

Economic Analysis of the Historic Masonic Theatre Town of Clifton Forge, VA



December 2019



The economic impact analysis provided in this report was generated using an economic impact model (IMPLAN) calibrated for a specific study area using standard regional data sets. The results are to be interpreted as a best estimate of economic impact based on the assumptions and/or data provided by the client.

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Introduction

In 2019, the Roanoke Valley-Alleghany Regional Commission was asked to perform an Economic Impact Analysis of the Historic Masonic Theatre in Clifton Forge, VA. The theatre opened in 1906 and was utilized for a variety of entertainment, political and masonic events over the years. In 2015, a \$6.7 million restoration began, and the theatre now operates as a community theatre and venue for the Alleghany Highlands.

The analysis will measure the relative economic size of the theatre based on its budget, as well as the economic impact of visitors drawn to the region for events at the facility.

Methodology

The study area for this analysis includes Alleghany County, City of Covington and Clifton Forge. Two models were used to measure the relative economic size of the theatre based on its budget, as well as the economic impact of visitors drawn to the region for shows and events at the facility.

The Historic Masonic Theatre staff was able to supply detailed data from customer surveys on visitation and spending patterns. The data on spending is from visitors that came from more than 45 minutes away, specifically for events at the Masonic Theatre, and spent money of food, gas or lodging in Alleghany County, Covington or Clifton Forge. This data was of critical importance because it served as the input and assumptions for the economic impact model. Masonic Theatre staff believed that the 2018 data supplied was a unusually good year for the theater and that the 2019 season may have produced lower numbers. Staff then used specialized software called IMPLAN which was developed by IMPLAN Group LLC.

How does IMPLAN Work?

At the heart of the IMPLAN model is a national input-output dollar flow table called the Social Accounting Matrix (SAM). Unlike other static input-output models, which just measure the purchasing relationships between industry and household sectors, SAM also measures the economic relationships between government, industry, and household sectors.

The model uses actual economic and employment data to model 440 industries to determine how industry dollars are spent to produce commodities. National level and county level production data sets are then combined to produce a series of multipliers.

Multipliers measure the amount of total economic activity that results from an industry or household spending money in the local economy. IMPLAN uses the national and county-level data multipliers to estimate economic impacts of various activities. Once all input data has been entered into the model, IMPLAN then generates a series of summary output tables to show the direct, indirect, and induced economic impacts.

- **Direct impacts** are those that result from the direct infusion of money in the economy as a result of an economic event. These impacts consist of permanent jobs, wages, and output of economic events.
- **Indirect impacts** are the jobs, wages, and output created by businesses, which provide goods and services essential to an economic activity (construction, tourism, etc.). Indirect impacts represent a cumulative total of several cycles of spending that work their way through the local economic supply chain until all remaining money from the initial stimulus leaks from the study area economy. For example, a series of restaurants making purchases of goods from local suppliers as a result of participant spending on meals would be an example of a portion of indirect impacts as defined in this analysis
- **Induced impacts** are those impacts that result from household spending by those impacted by the direct and indirect phases of economic activities. The spending of wages earned by employees working for industries impacted by economic events represents the largest portion of induced impacts. This spending creates induced employment, especially in the service sectors.

The summary output tables also show the direct, indirect, and induced effects of labor income, value added, and output.

- **Labor income** equals employee compensation plus proprietor income. Employee compensation in the IMPLAN model is the total payroll cost of the employees paid by the employer. This includes wage and salary, all benefits, and employers paid payroll taxes (social security, unemployment, etc.) Proprietor Income consists of payments received by self-employed individuals and unincorporated business owners.

- **Value added** is defined as the difference between an industry's total output and the cost of any intermediate inputs. Value added includes employee compensation, taxes, and operating surplus. Value added is best understood as the contribution made to gross domestic product or, more simply, as new wealth in the region.
- **Output** can generally be understood as regional sales activity. Output is more precisely defined as the value of industry production.
- **Employment** is reported by the model as all jobs, including part-time and seasonal workers. Employment numbers can be changed to full-time equivalency (FTE), but the ratio varies by industry sector.

What Can IMPLAN Analyses Reveal

An IMPLAN analysis seeks to quantify the economic benefit that expenditures for a project (construction) or an activity (tourism or events.) have on a local or regional economy. For example, expenditures spent on the construction of a building or the purchase of items on a trip such as lodging, and gasoline create additional purchases in various sectors of the economy. Money spent on landscaping for a newly constructed building or the purchase of hotel furniture both create numerous opportunities for those receiving the money to make additional consumer and business purchases. This process creates jobs and expands the economy.

Economic Scale of the Masonic Theatre

As previously mentioned, the economic impact to the Alleghany Highlands is a result of new dollars being brought to the region by outside funds such as grants or visitor spending. The Masonic Theatre has a budget of \$492,020, but only a small portion comes directly from outside funding sources (beyond ticket sales). Using the budget, IMPLAN can estimate the relative size of the Theatre as a part of the regional economy. The budget helps support over seven jobs in the Alleghany Highlands and spending by the Theatre results in \$709,659 in overall output.

Masonic Theatre Budget Impact

Impact Type	Employment	Labor Income	Value Added	Total Output
Direct Effect	3.4	\$ 85,851	\$ 229,592	\$ 492,020
Indirect Effect	3.1	\$ 62,590	\$ 77,502	\$ 153,569
Induced Effect	0.5	\$ 17,324	\$ 34,717	\$ 64,071
Total Effect	7.1	\$ 165,765	\$ 341,811	\$ 709,659

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Economic Impact of Visitor Spending

The true measure of the economic impact can be estimated if the contribution of outside spending is known. Theatre staff was able to supply detailed survey results on attendance and venue rentals. The Theatre also brings in outside performers, which contribute to the economy by using lodging and restaurants in the region. From ticketed show attendance, we estimate that 3,006 of 7,849 visitors spent the night in 2018. The survey data also showed that about 4,447 people ate at least one meal in the Alleghany Highlands. The detailed survey data also allowed for the calculation of fuel and other small purchases.

If there was data on economic leakage from the local population, this impact could be included in the study as well. It could be assumed that a small segment of the local population would travel outside the region for shows if Masonic Theatre productions were not available. However, this adjustment was not made in this model for lack of data.

Because the venue also rents space for special events and weddings, additional visitation occurs for these types of functions. Survey data shows that the Masonic Theatre had 22,000 guests for these types of functions, and 9,680 were visitors from outside the region. Of these visitors, 8,580 spent the night in the region. Using survey data on food, gas and other purchases, the model estimated the spending impact of these visitors as well. The survey captured visitor spending within Alleghany County, Covington and Clifton Forge. Survey data was also collected on the primary purpose of the visitor trips to the Alleghany Highlands, and the model was

adjusted to eliminate visits without the Masonic Theatre being the primary reason for the trip. The results of the analysis are shown the table below.

Visitor Impacts

Impact Type	Employment	Labor Income	Value Added	Total Output
Direct Effect	31.2	\$ 493,868	\$ 852,073	\$ 1,769,951
Indirect Effect	2.3	\$ 98,365	\$ 148,136	\$ 300,452
Induced Effect	2.1	\$ 69,147	\$ 138,646	\$ 255,836
Total Effect	35.6	\$ 661,380	\$ 1,138,855	\$ 2,326,239

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The direct visitor spending for 2018 is estimated to be \$1.7 million, and this directly employs 31 people. An additional four people are supported in employment because of indirect and induced spending, which results in a total of \$2.3 million in economic impact for the year. A recent economic impact study of The Harvester (“Study: Harvester impact on Franklin County topped \$1 million in 2016”, *Roanoke Times*, June 28, 2018) was similar in methodology, but differed in two ways. The Masonic Theatre has less attendance at shows, and the Masonic Theatre has a much larger impact through rental facilities. In fact, the rental and special event side of the business has three times the impact as the ticketed shows.

Finally, the chart below shows the top sectors for employment related to Theatre visitation in the Alleghany-Highlands. As would be expected, lodging and restaurants account for a bulk of the supported employment.

Top Sectors for Employment

Sector	Employment	Labor Income	Value Added	Total Output
Other accommodations	13.5	\$ 93,023	\$ 163,932	\$ 437,939
Hotels and motels, including casino hotels	9.8	\$ 264,526	\$ 534,875	\$ 1,000,245
Full-service restaurants	7.8	\$ 134,759	\$ 149,714	\$ 327,701
Retail - General merchandise stores	0.3	\$ 7,755	\$ 12,715	\$ 19,143
Limited-service restaurants	0.2	\$ 4,020	\$ 9,462	\$ 19,286
Retail - Food and beverage stores	0.2	\$ 5,585	\$ 8,171	\$ 12,217
Retail - Gasoline stores	0.2	\$ 3,184	\$ 5,189	\$ 9,589

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Summary

Based on visitor spending alone, the Masonic Theatre supported \$2.3 million in economic impact in the Alleghany Highlands for 2018

Economic activity associated with the visitors helps support over 35 jobs per year in the Alleghany Highlands for 2018

Based on the 2018 Masonic Theatre budget, the facility helps support 7 jobs in the region and accounts for \$709,659 in overall output in the regional economy.