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TXP was asked to review a report entitled *Major Event Trust Fund Gain from U.S. Formula One Grand Prix*, produced by Texas Economic Impact, which analyzes the economic and tax revenue impact of the proposed local Formula One race on Texas, the Austin metro area, and the City of Austin. The focus of these comments is on the local impact.

As presented in the report, there are two broad areas of possible impact: 1) new spending by visitors; and, 2) spending by the organization hosting the event. Within the visitor category, the analysis further breaks down into the following sub-categories: 1) event attendees/fans; 2) non-local media covering the event; 3) drivers/teams/associated activity; and 4) corporate sponsors.

The consultant used a standard approach to tourism impact studies, as it generally follows the convention that new activity from outside the region forms the inputs into the modeling effort, and employs a well-understood model to measure the secondary impacts.

The overall methodology is to take each of the categories above and:

- 1) Estimate the level of overall direct new associated activity;
- 2) Evaluate the share that comes from outside the region;
- 3) Project the average daily spending;
- 4) Based on #1 through #3 above, calculate the direct annual injection into the local economy;
- 5) Use an input-output model of the regional economy to measure the secondary effects; and
- 6) Derive the state and local tax impacts.

The report's key assumptions are total attendance, share that comes from the local market, length of stay, and spending patterns. These are based on reported past experience at selected other Formula One events, data related to trade shows across the United States, estimates of other major events in Texas (such as the Super Bowl in Dallas and the Final Four in San Antonio and Houston), and the professional judgment of the report's author. The study also assumes that potential tourists to Austin who are displaced by the event visit at some other point during the year. Due to the lack of directly applicable historical data or officially validated information, the assumptions for this first event plausibly could vary from what is presented. Given the anticipated systematic and thorough data collection process in and around the event going forward, impact calculation in subsequent years should be less challenging.

Overall, it seems likely that the event will have a substantial positive local economic impact, a situation that would be enhanced by greater utilization of the facility throughout the year. Since the intent is for the City to assume no financial risk, the benefit seems evident.

A handwritten signature in blue ink that reads 'Jon Hockenyo'.

Jon Hockenyo
President