



Strategic Assessment – Potential New Fairgrounds Coliseum at State Fair Park in Oklahoma City



**Submitted to:
Oklahoma State Fair, Inc.**

Submitted by:



**Executive Summary
November 2018**

Executive Summary

As part of its overall planning efforts, Oklahoma State Fair, Inc. (OSF) retained Crossroads Consulting to provide a strategic assessment to help guide future decision-making regarding construction and operations of a new state-of-the-art Fairgrounds Coliseum at State Fair Park (SFP) to replace Jim Norick Arena (Norick Arena). This executive summary outlines the key findings based on the research and analysis conducted for the strategic assessment.

Project Background

SFP is a 435-acre, entertainment complex owned by the City of Oklahoma City (City) just west of downtown. Known as the “Horse Show Capital of the World,” SFP hosts approximately 165 events annually including national and international equine and livestock events as well as concert/entertainment acts, sporting events, family entertainment, consumer/trade shows, social functions, special events and civic/community activities.

To accommodate these events, SFP offers multiple facilities including Norick Arena, the Bennett Event Center, trade show buildings, indoor/outdoor riding arenas, outdoor space, exercise pens, show office/meeting space and nine barns offering more than 3,200 stalls.

Opened in 1965, Norick Arena has a proven history in attracting large international equine events that generate significant impact and hotel room nights to the area. It also figures prominently in the State and local sports event markets. Commonly known as “The Big House”, Norick Arena has hosted the State basketball tournaments for the Oklahoma Secondary Schools Activities Association for more than 53 years.

OSF is a 501(c)3 not-for-profit organization originally founded in 1907. OSF operates the Oklahoma State Fair and acts as the agent of the Oklahoma City Public Property Authority to maintain, manage and operate the grounds of SFP. The organization’s mission is to serve the people of Oklahoma by continuing the heritage of education, entertainment and economic development through the operation of SFP and the annual Oklahoma State Fair. Unlike most other management agreements for public assembly facilities, OSF does not receive operating funds from the City. In addition, OSF commits proceeds of the Fair and its rental management activities back to the property to leave a legacy that the community can continue to utilize and enjoy.

The City, through hotel/motel tax and Metropolitan Area Projects (MAPS), has provided capital construction resources that have funded the most aggressive modernization period in SFP history. This on-going capital investment commitment makes SFP an internationally recognized facility. OSF has a strong history of continually engaging in long-term master planning and executing on this vision to improve assets key to its success.

As part of its proactive planning efforts, OSF commissioned Populous to study the replacement of the existing Norick Arena with a new state-of-the art Fairgrounds Coliseum. The study team reviewed and evaluated multiple site locations on the SFP campus based on criteria including functionality, operations, cost, impact to existing business, construction time and infrastructure.

Populous also developed a conceptual design for the new Fairgrounds Coliseum that was responsive to the site and provides flexible seating and exhibition space, premium experience seating and event areas, and generally sets a new industry standard for multi-purpose equestrian event spaces. A key component of the recommended plan is to allow the existing Norick Arena to remain open and functional during construction in order to minimize disruption and lost business opportunities, particularly to larger signature events with long-term contracts. The recommended program for the new Fairgrounds Coliseum includes 4,720 fixed seats as well as an upper level concourse that can be configured to provide 2,600 additional retractable seats (for a total capacity of 7,320), sponsor activation zones, vendor space or any combination of these elements. Other premium amenities include suites, loge seating and club opportunities. From an order of magnitude perspective, the construction cost of the new Fairgrounds Coliseum is estimated to be approximately \$95 million, which would equate to approximately \$140 per citizen.

Economic Importance of the Horse Industry

Any development project is somewhat dependent on the attributes of the industry(s) that it is anticipated to serve. The American Horse Council (AHC) reports that despite the decline in the horse population due to the recession of 2008-2009, the horse industry remains a stable and vibrant force in the U.S. economy.

A recent report commissioned by the AHC Foundation cites that economic activity generated by the spending in the horse industry contributed over \$50 billion in direct value to the U.S. Gross Domestic Product (GDP) which resulted in a total contribution of \$122 billion to the U.S. economy and 1.7 million total jobs. Further, this report estimates that the horse industry has a total impact of \$3.4 billion on the State of Oklahoma's economy which supports more than 39,000 total jobs.

Overview of SFP Operations

Oklahoma City is a growing market and is projected to increase in population by an annual rate of 1.56% from 673,600 in 2018 to 727,600 in 2023 which outpaces the State and the U.S. by nearly double. Oklahoma City offers multiple hotels at different price points within close proximity of SFP which is advantageous to attendees and event producers. The Oklahoma City Convention and Visitors Bureau (CVB) estimates that SFP generates approximately 190,000 room nights per year.

In 2004, the hotel/motel stakeholders self-imposed a tax to provide a consistent, dedicated funding source for capital projects at SFP. Since then, these funds have been utilized for mission-critical projects to preserve and increase SFP's status as the national stalling leader and leading venue for livestock and equine shows. The tactical utilization of the hotel tax over time has allowed SFP to consistently deliver significant impact to the area with multiple facility improvements all while never experiencing a gap or disruption in service to its customer base. OSF successfully achieves its mission by hosting the Oklahoma State Fair, equine/livestock shows, consumer shows and other diverse events that serve the populace of Oklahoma and drive education, entertainment and economic development to the City and State. With such diverse event activity, there is something for everyone at SFP.

SFP's booking policy supports its mission statement and, among other factors, places appropriate emphasis on projected economic impact to the City, the importance of repeat bookings and the value of the event to the community.

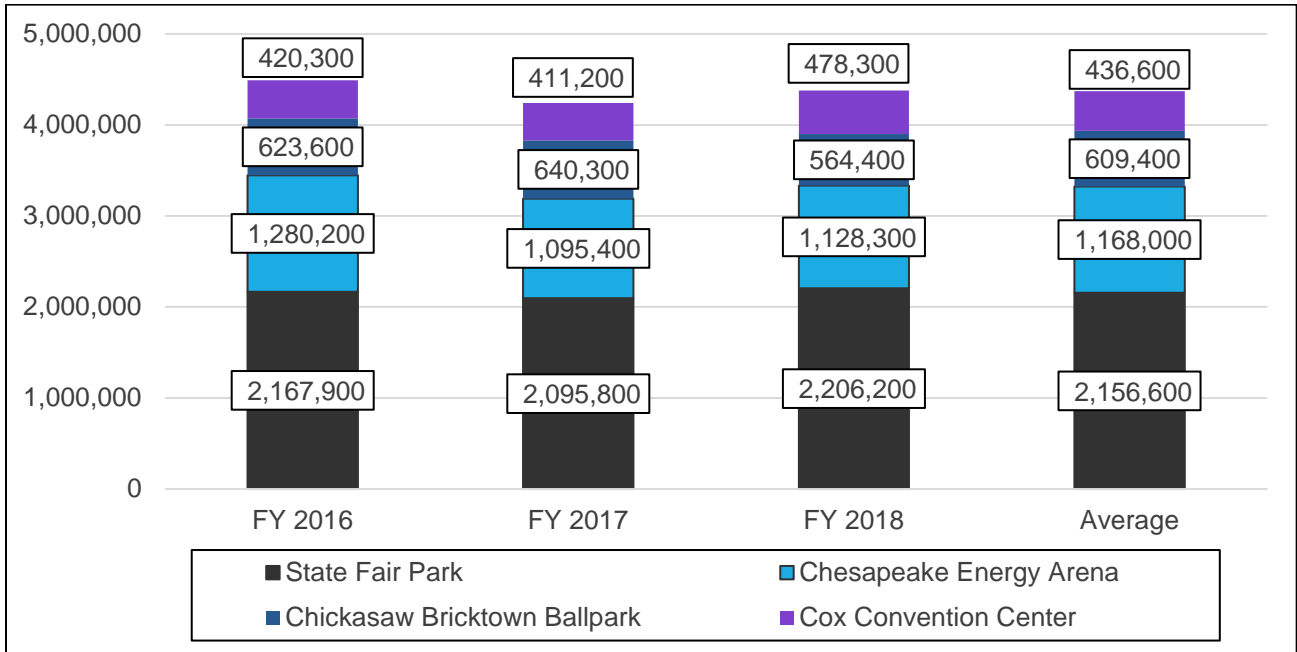
OSF operates and manages a financially self-sustaining enterprise which is unique when compared to other City-owned public assembly assets. For example, the operating entity for Cox Convention Center and Chesapeake Energy Arena receives a management fee and relies upon the City to subsidize facility operations.

The following summarize key findings regarding SFP's operations:

- OSF is a significant employer in the community and currently employees 93 full-time, 135 part-time and 26 seasonal employees. In addition, OSF utilizes a significant amount of temporary labor through staffing agencies which is estimated to range between 85,000 and 100,000 man hours per year.
- SFP averaged 165 total events and nearly 2.15 million in total attendance from 2015 through 2017.
- In general, the Oklahoma State Fair and Food & Beverage Operations are profitable which helps offset other activities at SFP such as youth and community events.
- Direct spending is a measure of the direct impact that SFP has on the Oklahoma City economy as a result of its operations. Direct spending reflects spending by both local and out-of-town event attendees at the facility as well as at hotels, restaurants, retail establishments and other related businesses.
- Direct spending generated from aggregate SFP operations is significant - averaging \$325.3 million annually from 2015 through 2017.
- It is commonly believed that the Oklahoma State Fair is the primary driver of SFP attendance and economic impact. However, non-Fair activity was estimated to average approximately \$225.2 million annually in direct spending from 2015 through 2017, which equated to 69% of the direct spending attributable to SFP operations.
- Events using Norick Arena for their primary event space represented 38% of total events and 54% of total attendance of all SFP activity in 2017. This activity generated more than 1.1 million in total attendance and \$211.5 million in direct spending in 2017.
- Analysis of SFP's top 25 events indicates that much is at risk. Of the top 25 events at SFP, 18 (or 72%) were equine/rodeo/livestock events that utilized Norick Arena and generated \$172.1 million (or 52%) of the total \$330.6 million in direct spending from SFP operations.
- There are currently no other facilities in the local market that host large scale equine events which has created a niche market for SFP and specifically for Norick Arena.

Compared to other City-owned venues, SFP generated the highest three-year average attendance (2.16 million) and attracted approximately 1.0 million more in total attendance than the next facility.

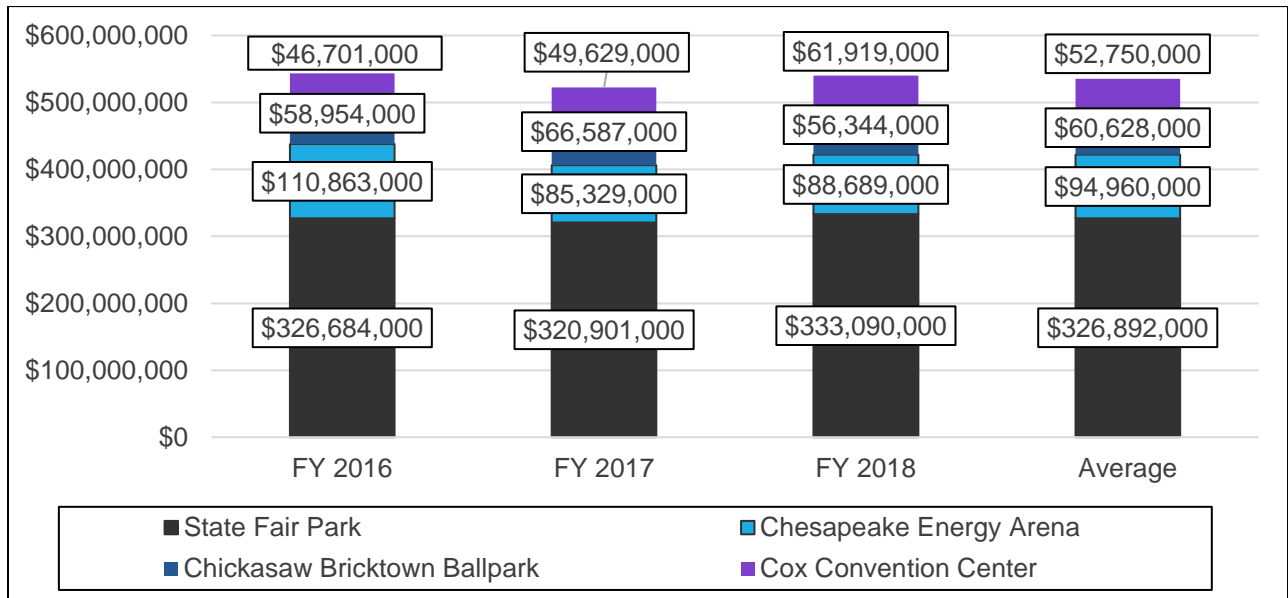
Total Attendance by Facility (FY 2016 – FY 2018)



Source: City of Oklahoma City.

Among the profiled City-owned venues, SFP also generated the highest three-year average in direct spending (\$326.9 million) from FY 2016 through FY 2018 which was \$231.9 million more than the next facility.

Direct Spending Impact by Facility (FY 2016 – FY 2018)



Source: City of Oklahoma City.

Estimated Total Economic Impacts Associated with Operations and Construction of a New Fairgrounds Coliseum

This analysis estimates the total economic contribution generated in Oklahoma City from the on-going operations of the proposed new Fairgrounds Coliseum as well as spending by attendees outside of the facility on items such as lodging, restaurants, retail, entertainment and transportation. The sum of direct spending, indirect (supply-chain) effects and induced (income) effects equals total economic impact which is expressed in terms of output, employment (jobs) and personal earnings (labor income).

The proposed new Fairgrounds Coliseum is estimated to generate \$233.1 million in direct spending which would produce \$408.1 million in total output (i.e., sum of direct, indirect and induced spending effects) and support approximately 3,990 total jobs annually in a stabilized year.

State Fair Park				
Estimated Annual Total Economic Benefits From Ongoing Operations (Stabilized Year)				
Category	New Fairgrounds Coliseum	State Fair	Other Operations	Total
Output				
Direct Spending	\$233,062,000	\$103,950,000	\$15,060,000	\$352,072,000
Indirect/Induced Spending	\$175,013,000	\$78,632,000	\$11,448,000	\$265,093,000
Total Output	\$408,075,000	\$182,582,000	\$26,508,000	\$617,165,000
Total Jobs	3,990	1,810	270	6,070
Total Earnings	\$145,711,000	\$66,818,000	\$9,863,000	\$222,392,000

Out-of-town attendees are estimated to account for approximately \$205.2 million (or 88%) of the \$233.1 million in direct spending generated from operations of the proposed new Fairgrounds Coliseum.

As a point of reference, the proposed new Fairgrounds Coliseum is estimated to generate an additional \$21.2 million (or 10%) in direct spending and 370 total jobs annually in a stabilized year compared to the existing Norick Arena.

Comparison of Existing Norick Arena and Proposed New Fairgrounds Coliseum			
Estimated Annual Total Economic Impacts From Ongoing Operations			
Category	Existing Norick Arena	New Fairgrounds Coliseum	Incremental New
Output			
Direct Spending	\$211,875,000	\$233,062,000	\$21,187,000
Indirect/Induced Spending	\$159,103,000	\$175,013,000	\$15,910,000
Total Output	\$370,978,000	\$408,075,000	\$37,097,000
Total Jobs	3,620	3,990	370
Total Earnings	\$132,465,000	\$145,711,000	\$13,246,000

Note: Economic impacts represent FY 2017 operations for the existing Norick Arena and a stabilized year for the new Fairgrounds Coliseum.

In addition to the impacts generated from on-going operations, the construction of the proposed new Fairgrounds Coliseum would also create one-time economic impacts to the local economy during the construction period from the purchase of materials, supplies, labor, professional fees, etc. Assuming a cost of \$95 million, construction of the proposed new Fairgrounds Coliseum is estimated to generate approximately \$44.7 million in direct spending and \$74.6 million in total output, 550 total jobs (full-time and part-time) and \$29.8 million in earnings (labor income) in the area economy during the construction period.

Proposed New Fairgrounds Coliseum	
Estimated One-Time Economic Impacts From Construction	
Category	Amount
Output	
Direct Spending	\$44,650,000
Indirect/Induced Spending	\$29,973,000
Total Output	\$74,623,000
Total Jobs	550
Total Earnings	\$29,817,895

There are also qualitative benefits associated with construction and operation of a new Fairgrounds Coliseum such as enhancing the quality of life to area residents, contributing to the overall vibrancy and livability of the community, serving as a catalyst for economic development, providing ancillary redevelopment opportunities and providing national/international media exposure, among others.

Overall Summary

SFP does not utilize a traditional government capital improvement budget process and is able to quickly and efficiently prioritize and pursue projects that proactively respond to client needs, industry trends and competitive pressures. The continual reinvestment of profits back into SFP by OSF is unique among City-owned assets and serves to increase the value of SFP on behalf of the City and its constituents. Given the City's significant capital investment in SFP to date and the significance of the Oklahoma State Fair and other events to the community, it is a prudent strategy for the City to continue to reinvest in SFP moving forward.

Successful facilities operate with the full support of their local government and broad community support. The level of political support for SFP is strong and signals recognition of its value as a community asset and economic generator. The political base has facilitated critical capital improvements and implemented a management structure that allows SFP to operate autonomously to effectively meet its customers' needs. The governance and management structure of OSF allows for autonomy to meet its mission, to evolve its operating strategies and to operate efficiently and consistently with industry best practices to meet changing market dynamics. Competitive pricing models and rates as well as an effective yield management policy to maximize revenues and minimize expenses result in a robust annual calendar of events that drive positive financial operating results and generate significant economic impact to the City.

A strong brand identity cultivated by SFP's first-class facilities, high level of customer service and operating model position it as the industry leader in the equine/livestock market. Norick Arena has served the community well over the last 53 years. Competitive facilities are constantly seeking to lure SFP's high-profile, profitable events. Failure to replace Norick Arena increases the long-term risk of losing market share particularly relative to equine and livestock business. Replacing Norick Arena with a new state-of-the-art Fairgrounds Coliseum will further bolster the brand and help insulate it from changing competitive forces as well as generate a positive return on investment for Oklahoma City.

Proposed New Fairgrounds Coliseum – Exterior View



Proposed New Fairgrounds Coliseum – Exterior/Connector



Proposed New Fairgrounds Coliseum – Interior Views

