed that forecast the likely economic impacts that could be gained from proceeding with a Redevelopment Agency of Salt Lake City (RDA) project to be constructed on the site of the former Newspaper Agency Corporation building on Block 70 in downtown Salt Lake City. In subsequent years, the entire RDA project was developed, essentially as envisioned, with a new office tower building at 111 South Main Street, and the new theater which opened as the George S. and Dolores Dore Eccles Theater (Eccles Theater) in fall of 2016. In 2018, once the theater had a full year of operating history behind it (2017), the Agency again retained the same consultant that led the first study to conduct a parallel analysis showing what impacts have actually occurred.

As can be seen in **Figure 1**, there was a substantial increase in the number of people buying tickets to performing arts productions throughout the ecosystem of arts groups and performing arts venues in Salt Lake in the first year the new Eccles Theater opened.

Figure 1 Total Tickets Distributed within the Ecosystem of Salt Lake City Venues



Although some of the arts groups and similarly sized venues experienced reductions in their patronage as a result of the new theater becoming part of the venue ecosystem, the total volume increased by approximately 279,000 tickets distributed to approximately 750,000 performing arts patrons in 2017. The surge in attendance was larger than had been forecast in 2011 during the planning and approval stages for the project (123,000 tickets had been forecast to be added to the venue ecosystem in 2011).

The economic impacts have also proven to be greater than anticipated, although with various impact mechanisms being lower than forecast, as can be seen in **Table 1**.

Table 1: Comparison of 2011 Forecasts for Economic Output with 2017 Actuals

	Output Forecast in 2011	Actual Output in 2017	Difference
<u>One-time Impacts</u>			
Theater Construction	\$201,951,000	\$273,946,000	36%
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Subtotal Theater	\$9,423,000	\$16,089,000	71%
Office Operations	<u>\$5,418,000</u>	<u>\$6,149,000</u>	<u>13%</u>
Total Ongoing	\$14,841,000	\$22,238,000	50%

Source: US Bureau of Economic Analysis, RIMS II Multipliers, Land Economics Consultants

Quantitative economic impact calculations from the perspective of Salt Lake County include:

- The Salt Lake County economy experienced a one-time expansion of over half a billion dollars during the design and construction years of the project.
- **\$16.1 million per year in total economic output expansion** on an ongoing basis as a result of the new theater.

- \$6.1 million per year in additional economic output due to the office tower, for a **total project economic impact of \$22.2 million annually**.
- **228 permanent jobs** created.

From the more quantifiable portions of this retrospective update, the statistics help to see the larger trends and document some of the major findings. But the larger trends also hide some nuances and smaller counter trends. In addition to compiling statistics and rerunning the economic impact model, this study also included a series of interviews with a variety of Salt Lake City stakeholders including City and County staff, real estate development and leasing interests, members of performing arts groups, venue operators and promoters, visitor industry interests, and downtown restaurants and other businesses.

In a more narrative style, what emerges from the full research and analysis program is a net positive story on all levels. The Eccles Theater, and the rest of the RDA project area on Block 70, overall has:

- been a stimulus to the ecosystem of arts groups in Salt Lake,
- expanded the total volume of performances and size of the aggregate audience in Salt Lake City venues,
- created beneficial impacts to the Salt Lake County economy, both during construction and now ongoing by operating on a sustainable basis,
- added foot traffic and spending, as well as enhanced safety through eyes on the street, in downtown, and
- enhanced the cultural offering, urbanism, and attractiveness of Salt Lake City to visitors from the multistate Intermountain Region.

As with any large complex project that is created within an existing set of overlapping communities, however, there have been both winners and losers, at least temporarily through the transition years.

The development story was complicated, but ultimately successful. On Block 70 it required an unusual four-way partnership including the City, the County, the Church of Jesus Christ of Latter-day Saints, and a private developer. The financing model for the theater was well supported and has maximized the long-term viability of the theater by combining City and County funding with generous private fundraising. The debt incurred for the initial construction of the Eccles Theater is being serviced through traditional public finance mechanisms that do not rely on the financial performance of the theater. The end result is a performing arts building that is able to focus on revenue generation for purposes of cost recovery for ongoing operating and maintenance expenses in support of the arts.

While the initial capital cost has now been successfully financed, there will be an ongoing need in coming years to continue to reinvest in the theater building, not only to maintain physical structures and attractive finishes, but also to keep performing arts equipment and technologies up to date.

Compared with similar development projects in other cities, it appears the total hard cost of delivery, at under \$700 per square foot was significantly lower than the \$1,000 or more per square foot that has been reported in other cities for new performing arts theater buildings, and attests to the efficiency with which the Salt Lake community was able to work together.

As had been anxiously anticipated, the Eccles Theater created big waves in the ecosystem of arts groups and venues during its first year of operation. The Pioneer Theater Company appears to have been most negatively affected, seeing the largest dip in ticket sales experienced in their history for the 2016-17 season when the Eccles Theater opened. On the other hand, ticket sales appear to have rebounded in the following season.

In terms of impact on venues the size of the large County theaters, the Capitol Theatre experienced the largest losses in utilization, both in terms of number of performances and in audience patronage. On the other hand, because the Capitol Theatre is under the same County management as the Eccles Theater, some of the financial impacts of this shifting within the venue ecosystem can be mitigated, and it has also given the County the opportunity to now close Capitol Theatre for refurbishment for a portion of the coming year, which will further enhance and diversify the venue offering within Salt Lake's arts ecosystem.

In general, the surge of interest in live theater created by the Eccles Theater is expected by most in the arts community to serve as a stimulus for future patronage. By attracting both residents and regional visitors who had not previously attended such live entertainment to downtown, the Eccles Theater is "training" an expanded market of theatergoers who are now more likely to return, not only to Eccles Theater, but also to experience other performing arts programs as well.

The revitalization of downtown, including the streets immediately surrounding Block 70, is still a work in progress. The retail tenancing and reactivation of Regent Street, and especially the McCarthy Plaza area, has not yet been fully realized. An ongoing struggle is likely to continue over competing needs for McCarthy Plaza not only as a public space, but also as access to the Eccles Theater via loading docks for touring performing arts groups in the theater. This is another area where ongoing reinvestment of public funds will be needed for the upkeep of the public realm surrounding the theater.

Similarly, the continuity of programming within the Eccles Theater building has also not yet been fully realized. Downtown restaurants and other businesses thrive on nights with major performances, but can languish on nights when all the spaces in the theater are dark. Downtown business interests and Salt Lake visitor industry promoters would all like to see more utilization of the Winter Garden, more activation of Main Street along the front of the theater, more group events programmed into the Black Box and the various lounges and lobbies and other programmable spaces within the Eccles Theater building going forward. Even so, it is clear that the Block 70 RDA project area has, in net terms, dramatically helped propel downtown in a positive direction.

I. Introduction

In 2010, the City and County of Salt Lake were actively planning for the future of cultural facilities in downtown Salt Lake. The Downtown Rising vision for downtown Salt Lake City incorporated several major projects, including a proposed 2,500-seat theater, then known as the Utah Performing Arts Center (UPAC), which would be constructed on the site of the former Newspaper Agency Corporation building on Block 70. The project on Block 70 was also envisioned to include a new private office building of approximately 450,000 square feet.

The Redevelopment Agency of Salt Lake City (RDA) commissioned a study to project how the theater might perform within the arts community and estimate the economic impacts that could be created in downtown, which culminated in the economic impact analysis portion of the report titled “Utah Performing Arts Center: Pre-Development Strategic Analysis” dated May 3, 2011. In subsequent years, the entire RDA project was developed, essentially as envisioned, with a new office tower at 111 South Main Street, and the new performing arts center which opened as the George S. and Dolores Dore Eccles Theater (Eccles Theater) in fall of 2016. In 2018, once the theater had a full year of operating history behind it, the Agency again retained the same consultant that led the first study to conduct a comparable analysis showing what impacts have actually occurred.

A study with three levels of analysis was envisioned. The first task was to conduct a multi-day series of interviews in Salt Lake City with stakeholders in the “ecosystem” of performing arts venues in Salt Lake City, City and County staff, participants in the real estate development industry, data providers, and other interested parties. At the end of that series of interviews, the three levels of analysis had been refined to include the following:

1. A review of how the new Eccles Theater changed the distribution of performing arts productions and patronage, as indicated by the tickets distributed by each of the theaters within the ecosystem of performing arts venues in Salt Lake City.
2. A quantitative “macro-economic” look at how the City’s RDA project on Block 70 expanded the Salt Lake County economy in terms of direct impacts (changes in final demand), total economic output (including multiplier effects), and employment generation; and how those actual effects compared with what had been projected back in 2011.
3. A review, with some quantification where it is possible, of the more localized effects the new theater has had on the downtown environment, including restaurant business activity levels, real estate leasing, visitor attraction, public safety, stimulus for urban housing development, and other enhancements of the downtown community.

The report has been organized with a section reporting on the findings of each of these three levels of analysis. The key findings have been brought forward into the preceding Executive Summary. This study was conducted by Mr. Steven E. Spickard, AICP, LEED AP, doing business since 2010 as Land Economics Consultants. For the 30 years prior to 2010 Mr. Spickard had been with Economics Research Associates (ERA), and briefly with AECOM, which purchased ERA in 2007.

II. Project Performance in its First Year

The forecasts made in 2011 for the economic impacts of the project proposed for Block 70 were based on projections of how well the two buildings would be used once they achieved stabilized operations. There was little controversy that a new office building would be absorbed easily into the growing downtown office market and lease up well. There was substantial controversy, however, as to how a large new theater would impact the existing “ecosystem” of arts groups and arts venues in Salt Lake City, and how much patronage the new theater would attract away from others.

Eccles Theater Impacts on the Performing Arts Ecosystem

Since 2008, City leadership had pursued the strategy of developing a “Broadway-style” theater designed to accommodate national touring Broadway shows, based on a Cultural Facilities Master Plan for Salt Lake County done by AMS Planning & Research. In 2010, AMS also completed a more specific report containing the market analysis, operating recommendations and financial projections for a proposed new Broadway-style theater in downtown Salt Lake City. This was followed up in 2010 by the AECOM economics research team led by Mr. Spickard conducting a series of case studies of how the arts communities in other cities had absorbed a new commercially oriented performing arts theater, and culminated in the economic impact projections in 2011.

The projections made in 2011 for the performance of the new theater were designed to mimic a year of stabilized operations achieved three to five years after the new theater opened, and took into account both a typical year and a year that contained a run of a blockbuster Broadway hit. The projections made in 2011 are presented in **Table 2** alongside the actual performance of the Eccles Theater from January 1 through December 31, 2017, its first full calendar year of operations. As can be seen, the number of events experienced in 2017 was remarkably close to what had been forecast in advance. The total number of tickets distributed, which includes both tickets sold (~95%) and complimentary tickets (~5%), was dramatically higher than expected.

Table 2: Eccles Theater - Delta Hall: Comparison of Projected Performance vs. Actual

Performances	Projected in 2011		Actual 2017		Difference	
	Events	Tickets	Events	Tickets	Events	Tickets
Co-Promoter: Broadway	93	138,000	113	261,341	22%	89%
Co-Promoter: Popular/Other	45	63,750	46	83,780	2%	31%
Not-for-Profit	28	37,800	16	17,356	-43%	-54%
Commercial	10	0	4	0	-60%	0%
Total Activities	176	239,550	179	362,477	2%	51%

Sources: 2011 study by AECOM Economics, 2017 Report from Center for the Arts.

The biggest surprise came from the success in the primary focus of the theater: national touring Broadway shows. In its first year of operations, the Eccles Theater successfully captured 22% more Broadway performances than had been forecast, and achieved 89% more of the ticket sales projected.

The number of concerts, holiday shows, and other commercial entertainment added up to close to the 45 events projected in 2011, but again, the patronage was stronger than had been forecast, and 31% more tickets were distributed than had been anticipated.

The number of performances by other not-for-profit arts groups proved to be less than what had been projected, and ultimately resulted in about half the attendance that had been expected in that category. In hindsight, this was primarily because the 2011 projections assumed that the three major performing arts groups in Salt Lake, the Symphony, Opera, and Ballet, would each perform multiple times in the new theater, and with the exception of a choreographic festival put on by Ballet West, those groups chose to remain in the theaters they have traditionally used.

The Commercial use category in Table 2 reflects events that rent the whole hall but do not sell tickets. There were indeed some of those types of events in 2017, but fewer than forecast.

The Actual 2017 statistics in Table 2 are drawn from an initial year retrospective report prepared by Salt Lake County's Center for the Arts (CFA). Other interesting findings from that report include the following:

- Including not only the main, 2,500-seat, Delta Hall, but also the Regent Street Black Box theater, the Winter Garden, the Tanner and Miller Lounges, and a variety of other usable spaces, the entire Eccles Theater project hosted 533 events in its first year.
- Those spaces, combined, hosted a total of 372,581 patrons in the building.
- 349,807 (approximately 94%) of the 372,581 patrons purchased tickets.
- The Broadway at the Eccles program included runs of 10 touring Broadway productions (not including Hamilton, which occurred in 2018).
- Total building revenues were almost \$5.5 million.
- Total building expenses were almost \$2.9 million.
- Thus, an operating surplus of over \$2.6 million was generated in the first full year.
- Combined with the operating results from the few months the building was open at the end of 2016, by the end of 2017 the theater project was able to fund a \$1,000,000 operating reserve, an \$850,000 capital reserve, and contribute reserves for the Arts for All program, which is a free ticketing program for select events at the Eccles Theater for eligible Salt Lake County residents who might otherwise be unable to afford to attend. In addition, the theater building generated over \$1.3 million to be shared by the City/County partnership that owns the building according to a pre-agreed distribution formula.

During the concept formation, design, and approval stages of what in 2011 was known as the Utah Performing Arts Center (UPAC), concerns were raised about how the new Broadway oriented theater would affect the three existing theaters of most comparable size: Abravanel Hall, Capitol Theatre, and Kingsbury Hall. For purposes of this analysis, that definition of the ecosystem of performing arts venues in Salt Lake City has been expanded to include smaller venues as well, including the Rose Wagner Performing Arts Center and the Simmons Pioneer Memorial Theatre. This definition of the ecosystem is presented in **Table 3** along with the capacities of the various venues.

Table 3: Facilities Constituting the Venue “Ecosystem” in the City of Salt Lake

Names of Buildings and Venues	Seating Capacity	Manager / Key Tenant(s)
City and County Owned Venues		
George S. and Dolores Dore Eccles Theater		
Delta Performance Hall	2,500	Salt Lake County Center for the Arts
Regent Street Black Box	150	Salt Lake County Center for the Arts
Maurice Abravanel Hall		
Abravanel Hall Auditorium	2,768	Salt Lake County Center for the Arts
Janet Quinney Lawson Capitol Theatre		
JQ Lawson Capitol Theatre Auditorium	1,791	Salt Lake County Center for the Arts
Rose Wagner Performing Arts Center		
Jeanne Wagner Theater	501	Salt Lake County Center for the Arts
Leona Wagner Black Box Theater	191	Salt Lake County Center for the Arts
Studio Theater	75	Salt Lake County Center for the Arts
University of Utah Performing Arts Venues		
Kingsbury Hall		
Nancy Peery Marriott Auditorium	1,913	College of Fine Arts, Utah Presents
Simmons Pioneer Memorial Theatre		
Lees Main Stage	932	Pioneer Theatre Company
Babcock Theatre	127	University Department of Theatre
Libby Gardner Concert Hall	680	Student & Faculty Use

Source: Land Economics Consultants survey of venues and managers.

Prior to the addition of the Eccles Theater to the performing arts venues ecosystem, most of the Broadway productions and popular concerts had taken place in the Capitol Theatre downtown, with some overflow in Kingsbury Hall on the University of Utah campus. The expectation in 2011 was that when the new theater opened and the more commercial productions moved into it, the older existing venues would experience a reduction in utilization. There was also the hope, however, that some portion of the dates opened up by the movements to the new theater would allow existing venues to

“backfill” their calendars with new productions that had previously had a hard time finding available dates, and that the total volume of both productions and ticket sales would increase when the venue ecosystem was viewed in the aggregate.

The most consistent data series available to capture these movements, both before and after the opening of Eccles Theater, was provided by the Salt Lake County Center for the Arts (CFA) that manages three of the four halls of most comparable size to the new 2,500-seat venue. The trend in the number of performances held is presented in **Table 4** for CFA venues.

Table 4: Trends in Number of Performances within the Venue Ecosystem, Before and After Eccles Theater Opened

CFA Venues	2014	2015	2016	2017	2017 Compared with Average of 2014-2016	
					Change (in #)	Change (in %)
Eccles-Delta Hall	--	--	--	179	179	n.a.
Capitol Theatre	208	170	153	138	-39	-22%
Abravental Hall	83	86	103	98	7	8%
<i>Subtotal of 3 Large Halls</i>	291	256	256	415	147	55%
Rose Wagner	368	293	334	256	-76	-23%
Eccles-Black Box	--	--	--	42	42	n.a.
<i>Subtotal of Smaller Venues</i>	368	293	334	298	-34	-10%
Totals for CFA Venues	659	549	590	713	114	19%

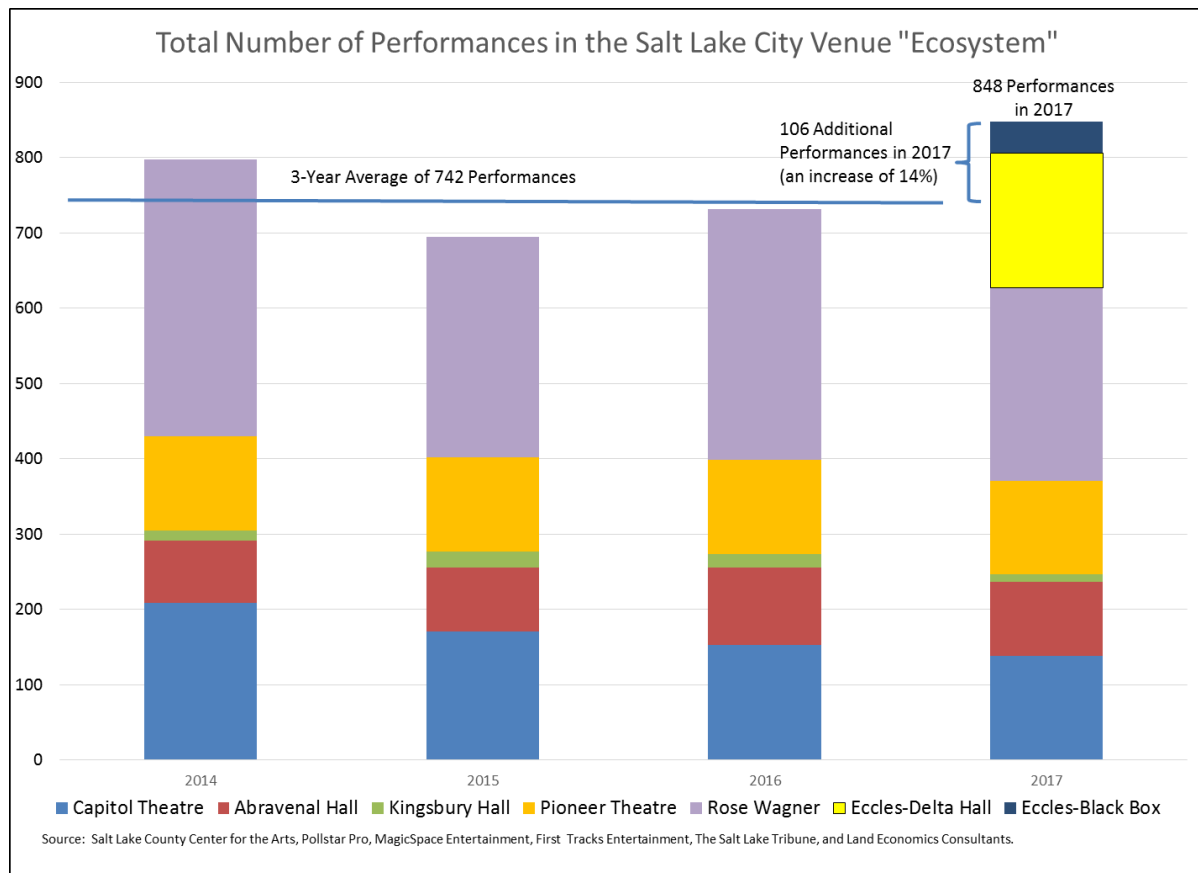
Source: CFA data with analysis by Land Economics Consultants.

The number of performances produced in any performing arts venue will vary from year to year for many reasons, but in order to gain some perspective of the first year Eccles Theater was open, 2017, comparisons have been made in Table 4 to the average levels of the three previous years in each of the same venues. As can be seen in the bottom line, in the aggregate the total number of performances in 2017 did indeed represent an increase (19%) over the average of the previous three years. On the other hand, there was clearly a reduction in activity at the Capitol Theatre, even after an initial year’s backfill activity had expanded into empty dates there. Interestingly, the collection of smaller spaces in the Rose Wagner Center also saw a drop in utilization in 2017. Abravental Hall, home to the Utah Symphony, was relatively unaffected.

Figure 2 presents a more comprehensive perspective on the total number of performances taking place throughout the venue ecosystem, combining the data in Table 4 with information from other sources including commercial concert data from Pollstar, estimates of historical activity made in collaboration with MagicSpace Entertainment and First Tracks Entertainment, and an article from the Salt Lake Tribune that reported in September, 2018, on the Pioneer Theater Company’s ticket sales

experience. As the Eccles Theater opened in late 2016 and filled up in 2017, the Pioneer Theater Company continued to produce their full program (estimated in Figure 2 as approximately 125 performances each season). Kingsbury Hall, which was never an especially large player in the general public market due to the focus on University programs, responded in 2017 by re-focusing even more heavily on its educational mission.

Figure 2: Total Number of Performances in the Ecosystem of Salt Lake City Venues



The focus on the number of performances in Table 4 and Figure 2 is a good way of gauging how often a venue is being used, but it is not the same as the number of people served. Figure 2 also magnifies the importance of the Rose Wagner Center because it includes performances in three venues, all of which are relatively small.

Table 5 and **Figure 3** present a similar analysis, but instead of performances they focus on the number of tickets distributed, which includes a minor portion of complimentary tickets as well as tickets sold, and is a better indicator of total people patronizing the performing arts. As can be seen in the bottom line of Table 5, there was a jump of over 300,000 people patronizing the arts in 2017 over what had been the average of the previous three years in the venues operated by CFA.

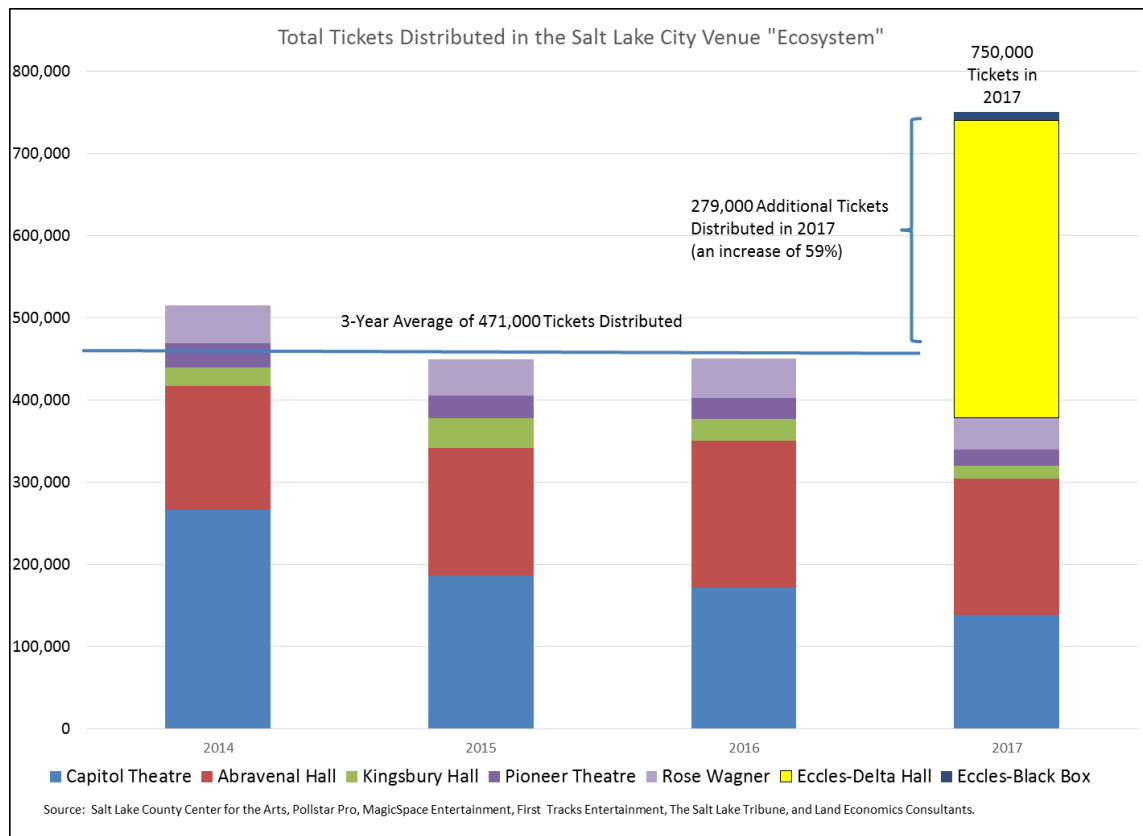
Table 5: Trends in Total Tickets Issued¹ within the Venue Ecosystem, Before and After Eccles Theater Opened

CFA Venues	2014	2015	2016	2017	2017 Compared with	
					Change (in #)	Change (in %)
Eccles-Delta Hall	--	--	--	362,477	362,477	n.a.
Capitol Theatre	266,088	186,497	171,665	138,771	-69,312	-33%
Abravental Hall	150,545	155,334	178,555	165,754	4,276	3%
<i>Subtotal of 3 Large Halls</i>	<i>416,633</i>	<i>341,831</i>	<i>350,220</i>	<i>667,002</i>	<i>297,441</i>	<i>80%</i>
Rose Wagner	46,472	43,447	47,834	38,722	-7,196	-16%
Eccles-Black Box	--	--	--	10,305	10,305	n.a.
<i>Subtotal of Smaller Venues</i>	<i>46,472</i>	<i>43,447</i>	<i>47,834</i>	<i>49,027</i>	<i>3,109</i>	<i>7%</i>
Totals for CFA Venues	463,105	385,278	398,054	716,029	300,550	72%

¹ Tickets Issued includes comp tickets as well as tickets sold.

Source: CFA data with analysis by Land Economics Consultants.

Figure 3 Total Tickets Distributed within the Ecosystem of Salt Lake City Venues



When looking at just the venues operated by CFA in Table 5, it can be seen that Abravanel Hall ticket sales were essentially unaffected by the opening of Eccles Theater, but the Rose Wagner Center and, especially, the Capitol Theatre suffered reductions of patronage (declines of 16% and 33% respectively.) On the other hand, because all of these venues are operated by the same entity, and because the City and County had agreed to share some of the surplus revenues from their new jointly-owned Eccles Theater project, the financial effects of shifts in patronage have been mostly mitigated.

When Kingsbury Hall and Pioneer Theatre are added to the CFA venues (see Figure 3) the total 2017 bump up is reduced to approximately 279,000 from 300,000 (in Table 5), because both of those venues experienced reductions in the number of patrons over what they had averaged in the previous three years. In the case of Kingsbury Hall, the University began planning several years ahead of Eccles Theater opening in order to re-envision the College of the Arts mission and the role of the University's on-campus venues. With the department now focused more on teaching creativity throughout the University, Utah Presents became defined by their programs and not by the halls they presented in. For example, while the department oversees Kingsbury Hall, they do not keep utilization statistics or feel strong pressure from the administration to rent the hall or generate revenues. Even so, they do get requests for dates frequently, both from non-profit arts groups as well as commercial concert promoters, and some are granted. In Figure 3 the number of tickets distributed for non-University users of Kingsbury Hall is estimated to have dropped by almost half, to about 15,000 tickets in 2017, over what had been experienced over the previous three years, but the University is not concerned over that trend.

The recent trend for the Pioneer Theatre Company was estimated from data published in the September 16, 2018, article in The Salt Lake Tribune. Some estimation from graphic information was required, and the time periods are in slightly different phases (e.g., Pioneer ticket sales from the 2016-17 season are compared with calendar 2017 data for the CFA venues.) In Figure 3, it appears that the Pioneer Theatre suffered the largest unmitigated decline in patronage as a result of the opening of the Eccles Theater, which is not surprising given that the content of the Pioneer Theatre Company's program is most similar to the national touring Broadway shows being presented in Eccles Theater. For their 2016-17 season when Eccles Theater opened, the Pioneer Theatre Company sold approximately 19,000 tickets (including both individual and season tickets), representing a 30% decline over the average of the previous three years.

The September 16, 2018, Tribune article ended on a hopeful note, however. In the subsequent 2017-18 season, the Pioneer Theatre Company saw their ticket sales rebound to over 26,000, or a 36% increase over their historic low year during the year of the Eccles Theater opening.

Recommendations for Future Tracking of the Arts Venue Ecosystem

During the interviews conducted for this update study, more than one participant in the ecosystem of arts groups in Salt Lake expressed an interest in seeing statistics like the ones presented in the analysis above on an ongoing basis in the future. While there is some difficulty in collecting and publishing statistics that reveal the patronage captured by specific arts groups, it is easier to focus on where the arts groups are performing and present utilization statistics for the venues, aggregating multiple arts groups in the process. It may also be difficult or impossible to gather statistics on venues that are owned by private entities, or by the University of Utah. It should be relatively easy, however, to compile statistics from the set of venues that are operated by the Salt Lake County Center for the Arts, and make them available to the arts community on an annual basis. The statistics that appear to be of most interest going forward would be:

- **Total number of performances** in each venue for the year;
- **Total use-days** in each venue, which would include move-in/move-out days, and rehearsal days, as well as performance days (i.e., everything except days that really are dark); and
- **Total “patronage”** in the venue. The goal here would be to have the best indicator of “turnstile attendance,” although the best approximation will likely be “total tickets distributed,” which will include tickets purchased (even though a few may not be used), and complimentary tickets distributed (even though a few may not be used.)

Within theater buildings that include multiple venues, such as the Rose Wagner Center and the Eccles Theater, it would be helpful to have this same set of statistics each year at the level of the individual venues.

III. Economic Impacts

This report section is patterned as closely as possible after the corresponding economic analysis that appeared in the 2011 study. The same regional economic analysis methodologies have been employed and, wherever possible, the same assumptions have been made in order to make the resulting impact projections comparable.

Economic impacts are generated on an ongoing basis from both the operations of the new Eccles Theater, as well as from the new office tower at 111 South Main. There were also significant one-time economic impacts generated for the region as the buildings were constructed. This section presents the analysis of both components of the project and for both time frames.

Impact Methodology: The Concept of the Multiplier

In the field of regional economic analysis, industries and the employment within them may be separated conceptually into two types: those that form the base to the local economy, and those that serve the residents who live in the local area. Industries that are part of the base to the economy have the power to create wealth by drawing new money into the area, while industries serving residents circulate money that is already in the local economy.

The operations of the Eccles Theater are partially a resident serving business, enhancing entertainment, culture, and quality of life for Salt Lake County residents and recirculating their money within the local economy. But the Eccles Theater is also partially a basic business in that it draws a portion of its revenues from outside the County and State (e.g., as additional touring performing groups find dates available within the expanded Salt Lake venue offering and spend money locally on their productions), and as the venue manager in turn re-spends a portion of that outside revenue to make local expenditures within the County for goods and services necessary to operate the theater.

A performing arts theater also functions partially as a business in the tourism industry (a basic industry) to the extent that it draws patrons from other counties and surrounding states that come to, and spend money in, Salt Lake because of the expanded cultural programming. The initial spending from visitors has a multiplied effect on expanding the local economy. For example, \$100 spent by a family from Idaho on a Salt Lake City hotel room and \$50 spent on a restaurant meal to extend their shopping trip to City Creek Center in order to see a show has a "direct impact" on the Salt Lake County economy in that it is new money which would not have been there without the additional performances; and the family's purchase of the meal, the room, and tickets to the show supports jobs and spending by the theater, hotel and restaurant, and furthermore those expenditures generate local tax revenue. But the impact of this new money does not stop with the direct effect. There is an "indirect effect" as the suppliers to the venue and businesses also experience increased revenue, add

staff to provide goods and services, and pay additional taxes. Furthermore, the employees in the businesses impacted by the direct and indirect expansion caused by new money flowing into Salt Lake County have more money in their pockets as a consequence, and they create "induced effects" as they spend their pay checks on the full variety of goods and services necessary to support their lifestyles.

Note that the tourism attraction function of the Eccles Theater is larger than what is measured by incoming patrons from out-of-state alone. The expanded offering of Broadway shows and other major entertainment in the Eccles Theater also retains additional Utah residents who now stay locally, rather than travel to New York, Las Vegas, San Francisco or other destinations to experience these types of shows and cultural programs.

Taken together, the indirect and induced economic expansion is referred to as the "multiplier effect" over and above the direct impact. Input-output models are used to estimate the interrelationships between the various sectors in the local economy, and to provide estimates of "multipliers" which estimate the indirect and induced effects created from direct impacts. For example, if the multiplier for the hotel sector is 1.9, then approximately \$90 of indirect and induced economic activity will be generated by the initial \$100 expenditure to stay in the hotel, for a total economic impact on Salt Lake County of \$190. As was the case in the 2011 analysis, Land Economics Consultants has used the Regional Input-Output Modeling System (RIMS II), maintained by the Bureau of Economic Analysis (BEA), US Department of Commerce.

The multiplier effect expands government revenues as well. Most visitors to a cultural event pay parking, admission, and sales taxes (and some pay hotel taxes), and the businesses that directly serve them pay payroll and other taxes. In addition, other sales and business tax revenue is generated by the indirect and induced economic activity that follows the direct impact. In the long run, increasing downtown business volumes are capitalized into higher rents, higher property values, and higher property tax revenues. Higher property values and property tax revenues can also occur through such qualitative impacts as creating cultural district identity, downtown vibrancy, and greater neighborhood attractiveness.

Framework for Analysis

An assessment of economic impacts requires first establishing a framework for the analysis that defines impacts:

1. For whom? Or in what geographic area?
2. And over what time period? Just impacts that occur due to development, or those that continue to be generated over time?
3. And compared to what?

1. Geographic Area. The quantitative economic impact analysis below is conducted primarily from the perspective of Salt Lake County. Multipliers, including those generated by the RIMS system, are not available for jurisdictions smaller than the County level.

2. Time Frame. Community economic impacts are analyzed in terms of project build-out and the first operating year, which occurred in calendar year 2017. The one-time impacts generated by construction activities are also estimated as the combined totals realized from two or three years of design and development and through project completion.

3. The Alternative Development Scenario. The analysis also must consider an alternative scenario to compare with the development program that occurred.

- **Alternative Use of the Site.** The assumption is that the subject site on Block 70 would have remained in the underutilized state it was in in 2011 if the RDA project had not gone forward.
- **Eccles Theater.** In 2011 there were three theaters in the size range of 1,900 to 2,800 seats in Salt Lake City: Capitol Theatre (~1,900 seats), Kingsbury Hall (~1,900 seats) and Abravanel Hall (~2,800 seats). Eccles Theater with ~2,500 seats created a 38 percent expansion in the audience seating capacity and a 33 percent increase in the number of dates available for productions in this size range within Salt Lake City. The alternative to the proposed project assumed that without the new theater the live performance market would have remained constrained within the date and size capacity of the three older theaters.
- **Office Building.** The Block 70 site at the corner of S. Main and 100 South was exceedingly good for a prime, Class A development in 2011. However, there were also alternative sites for new Class A office building in downtown at that time. The alternative assumption was that if the RDA project had not gone forward when it did, another office building would have been developed within a few-block radius to serve the same market; but that development would have occurred some years later. Due to the RDA project on Block 70, the new office tower is assumed to have been added to the downtown market sooner. Accordingly, the economic benefits associated with the development of the office tower were realized by the Salt Lake community sooner.

One-Time Impacts of Constructing the Project

Theater

Estimating the one-time economic impacts of developing projects is one of the most straightforward uses of the RIMS system. The change in final demand within the County where the development is

taking place is essentially the gross development cost (less the cost of land). The multipliers are then calibrated by BEA to take into account the immediate leakage of some of those costs to materials providers and other vendors who may be located outside the County.

The best estimate from the project development team is that the total cost of the Eccles Theater building ended up totaling approximately \$131 million (including an imputed value of the land). As the project progressed, it was decided to invest another \$13 million or so in significant upgrades to the Regent Street Side of the project. The components in that estimate are presented in **Table 6**.

Table 6: Change in Final Demand in Salt Lake County due to Project Construction

	Current Dollars
Theater Development Costs Relevant to RIMS II ¹	
Total Cost of Theater Development	\$131,000,000
Less: Cost of Land (1.80 acre site)	<u>(\$4,800,000)</u>
Subtotal Development Costs	\$126,200,000
Cost of Upgrades to Regent Street Side of Site	<u>\$13,000,000</u>
Change in Final Demand Due to Theater Development	\$139,200,000
Office Tower Development Costs Relevant to RIMS II ²	
Assessed Value of Completed Tower at 111 S. Main	\$126,800,000
Less: Cost of Land (0.33 acre site)	<u>(\$1,300,000)</u>
Change in Final Demand Due to Office Development	\$125,500,000

¹ From the theater development team (GTS and RDA staff.)

² Salt Lake County Assessor parcel search for 2018 values.

Source: as noted, and Land Economics Consultants.

Office Building

In order to realize the 450,000 square feet planned for the office tower, an unusual and expensive design solution was called for at 111 South Main. After starting as a public-private partnership, a private entity was ultimately able to take over the entire office development portion of the project, build it out, and rapidly lease it up to an acceptable operating occupancy. The best estimate of the change in final demand created by office development is the value it was given by the Salt Lake County Assessor, who typically bases tax roll valuations for new properties that have not changed hands on their construction costs (i.e., the replacement value).

In **Table 7**, the RIMS multipliers are applied to the changes in final demand to estimate the impacts of each building in the project. In spite of the immediate leakage of some of the gross construction spending, the Salt Lake County's total output (which is analogous to "gross domestic product" at the national level) expands by a factor of approximately 2. The employment multipliers are the number of jobs created for each million dollars' worth of change in final demand. Combining both buildings, the completed project created a one-time expansion of over half a billion dollars in the Salt Lake County economy, and generated almost 3,000 jobs over the construction period of the project.

Table 7: One-Time Economic Impacts of Construction

	Change in Final Demand in Salt Lake County	Total Output	Personal Earnings	Employment
Change in Final Demand Due to Theater Development	\$139,200,000			
RIMS II Multipliers for the Construction Industry		1.968	0.5120	11.0913
Total Impacts Due to the Theater Development		\$273,945,600	\$71,270,400	1,544
Change in Final Demand Due to Office Development	\$125,500,000			
RIMS II Multipliers for the Construction Industry		1.968	0.5120	11.0913
Total Impacts Due to the Office Development		\$246,984,000	\$64,256,000	1,392
Total Economic Impacts of Both Project Components		\$520,929,600	\$135,526,400	2,936

Source: US Dept. of Commerce, BEA; and Land Economics Consultants analysis.

Ongoing Economic Impacts of Project Operations

Five mechanisms were identified in the 2011 analysis through which the Block 70 project would have a net new direct impact on Salt Lake County on an ongoing basis. Using actual 2017 operating results, each may now be analyzed separately below.

1. Operations of the Eccles Theater building (i.e., it is a net new facility within the County).
2. Local spending to produce additional touring shows (e.g., hiring local stagehands, and buying advertising in local media).
3. Induced visitation and associated visitor spending due to additional patrons coming from outside the County and State to attend new theater performances.

4. Induced visitation and associated spending due to more touring acts/performing companies and their cast and crew coming from outside the County, with the vast majority from outside the State.
5. Operations of the new office building (i.e., it was built sooner than a building would otherwise have been, and added physical capacity to the office market in Salt Lake County).

Assumptions for Theater Operations

2017 Operating Results for the Eccles Theater

- The economic impacts of ongoing theater operations are based on the first year operations as reported by the Salt Lake County Center for the Arts in their report on 2017 Financials, Unaudited, for the Eccles Theater.
- Total annual expenses for the first full operating year were \$3.3 million, of which 74 percent is estimated to stay in the County. The total was composed of:
 - \$2,853,734 in Eccles Theater Building expenses,
 - \$456,383 in Eccles Theater Site expenses, and
 - \$38,610 in UPACA administrative expenses and insurance.
- Applying the RIMS multipliers (using the bill of goods approach for each operating expenditure category) produces economic impacts from operations of:
 - \$4,324,000 in total output,
 - \$1,181,000 in new personal earnings, and
 - 40 new jobs in the County.

Additional Local Spending to Produce More Touring Shows

- As will be seen in the analysis of historical usage trends and Eccles Theater actuals for 2017 in Table 11 below, Broadway productions increased by 33 use days over the historical average level. This was due to multiple productions having longer sustained runs, rather than to significantly more titles being produced.
- The cost of hiring local stagehands is now typically \$80,000 to \$85,000 per week-long run.
- Purchase of advertising in local media including print, radio and TV still typically costs \$45,000 to \$50,000 for a week-long run.

- In Salt Lake City these costs are typically handled by MagicSpace Entertainment, who also sees additional internal cost increases for staff and expenses associated with the additional productions (approximately \$5,000 per week.)
- Applying the RIMS multipliers to this local spending in Salt Lake County (using the final demand multiplier approach for performing arts companies and advertising and related services) produces economic impacts from local production and advertising spending of:
 - \$1,304,000 in total output,
 - \$360,000 in new personal earnings, and
 - 14 new jobs in the County.

Assumptions for Induced Visitation as a result of Theater Operations

The addition of the Eccles Theater state-of-the-art new performance theater changed what is often described as the ecosystem of arts groups and arts venues in Salt Lake City, although it is expected to take two or three years for the ecosystem to fully adapt to the expansion and settle into a new equilibrium. As had been expected in the Eccles Theater's first year of operation in 2017, the immediately observable effect was a robust calendar in the new theater composed of touring Broadway shows and popular concerts, as well as some locally produced non-profit arts groups who were anxious to perform in the new state-of-the-art facility. Because of the expansion in the ecosystem (i.e., greater seating capacity and less competition for dates in theaters of that size), some of the audience to these performances was net new to the County and State. On the other hand, much of that programming had taken place in the past in one or more of the three similarly sized theaters in Salt Lake City, and was simply moved into the new theater.

Over the coming few years, however, the three existing theaters will now have additional date capacity and will "backfill" dates that were previously occupied by the type of productions that moved into the Eccles Theater. As was noted in the 2011 study, the experience in other cities that have undergone this type of expansion in their arts communities indicates that some productions will come from local arts groups that are now able to grow and provide more cultural content in Salt Lake City and attract expanded audience support, and others will come from national touring shows that have not been able to find dates in the past. For example, interviews with First Tracks Entertainment and MagicSpace Entertainment reveal that some promoters of touring concerts had bypassed Salt Lake City in the past due to lack of available dates in suitably sized theaters, but now are able to include Salt Lake in their western states tours. Indications from other cities and their experiences in the past are that the utilization in the existing theaters will likely climb back up, perhaps equaling or exceeding previous levels, within a few years after the introduction of the new theater in the mix. Some of the

programming may be experimental in nature, appealing mostly to local patrons, but some of the programming will also be of the same national entertainment caliber with the out-of-town drawing power of Broadway shows and national touring artists. Assumptions regarding the expanded patronage resulting from the changes in the Salt Lake City arts ecosystem have been held as consistently as possible to those made in 2011 to make the economic impact estimates comparable, although many spending factors have been updated to 2017 as follows.

Expanded Patronage

- Where the 2011 study forecasted a stabilized operating year that might not occur until 2019 or 2020, this analysis is based on the actual performance of the Eccles Theater in attracting patronage in its first calendar year of 2017 (see the first column in **Table 8**).
- Net new Broadway Shows audience to the Salt Lake County area of 30% of total was based on AMS projections from the market study they conducted in 2010 as well as on historic data available for Broadway patronage (see second column of Table 8).
- Net new other patronage for commercial concerts and other arts groups (i.e., 20% of total audience) was based on user interviews conducted by AMS and AECOM in 2010 and held constant to make economic impact results in this category comparable to the 2011 assessment.
- Once a portion of the performances in the arts ecosystem moved from the three older theaters into the Eccles Theater, the potential was created to “backfill” new performances into the dates and seating left open in the existing three theaters. While 100 percent of the prior utilization in the existing three theaters may be rebuilt in a few years, in order to be conservative, backfilled patronage for performing arts that has the same economic impact-generating potential as Broadway shows was estimated to be only one-third of the volume that had been moved to the new theater (see Table 8).
- The bottom line of the analysis in Table 8 is that the expansion of the theater offering from three venues to four (a 38% expansion in seats available and a 33% expansion in the number of performance dates) is estimated to have attracted approximately 186,000 new patrons in the 2017 opening year.

**Table 8: Estimated Net New and Backfilled Attendance**

	2017 Attendance (Tickets) in Eccles ¹	Estimated % Net New Attendance	Estimated Net New Attendance ²	Potential Seating for Backfill in 3 Older Theaters ³
Co-Promoter: Broadway	261,341	30%	78,402	182,939
Non-Broadway				
Co-Promoter: Popular/Other	83,780	20%	16,756	67,024
Not-for-Profit	17,356	20%	3,471	13,885
Commercial	0	20%	0	0
Subtotal Non-Broadway	101,136	20%	20,227	80,909
Subtotals	362,477		98,630	263,848
Backfill in 3 Existing Theaters at 1/3 of Seating Moved to Eccles				87,070
Total Net New & Backfilled Attendance				185,699

¹ Attendance is approximated by the number of tickets sold plus comp tickets.

² Net new attendance is generated by larger seating capacity and additional programming in the Eccles Theater, holding assumptions the same as in 2011 for Net New and Backfill factors.

³ Patrons in seats in the older 3 theaters were moved to Eccles, and while up to 100% of that capacity may be backfilled with new programming, only 1/3 of that capacity is assumed to be backfilled with programs that have a similar economic-impact-generating value to SL County.

Source: Land Economics Consultants using 2011 methodology

- Based on the zip-code origin of the 240,000 tickets to the Eccles Theater that were purchased for 2017 performances through the County's in-house ticketing system presented in **Table 9**, the estimated origin of the audience has been a little over half from within Salt Lake County (55%), with 35% from other Utah counties, and 10% from other states outside of Utah.

Table 9: Patron Visitor Origin 2017

	Ticket Purchases	% Total
Total Broadway Season Tickets Sold	240,401	100%
Patrons from the State of Utah	217,295	90%
Patrons from Salt Lake County	131,751	55%

Source: Salt Lake County, Center for the Arts

- Based upon this logic, it is estimated that 45% of the 186,000 new patrons to theater based performances, or approximately 84,000, were from outside Salt Lake County in 2017.
- In addition, a 10 percent retention factor of in-County residents was added to the total (i.e., 84,000 + 10,000) for approximately 94,000 new patrons attending. The retention factor assumes that a percentage of market leakage (patrons traveling to Las Vegas, New York or other markets to see Broadway productions) have chosen instead to stay in Salt Lake County.
- Expenditures by patrons attending theater productions were based on an economic impact survey conducted by the Broadway League and adjusted for inflation to represent 2017 season spending patterns as presented in **Table 10**. This is a more appropriate source of spending estimates than what was used in 2011, but results in higher projections.
- Roughly 94,000 new patrons downtown, spending approximately \$50 per capita creates a direct visitor spending impact of \$4.7 million per year.
- Applying the RIMS multipliers (using the final demand multiplier approach for restaurant spending, ground transportation and other expenditure categories) produces economic impacts from patron visitor spending of:
 - \$9,568,000 in total output,
 - \$2,496,000 in new personal earnings, and
 - 108 new jobs in the County.

Table 10: Theater Visitor Spending

	For a City of 200,000 Population in 2012-13	Inflated to 2017 Broadway Season ²
Non-resident Expenditures ¹		
Restaurant	\$34.51	\$36.31
Local Transportation (incl. Gas & Parking)	\$10.42	\$10.96
Other (Shopping)	<u>\$2.83</u>	<u>\$2.98</u>
Total	\$47.76	\$50.25
Consumer Price Index	232.957	245.120

¹ Non resident refers to visitors from outside Salt Lake County.

² Adjusted by the ratio of CPI-U index.

Source: U.S. Bureau of Labor Statistics, The Broadway League, "The Economic Impact of Touring Broadway 2012-13" (May 2015).

New Touring Companies/Productions

Focusing on the new Eccles Theater alone, there was an increase in the number of Broadway productions over what had been taking place during a typical year. The additional touring companies and/or their extended lengths of stay in Salt Lake County had an economic impact.

- The total number of person-production-days was calculated based on averages of historic data available for Broadway productions in the Salt Lake County and compared with the actuals from Eccles Theater in 2017 (see **Table 11**).

Table 11: Estimated Net New and Backfilled Production Person Days

Broadway Productions	Historic¹	Actual for 2017²	Net New
Average use days	100	133	33
Avg. number of production people	40	40	n/a
Touring company person days	4,000	5,320	1,320
Backfilled Production person days³			1,165
Total production person days			2,485

¹ Using the same baseline as the 2011 study

² Based on 113 performances and 2 move days for each of 10 productions

³ Estimated using the ratio of (backfilled attendance)/(net new attendance) from 2011 study.

Source: Land Economics Consultants updated analysis

- The average length of stay for tour staff per production is 8 days.
- The average number of persons traveling with a Broadway touring crew to Salt Lake has recently been about 40, according to MagicSpace Entertainment.
- Back-fill cast and crew for other new productions in existing facilities is estimated using the ratio calculated from Table 8 of backfilled attendance over the net new attendance (i.e., cast and crew count is proportional to attendance at the productions).
- The product of this set of assumptions presented in Table 11 is an estimate of 2,500 additional production-person-days spent in Salt Lake County.
- Hotel expenditures are negotiated by individual touring companies and estimated at \$125 per person night.
- Per Diem expenditures for touring staff are estimated at \$65 today.

- Applying the RIMS multipliers (using the final demand multiplier approach for hotel and restaurant spending) produces economic impacts from additional production staff spending of:
 - \$893,000 in total output,
 - \$226,000 in new personal earnings, and
 - 8 new jobs in the County.

When all four of the mechanisms for producing ongoing impacts associated with the theater are combined, the annual expansion of Salt Lake County output is over \$16 million, as can be seen in **Table 12**.

Table 12: Summary of Ongoing Theater Economic Impacts

	Output	Earnings	Employment
<u>Ongoing Theater Impacts</u>			
Theater Operations	\$4,324,000	\$1,181,000	40
Touring Productions	\$1,304,000	\$360,000	14
Induced Visitation:			
Audience	\$9,568,000	\$2,496,000	108
Touring Cast & Crew	\$893,000	\$226,000	8
Ongoing Theater	\$16,089,000	\$4,263,000	171

Source: US Bureau of Economic Analysis, RIMS II Multipliers, Land Economics Consultants

Office Tower Operations

It is possible that the new office development at 111 South Main may have attracted one or more new tenants into the County, or even into the State, who might not have been relocated otherwise. In order to maintain a more conservative approach to this analysis, however, any economic benefits associated with office tenants have not been included. The economic impacts are driven merely off the operations of the building itself, which was clearly a new addition to the County economy when it opened.

- The total annual operating budget was estimated at \$4.7 million based on 450,000 square feet and \$10.50 per square foot expenditures.
- An estimated 70 percent of total expenditures are expected to stay in the County.
- Applying the RIMS multipliers (using the final demand multiplier approach for real estate rental and leasing services) produces economic impacts from the office tower of:
 - \$6,149,000 in total output,

- \$1,583,000 in new personal earnings, and
- 58 new jobs in the County.

Summary of Economic Impacts for the 2017 First Year of Operations

The quantitative economic benefits of the Block 70 project, including the Eccles Theater and 111 South Main, from the perspective of Salt Lake County are presented in **Table 13**. During the construction years, the County economy expanded by over \$500 million and roughly 3,000 jobs were created. For the initial full calendar year of 2017, once both project components were built out and occupied, the project began generating ongoing benefits of \$22 million in annual economic output, supporting 228 new permanent jobs in the County.

Table 13: Summary of All Economic Impacts on Salt Lake County

	Output	Earnings	Employment
One-time Impacts			
Theater Construction	\$273,946,000	\$71,270,000	1,544
Office Construction	\$246,984,000	\$64,256,000	1,392
Total One-time	\$520,930,000	\$135,526,000	2,936
Ongoing Impacts			
Theater			
Theater Operations	\$4,324,000	\$1,181,000	40
Touring Productions	\$1,304,000	\$360,000	14
Induced Visitation:			
Audience	\$9,568,000	\$2,496,000	108
Touring Cast & Crew	\$893,000	\$226,000	8
Subtotal Theater	\$16,089,000	\$4,263,000	171
Office Operations	\$6,149,000	\$1,583,000	58
Total Ongoing	\$22,238,000	\$5,846,000	228

Source: US Bureau of Economic Analysis, RIMS II Multipliers, Land Economics Consultants

Comparison of Forecasts Made in 2011 with 2017 Actuals

The forecasts for business captured by both of the components in the Block 70 project, and the economic impacts projected to result from that business, were intentionally conservative back in 2011 so as to not unduly influence decision makers with an overly optimistic development scenario. In hindsight, the speed with which the office building leased up, and the numbers of stage productions and performances captured by the new theater building in 2017 both exceeded the expectations behind the forecasts made in 2011. On the other hand, the forecasts for the Eccles Theater were expressed as a stabilized operating year, and it remains to be seen if the initial surge of interest in the

theater and the ability to capture blockbuster runs of touring Broadway productions will be sustainable over the long run.

Table 14 presents a comparison between the forecasts made in 2011 with the actual operating results achieved in 2017 from the perspective of economic output, a concept analogous to Gross Domestic Product at the national level. Economic output in Salt Lake County includes not only the impact of the initial business on site, but also the indirect and induced multiplier effects which further expand the county economy.

The economic impact of construction turned out to be remarkably close to what had been estimated in advance, and expanded the Salt Lake economy by roughly half a billion dollars. The complexity of the theater project grew during the design-build phase, including Regent Street improvements and other enhancements, and ultimately cost somewhat more than originally estimated. The office project may have been developed under budget, as indicated by its valuation on the tax rolls. The two differences essentially offset each other.

Table 14: Comparison of 2011 Forecasts for Economic Output with 2017 Actuals

	Output Forecast in 2011	Actual Output in 2017	Difference
One-time Impacts			
Theater Construction	\$201,951,000	\$273,946,000	36%
Office Construction	<u>\$289,157,000</u>	<u>\$246,984,000</u>	<u>-15%</u>
Total One-time	\$491,108,000	\$520,930,000	6%
Ongoing Impacts			
Theater			
Theater Operations	\$4,619,000	\$4,324,000	-6%
Touring Productions	\$584,000	\$1,304,000	123%
Induced Visitation:			
Audience	\$3,163,000	\$9,568,000	202%
Touring Cast & Crew	<u>\$1,057,000</u>	<u>\$893,000</u>	<u>-16%</u>
Subtotal Theater	\$9,423,000	\$16,089,000	71%
Office Operations	<u>\$5,418,000</u>	<u>\$6,149,000</u>	<u>13%</u>
Total Ongoing	\$14,841,000	\$22,238,000	50%

Source: US Bureau of Economic Analysis, RIMS II Multipliers, Land Economics Consultants

The ongoing impacts were much more speculative to estimate than construction costs, and the variations between line items under the theater's ongoing impacts are more pronounced, although they also offset each other to some degree. The fact that the theater was able to capture bigger

productions, with longer runs, that attracted more patrons than forecast in 2011 can be seen in the much larger economic impacts from having a larger audience and more touring production spending for longer running Broadway shows. All in all, the ongoing impact on county economic output was about half again as large in 2017 as had been forecast in 2011 during the planning and approval stages for the project.

Table 15 presents a similar comparison of before and after projections, this time focused on employment created by the project. In several cases, especially for construction, the employment numbers appear to be dramatically lower than expected. The primary reason for this, however, does not lie with the project itself but with the changing macroeconomic conditions and the adjustments the federal government made in the RIMS II analysis system to reflect those changed conditions. Specifically, the 2011 projections had been based on a set of multipliers that included wage and salary survey data for Salt Lake County that had been gathered during the depths of the Great Recession in 2009. With low wage rates, a set amount of construction activity would support a relatively high number of workers. The most recent data available was used for the analysis of 2017

Table 15: Comparison of 2011 Forecasts for Employment with 2017 Actuals

	Employment Forecast in 2011	Actual Employment in 2017	Difference
<u>One-time Impacts</u>			
Theater Construction	1,671	1,544	-8%
Office Construction	2,392	1,392	-42%
Total One-time	4,063	2,936	-28%
<u>Ongoing Impacts</u>			
Theater			
Theater Operations	49	40	-19%
Touring Productions	11	14	25%
Induced Visitation:			
Audience	41	108	163%
Touring Cast & Crew	13	8	-36%
Subtotal Theater	115	171	49%
Office Operations	53	58	9%
Total Ongoing	168	228	36%

Source: US Bureau of Economic Analysis, RIMS II Multipliers, Land Economics Consultants

impacts, on the other hand, and the current RIMS multipliers assume workers are making higher wages that reflect the strengthening of the economy almost ten years after the start of the recession.

The result is that the same amount of construction budget shown in 2011 will have a noticeably lower employment generation in 2017.

In terms of permanent employment supported in the County by ongoing operations of the completed project, the numbers would have all been lower than the 2011 forecasts, although not as dramatically as for the construction sector of the economy, but were offset by the greater volume of ongoing business than had been forecast originally. The net result is, that at 228 jobs, the project still generates more ongoing employment than had been forecast for decision making back in 2011.

By every measure of regional economic impact, the project appears to be a success story.

IV. Impacts on Downtown Salt Lake City

Back in 2010 and 2011, the economic consulting team spent several days conducting interviews with downtown business and development interests. Although not quantifiable, when conducting a parallel set of interviews in 2018 it was obvious that much in the downtown area around the Block 70 RDA project has changed in the last eight years. In late 2010 most of the storefronts along South Main Street were vacant. The buildings on the site being studied as a possible location for new Utah Performing Arts Center were essentially vacant. Regent “Street” served as an alley way access to trash facilities and a utilitarian parking garage. The consultants’ admittedly subjective assessment was that there was little to attract someone out of the suburbs to come to that part of downtown.

On the other hand, the team, coming from a nationwide practice of urban development consulting, could appreciate how unusual Salt Lake City was in 2010 because major construction was proceeding during the depths of the Great Recession while projects in other American cities had been halted. On the blocks immediately north of Block 70, City Creek was being built.

Difficulty in Documenting Project Benefits Statistically

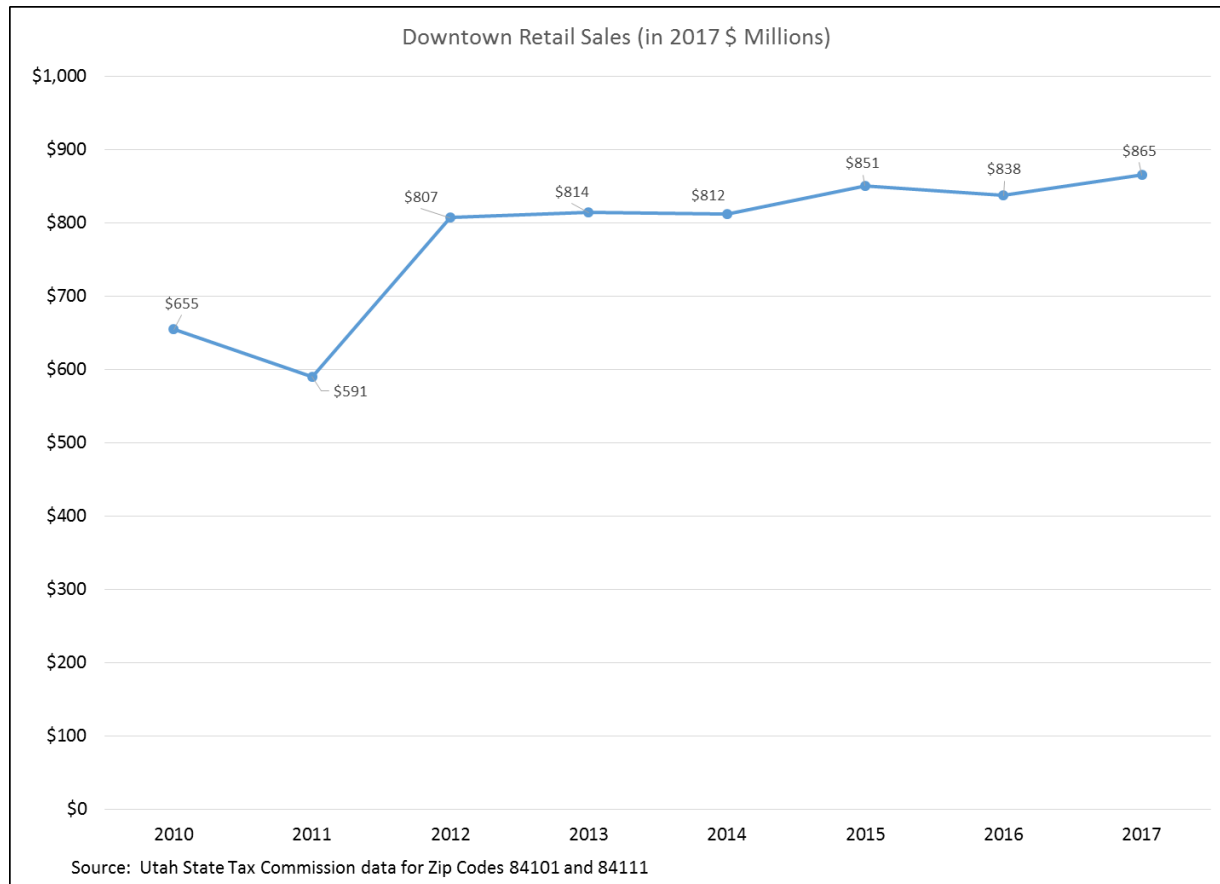
The statistical trend over that time period from 2010 to 2017 for all retail sales downtown, which includes restaurants, is presented in **Figure 4**. It is likely that the uptick in total downtown sales volumes that can be seen in 2017 is due, at least in part, to the opening of the Eccles Theater and the large office building at 111 South Main on Block 70, but it is difficult to impossible to actually prove that statistically because there were so many other things growing and changing in downtown at the same time. On the other hand, it can be inferred from the trend in Figure 4 that the huge upturn in downtown sales volumes from 2011 to 2012 was due to the opening of the retail and restaurant portion of City Creek Center due to its sheer size.

City Creek Center, a 20-acre, \$1.5 billion mixed-use development downtown that had broken ground in 2007, was funded by the Church of Jesus Christ of Latter-day Saints, and that unique financing mechanism allowed it to continue building through the recession years when urban development in other American cities came to a grinding halt. When it opened in March of 2012, City Creek Center had an obvious revitalizing effect on downtown and on South Main Street.

In subsequent years, Salt Lake business publications reported that the success of City Creek rippled outwards, encouraging other substantial real estate projects to break ground, and helped encourage the public-private partnership that was ultimately able to deliver the RDA project on Block 70. The scale of the two projects differs by an order of magnitude, however. The downtown retail sales trend in Figure 4 suggests that the \$1.5 billion City Creek Center stimulated an increase of over \$200 million in new retail and restaurant volume. At about one tenth that size of investment, Figure 4

suggests the Eccles Theater project stimulated an increase closer to \$20 million of new restaurant and retail sales downtown.

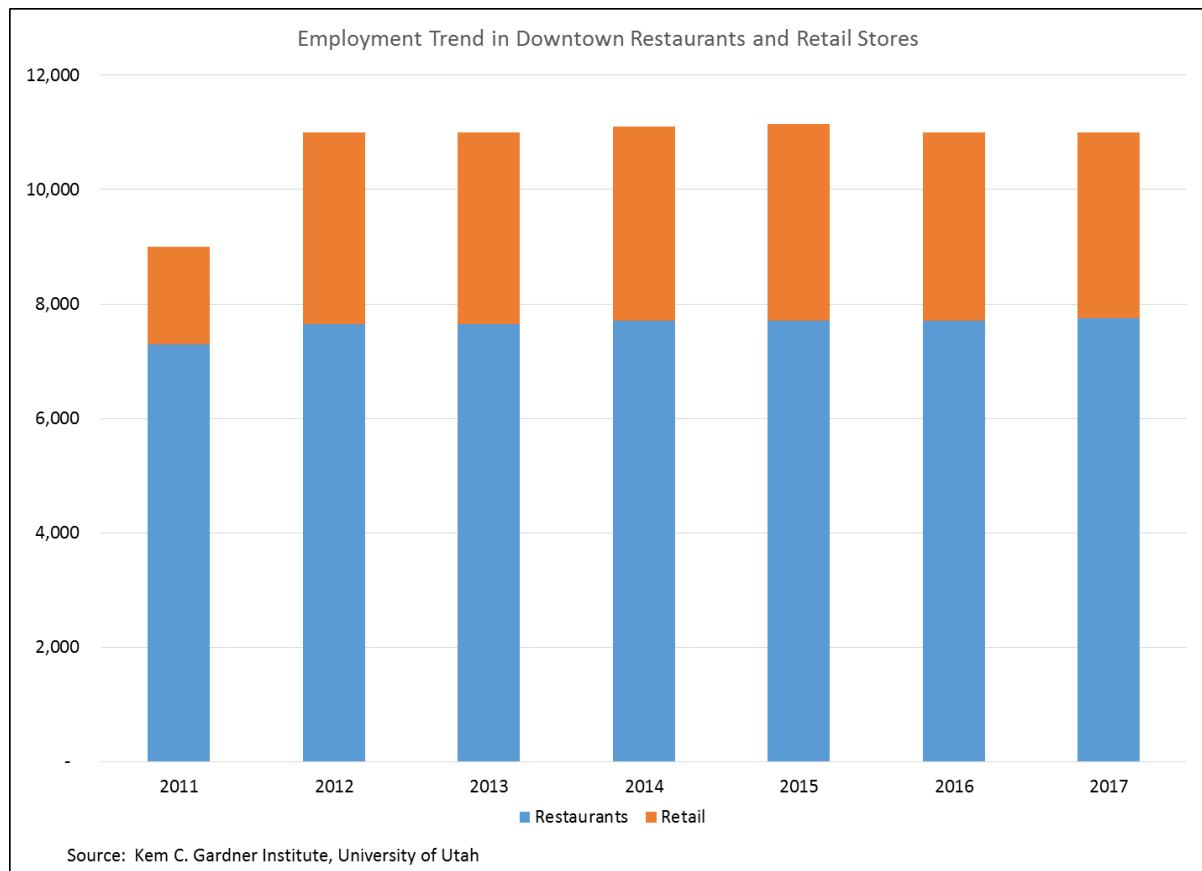
Figure 4: Downtown Trend in Retail Sales including Eating and Drinking Establishments



The restaurant trade, now being built back up along Main Street, has long been a primary driver of visits to downtown. Midway through 2018, the Salt Lake Tribune reported that while downtown runs on a shopping and restaurant-based economy, as always, for 2017 what was driving historically high spending in downtown Salt Lake City was “restaurants, bars and one big theater,” pointing out that 44 percent of its sales receipts came from eating and drinking establishments, putting that category ahead of traditional big earners such as apparel shopping, sales at department stores and other retail sales.

Figure 5 documents the split between the purchases of restaurant meals and shopping goods using a different statistic, focusing on the employment each supports downtown. The labor intensive restaurant trade did see an uptick in employment for 2017 when the Eccles Theater opened, although at an estimated 50 new jobs, it was as not as noticeable as the increase in sales volumes.

Figure 5: Employment in Restaurants and Retail Stores Downtown 2011 to 2017



On the other hand, the distinct surge in employment supported by retail stores in 2012 when City Creek Center opened is clearly visible in Figure 5.

Importance of Urbanism and Downtown Synergy

Multiple downtown stakeholders interviewed for this project, from real estate interests, to marketing professionals, to restaurateurs, all pointed out how important synergy is to stimulating revitalization of downtown. Essentially the repeated message was “do all of the above” when it comes to attracting additional land uses and activities downtown. Entertainment options such as the Eccles Theater certainly help, but so do downtown residential projects, new offices, more hotels, convention marketing, urban festivals, cleaner and safer public plazas and parks, as well as restaurants, bars and shops.

When downtown stakeholders were asked how the opening of the Eccles Theater has affected downtown, most commenters gave effusive praise of the project, but there were a few more negative comments, and some “constructive criticism,” as well. Examples include the following:

Anecdotal evidence of beneficial synergistic impacts on downtown

- The Eccles Theater has catapulted Salt Lake City onto a national arts stage, as evidenced by being one of the first 10 markets in America to capture a run of the touring version of Hamilton.
- Downtown restaurants that got one seating in an evening in the past, now find they get two or three turns on show nights at the Eccles Theater.
- Although intangible, enhancing the “brand” of downtown Salt Lake City ultimately translates into greater sales and economic values for all businesses and real estate downtown.
- Compared with 2010, the larger regional Salt Lake community is much more aware of downtown, South Main Street, and even Regent Street.
- Young people attracted to Utah to work in the tech companies of the “Silicon Slopes” want to live in an urban downtown environment, and the enhancement of arts and cultural provided by the Eccles Theater adds to that appeal.
- The Eccles Theater has also had a stimulating effect on the City Creek Center that preceded it. One easily observable indicator is the sales volumes at The Cheesecake Factory outlet immediately across the street from Block 70, which went from merely “good” to “best-in-the-chain” for dollars-per-square-foot performance after Eccles Theater opened.
- There are now several thousand people going in and out of the office tower at 111 South Main every day, and over 350,000 at the Eccles Theater over the course of the year, yet when two acres of old buildings had to be demolished to make way for the Block 70 RDA project, the only private commercial business that had to be moved was the old jewelry shop.
- City Creek Center experienced surges in sales on Utah Jazz game nights because people want a “multi-tasking experience” when they come to downtown. City Creek Center is now experiencing the same kinds of surges on show nights at the Eccles Theater.
- “There are now 30 options of where to eat within a few blocks” before a show at the Eccles Theater.
- Restaurants at City Creek Center look ahead at the calendars and put on triple the staff on event nights (both the arena and the Eccles Theater).
- An owner of buildings housing several restaurants on South Main Street reports that “my tenants are re-upping for new 10-year leases” (at higher rates) without hesitation due to the opening of the Eccles Theater.

- An important Salt Lake City brand going forward is “Ski City,” as opposed to the common ski “village.” It is the only place in North America where one can ski world-class slopes by day, but also après-ski in an urban environment the same evening.
- Walkability is becoming more important to the market. Arts and culture at the Eccles Theater, with great light rail public transit access, proximity to City Creek Center, Gallivan Plaza, and Regent Street are all enhancing that feel.

Constructive criticism

- Now that we are past Hamilton, there will be low years, as well as other high years, of touring Broadway at the Eccles Theater. They need to plan for years when it will be harder to cover expenses.
- I opened my fine dining restaurant too early after Eccles Theater opened. Yes, I got great business on show nights in the Delta Hall, but other nights I got nothing because Regent Street was still dead. After being unable to get a seat in my new restaurant on show nights, my regular customers stopped coming, even on off nights.
- The programming of the main Delta Hall in Eccles Theater for Broadway and popular concerts has been great, but they need to market the other spaces in the building more aggressively to keep it, and the surrounding neighborhood, more active every evening.
- If Broadway starts to trail off in future years, they should try attracting more concerts.
- More weddings and events are needed in the Eccles Theater building.
- Smaller spaces in the Eccles Theater building need to be activated more consistently. More events are needed in the Black Box, the Winter Garden, the Tanner Lounge, the Miller Lounge, and lobby areas.

Annual surveys regarding Utahn’s opinions of downtown have been conducted by Lighthouse Research on behalf of the Downtown Alliance, and provide a more quantitative way of seeing the impact of cumulative changes in the entertainment offering of downtown. Approximately one-third of respondents attend entertainment events downtown because they are “usually not available elsewhere.” However, almost the same number report that they take in the events downtown because “there are more or other things to do while I am downtown, like shopping, dining, etc,” again highlighting the importance of agglomerating a rich mix of land uses within close proximity to create synergy between them.

Another quantitative measure drawn from the Lighthouse Research program is presented in **Figure 6**. “Dining/Restaurants” has long been the most important reason people went downtown. The

importance of “Shopping” can be seen to have peaked in 2012, the year City Creek Center opened. When considering the impact of the Eccles Theater, however, it can be seen that the importance of “Arts & Entertainment” has risen from the least important reason to go downtown in 2010 and 2011 when the previous study was done, to a close second in importance today.

Figure 6: Trends in Why People Go Downtown

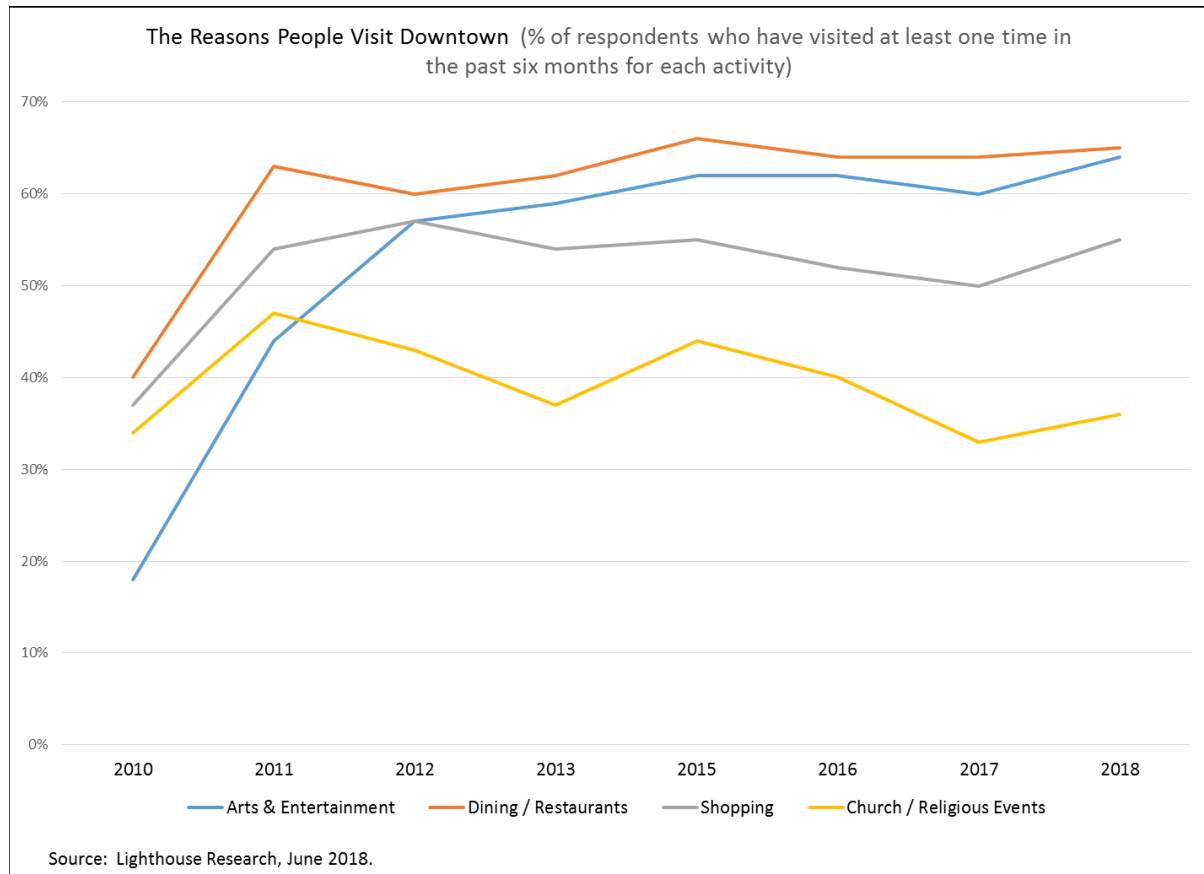
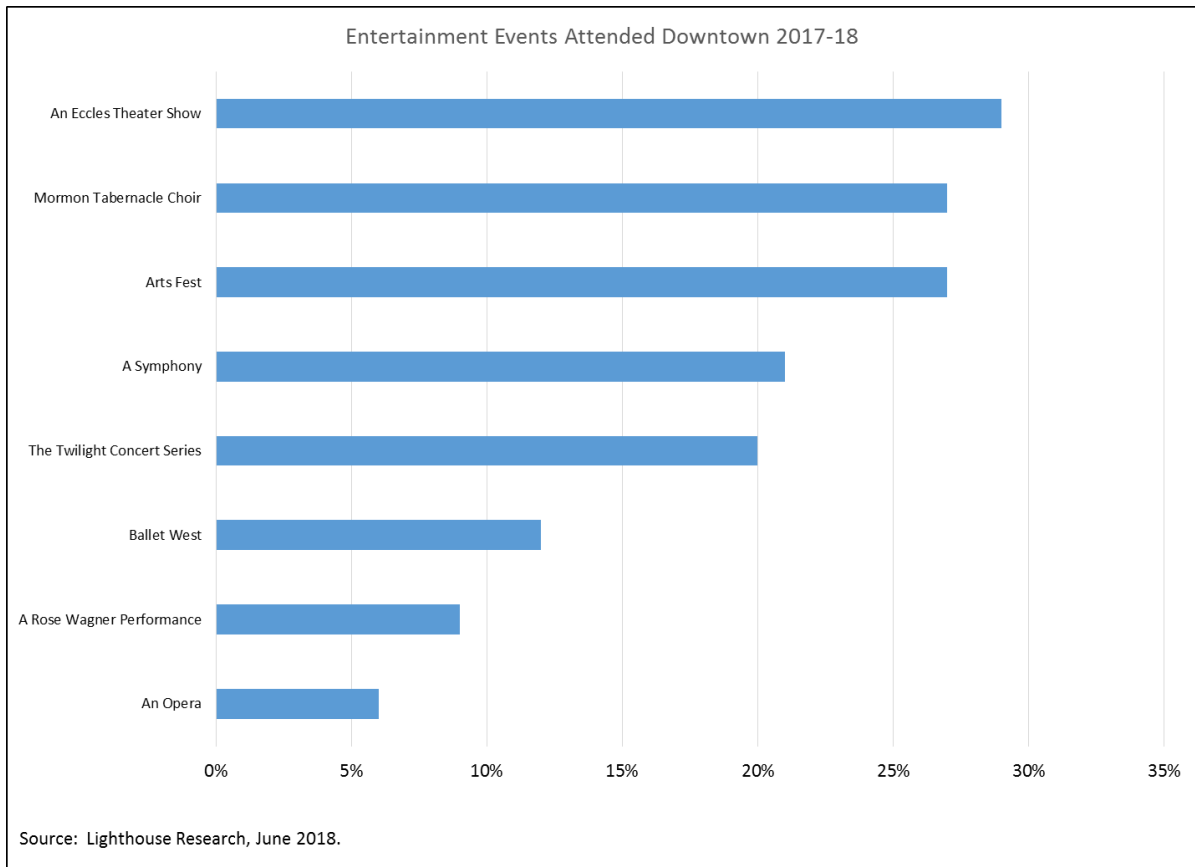


Figure 7 presents another quantitative indicator drawn from the Lighthouse Research surveys of the impact the opening of the Eccles Theater has had on the ecosystem of performing arts groups and venues in Salt Lake City. Among respondents who have indeed attended a cultural event downtown, when asked in June of 2018 what they had attended over the preceding year, the Eccles Theater had become the number one reason to head downtown.

Figure 7: Eccles Theater's Entry into the Performing Arts Ecosystem



Summary of Findings

From the more quantifiable portions of this retrospective update, the statistics help to see the larger trends and document some of the major findings. But the larger trends also hide some nuances and smaller counter trends. In addition to compiling statistics and rerunning the economic impact model, this study also included a series of interviews with a variety of Salt Lake City stakeholders including City and County staff, real estate development and leasing interests, members of performing arts groups, venue operators and promoters, visitor industry interests, and downtown restaurants and other businesses.

In a more narrative style, what emerges from the full research and analysis program is a net positive story on all levels. The Eccles Theater, and the rest of the RDA project on Block 70, overall has:

- been a stimulus to the ecosystem of arts groups in Salt Lake,
- expanded the total volume of performances and size of the aggregate audience in Salt Lake City venues,

- created beneficial impacts on the Salt Lake County economy, both during construction and now ongoing by operating on a sustainable basis,
- added foot traffic and spending, as well as enhanced safety through eyes on the street, in downtown, and
- enhanced the cultural offering, urbanism, and attractiveness of Salt Lake City to visitors from the multistate Intermountain Region.

As with any large complex project that is dropped into an existing set of overlapping communities, however, there have been both winners and losers, at least temporarily through the transition years.

The development story was complicated, but ultimately successful. On Block 70 it required an unusual four-way partnership including the City, the County, the Church of Jesus Christ of Latter-day Saints, and a private developer. The financing model for the theater was well supported and has maximized the long-term viability of the theater by combining City and County funding with generous private fundraising. The debt incurred for the initial construction of the Eccles Theater is being serviced through traditional public finance mechanisms that do not rely on the financial performance of the theater. The end result is a performing arts building that is able to focus on revenue generation for purposes of cost recovery for ongoing operating and maintenance expenses in support of the arts. While the initial capital cost has now been successfully financed, there will be an ongoing need in coming years to continue to reinvest in the theater building, not only to maintain physical structures and attractive finishes, but also to keep performing arts equipment and technologies up to date.

Compared with similar development projects in other cities, it appears the total hard cost of delivery, at under \$700 per square foot was significantly lower than the \$1,000 or more per square foot that has been reported in other cities for new performing arts theater buildings, and attests to the efficiency with which the Salt Lake community was able to work together.

As had been anxiously anticipated, the Eccles Theater created big waves in the ecosystem of arts groups and venues during its first year of operation. The Pioneer Theater Company appears to have been most negatively affected, seeing the worst dip in ticket sales experienced in their history for the 2016-17 season when the Eccles Theater opened. On the other hand, ticket sales appear to have rebounded in the following season and the future is looking better for this arts group.

In terms of impact on comparably sized venues, the Capitol Theatre experienced the largest losses in utilization, both in terms of number of performances and in audience patronage. On the other hand, because the Capitol Theatre is under the same County management as the Eccles Theater, some of the financial impacts of this shifting within the venue ecosystem can be mitigated, and it has also given the County the opportunity to now close Capitol Theatre for refurbishment for a portion of the

coming year, which will further enhance and diversify the venue offering within Salt Lake's arts ecosystem.

In general, the surge of interest in live theater created by the Eccles Theater is expected by most in the arts community to serve as a stimulus for future patronage. By attracting both residents and regional visitors who had not previously attended such live entertainment to downtown, Eccles Theater is "training" an expanded market of theatergoers who are now more likely to return, not only to Eccles Theater, but also to experience other performing arts programs as well.

The revitalization of downtown, including the streets immediately surrounding Block 70, is still a work in progress. The retail tenancing and reactivation of Regent Street, and especially the McCarthy Plaza area, has not yet lived up to expectations. An ongoing struggle is likely to continue over competing needs for McCarthy Plaza not only as a public space, but also as access to the loading docks for touring performing arts groups in the theater. This is another area where ongoing reinvestment of public money will be needed for the upkeep of the public realm surrounding the theater.

Similarly, the continuity of programming within the Eccles Theater building has also not yet lived up to expectations. Downtown restaurants and other businesses thrive on nights with major performances, but can languish on nights when all the spaces in the theater are dark. Downtown business interests and Salt Lake visitor industry promoters would all like to see more utilization of the Winter Garden, more activation of Main Street along the front of the theater, more group events programmed into the Black Box, the various lounges and lobbies, and other programmable spaces within the Eccles Theater building going forward. Even so, it is clear that the Block 70 RDA project has in net terms dramatically helped propel downtown in a positive direction.