Impact of the Indiana Pacers - Executive Summary
Prepared by Hunden Strategic Partners on behalf of the Capital Improvement Board of Managers

The Issue
- Pacers Sports & Entertainment (PS & E) are in discussions about possible changes to its lease with the Capital Improvement Board of the Managers of Marion County, Ind., as a tenant of Conseco Fieldhouse.
- Pacers Sports & Entertainment is suggesting that it needs to change the terms of the current lease in order to continue to operate at a competitive level.
- Under the current lease, PS & E is responsible for aspects associated with all events, retains all revenues and pays all expenses at the facility, except for major capital improvements.
- The cost of managing Conseco Fieldhouse is presently the responsibility of PS & E. However, without PS & E, that responsibility would fall to the City of Indianapolis, which consists of the Capital Improvement Board (CIB) and the Indianapolis Local Public Improvement Bond Bank.
- Operating costs of Conseco Fieldhouse are approximately $15 - $16 million annually to maintain, although the figure is offset by non-Pacer revenue such as concerts.
- As part of the renegotiation of the PS & E lease at Conseco Fieldhouse, PS & E officials have indicated that a transfer of the arena’s $15 million operating cost from them to the CIB would be central to achieving a mutually beneficial arrangement.
- Millions in state income tax from the Pacers now pays for the Fieldhouse. Without PS & E and the Pacers, the bond support for the Fieldhouse would be diminished.

The Report
- The City of Indianapolis requested Hunden Strategic Partners (HSP) analyze the Pacers economic, fiscal and employment impact on the City of Indianapolis.
- The purpose of the HSP report is twofold. The report shows at what point the PS & E lease becomes a net positive or negative within the City’s financial standing. The report also shows the public the value of the team to the community so the public understands both the costs and the benefits.
- The report considers two scenarios:
  - The typical annual year of impact of the Pacers in Indianapolis, including the team taking financial responsibility for the revenue and expenses of Conseco Fieldhouse.
  - The estimated typical annual year of operations and impact of the Fieldhouse without the Pacers.

Report Methodology
- The presence of the Indiana Pacers is considered within the three major constructs of economic, fiscal and employment impact.
- Access to actual Conseco Fieldhouse and Indiana Pacers data was not provided due to the proprietary nature of the data. However, HSP analyzed known/available information regarding the team, Conseco Fieldhouse, the CIB and a number of other NBA-sized arenas across the U.S. to provide a comparable context. Based on the
available data, the confidence level in the Pacers-related estimates is 90 percent or greater.

- The report does not attempt to determine whether a team is worth retaining at any cost.

Key Findings

- If the Pacers vacate Indianapolis, the annual net loss of economic activity for area businesses would be more than $55 million.
  - The annual impact in direct spending is $31.5 million.
    - These are direct impacts based on arena models, spending and tax models as well as impact models, that consider lodging demand created by events, origin of attendees to Pacer events, spending per attendee on items inside and outside the arena including food and beverage, hotel, transportation, retail and other items as well as team payroll and the amount that flows to Marion County.
  - The annual contribution to indirect spending - the supply of goods and services resulting from the initial direct spending, such as a restaurant’s purchases of food and other items from suppliers due to direct expenditure by an attendee on a meal - is nearly $11 million.
  - The annual contribution to induced spending - spending due to the personal expenditures of employees whose incomes are affected by direct and indirect spending, such as the personal income of a waiter at a restaurant as affected by the expenditures, or lack thereof, resulting from an attendee’s visit - is nearly $13 million.

- If the Pacers vacate Indianapolis, the annual net loss to local government is $17.8 million.
  - The new cost for the Capital Improvement Board to operate Conseco Fieldhouse is more than $12.2 million.
    - Total operating cost for the venue is approximately $15 million, which is offset in part in the projection by generation of non-Pacer revenue (concerts, etc.) of $3 million to $4 million.
  - An additional $5.5 million in losses would be generated through lost tax revenues, further burdening local governments already constrained by property tax reductions and the lingering impact of the recent economic depression.

- If the Pacers vacate Indianapolis, 909 permanent full-time equivalent jobs would be lost.
  - A total of 539 full-time equivalent jobs from direct impact.
  - A total of 163 full-time equivalent jobs from indirect impact.
  - A total of 207 full-time equivalent jobs from induced impact.

- The projected personal income generated by the economic activity of area businesses is $18.8 million.
  - More than $11.3 million in personal income from direct impact.
  - More than $3.4 million in personal income from indirect impact.
  - More than $4 million in personal income from induced impact.

Conclusion

- The Pacers have a strong history in Indianapolis and state where basketball is an important part of the culture. Conseco Fieldhouse is a monument to Indiana’s strong association with basketball. Losing the team would have an impact on how downtown Indianapolis sees itself and the confidence it has in the future.
- The City has benefited from the critical mass and interdependency of multiple anchor tenants, including Conseco Fieldhouse, Local Oil Stadium, retail and restaurants (via Circle Centre Mall) and convention and hotel infrastructure. The elimination of one of these anchors (or a component) would impact all the other anchors and diminish the performance and long-term viability of each one.
• The elimination of more than 600,000 attendees coming downtown every year for Pacers events will lower the performance of other anchor tenants and signal to existing and potential investors/anchors in downtown that the City is not willing or able to support its downtown.

• If the City were to lose the Pacers and sought an expansion franchise as Charlotte, N.C. did most recently, the cost would be significant (the cost of the last expansion team was $300 million).

• Conseco Fieldhouse generates 61 percent of its attendees from outside Marion County and nearly 100 percent are non-downtown residents. The spending from these out-of-town residents is critical to the economies of both downtown and the City/County.

• The fiscal loss to the City would likely hit the CIB the hardest, as much of the tax revenue generated by and from the Pacers events flows back to the CIB to support the Fieldhouse, Convention Center, Lucas Oil Stadium and Victory Field.

• The Pacer payroll has a net positive effect on the state of Indiana. The $25 million dollars (and more) from television rights generated by the NBA each year goes directly to player and coach salaries. This results in spending and a variety of tax revenue to the state.

• The expenses of Conseco Fieldhouse are going to continue to increase as the facility ages. No matter who the tenant is the CIB should expect to allocate more funds to the Fieldhouse to keep it viable.