[MINNES]OTA DEED REPORT

A Preliminary Analysis of the Economic Impact of the Minnesota International Center

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Policy Analysis Division 612/296-8341

[Minnes]ota Department of Energy and Economic Development 900 American Center 150 East Kellogg Boulevard St. Paul, Minnesota 55101

PREFACE

This report presents a preliminary assessment of the reports issued by Nichols Applied Management concerning the economic impact of the proposed Minnesota International Center. This assessment has been conducted by the Policy Analysis Division of the Minnesota Department of Energy and Economic Development.

The principal author of this report is Robert Eleff. Policy Analysis staff who assisted with the economic assessment are Brian Zucker, Bruce Finnie, and LeaAnn Stagg. Ernesto Venegas and Charles Regnier assisted with the modelling and revenue projections.

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Table of Contents

EXECUTIVE SUMMARY

This report is a preliminary assessment by the Policy Analysis Division of the Department of Energy and Economic Development of the reports issued by Nichols Applied Management concerning the economic impact of the proposed Minnesota International Center.

The proposed Center is a 10 million square foot facility containing over 800 retail stores, a 500,000 square foot trade and convention center, numerous recreation facilities, hotels and offices.

Method of Analysis

While a project of this magnitude will undoubtedly generate added jobs and income to Bloomington, state policymakers must view the project from the perspective of the state as a whole. That is the perspective taken in this report. From the gross benefits accruing to Bloomington, we have subtracted the revenues identified by the developer's consultants as being shifted, or displaced, from current or future businesses operating in Minnesota. We have translated these displaced revenues into displaced jobs. Our efforts have focused on determining the net economic benefits to the state of the construction of this project.

The analysis contained in this report is based entirely on data supplied by Nichols Applied Management, the developer's consultants. Rather than make alternative assumptions, we have concentrated on drawing out the implications of their data and comparing their claims, when possible, with information on similar existing facilities.

Economic Impacts

- Construction

Phase I of the project, running from 1986 through 1988, will employ an average of 3,234 workers yearly, with an annual payroll of $95.4 million.

Phase II, running from 1989 through 1992, will employ an average of 610 workers yearly, with an annual payroll of $20.6 million.

- Operation

The consultants estimate that of the $2 billion in direct income generated by the project, $1.1 to $1.2 billion will be net income to the state (Table A). About $820 to $860 million, 40 percent of the total, will be displaced from existing and future state businesses.

The bulk of the displacement occurs in the retail component ($754 million, or 64 percent of total retail income generated), representing 27 percent of revenues currently received by the metro area's major retailing centers.

An additional $68 to $103 million in entertainment revenues (18 percent of total entertainment revenues generated by the project) is also displaced. This amount represents 16 to 25 percent of the current revenues received by that sector in Minnesota.

The consultant estimates the Center will create 22,860 to 24,100 direct jobs, which, according to DEED estimates, will stimulate an additional 13,487 to 14,219 indirect jobs. On the basis of the consultant's figures on displacement, we estimate that 7,018 to 8,096 direct jobs will be net to Minnesota, with an additional 4,140 to 4,777 indirect jobs created. Thus, the project would generate a total of 36,347 to 38,319 gross jobs in the state, and, after the displacement estimated by the consultant is subtracted, a total of 11,158 to 12,873 net jobs (Table B) would remain.

- State Revenues

The project is estimated to generate $755 million in gross state revenues over the first ten years, including the construction period. The corresponding net figure is $510 million. The individual revenue sources are shown below:

	GROSS TAXES (million $)	NET TAXES (million $)
Sales and use taxes for building materials	$ 37	$ 37
Sales taxes on merchandise and services	460	314
Corporate taxes	3	2
Personal income taxes	192	116
Employee-generated sales taxes	62	42
TOTAL (Ten Years)*	$755*	$510*

The crucial factor in the difference between gross and net jobs and revenues is the displacement factor, i.e. the degree to which the Center would displace sales and jobs from existing and future Minnesota businesses. The consultant's projections are very questionable. The critical importance of the displacement factor, to the state in terms of net jobs and revenues generated by the project, as well as to the well-being of existing Minnesota businesses, makes it essential that a more reliable estimate of this factor be made by a highly qualified and experienced retail marketing organization.

Tourism

The most crucial element in determining the Center's net economic impact on Minnesota is the center's ability to draw out-of-state visitors, whose spending represents net inflows of income to the state economy. Unfortunately, the consulants have provided little or no background data on their tourism estimates.

The consultants estimate about 10.5 million annual tourist visits to the Center, of which 6.5 million are from out-of-state. Currently, 10 million tourists visit the metro area for all purposes; 4.5 million of them are from out-of-state.

*Totals affected by rounding.

In order to meet the consultant's estimated revenue levels, each of these out-of-state visitors would have to spend, in addition to current average spending per vacation in Minnesota of $185, an incremental $128 to $186.

For comparison purposes, the consultant's projected 10.5 million visitors is roughly equal to the number attending the 1982 World's Fair in Knoxville, Tennessee. The Center is expected to draw from 49 to 58 percent of all out-of-state tourists coming to Minnesota. This compares with Disneyland's drawing 5 percent of all out-of-state tourists visiting California, and Disneyworld's drawing 15 percent of all out-of-state visitors to Florida. Banff and Jasper National Parks, in Alberta, Canada, draw 61 percent of all tourists coming from outside that province.

Since out-of-state spending is crucial to a determination of the net economic benefit to the state from the Center, DEED recommends a thorough independent examination of the tourism aspects of the project.

TABLE A

CONSULTANT'S ESTIMATES OF ANNUAL
REVENUE IMPACTS OF
MINNESOTA INTERNATIONAL CENTER
($ million)

PROJECT COMPONENT	GROSS REVENUES (MINNESOTA)	NET REVENUES (MINNESOTA)	DISPLACED REVENUES
Retail Facilities	1,179	425	754
Convention Center	315	315	0
Entertainment Facilities	379-569	311-466	68-103
TOTAL DIRECT	1,873-2,063	1,051-1,207	822-857
TOTAL INDIRECT	1,124-1,238	266-305	-
GRAND TOTAL	2,997-3,301	1,317-1,512	-

TABLE B

JOB IMPACTS OF
MINNESOTA INTERNATIONAL CENTER
OPERATIONAL PHASE

PROJECT COMPONENT	GROSS JOBS (MINNESOTA)	NET JOBS (MINNESOTA)	DISPLACED JOBS
Retail Facilities	9,700	3,500	6,200
Convention Center	1,960-2,300	1,960-2,300	0
Entertainment Facilities	1,900-2,800	1,558-2,296	686
Office	9,300	0	9,300
TOTAL DIRECT	22,860-24,100	7,018-8,096	16,186
TOTAL INDIRECT	13,487-14,219	4,140-4,777	-
GRAND TOTAL	36,347-38,319	11,158-12,873	-

A PRELIMINARY ANALYSIS OF THE ECONOMIC IMPACT OF THE MINNESOTA INTERNATIONAL CENTER

I. Introduction

This report is a preliminary assessment by the Policy Analysis Division of the Department of Energy and Economic Development of the reports issued by Nichols Applied Management concerning the economic impact of the proposed Minnesota International Center.

Triple Five Corporation of Edmonton, Canada has proposed to build a multi-use facility on the vacant Metropolitan Stadium site in Bloomington. The Center will include a retail mall (Mall of the Americas) an amusement and recreation complex (Fantasyworld) and a convention center.

The Metropolitan Council has been charged with analyzing the overall impacts of the project on the metropolitan area, including the benefits that will accrue to the State of Minnesota as a result of the Center and the costs of public investments in infrastructure associated with the project. This preliminary report is focused on a more limited topic: measuring the economic benefits of the project to the State of Minnesota.

Lacking expertise in retail marketing, we have not conducted a full-scale independent analysis of this question. Rather, this report focuses on clarifying, drawing out the implications and providing perspective on the benefit calculations made by the developer's consultants.

II. Method of Analysis

While any economic development project of the magnitude of the Center will create large numbers of jobs and generate corresponding increases in income, state policymakers must assess these impacts from a particular perspective, that of the state as a whole. New businesses that arise compete with existing businesses. Consumers, having only so much income, must decide where to spend it. Spending more in one place may mean spending less in another. As a result, the effect of new competition is sometimes to shift consumer spending among businesses. While the favored business, and its geographical area, may prosper as a result, the effect on the statewide economy may be nil.

How then do states grow? Growth occurs through the export of products to other states or countries, which draws income from other regions. This is why so much attention is paid to Minnesota's export industries: mining, agriculture and computers. The regional income flows they stimulate are the life-blood of the state's economy.

These general principles of economic development are central to the analysis of the Center. They tell us that the impact of the project will vary depending upon the geographic perspective of the analyst. Thus, while officials in Bloomington, the proposed Center site, properly count the benefits of the project to their municipality as the gross jobs and income added to the local economy, state officials must take into account the shift or displacement effect and focus on the net economic impacts of the project on the state economy as a whole. To the extent displacement occurs, the gain to the state will be less than the gain to Bloomington.

For the Center, the analogy to exporting goods to other states is the importation of consumers from other states who visit the project and spend money there. Such economic activity is as beneficial to the state economy as the export of computers because both create net positive regional income flows to Minnesota.

The impact analysis which follows - detailing gross and net jobs and income resulting from both the construction and operational phases of the project, as well as the gross and net increase in state tax revenues, individual, sales and corporate - centers on the measurement of the displacement effect. Our analysis of displacement is based entirely on the sales displacement figures presented in documents issued by Triple Five's consultants, Nichols Applied Management.

Given the above discussion, a crucial factor in determining the economic impact of the Center is the number of out-of-state tourists drawn to the facility and the amount of money they spend. We have attempted to put the figures provided in the Nichols Reports in perspective by comparing the forecasted draw of the Center with similar facilities throughout the United States.

III. Data

The analysis contained in this report is based on data obtained from two documents issued by Nichols Applied Management over the last several months. The first report is entitled "Tourism and Economic Impact of the Minnesota International Center." The second document is titled "Additional Information Requests: Triple Five-Bloomington Project." These will be referred to according to their date of publication, i.e, the Nichols June Report and the Nichols September Report, respectively.

Rather than make alternative assumptions to those in the Nichols documents, we have instead concentrated on clarifying the implications and providing perspective on those assumptions. This was, in part, made necessary because of the lack of background data in the Nichols material. Interpretations of various assumptions were checked with Nichols in some cases.

IV. Description of the Project

The Center is estimated by the consultant to cost $1.02 billion to construct. It will consist of three interrelated components: retail trade, recreation/entertainment/amusement facilities and a convention center.

A. Retail Trade

The proposed "Mall of America" would add more than 4 million square feet of gross retail sales space to the current metro area base level of approximately 14 million square feet of comparable sales area. This existing sales area includes nine regional shopping centers (with gross space equal to or exceeding 650,000 sq. ft.) and our estimates of space for the Minneapolis and St. Paul central business districts.

In comparison, the largest shopping center in the world is the developer's own West Edmonton Mall, recently doubled in size to five million square feet. The largest similar facility in the United States is a 2.7 million square foot mall in California. The latter center has 350 establishments, compared with a projected 800 shops at the Center. The metro area's largest shopping complex, Southdale, has 132 retail stores.

The Center is projected to generate $1.2 billion in gross retail revenues. Nichols assumes sales of $300 per square foot of gross sales area in the mall. While this is comparable to our estimates for the most profitable metro shopping center, at Southdale, it is approximately twice the U.S. average.

B. Amusement Facilities

The 1 million square foot climate controlled entertainment/ recreational facility will be fully landscaped to provide a garden setting.

This part of the project will be made up of several components. The first is a 250,000 square foot Waterpark which will contain an "ocean wave-pool" machine capable of creating 10 foot waves for surfing, 15 water slides 10 to 85 feet in height, and a water skiing machine.

The Amusement Park, also 250,000 square feet, will feature such attractions as a twelve-story roller coaster, ferris wheel, children's playground, and animated and live characters.

A 100,000 square foot Submarine Lake provides Viking Ship and Submarine rides through waters harboring an octopus and white sharks.

A Roller Skating Rink and an NHL-sized Ice Arena are also part of Fantasyworld.

There will also be a Tivoli Botanical Gardens and an Aquarium Gallery featuring a wide variety of plant and marine life from around the world.

Finally, the project will contain an Art and Sculpture Court featuring both permanent and traveling art exhibits from around the world, and a Sports Hall of Fame.

C. Convention Center

A 500,000 square foot convention and trade center is presently proposed to be housed on the third and fourth floors of the project. Included are exhibit space, meeting rooms, and attending facilities. There will be viewing areas to the Submarine Lake, Fantasyworld, and the

Waterpark, as well as access to rooftop terraces for outdoor exhibits and events. Total capacity of the proposed convention center is 100,000 persons.

D. Office Space

The proposed development would consist of 2 million square feet of premium office space, an increase of 8 percent over the metro area's current level of 25.4 million square feet. The existing average building size is about 130,000 square feet, and the average vacancy rate is 14 percent.

Although a one-time 2 million square foot expansion is a very large expansion, current projected growth in suburban office absorption is approximately 1 million square feet annually.

E. Hotel and Other

The proposed hotel facilities consist of two 18 story, 1 million square foot towers, each with 1,000 rooms. All hotel rooms and facilities are to meet 5-star standards.

A cultural/entertainment area will consist of six nightclubs, a dinner theater with a 1,200 person capacity, several restaurants and nine theatres. Also, a Health and Sports Center will provide a gymnasium; pool; racquetball, squash and handball courts; saunas; massage rooms and a jacuzzi.

A three-level parking structure will surround the entire complex and will provide space for more than 19,000 vehicles.

V. Economic Impacts

A. Construction

Construction is to occur in two phases. Three-fourths of the construction revenues are to be spent in Phase I, which runs from 1986 through 1988. Phase II is to begin in 1989 and end in 1993. The direct net construction expenditures (excluding land acquisition, financing and design costs) are estimated by Nichols to be $1.02 billion.

We project full-time construction jobs created by the project to average about 3,234 workers for Phase I and 600 for Phase II.

TABLE 1

GROSS CONSTRUCTION EMPLOYMENT
IMPACT OF THE CENTER, 1986-1993

Year	Gross Direct and Indirect Construction Employment
1986	3381
1987	3243
1988	3077
1989	603
1990	627
1991	603
1992	579
1993	557

SOURCE: Department of Revenue Model

B. Operation

Displacement refers to economic activity shifted from both present and future Minnesota businesses. For example, population and income growth trends support increases in retail trade employment in the state. The centralization of a significant amount of retail activities in the Center, however, will serve as a magnet to attract growth that would have otherwise occurred in different geographical areas.

Estimates of displacement of revenues by the Center are available directly from Table 3 on page 15 of the Nichols June Report. This table shows the projected annual income impact of the Center-induced expenditures for both Bloomington and for Minnesota as a whole. As stated on page 14, "The induced incomes for Bloomington exceed those for Minnesota because a portion of the local expenditures represent only a transfer of spending from other parts of the state, and while these are 'net' increments to the city, they cannot be counted in terms of the state economy."

The June study's estimates of displacement, shown in Column 3 of Table 2, were made by subtracting the Minnesota (net) impacts from the Bloomington (gross) impacts. For example, while the gross retail revenues created by the project in Bloomington are $1,179 million, the net increase to Minnesota is only $425 million. The difference, $754 million, represents shifts in spending from other parts of the state to Bloomington. Thus, 64 percent ($754 million/$1,179 million) of the retail revenues created by the project displace revenues from existing and future businesses in Minnesota.

The magnitude of this amount can be grasped by comparing it with revenues from the competing retail establishments from which the Center is most likely to attract business. The nine regional shopping malls in the metro area containing 650,000 square feet or more, plus downtown Minneapolis and St. Paul, currently account for about $2.4 billion in

TABLE 2

ANNUAL INCOME IMPACT
OF THE CENTER
(million $)

PROJECT COMPONENT	(1) MINNESOTA (GROSS)[a]	(2) MINNESOTA (NET)[a]	(3) DISPLACEMENT (1) - (2)	(4) DISPLACEMENT AS PERCENTAGE OF GROSS IMPACT (3) ÷ (1)
Retail Facilities	$ 1,179	$ 425	$ 754	63.9%
Convention Center	315	315	0	0.0
Amusement Facilities	379-569	311-466	68-103	18.0
TOTAL DIRECT	$1,873-2,063	$1,051-1,207	822-857	41.5-43.8
TOTAL INDIRECT	$1,124-1,238	$ 266-305[c]	-	-
GRAND TOTAL	$2,997-3,301	$1,317-1,512	$822-857	-

a. Nichols June Report, Table 3, p. 15. Net revenue figures include retail expenditures made offsite.

b. Based on revised delegate count in Nichols September Report, p. 2.

c. Sector-weighted income multiplier from DEED input-output model.

retail sales. Assuming that retail sales grow at their historic average of 3 percent (real) annually between now and the opening of the Center in 1989, $754 million would represent about 27 percent of that total. If revenue losses were spread evenly throughout the entire metro area retail sectors in competition with the Center, rather than just the largest centers, they would represent about 12 percent of that $5.4 billion total.

The Nichols' estimate of the displacement of convention center revenues is slightly more complicated. In the June report, they estimated that the Center's new facility would draw 250,000 delegates from the existing Minnesota market. However, the offsite spending of the incremental 750,000 delegates the Center would attract amounted to just enough to offset the displaced spending of the 250,000 delegates. Thus, the revenues accruing to both Bloomington and the state were the same.

The downsizing of the convention center in the September report reduced the incremental delegates to 600,000 and the displaced delegates to 200,000. If the offsite spending portion of delegates remains the same, the displacement will be "neutralized" as described in the June report.

Finally, the displacement of current amusement revenues is also shown in Table 2. It amounts to $68 to $102 million, about 18 percent of the expected revenues. This displacement represents 16 to 25 percent of the current market in that sector in Minnesota.

The gross revenues in Table 2 refer only to those revenues taken in at the Center. The net revenue figures reported by the consultant, however, include offsite expenditures made by patrons from all three elements of the project. These retail purchases include items such as meals and gifts purchased by convention delegates in downtown Minneapolis, gasoline purchased by visitors from greater Minnesota residents while traveling to the Center and similar expenditures.

Thus, the total amount of displaced revenues estimated by Nichols from all sectors of the project is $822 to $857 million, or 42 to 44 percent of the gross income generated to Bloomington. Only about half of the direct revenues created by the project are a net increase in state income. The other half represents a shift in spending from existing and future businesses in Minnesota to the Bloomington center.

The direct revenues generated by the project are only a part of its total impact. Indirect effects will also be felt by Minnesota's existing businesses, as the employees of the facility spend their incomes in the state and mall establishments make interindustry purchases. DEED's input-output model estimates that these indirect effects will add $266 to $305 million to the state's economy. This is lower than Nichols' estimate because our income multiplier for the retail and service sectors contained in the Center is about 1.25, in contrast to Nichols' 2.0.

Displaced revenues imply displaced jobs also. As money that would have been spent in other Minnesota businesses is drawn to the Center, existing firms will contract, or may even close, and new firms that would have located elsewhere will concentrate in the Center.

Table 3 shows how displaced revenues were "translated" into displaced jobs. The revenue displacement percentage from Table 2 was applied to the gross number of jobs created in Bloomington. The result is the number of displaced jobs (Column 3), which is subtracted from Column 1 to yield net jobs in Column 4. Thus the total number of net direct jobs created by the project is estimated to be 7,018 to 8,096.

It should be noted that the methodology employed to compute displacement may, in this case, underestimate the number of jobs displaced. Table 3 implicitly assumes that jobs are displaced on a 1:1 basis, i.e., each job created in Bloomington shifts one job from another location in Minnesota. This will be true only if the sales per employee in the Center are equivalent to the sales per employee in establishments where displacement will occur.

However, retail sales per employee in the Center are projected by Nichols to average about $120,000, compared with a statewide average of $90,000. The comparable figure for more marginal firms -- those most likely to suffer displacement -- is even lower. If it were, say, $60,000 per employee, a shift of $120,000 in retail activity to the Center would create a single job at the Center, but would imply a loss of <u>two</u> jobs from the marginal establishment, not one, as assumed in Table 3.

In the same way that indirect income was created by the project, indirect employment impacts will also be felt. Using employment multipliers from the U.S. input-output model, DEED projects 4,140 to 4,777 indirect jobs will result from the project, for a grand total of 11,158 to

TABLE 3

ANNUAL JOB
IMPACT OF THE CENTER
(Full-time equivalent positions)

PROJECT COMPONENT	(1) MINNESOTA JOBS (GROSS)[a]	(2) DISPLACMENT PERCENTAGE[b]	(3) DISPLACED JOBS (1) X (2)	(4) NET JOBS (MINNESOTA) (1) - (3)
Retail Facilities	9,700	63.9%	6,200	3,500
Convention Center	1,960-2,300	0.0	0	1,960-2,300
Amusement Facilities	1,900-2,800	18.0	342-504	1,558-2,296
Offices	9,300	100.0	9,300	0
TOTAL DIRECT	22,860-24,100	-	15,842-16,004	7,018-8,096
TOTAL INDIRECT	13,487-14,219	-	-	4,140-4,777[c]
GRAND TOTAL	36,347-38,319	-	-	11,158-12,873

a. Nichols September Report, p. 15.
b. From Table 2, Column 4.
c. Sector-weighted average employment multiplier from U.S. input-output table.

12,873 full-time equivalent net jobs, in contrast to the Nichols estimate of 40,000 part-time and full-time (equivalent to about 28,000 full-time).

The net direct jobs created by the project represent an increase in total Bloomington employment of about 24 percent over 1980 levels.

Although these job displacement figures are large, it should be remembered that they are based on the consultants' own data and are consistent with other information presented in their study. The September report assumes that half the 6 to 9 million visitors projected for the amusement facilities will come from within 50 miles of Bloomington, as will half the retail sales. Of the 26 to 29 million total visitors to the project, about three out of four are expected to be Minnesotans, displacing sales from their local areas.

However, significant questions remain as to whether the consultant's assumptions are reasonable. To expect any single shopping center, even one of this size, to consistently draw more than one-fourth of current sales away from existing centers is questionable. The critical importance of the displacement factor, to the state in terms of net jobs and revenues generated by the project, as well as to the well-being of existing Minnesota businesses, makes it essential that a more reliable estimate of this factor be made by a highly qualified and experienced retail marketing organization.

Retail Displacement and Off-Site Revenues

On pages 6 and 7 of the September Report Nichols sets forth the argument that "The development will not cause any significant net displacement of retail sales in the Metropolitan area or the state," concluding that displacement will amount to "less than 1.0% of total 1982 retail sales for the state and approximately 1.6% of corresponding sales for the Minneapolis-St. Paul SMSA."

Nichols reasons that annual retail sales displacement is $775 million ($1,200 million total sales less $425 million net sales to Minnesota), but then claims that this amount is largely offset by retail revenues generated by other sectors of the project. This is a reflection of two factors. First, the net revenues reported for the convention and amusement components of the project also include retail sales made by the visitors to these components. Second, a portion of these retail revenues is spent outside the Center, in the metro area and other parts of the state.

The revenues which Nichols estimates largely offsets the $775 million in retail displacement include $122 in offsite expenditures in the convention sector and $155 to $232 million in the amusement sector. The largest share of offsetting revenues, $315 to $362 million, is a portion (30 percent) of the total indirect income generated by the entire project that Nichols attributes to retail sales.

It is important to remember that the offsetting revenues from the convention and amusement sectors are <u>not</u> incremental, but are merely portions of the existing net revenues of those sectors which Nichols estimates occur offsite. As such, these revenues -- and the net jobs they represent -- are already accounted for in our net figures. The September report merely siphons some of these existing revenues off to apply against retail displacement.

Our analysis of both Nichols reports indicates that a limited amount of the displaced retail revenue will be offset by offsite retail spending by visitors traveling to the Center for the Convention and Trade Shows or Recreation and Amusement facilities. However, this displacement offset will most likely be significantly smaller than that claimed in the Nichols September Report. We have the following reasons for questioning the estimates listed in the Nichols report.

1. The June Report estimates that 25 percent of convention center revenues were spent offsite; the September report increases this amount by more than half, to 38.7 percent, but no reason is given for the increase. Using the original 25 percent figure reduces the offset amount to $79 million.

2. In calculating offsetting revenues in the amusement sector. Nichols assumed that 70 percent of the retail expenditures of those visitors would occur offsite. This seems unlikely in the face of the Center's unparalleled shopping facilities. If a more reasonable 30 percent is spent offsite, the offset amount drops to $66 to $74 million.

3. The $315 to $362 million in indirect income is based, as noted above, on an income multiplier which is much too high (2.0 vs. DEED's 1.25). Applying the more modest parameter reduces the offset to $86 to $98 million.

Making these adjustments lowers the offsetting retail revenues to $231 to $274 million. This is still a significant amount. However, while including the indirect income effects associated with offsetting displacement, Nichols neglects to include the indirect income effects of displacement itself. That is, the $775 million in retail displacement will itself displace other incomes in the state, of employees and suppliers of those retail establishments. If we apply Nichols 30 percent figure to the $775 million, this indirect retail displacement is calculated at $233 million. Matching this figure against the $231 to $274 million reduces Nichols' offset revenues to $0 to $41 million. Nichols' omission of the additional "costs" of retail displacement inflates the actual amount of offsetting revenues. In a sense, much of this offset income merely offsets the indirect, not the direct, displacment.

Nichols also states in the September report that displacment will be minimized because "the continued growth in the regional population, income, and buying power" will create expanding retail demand which the Center can meet. The report cites a survey in S & MM magazine projecting retail sales growth in Minnesota of $12.7 billion and in the Minneapolis-St. Paul SMSA of $8.6 billion, between 1983 and 1988. Based on 1983 retail sales of approximately $20.3 billion and $11.7 billion, respectively, for these geographic entities, this forecasts growth of 12.5 percent annually for the state and 14.7 percent annually for the metro area.

These numbers are higher than any retail growth rates experienced by Minnesota in the last twenty years. The annual increase experienced by the state averaged 8.5 percent between 1963 and 1972, and 10.8 percent between 1972 and 1982. The latter period, however, also experienced very high inflation rates, reflected in the figures. Since inflation is expected to be much lower in the 1983-88 period, the September report estimates of retail growth appear to be excessive.

VI. Tourism Assumptions

A. Tourism Levels

The crucial element to the Center's success is its ability to draw visitors, in particular, visitors from outside Minnesota, whose spending represents net income inflows to the state economy.

In 1982, according to the U.S. Travel Data Service, Minnesota received 25 million visitors, defined as any person traveling more than 100 miles from home (including in-state) or staying away from home overnight. It is important to note that this definition of "visitor" is inadequate for economic development purposes because it fails to identify out-of-state visitors, whose spending fuels the engines of net economic growth. From other sources we have determined that of these visitors, less than half, 11.3 million, came from outside the state.

Although several projections regarding the number of tourists that will be drawn to the Center are made in the Nichols report and in other statements made by the consultants, no background information is given on the development of these figures.

Among these claims are: 1) the Center will initially attract 10 to 11 million visitors per year; 2) about 6.5 million visitors will come from other states; 3) neither the 10 to 11 million figure nor the 6.5 million figure assumes an increase in the number of visitors above current levels; 4) the Center will generate an additional 16 to 18 million visitor-days above current levels.

We have tried to organize these disparate pieces of information into a coherent picture and describe how they fit into Minnesota's current tourism economy.

First, information from the U.S. Travel Data Center indicates that the Twin Cities metro area currently hosts about 10 million visitors annually, 4.5 million of which are from outside Minnesota. Nichols' 6.5 million out-of-state figure thus indicates that the Center will attract 2 million new out-of-state visitors, or, alternatively, will attract current out-of-state visitors who travel to other parts of the state, but not the metro area. The most likely occurrence is some combination of these alternatives. (The Nichols reports emphasize that the Center will result in a net increase of 16 to 18 million visitor days in the state, most of which are accounted for by visitors who are already in the state extending their visit, rather than claiming an incremental increase in the number of visitors from out of state.) Either method would increase the number of out-of-state visitors to the metro area by 44 percent.

If Nichols' estimate of 6.5 million is correct, it implies that the Center will draw from 49 to 58 percent of all out-of-state tourists who visit Minnesota for all purposes*, as well as 33 to 40 percent of all in-state visitors to the metro area.** Table 4 summarizes this visitor data.

TABLE 4

MINNESOTA ANNUAL TOURISM FLOWS

	Minnesota	Metro Area	International Center
Visitors	25 million	10.0 million	10.5 million
Out-of-State Visitors	11.3 million	4.5 million	6.5 million

SOURCE: U.S. Travel Data Center.

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*6.5m/(11.3m + 2.0m) = 49%
6.5m/11.3m = 58%
**(10.5m - 6.5m)/(10.0m + 2.0m) = 33%
(10.5m - 6.5m)/10.0m = 40%

Data in the September report makes possible the distribution of this total number of visitors by main purpose among the three components of the Center, as shown in the table below:

TABLE 5

TOTAL CENTER VISITORS BY SECTOR AND LOCATION

PROJECT COMPONENT	TOTAL VISITORS	TOURISTS	OUT-OF-STATE TOURISTS
Retail Facilities	18.9	6.9	3.4
Convention Center	0.8	0.6	0.6
Amusement Facilities	6.0-9.0	2.3-3.5	2.1-3.2
TOTAL	25.7-28.7	9.8-11.0	6.1-7.2

SOURCE: Nichols September Report, p. 5.

The total visitors to the retail and amusement components in Table 5 can also be distributed according to the geographic origin of the visitors (i.e., distance from Bloomington). Combining these calculations with the populations in the "rings" around Bloomington yields figures on the estimated number of visits from each ring, as shown in Table 6.

TABLE 6

ESTIMATED VISITS PER CAPITA BY DISTANCE FROM BLOOMINGTON, RETAIL AND AMUSEMENT COMPONENTS

DISTANCE FROM BLOOMINGTON	PERCENTAGE DISTRIBUTION OF VISITORS	NUMBER OF VISITORS (million)	POPULATION IN RING (million)	ANNUAL VISITS PER CAPITA
0-50 miles	50	15.75	2.208	7.13
50-100 miles	15	4.13	.732	5.64
100-200 miles	10	2.25	1.795	1.25
over 200 miles	25	4.28	--	--
TOTAL	100	26.4	--	--

SOURCE: Table 5; Nichols September Report, pp. 2, 4.

The annual visits per capita figure in the last column is the number of visits each resident is estimated to make each year. For example, each resident in the metro area (0-50 miles) is estimated to visit the Center 7.13 times annually. Each resident in the 100 to 200 mile ring around Bloomington -- which includes Duluth, La Crosse and Wausau, Wisconsin; Sioux Falls, South Dakota; and Waterloo, Iowa -- is estimated to visit the Center 1.25 times yearly.

B. Tourism Expenditures

The visitors from greater Minnesota who have would vacationed outside the state in the absence of the Center and visitors from other states who would not have come to Minnesota or not spent as much money here but for the Center are the sole potential sources of net economic benefits to the state resulting from the Center. Greater Minnesota visitors who would have vacationed elsewhere in Minnesota but traveled to the Center instead do not represent net income gains. Even if they spend more at the Center than they would have elsewhere, income limits will force them to consume less (or reduce savings) when they return home, cancelling any net gain. Only those Minnesotans who substitute a visit to the Center for a vacation outside the state cause net state income to rise. The Nichols reports contains no estimate of the number of visitors in this category.

Given the total estimated net income from the project ($1.05 to $1.21 billion, from Table 2), we can calculate the per person spending levels necessary to achieve it. For example, if the Center attracts an incremental 2 million visitors from outside Minnesota, and these are the only contributors to net income (i.e., Greater Minnesota and non-Minnesota visitors simply shift a portion of their spending from other Minnesota locations to the Center), they would have to spend $526 to $604 per person to reach the Nichols estimates. This compares with current average expenditures per person per vacation trip in Minnesota of about $185 (U.S. Travel Data Center, <u>Profile of the Minnesota Travel Market</u>, 1983, updated for inflation).

An alternative scenario is that all 6.5 million out-of-state visitors make contributions to net additional income. This contribution would include all of the expenditures of the 2 million "new" tourists drawn to Minnesota by the Center, plus that portion of the expenditures of the 4.5 million tourists who come to the state for reasons other than the Center which is above and beyond their current spending level. (Otherwise, there is merely a shift in spending. This point is overlooked in the September Report on page 3, where <u>all</u> spending by out-of-state tourists is assumed to contribute to net income.)

If we assume that the 2 million "new" tourists spend an amount 50 percent above the $185 average, the 4.5 million visitors would have to spend $128 to $162 in addition to their current average spending of $185 per trip in order to reach the Nichols estimates of net income. In other words, these travelers would have to increase their vacation expenditures by 69 to 88 percent.

Alternatively, if no "new" tourists are attracted, the 6.5 million out-of-state visitors would have to spend, on average, $162 to $186 <u>above</u> their current spending levels to meet the Nichols estimates, an increase of 88 to 100 percent in vacation spending.

The following two sections take a closer look at Nichols' tourism asumptions for the convention center and amusement components of the project.

C. Convention Center

The September Report projects a total of 800,000 delegates annually at its convention center. Table 7 compares the ratio of convention delegates to population for the metro region and other major cities.

TABLE 7

POPULATION AND CONVENTION DELEGATES

Metropolitan Area	Delegates/Population
Milwaukee	1.43
Cleveland	.79
Kansas City	.77
Indianapolis	.67
Dallas	.62
Chicago	.49
Detroit	.44
Atlanta	.40
San Francisco	.30
New York	.27
Minneapolis/St. Paul	.24

SOURCE: Coopers and Lybrand, Market Feasibility and Economic Impact Study of the Proposed Minnesota Convention Center.

The metro area ranks at the bottom of these cities in terms of a delegates/population ratio. If the Center were to add 600,000 new delegates, as Nichols estimates, the metro area's ratio would rise to .52, placing it in the middle range of the cities in the table. Table 8 shows the square footage and delegate attendance for comparable centers.

TABLE 8

CONVENTION CENTERS: Size and Attendance
World Class Convention Centers

	Total Square Footage (million square feet)	Ave. Annual Attendance (millions)
Chicago-McCormick Place	2.5 sq.ft.	3.5
Dallas Convention Center	1.1 sq.ft.	1.8
San Francisco George R. Moscone C.C.	.65 sq.ft.	1.0
Las Vegas Convention Center	1.4 sq.ft.	1.0
Georgia World Congress Center	2.0 sq.ft.	.75

(New York is now building a 1.8m sq.ft. convention center unrelated to the New York Coliseum.)

National/Regional Convention Centers

	Total Square Footage	Ave. Annual Attendance (millions)
Milwaukee	200,000-300,000 sq.ft.	2.0m
Detroit	approx. 430,000 sq.ft.	1.9m
Cleveland	" 570,000 sq.ft.	1.5m
Kansas City	" 325,000 sq.ft.	1.0m
Indianapolis C.C.	" 480,000 sq.ft.	.82m
Kentucky Fair & Exposition	" 700,000 sq.ft.	.72m

SOURCE: Coopers and Lybrand and individual facilities.

It is interesting to note that, of the eight centers in Table 8 that drew 1 million delegates or more, 5 contained less than 1 million square feet, and 3 contained less than 500,000 square feet.

Other points relevant to the proposed convention center include:

- Seasonality: The peak months for conventions are from March through June, with a second peak in September and October. Thus, Minnesota's winters should not affect its ability to attract conventions. Trade shows, however, which are a rapidly growing part of the market, peak from January through March, and could be affected by Minnesota's severe winters.

- Advance bookings: The majority of conventions and trade shows are booked 5 to 9 years in advance. Thus, a reputation as a world class convention center is not developed overnight.

- The current plans to build the Bloomington facility on the third and fourth floors of the complex could negatively impact its drawing power, because of both its reduced column-free exhibit space and the difficulty of docking, which increases setting up and knocking down time.

D. Amusement Park

The Nichols report projects 6 to 9 million visitors to the amusement park component of the Center. These figures are compared with the number of visitors to other theme parks in the U.S. in Table 9.

TABLE 9

Visitors to Theme Parks
(millions)

	Visitors	Tourists	Out-of-State Tourists
The Center Amusement Park	6.0-9.0	2.3-3.5	2.1-3.2
Disneyworld, FL	13.0	N/A	6.0
Epcot Center, FL	10.0	N/A	N/A
Disneyland, CA	10.8	N/A	2.0
Knott's Berry Farm, CA	4.2	N/A	N/A
Cedar Point, OH	3.1	N/A	N/A
Great Adventure, NJ	2.7	N/A	N/A
Kings Island, OH	2.8	1.2	N/A
Six Flags Over Texas, TX	2.4	1.2	N/A
Valley Fair, MN	0.8	N/A	0.175

SOURCE: Travel Industry World Year Book, 1985; U.S. Travel Data Center, 1982 Outlook for Travel and Tourism.

The Center's amusement component is projected to attract the third largest number of visitors of any amusement park in the U.S., ranking behind Disneyworld-Epcot Center and Disneyland. It will draw from 1.5 to

3.8 times as many visitors as the other top ten theme parks, and will outdraw Valley Fair by a factor of 7.5 to 11.25.

While these comparisons of the Center's individual components are helpful, it has been argued that its unique combination of elements - retail, convention, and amusement - make comparisons with existing facilities inappropriate. In order to take into account the synergistic effect of these elements, comparisons with highly unique events, such as world's fairs, or major cities, which also offer a variety of activities, may be more fitting. This is done in Table 10.

TABLE 10

VISITOR TRAFFIC TO CITIES AND WORLD EXHIBITS
(million per year - 1984)

	Visitors	Overnight Hotel Visitors
A. Major U.S. Cities		
New York City		17.2
City of Chicago		5.5
San Francisco		2.6
Minneapolis		1.3
B. Specialized U.S. Cities		
Washington, D.C.	17.2	6.1
Las Vegas		12.0
C. World Exhibitions		
1964 N.Y. World's Fair (average per year)	25.8	
1982 Knoxville Exhibition	11.0	

SOURCE: Individual city tourism officers.

Thus, the projected 10.5 million visitors are about equal to those who attended the 1982 World's Fair in Knoxville, Tennessee.

Obviously, the developers' tourist forecasts are critical in attempting to assess the net economic impact of the Center on Minnesota. An independent study of the assumptions underlying those forecasts is necessary to examine their reasonableness.

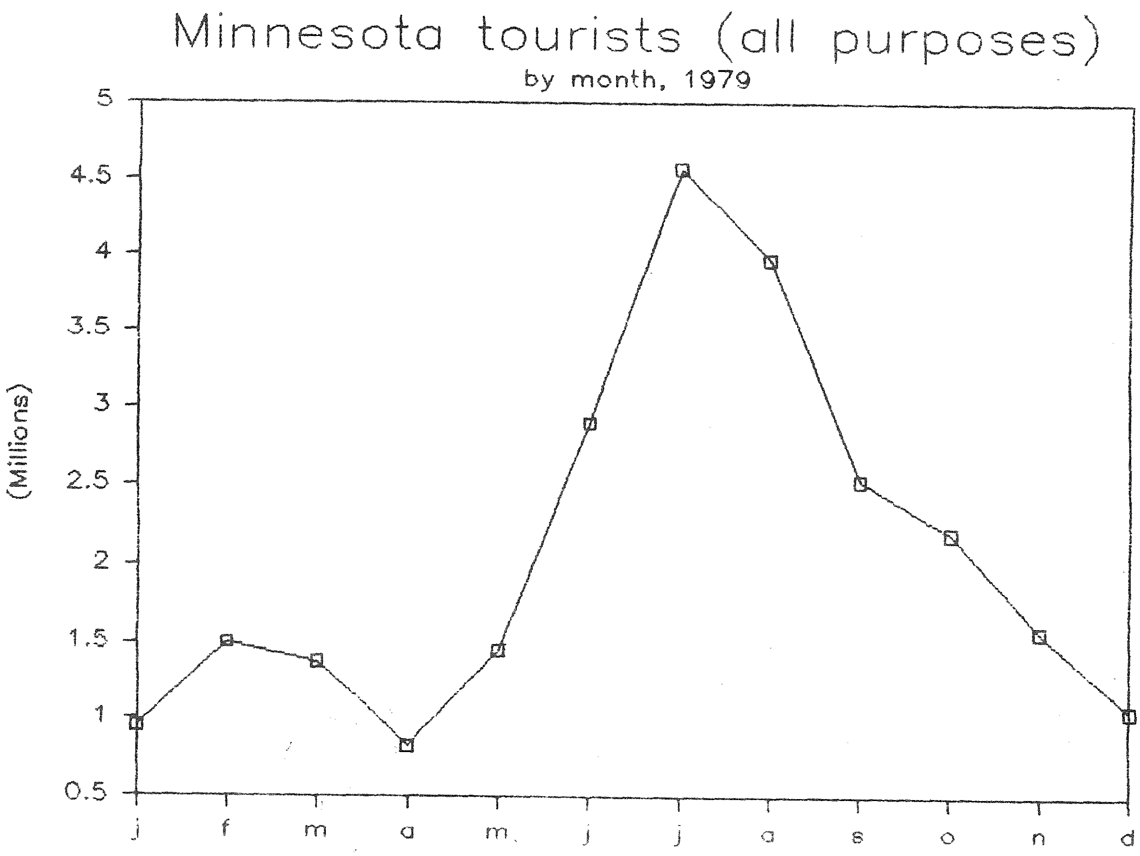
VII. Physical Constraints

We have not analyzed the additions to local infrastructure - roads, sewers, airport expansion, etc. - that will be needed to accommodate the tourist flow anticipated by the developers. These public investments are being studied by other agencies. These public costs must be taken into account by policymakers in assessing the net economic impacts to the state of the project.

We have examined the hotel space needed to sustain the projected tourist traffic. Currently, the Twin cities metropolitan area has 17,000 hotel rooms, which is sufficient to support no more than 6,000,000 overnight stays annually. The June report projects that the Minnesota International Center will generate an additional 17 million visitor-days in the state. If as few as 25 percent of these additional visitor-days require a single overnight stay in the Twin Cities, an additional 8,400 rooms would have to be built, assuming all double occupancies, a 70 percent occupancy rate and a seasonally uniform attendance profile.

An examination of the number of visitors to Minnesota and Chicago for all purposes by month (see Figure 1), makes it apparent that the International Center is highly unlikely to face a uniform number of visitors throughout the year. If the International Center were to experience Minnesota's current seasonal variation in tourists, the metropolitan area would require, as a conservative estimate, an additional 12,000 rooms, or a 71 percent increase over existing hotel/motel accommodations.

FIGURE 1



VIII. Estimated State Tax Revenue from the Center

This section presents estimates of the gross and net increments in state tax revenues generated by the proposed Minnesota International Center. Incremental revenues are estimated for the following project components:

1. Sales and use taxes on building materials and capital equipment

2. Sales taxes on net increases in retail sales

3. Corporate income taxes on net increases in business activity

4. Personal income and sales taxes from net increases in employment

The gross and net tax revenues for each of the first ten years of the project's life are presented, by source of revenue, in Tables 11 and 12. As throughout this report, the net figures are based on the net revenue and job estimates made by subtracting the consultant's displacement estimates from the gross figures. The ten-year total for gross taxes created by the project is $755.1 million; the net figure is $509.5 million.

TABLE 11

ANNUAL GROSS INCREASE IN
PERSONAL INCOME AND SALES TAXES
(million $)

YEAR	SALES & USE TAXES ON EQUIP. + BLD. MATS.	SALES TAXES ON MERCHANDISE AND SERVICES	CORPORATE TAXES	PERSONAL INCOME TAXES	EMPLOYEE GENERATED SALES TAXES	TOTAL
1986	$ 9.2	$ -	$ -	$ 7.7	$ 2.2	$ 19.1
1987	9.2	-	-	7.7	2.2	19.1
1988	9.2	-	-	7.7	2.2	19.1
1989	1.8	65.7	0.4	24.8	8.1	100.8
1990	1.8	65.7	0.4	24.8	8.1	100.8
1991	1.8	65.7	0.4	24.8	8.1	100.8
1992	1.8	65.7	0.4	24.8	8.1	100.8
1993	1.8	65.7	0.4	23.1	7.7	98.7
1994	-	65.7	0.4	23.1	7.7	98.7
1995	-	65.7	0.4	23.1	7.7	98.7
TOTAL	$ 36.7	$459.9	$ 3.0	$191.6	$ 62.1	$755.1

TABLE 12

INCREMENTAL STATE REVENUES FROM PROJECT
(million $)

	SALES & USE TAXES ON EQUIP. + BLD. MATS.	SALES TAXES ON MERCHANDISE AND SERVICE	CORPORATE TAXES	PERSONAL INCOME TAXES	EMPLOYEE GENERATED SALES TAXES	TOTAL
1986	$ 9.2	$ -	$ -	$ 7.7	$ 2.2	$ 19.1
1987	9.2	-	-	7.7	2.2	19.1
1988	9.2	-	-	7.7	2.2	19.1
1989	1.8	44.9	0.3	14.0	4.5	65.5
1990	1.8	44.9	0.3	14.0	4.5	65.5
1991	1.8	44.9	0.3	14.0	4.5	65.5
1992	1.8	44.9	0.3	14.0	4.5	65.5
1993	1.8	44.9	0.3	12.3	4.1	63.4
1994	-	44.9	0.3	12.3	4.1	63.4
1995	-	44.9	0.3	12.3	4.1	63.4
Total	$ 36.7	$314.3	$ 1.9	$116.0	$ 42.3	$509.5

The following tables set out the methodology for computing these tax revenues by source.

1. Sales and use taxes on building materials and capital equipment.

Current Minnesota law imposes a 6 percent sales and use tax on most building materials. The June report estimates that 60 percent of the total $1,020 million construction costs of the project will consist of materials and equipment. Thus, the total amount of sales tax equals $1,020 million x .6 x .06 = $36.7 million.

2. Sales taxes on net increases in retail sales.

The June report estimates that $425 million of the retail dollars spent at the Center will be a net gain to the state economy. In a recent memorandum to the Metropolitan Council, Triple Five Corporation allocated the sales of the center (and square footage) among six categories: department stores, apparel, food, furniture, eating and drinking places, and miscellaneous retail.

These are the same categories for which the Department of Revenue collects sales tax data on retail establishments. These statistics permit a calculation of total taxable sales (equivalent to gross sales minus deductions plus use tax purchases) as a percentage of gross sales. Multiplying this percentage by Triple Five's retail figures and the result by 6 percent yields the incremental sales taxes produced by the Center, as shown in the table below.

TABLE 13
INCREMENTAL SALES TAXES FROM RETAIL COMPONENT

	(1)	(2)	(3)	(4)	(5)
	GROSS RETAIL SALES [a] ($ million)	NET RETAIL SALES [a] ($ million)	PERCENTAGE OF TAXABLE SALES [b]	GROSS SALES TAX [c]	NET SALES TAX [d]
Department Stores	256.7	95.8	.723	11.1	4.2
Food	34.5	12.9	.142	0.3	0.1
Apparel	393.8	147.0	.083	2.0	0.7
Furniture	70.4	26.3	.621	2.6	1.0
Eating Places	76.5	28.5	.924	4.2	1.6
Other Retail	313.5	114.6	.380	7.1	2.6
Total	1,145.4	425.0	-	27.3	10.2

a. Sales by category: Memorandum from Myron Calof to John Harrington, Metropolitan Council, August 26, 1985. $425 million net sales from June report.
b. State of Minnesota, Commissioner of Revenue, Minnesota Sales and Use Tax, Annual Report, 1983, Table 3, p. 10. The figure for department stores was taken from unpublished Department of Revenue data listing sales tax statistics at the 4-digit SIC code level. All other figures are at the 2-digit level.
c. Column 1 x Column 3 x .06.
d. Column 2 x Column 3 x .06.

Sales tax estimates on convention center and recreation/amusement expenditures can be made in the same way.

TABLE 14
INCREMENTAL SALES TAX REVENUES FROM CONVENTION CENTER COMPONENT

	(1)	(2)	(3)	(4)
CATEGORY	GROSS AND NET SPENDING [a] ($ million)	PERCENTAGE OF TAXABLE SALES [b]	TOTAL TAXABLE (1)X(2)	GROSS AND NET SALES TAX [c]
Hotels	135.4	.942	127.5	7.7
Eating/Drinking	94.5	.924	87.3	5.2
Retail	34.6	.500	17.3	1.0
Transportation	19.2	.332	6.4	0.4
Misc. Entertainment	31.3	.855	26.8	1.6
Total	315	-	265.3	15.9

a. Displacement neutralized by offsite spending by incremental delegates (see p. 5 above). Distribution of revenues based on Nichols Applied Management, (Draft Report) Mall of America: Taxation Impacts to the State of Minnesota, August 1985, Appendix A.
b. See note b, table 13. Percentage for retail sector estimated. Percentage for transportion sector assumes 80 percent passenger transit (taxicabs), 20 percent automobile services (car rental).
c. Column 3 x .06.

TABLE 15
INCREMENTAL SALES TAX REVENUES
FROM RECREATION/AMUSEMENT COMPONENT

	(1) GROSS SALES[a] ($ million)	(2) NET SPENDING[a] ($ million)	(3) PERCENTAGE OF TAXABLE SALES[b]	(4) GROSS SALES TAX REVENUES[c]	(5) NET SALES TAX REVENUES[d]
Recreation/Amusement	116	97	.855	6.0	5.0
Eating/Drinking	116	97	.924	6.4	5.4
Retail	116	97	.500	3.5	2.9
Hotel	116	97	.942	6.6	5.5
Total	464	388	-	22.5	18.8

a. Estimated distribution. Totals from Nichols June report.
b. See note b, Table 13. Percentage for retail sector estimated.
c. Column 1 x Column 3 x .06.
d. Column 2 x Column 3 x .06.

Total gross sales taxes from the operation of the Center are $65.7 million; net sales taxes total to $44.9 million.

3. Corporate income taxes on net increases in business activity

The net retail sales increments will also produce increases in corporate taxes attributable to the project. These can be estimated in the same way as sales taxes, as shown below.

TABLE 16
INCREMENTAL CORPORATE TAX REVENUES
FROM RETAIL COMPONENT

CATEGORY	(1) GROSS RETAIL SALES[a] ($ million)	(2) NET RETAIL SALES[a] ($ million)	(3) TAX LIABILITY AS PERCENTAGE OF GROSS SALES[b]	(4) GROSS CORPORATE INCOME TAX (1) X (3)	(5) NET CORPORATE INCOME TAX (2) X (3)
Department Stores	256.7	95.8	.000229	$ 58,784	$ 21,938
Food	34.5	12.9	.000045	1,553	583
Apparel	393.8	147.0	.000226	88,999	33,251
Furniture	70.4	26.3	.000496	34,918	13,042
Eating Places	76.5	28.5	.000273	20,885	7,781
Other Retail	313.5	114.6	.000167	52,355	19,116
Total	1,145.4	425.0	-	$257,584	$ 95,711

a. Sales by category: Memorandum from Myron Calof to John Harrington, Metropolitan Council, August 26, 1985.
b. Commissioner of Revenue, Minnesota Corporation Income Tax, July 1983, Table 21, p. 24.

TABLE 17

INCREMENTAL CORPORATE TAX REVENUES
FROM CONVENTION CENTER COMPONENT

CATEGORY	(1) GROSS AND NET RETAIL SALES[a] ($ million)	(2) TAX LIABILITY AS PERCENTAGE OF GROSS SALES[b]	(3) GROSS AND NET CORPORATE INCOME TAX (1) X (2)
Hotels	135.4	.000148	$20,039
Eating/Drinking	94.5	.000273	25,799
Retail	34.6	.000110	3,806
Transportation	19.2	.000527	10,118
Misc. Entertainment	31.3	.000356	$11,143
Total	315	-	$70,905

a. Displacement neutralized by offsite spending by incremental delegates (see p. 5 above). Distribution of revenues based on Nichols Applied Management, (Draft Report) Mall of America: Taxation Impacts to the State of Minnesota, August 1985, Appendix A.
b. See note b, Table 14.

TABLE 18

INCREMENTAL CORPORATE TAX
REVENUES FROM RECREATION/AMUSEMENT COMPONENT

CATEGORY	(1) GROSS SPENDING ($ million)[a]	(2) NET SPENDING ($ million)[a]	(3) TAX LIABILITY AS PERCENTAGE OF GROSS SALES[b]	(4) GROSS CORPORATE INCOME TAX (1) X (3)	(5) NET CORPORATE INCOME TAX (2) X (3)
Recreation/ Amusement	116	97	.000356	$ 41,296	$ 34,532
Eating/ Drinking	116	97	.000273	31,668	26,481
Retail	116	97	.000110	12,760	10,670
Hotel	116	97	.000148	17,168	14,356
Total	464	388	-	$102,892	$ 86,039

a. Estimated distribution. Totals from Nichols June Report.
b. Commissioner of Revenue, Minnesota Corporate Income Tax, July 1983, Table 21, p. 24.

This brings the total annual increase in gross corporation taxes to $431,381; the net increment is $270,374.

4. Personal income taxes on net increase in employment

The increase in gross and net employment stimulated by the project will result in added collections of personal income taxes and sales taxes, as shown in the tables below.

TABLE 19

ANNUAL INCREASE IN
GROSS PERSONAL INCOME
AND SALES TAXES

	GROSS EMPLOYMENT [a]	GROSS PAYROLL ($ million) [b]	GROSS PERSONAL INCOME TAXES [c]	GROSS EMPLOYEE GENERATED SALES TAXES [d]
Construction				
Phase I (1986-88)	3,234	$95.4	7.7	2.2
Phase II (1989-92)	610	20.6	1.7	0.4
Operation				
Direct	14,180	172.8	9.4	7.7
Indirect	8,366	167.7	13.7	

a. Midpoint of range from Table 3.
b. Average salaries from Department of Revenue Model.
c. Average tax rate from Department of Revenue.
d. Commissioner of Revenue, Minnesota Sales and Use Tax, Annual Report, 1983, Table 3, p. 10.

TABLE 20

ANNUAL NET INCREASE IN PERSONAL INCOME SALES TAXES

	NET EMPLOYMENT	NET PAYROLL [c]	NET PERSONAL INCOME TAXES [d] ($ million)	NET EMPLOYEE GENERATED SALES TAX [e] ($ million)
Construction				
Phase I (1986-88)	3,234 [a]	95.4	7.7	2.2
Phase II (1989-92)	610 [a]	20.6	1.7	0.4
Operation				
(Direct)	7,557 [b]	92.1	5.0	4.1
(Indirect)	4,459 [b]	89.4	7.3	

a. Gross employment; net construction employment not available.
b. Midpoint of range from Table 3.
c. Average salaries from Department of Revenue model.
d. Average tax rate from Department of Revenue.
e. Commissioner of Revenue, Minnesota Sales and Use Tax, Annual Report, 1983, Table 3, page 10.