

The Economic Impact of Circuit of The Americas

Assessment of the full economic benefit to the Austin region

OCTOBER 2014

REPORT AND ANALYSIS COMPLETED BY:

Greyhill Advisors 

EXECUTIVE SUMMARY

Circuit of The Americas represents far more than the destination for a single, signature motorsports event. While the Formula One United States Grand Prix is in itself one of the most powerful economic engines in the state of Texas, its presence catalyzed the development of a world-class performance and conference center campus. Together with F1, these assets combine to create a far greater economic impact to the Austin metro economy.

Circuit of The Americas is a multi-use campus located in Austin, TX. It comprises the first purpose-built Grand Prix circuit in the country to host the only F1 race that takes place on U.S. soil. COTA also welcomes several other prestigious international racing events each year. The venue also comprises the Austin360 Amphitheater – capable of accommodating 14,000 guests, a Grand Plaza geared toward large event gatherings and a 40,000 square foot state-of-the-art Business/Media conference center. These exist on a single site that is a unique and unmatched asset for the Austin regional economy.

The analysis completed in this report is the first to measure the impact of Circuit of The Americas in its entirety, including COTA's annual operations, to determine the full and comprehensive economic benefit it has on the Austin metropolitan area economy.



The sheer scale and variety of events and its allure to significant numbers of out of area visitors is what sets COTA apart. This enables it to have one of the largest economic impacts of any hospitality venue in the state. Since groundbreaking in 2011, COTA has had a \$2.8 billion cumulative economic impact on the Austin area.

The development of this campus represents a substantial private sector investment. It also represents a commitment to the Austin region, a decision fueled by a belief in the potential of Austin to become a premier destination for international motorsports, sporting and performance events. The region has delivered and has been well received by COTA visitors, in exchange, area residents benefit year-round from considerable economic rewards.

**CIRCUIT OF THE AMERICAS ANNUAL
ECONOMIC IMPACT TO THE AUSTIN
REGION: \$897 MILLION**

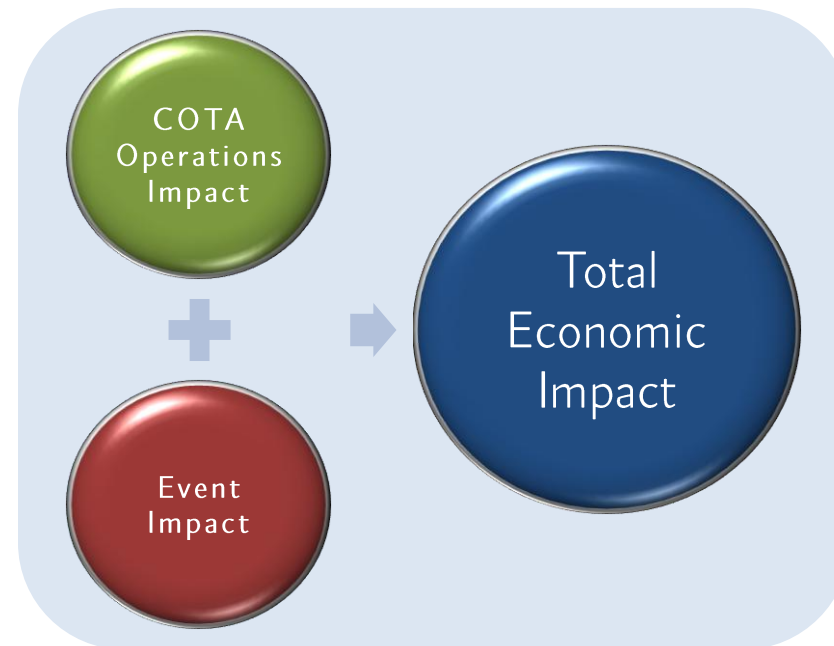
ECONOMIC IMPACT

The annual economic impact for Circuit of The Americas was evaluated over a fiscal year (FY 2014) based on the period spanning October 1, 2013 to September 31, 2014. The economic impact is derived from two distinct categories: **(1) Event Impact** – resulting from visitor spending by attendees (and associated individuals) drawn to the region by COTA's hosted events and activities throughout the year and **(2) Operations Impact** – driven by COTA, LLC's year-round operations.

The economic impact calculated in this analysis refers to the contribution that COTA events and annual operations have on regional Gross Domestic Product (GDP). In further pages, we measure other important impacts spurred by COTA such as direct spending in Austin area establishments, employment and payrolls. Through this analysis, we are able to demonstrate how COTA contributes to increases in regional wealth and standards of living.

EVENT IMPACT

The largest contribution to the overall economic impact comes from the significant number of attendees drawn to COTA's numerous events each year. For the purposes of this analysis, attendance (or attendee counts) is defined as all ticketed attendees, supporting personnel and visitors associated with the COTA-hosted event.



Each attendee count symbolizes one person-day spent in the Austin area by individuals that travel from out of area to the region for COTA.

- **The total attendance (person-days) supported by all COTA events in FY 2014 was 1,109,934.**

THE ECONOMIC IMPACT CREATED IN THE AUSTIN REGION THAT IS ATTRIBUTED TO COTA EVENTS WAS \$730.8 MILLION.

EVENT IMPACT (CONT.)

- The U.S. Grand Prix delivers a significant portion of attendee impact with 467,000 person-days – the event requires F1 teams and support staff to spend several days in preparation and set-up and attracts visitors that desire extended days in the area before and after the race – the average person-days in Austin is 3.82 nights.
- Other major motorsports and sporting events contribute an additional 417,000 person-days.
- Smaller hosted events – including concerts, track rentals and conferences activities – total 226,000 person-days.

The power of Circuit of The Americas lies in the fact that it is able to attract a significant percentage of outside visitors to events that span several days. The economic impact resulting from these visitors is enhanced by the length of time that they stay in the area. This is also a testament to the desirability of the Austin area as a tourism destination.

OPERATIONS IMPACT

The effective management, planning and marketing of Circuit of The Americas requires a year-round effort. COTA, LLC employs a sizeable staff of full time employees and manages many more temporary, seasonal and contract workers.

FY 2014 ATTENDANCE (<i>counted as person-days</i>)	
Formula 1 2013	466,948
Major motorsports / sporting events	416,989
.....MotoGP	123,791
.....X Games	134,541
.....Lone Star Lemans	96,095
.....Vintage Championship	62,562
Concerts	196,688
Track Rentals and Misc. Events	29,309
Total Attendance for <u>all</u> events	1,109,934

In addition to payroll related expenses, COTA has meaningful annual expenditures to manage and execute its operations and events.

Similar to any private firm operating in the Austin area, this activity has a positive economic impact on the local economy.

- COTA employs a full time staff of over 120 full-time equivalent employees.

THE ECONOMIC IMPACT CREATED IN THE AUSTIN REGION THAT IS ATTRIBUTED TO COTA OPERATIONS WAS \$166.0 MILLION.

ECONOMIC IMPACT (CONT.)

DIRECT, INDIRECT AND INDUCED IMPACTS

For the year evaluated in this study, spending catalyzed by COTA resulted in a total contribution to Austin metro GDP of \$897 million (total economic impact). This total is derived from direct, indirect and induced economic impacts.

COTA affects many sectors of the Austin metro economy, including companies that interact directly with attendees or with COTA LLC throughout the year. Examples include area retailers, entertainment establishments, hotels, restaurants, and transportation providers that service attendees as well as businesses that work with COTA throughout the year such as event planners, food vendors, or facilities contractors. These spending interactions account for the direct economic impact.

- **For FY 2014, the direct economic impact totaled \$514.9 million.**

In addition to these interactions, many other Austin area businesses benefit by supplying services, materials and labor to direct impact companies. The indirect economic impact refers to the benefit that flows to these secondary companies.

- **For FY 2014, the indirect economic impact totaled \$178.4 million.**

Lastly, firms benefiting from both direct and indirect impacts must hire workers in order to meet the increased demand created by COTA. These workers earn wages and spend some of this new income in the Austin metro economy for goods and services – this refers to the induced economic impact.

- **For FY 2014, the induced economic impact totaled \$203.5 million.**



ANNUAL ECONOMIC IMPACT TO THE AUSTIN METROPOLITAN AREA: \$897 MILLION

★ ★ ★ SUMMARY ★ ★ ★

DIRECT IMPACT: \$515 M

Direct economic impacts include expenditures by visitors and COTA in the regional economy. An example would be revenues earned by an onsite Austin based food vendor.



INDIRECT IMPACT: \$178 M

Indirect effects result from companies that benefit from COTA expenditures. An example is increased revenue by a food distributor that supplies an on-site COTA food vendor.



INDUCED IMPACT: \$204 M

Indirect impacts, or wealth effects, capture spending by individuals from increased earnings attributed to COTA. Local purchases by a food vendor employee with wages earned from COTA is an example.

COTA EVENT IMPACT FROM ALL HOSTED ACTIVITIES

The Event economic impact for COTA includes all attendee and visitor activity (person-days) that result from COTA events and activities. This includes motorsport and sporting competitions, concerts, conferences, track rentals and many other COTA hosted activities that draw out of area visitors to the Austin region.



COTA
EVENT
IMPACT:

\$730.8 M

COTA'S OPERATIONAL IMPACT

Circuit of The Americas is a privately owned and operated firm with significant annual operations that impact the regional economy. The company employs more than 100 full time employees and manages hundreds more part-time and seasonal workers year-round.



COTA
OPERATIONS
IMPACT:

\$166.0 M

ECONOMIC IMPACT - BREAKOUT

The Formula One U.S. Grand Prix is Circuit of The Americas signature motorsports event. It is not only the largest single sporting event in the Austin region, but also delivers among the largest economic impacts in the state.

- The 2013 U.S. Grand Prix produced a \$507 million economic impact.
- It alone supported over 6,000 regional jobs and nearly \$300 million in area payroll.

Other major motorsports and sporting events are held throughout the year at The Circuit of Americas. For FY 2014, these included the X Games, the MotoGP™, the Lone Star Lemans and the Vintage Championships. These events are spaced on the calendar, delivering steady economic benefits to the Austin area throughout the year.

- A summation of these major events reveal a total economic impact of \$160 million impact to the Austin economy.
- They supported 2,000 regional jobs and over \$64 million in regional wages.



Formula One U.S. Grand Prix (2013)	
Total Economic Impact	\$507 M
.....Direct Economic Impact	\$296.7 M
.....Indirect Economic Impact	\$99.3 M
.....Induced Economic Impact	\$111.2 M
Jobs Supported	6,300
Payroll Supported	\$296.7 M



Other Major Events*	
Total Economic Impact	\$161 M
.....Direct Economic Impact	\$93.4 M
.....Indirect Economic Impact	\$31.6 M
.....Induced Economic Impact	\$35.9 M
Jobs Supported	2,000
Payroll Supported	\$64.2 M

* X Games 2014, MotoGP 2014, Lone Star Lemans, Vintage Championships 2013

ECONOMIC IMPACT - BREAKOUT

Circuit of The Americas is home to the Austin360 Amphitheater – a world-class, open air performance venue that hosts several performances and concerts each year, including some of the biggest stars in the music industry.

- FY 2014 hosted 197,000 attendees at various concerts and events.
- The economic impact of this activity was nearly \$50 million, supporting more than 500 jobs and almost \$20 million in regional wages.

The largest number of events hosted throughout the year at the COTA campus are its track rentals, business/media conferences and miscellaneous events. In total, COTA hosted more than 100 of these activities. They attract a number of individuals (many high net-worth) to the Austin area, most leaving with a positive impression of Central Texas.

- The total economic impact of track rentals and minor events had a \$14 million impact on the Austin economy.
- They supported 160 regional jobs and over \$5 million in regional wages.



Concerts	
Total Economic Impact	\$48.9 M
.....Direct Economic Impact	\$28.2 M
.....Indirect Economic Impact	\$10.2 M
.....Induced Economic Impact	\$10.4 M
Jobs Supported	505
Payroll Supported	\$18.8 M



Track Rentals and Conference Events	
Total Economic Impact	\$13.8 M
.....Direct Economic Impact	\$8.2 M
.....Indirect Economic Impact	\$2.6 M
.....Induced Economic Impact	\$3.0 M
Jobs Supported	162
Payroll Supported	\$5.4 M

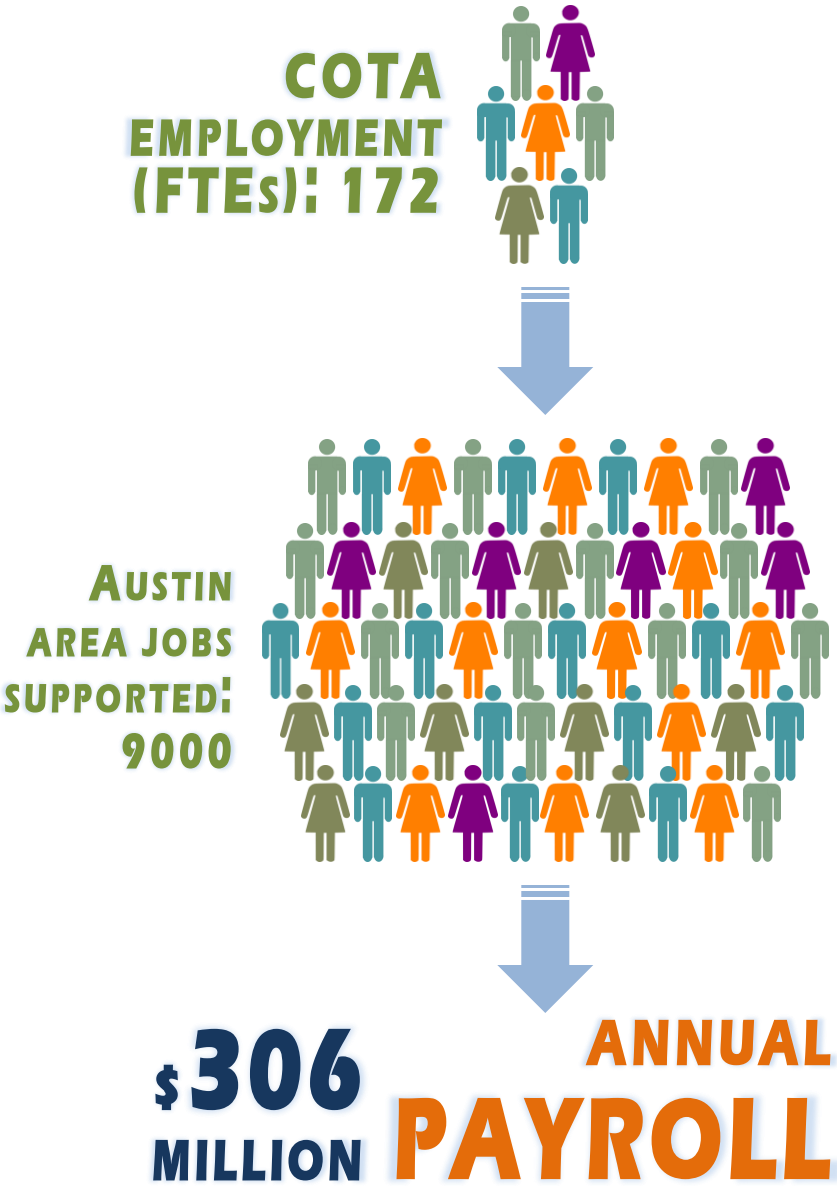
EMPLOYMENT IMPACT

The economic impact of COTA represents an infusion of dollars into the Austin regional economy. This flows to Austin area businesses – contractors, suppliers, vendors, retailers, etc. – in the form of increased demand for their goods and services. In response, these businesses grow the scale of their operations and must employ more area residents. New businesses are launched to address any unmet demand and, in turn, hire additional workers.

Increased payroll dollars enter the economy as new and existing workers earn more wages. A portion of these wages are spent on local goods and services, helping to support even more jobs and wages in the region. Circuit of The Americas is the impetus behind a virtuous cycle of wealth generation in the Austin metropolitan area.

- For FY 2014, direct employment at COTA supported 172 jobs (including indirect and induced jobs from direct employment).
- The economic impact of COTA operations and year-round events supported an additional 9,000 in the region.
- Annual payroll for COTA direct employment and supported jobs totaled \$306 million.

For every full-time equivalent job at Circuit of The Americas, more than 50 other jobs are supported in the Austin area.



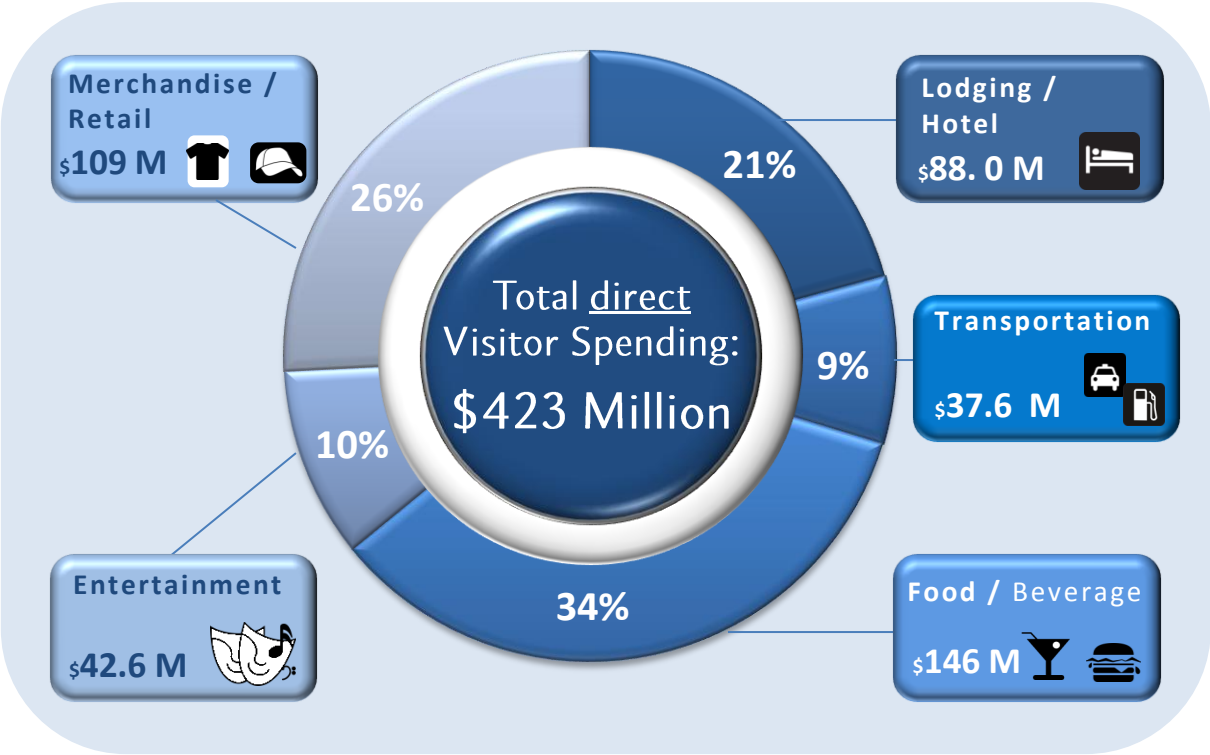
VISITOR SPENDING

COTA attracts a large number of individuals to the Austin area each year. In many cases, these are individuals who travel from outside of the state or internationally, and thus tend to stay in the area for longer periods. While in the region, they spend money at local establishments, in FY 2014 direct visitor spending totaled \$423 million.

COTA attracts a range of individuals, from motorsports fans/enthusiasts to concert goers and business professionals. The groups support strong spending patterns. Average spending across all events totaled \$381 per person per day.

- Restaurants and bars were the largest spending recipients over the year, \$146M (34%).
- Retail shopping accounted for \$109M, this includes clothing, groceries and souvenirs as well as merchandise sold at COTA events.
- Hotels benefited from \$88M in spending (21%).

- Transportation providers – rental cars, taxis, private car services, public transit – accounted for another \$38M in spending.
- Entertainment establishments – theatres, music venues, museums – received \$43M in direct spending.



CONSTRUCTION IMPACT

The construction of Circuit of The Americas campus was a massive undertaking on a 1,500-acre site in southeast Austin, accounting for a substantial economic impact to the metro area. The complex was constructed between 2011-2012 in order to be in operation in time for the inaugural Formula One U.S. Grand Prix that occurred in November 2012. At times, workers totaled in the many thousands as crews ramped up production to meet the deadline while making no compromises to ensure a world-class destination.

The construction phase is considered a one-time impact and thus is not included in the ongoing annual economic impact presented previously. That said, the impact that this private sector investment had on the Austin economy is no less significant.

- **The economic impact from construction totaled \$918 million.**
- **Direct spending totaled \$414 million, creating an indirect / induced economic impact of \$504 million.**
- **An average of 7,100 jobs were supported during the construction process with payrolls totaling \$350 million.**

At a time when the national construction industry was struggling, Austin's construction sector was being buoyed by this large-scale project, limiting any ill effects from the nationwide slowdown.



**CIRCUIT OF THE AMERICAS ECONOMIC
IMPACT FROM ITS CONSTRUCTION PHASE:
\$918 MILLION**

CUMULATIVE ECONOMIC IMPACT

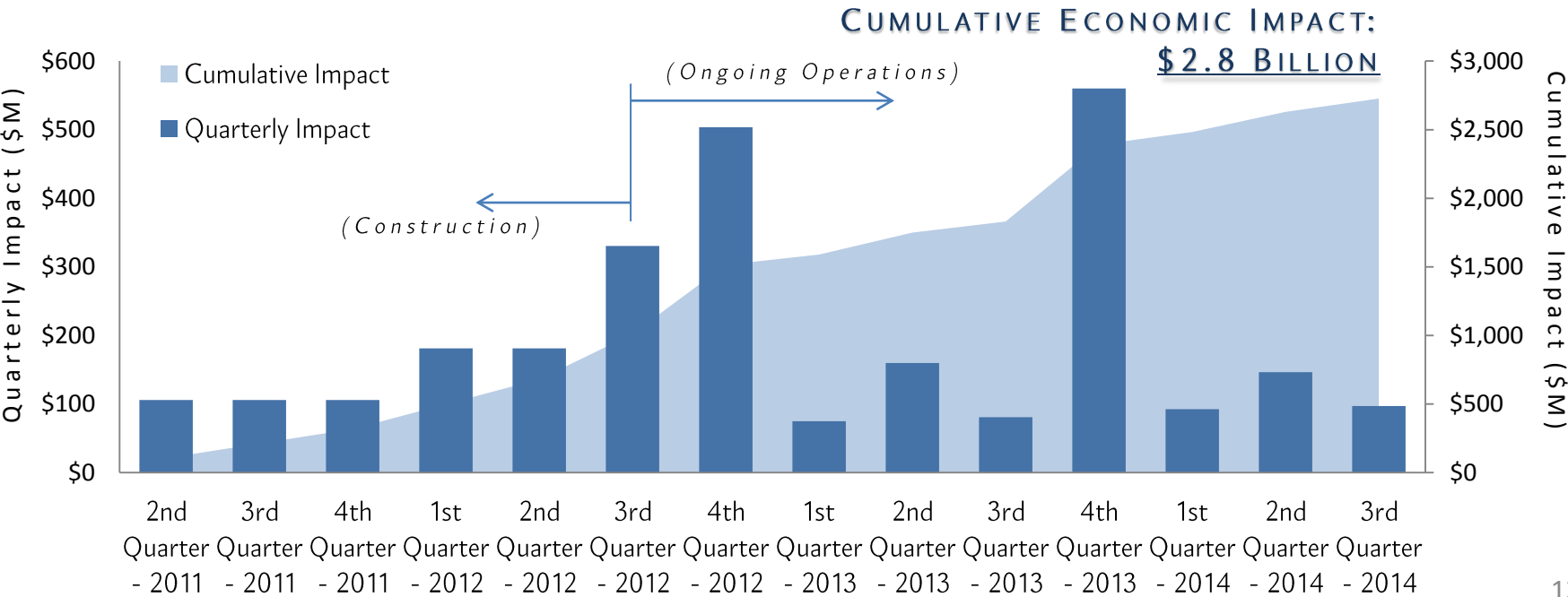
Since its inception, Circuit of The Americas has had a tremendous cumulative economic impact on the Austin metro economy. Including its construction phase and annual economic impacts from FY 2013 as well as FY 2014, COTA has had an **economic impact of \$2.8 billion in the regional economy.**

- This represents an annual impact of more than \$700 million per year since 2011.

Unlike other events that deliver a singular economic impact

at a specific timeframe, the scale and breadth of COTA events and operations deliver ongoing impacts throughout the year. The F1 U.S. Grand Prix is well known in the region, but the venue hosts numerous other events and activities that help to provide a steady annual flow of positive economic jolts to the economy.

- The chart below demonstrates the quarterly impact of all events – COTA has delivered a minimum of nearly \$100M in economic impact every quarter since inception.



QUALITATIVE IMPACTS

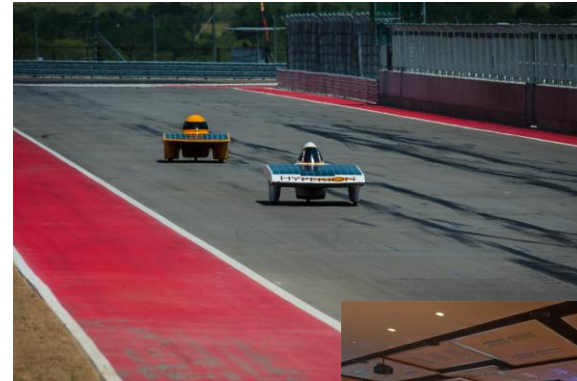
DIVERSITY OF EVENTS

Circuit of The Americas is not simply a locale for motorsports, sporting events and concerts. The campus hosts a wider array of events hosted each year that bring a variety of individuals to the region. One such event – the Formula Sun Grand Prix attracts university research teams from across the globe to compete in solar powered vehicle endurance races. The campus also attracts thought-leaders to take part in hosted business conferences such as TedX. Finally, COTA hosts a variety of community events each year, such as local high school proms and not-for-profit banquets.

While the quantifiable economic impact from these activities is not nearly as large as its major events, they have a broader qualitative impact by showcasing the Austin region in a positive light to thousands of visitors each year.

MEDIA VALUATION

In addition to hundreds of millions of dollars of economic impact on the regional economy, Circuit of The Americas also provided Austin with valuable media coverage. According to FormulaMoney, **Formula One generated global media coverage and exposure worth \$185 million.** While not included in the economic impact total, this is still



an extraordinary benefit for the Austin region. Cities around the world understand the value of a recognizable identity and many will pay millions of dollars to secure a large scale event such as a Super Bowl in order to reach a broad audience, if only for a year.

Through COTA, the global exposure Austin receives each year is helping extend its appeal to a different segment of target individuals. Austin has a long-established brand as a cultural destination for “creatives” – from musicians to artists to software developers. With sporting events such as Formula One and X Games, Austin is introducing itself to a new audience and further enhancing its cosmopolitan feel.

CIRCUIT OF THE AMERICAS

★ SUMMARY ★

AUSTIN IMPACT

EMPLOYMENT



9,100 ANNUAL JOBS

Number of Austin area jobs supported each year by COTA's annual operations and hosted events.



7,100 CONSTRUCTION JOBS

Number of Austin area jobs supported during COTA's construction phase.

\$306 MILLION

Wages paid to Austin area workers resulting from COTA's presence.

ECONOMIC IMPACT

\$897 MILLION



The total economic impact to the Austin area of all COTA annual events and operations and the ripple effect of dollars that flow throughout the community.

\$423 MILLION



Direct spending injected into Austin area businesses by visitors attracted to Austin for COTA events and activities.



Impact felt in the Austin area from COTA construction, 2011-2012.

\$918 MILLION

INTANGIBLES

OVER **1.1** MILLION



Annual attendees to all events hosted at COTA - concerts, motorsports, sporting events, conferences, etc.

\$185 MILLION



The estimated value of annual global media exposure for Austin through F1.

OVER **100** OTHER EVENTS

COTA conference facility and track rentals bring thousands to Austin.



FY 2014 ECONOMIC IMPACT ANALYSIS of:

CIRCUIT OF THE AMERICAS
ANNUAL OPERATIONS AND ALL
HOSTED EVENTS

OCTOBER 2014



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