

Economic Impact: Nashville MLS Team

Prepared by

William Fox
Director, Boyd CBER

Lawrence Kessler
Research Assistant Professor, Boyd CBER

Alex Norwood
Research Associate, Boyd CBER

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BOYD CENTER FOR BUSINESS &
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Summary of Benefits

This study examines the economic impact on the Nashville area and Tennessee economies that would arise from the construction, development, and operations of a Nashville Major League Soccer (MLS) team. The team is expected to begin competing at a temporary location during the 2020 season as the stadium is constructed from early 2019 through early 2021. The team's first season in the new stadium would be in 2021. We analyze economic impacts of the stadium construction and the team's activity during the 2021 season. Economic impacts of building the stadium occur only during the design and construction window, but those of the team operations recur every year and will grow with attendance and popularity of the team and the sport.

The economic impact generated by the stadium and Nashville MLS team occurs in two phases. First, during the construction and development phase, spending will focus on purchasing equipment and tools and hiring of labor. Second, during the operational phase the economic impact will come through revenues received while managing the stadium and Nashville MLS team. Of course, the construction and operations phases overlap during 2020 as the team plays in temporary quarters while the stadium is completed. In both phases the economic impact arises when money that is expended for construction or received through operations is then spent throughout the Tennessee economy. The Nashville area economy also benefits when fans (for MLS games, concerts, and other events) spend the night, eat out, purchase souvenirs, and enjoy amusements outside the stadium. We estimate the income, jobs, and state and local tax revenues that are generated from these two phases. A summary of the findings is presented in Table 1.

Assuming that 75 percent of all spending during the construction phase is made in Tennessee, we estimate that this first phase will create 3,572 full-time equivalent jobs for one year and will generate \$139.2 million in income for Tennessee workers and business owners. We also find that Tennessee will see a one-time increase in state and local tax revenues of \$18.3 million.

During the operations phase, we estimate that the Nashville MLS team will create \$77.7 million in annual income, 1,886 jobs, and \$15.1 million in annual tax revenues. These values will grow over time with attendance, prices, and the tendency for fans to travel to Nashville to watch the team.

Table 1: Summary of Economic Benefits Associated with MLS Stadium, 2021

	Constructions & Development 2020	Operations 2021
Income Generated	\$139.2	\$77.7
Tax Revenue Generated	\$18.3	\$15.1
Employment Generated	3,572	1,886

Dollar values in millions

Nashville MLS Team Operations

Nashville has a thriving sports scene and is one of the nation's premier cities for music and entertainment. The Nashville MLS team would, as expected, operate primarily as a soccer team. Nashville's MLS team would compete in an expected 34 regular season games with half of these played at home in Nashville. In addition to MLS regular season games, Nashville is expected to host a MLS playoff game, CONCACAF/ Cup game, additional soccer events, concerts and other events. The economic analysis is based on all expected activities of the Nashville MLS team, including the concerts. Our analysis assumes one playoff game per season, which may not always be achieved, particularly during the team's first season, but is a reasonable expectation over time. On the other hand, more than one playoff game may be played during other seasons.

Expectations are that 27,000 fans will fill the new stadium for each regular season game. This anticipated attendance is well in line with Nashville's average turnout for national soccer team games, which exceeded 40,000. It is also consistent with attendance for some teams across the country. Atlanta's expansion team currently averages about 47,000 fans per game, Orlando's team averages more than 31,000 per game and Seattle's team sees more than 42,000 fans per game. In accordance with league practice, the average ticket price for a regular season game is expected to be \$30. In addition, there will be concessions, parking, and other purchases made at the stadium.

In keeping with Nashville's history as a premier destination for music, the soccer team is expected to host some other events, including several concerts in its inaugural year. More than 100,000 tickets are expected to be sold in total, and these attendees would purchase concessions, parking and other items, similar to what would occur during soccer games.

Income Generated by Stadium Construction and Team Operations

Construction and Development Phase

We conservatively assume that three-fourths of expenditures for construction of a 27,500 seat MLS stadium will be for materials and labor in Tennessee, while the remaining one-fourth goes for materials purchased out-of-state. These expenditures will create incomes for workers, business owners and others. Stadium expenditures would include the hiring of architects and others to design the stadium and contractors who will hire workers to carry out the construction work. Substantial purchases of equipment, tools, and materials will be made from suppliers, much of which will be in the Nashville area and across Tennessee. Those who earn incomes directly from the construction process, or from supplier purchases will spend some of their income in Tennessee on a range of items including food, clothing, housing and entertainment. As a result, additional income and jobs are created through the multiplier effect, whereby each dollar spent in construction and by the soccer team can generate more than one dollar of economic activity in Nashville and the state. Specifically, we estimate that spending during the construction and development phase will generate an estimated one-time increase of \$139.2 million in income for Tennessee workers (see Table 2).

Operational Phase

Operations of the stadium and MLS team will also increase economic activity in Tennessee through multiple channels. Revenues received through ticket sales, concessions, merchandise sales and other sources will be used to pay players and other employees, thereby creating jobs and income for Nashville area residents. Additionally, the team will purchase non-payroll items such as utilities, cleaning supplies, food, clothing, and so forth from vendors, which if located in the state will also create earnings for Tennessee workers and income for the employers and owners. Out-of-area visitors will also spend money outside the stadium on food, lodging and other items, which creates incomes for workers and owners across the hospitality industry. These expenditures away from the stadium generate jobs and income in Tennessee, even though they do not directly benefit the soccer team. Furthermore, additional jobs and income are created through a multiplier effect similar to that of the construction and development phase, as employees of the team, suppliers, off-site vendors and others spend their earnings and it ripples through the local economy.

Table 2's bottom panel reports the economic impact of the team's operations as well as visitor spending made off-stadium premises. In total, we estimate that operations will generate \$77.7 million of income for Tennesseans every year starting in 2021 (and earnings will also be generated in 2020). From which, \$63.2 million will come from revenues received directly by the stadium (i.e. ticket sales, concession sales, etc.), and an additional \$14.5 million is generated from off-site spending made by out-of-area fans who spend the night in the Nashville area or eat meals and enjoy amusements away from the stadium.¹

Table 2: Summary of Income Effects by Source

Construction & Development, 2020

Total Construction Impact **\$139.2**

Operations, 2021

Stadium Revenues \$63.2

Spectator Spending Off-Premises \$14.5

Total Operations Income Effect **\$77.7**

Dollar values in millions

Employment Effects

The Nashville MLS team will create new employment in the Nashville area through the same avenues as it does income. We estimate that the construction and development phase will generate 3,572 full-time

¹ We assume that 15 percent of all stadium visitors will come from out of the area and will spend the night at a hotel/motel.

equivalent jobs for the year while the stadium is constructed (see Table 3). Many of these jobs will be directly involved in building the stadium while others will arise through the purchase of materials or through the multiplier effect. Jobs away from the stadium are generated in many industries including hotels and motels, restaurants, retail, home building and others across the state economy.

The bottom portion of Table 3 presents the employment impact of the stadium’s operations in 2021. Operations of the stadium and Nashville MLS team will create 1,886 permanent full-time equivalent jobs. Revenues received directly by the stadium will generate 1,404 full-time equivalent jobs in Tennessee, while off-premises spending made by (out-of-area) stadium spectators will create an additional 482 full-time equivalent jobs. Again, some of these jobs will go to players and people directly employed by the MLS team, but many others will go to people from diverse industries operating across the Nashville area and the state.

Table 3: Summary of Employment Effects by Source

<u>Construction & Development, 2020</u>	
Total Construction Impact	3,572
<u>Operations, 2021</u>	
Stadium Revenues	1,404
Spectator Spending Off-Premises	482
Total Operations Employment Effect	1,886

Tax Effects

State and local tax revenues result from the operations of the stadium and Nashville MLS team, including spending from spectators on tickets, concessions, souvenirs and other items. Ticket sales, concessions and souvenirs are sales taxed and other taxes are paid as workers spend their income. In total, we estimate that the stadium’s operations will generate \$15.1 million in annual tax revenues starting in 2021.² From which \$11.6 million will come in the form of sales tax revenues and \$3.5 million will be from other tax revenue sources. These results are reported in Table 4.

In addition, we estimate that the construction and development phase of the MLS stadium will lead to a one-time boost in tax revenues of \$18.3 million, of which \$15.2 million will come from sales tax revenues and \$3.2 million from other state and local tax sources.

²Tax revenue estimates on the operational impact do not account for any additional resources that may be provided by the state or local government during stadium events such as traffic control and additional police. As such, these estimates can be viewed as gross tax revenue benefits.

Table 4: Summary of Tax Benefits

	Constructions & Development 2020	Operations 2021
Sales Tax Revenue	\$15.2	\$11.6
Other Tax Revenue	\$3.2	\$3.5
Total State & Local Tax Revenue Generated	\$18.3	\$15.1

Dollar values in millions

Conclusion

A MLS team in Nashville offers many benefits to the area, some of which are quantifiable, and others which are difficult to directly value but which can still be very important. As with the Titans and Predators, a major league professional team brings prestige and visibility to Nashville that can help in every phase of economic development, from recruiting new businesses to attracting new residents looking for a high quality of life to bringing in tourists. Existing residents also benefit from a higher quality of life because of access to professional sports that are otherwise not available in Tennessee. Quantifying these benefits is difficult, but that should not diminish their importance.

We have quantified benefits to the Nashville area and Tennessee arising from constructing the new stadium and operating the team. The Nashville MLS team will generate an estimated \$77.7 million in earnings every year for Tennesseans once the team begins playing in the new stadium in 2021. These earnings will be associated with 1,886 permanent full-time equivalent jobs in the Tennessee economy and \$15.1 million annually in new tax revenues. These earnings, jobs, and tax revenues will grow with the team's success and attendance.

The construction and development phase, which will take place from late 2019 through early 2021, will generate a one-time increase of \$139.2 million in income, \$18.3 million in state and local tax revenues, and 3,572 temporary full-time equivalent jobs in Tennessee.