

Tempe Entertainment District: Seidman Research Institute Study Hits, Misses & Pie in the Sky

Introduction

The proposed \$2.1 billion Tempe Entertainment District which features the Arizona Coyotes arena and music venue has been the subject of several economic impact analyses.

On Monday, April 17, the Grand Canyon Institute (GCI) [released its analysis](#) of the project. On the same day, the Coyotes released Arizona State University's Seidman Research Institute's review of economic and fiscal analyses prepared by [Convention, Sports and Leisure \(CSL\)](#) (prepared for the Arizona Coyotes) and [Hunden Strategic Partners](#) (prepared for the City of Tempe). While the Coyotes claimed Seidman also validated the Hunden Strategic Partners analysis, the Seidman review noted "Hunden's modeling was not publicly available." (Seidman, p. 1). The Seidman review was commissioned by the Coyotes.

Key Findings

The Seidman Research Institute report actually reinforces key points made by the Grand Canyon Institute.

1. **GCI noted numerous errors in the CSL report.** In particular, the multipliers (the added economic effects of direct spending as a

Table 1: Comparison of Economic Impact Multipliers

CSL used	TOTAL OUTPUT (\$)²		
	RIMS II Tempe Metro	Per \$1 IMPLAN City of Tempe	IMPLAN Maricopa County
Construction	2.17	1.02-1.03	1.79-1.97
Commercial Sports	2.25	1.04	2.54
Lodging	1.94	1.03	1.84
Food and Beverage	2.11	1.04	2.00
Retail	2.13	1.03-1.04	2.10-2.13
Entertainment	2.12	1.03	2.14
Transportation	2.01	1.04-1.05	2.07-2.11
Other	2.12	1.03	2.06
Residential	1.26	1.01-1.02	1.16-1.79
Office	2.24	1.03-1.06	1.91-2.21
Music	1.97	1.03	1.75
Parking	2.01	1.05	2.11

Adapted from "An Independent Review of a \$2.1 Billion Arena and Multi-Use Development in the City of Tempe," by D. Hoffman, A. Evans & E. Madly, April 16, 2023, page 4. Copyright 2023 by the Seidman Research Institute, Arizona State University.

portion that is re-spent within a region) used were for the Phoenix Metropolitan Statistical Area (MSA) (bigger region, larger multiplier), but were applied as if they were specific to Tempe. As Table 1 shows, the CSL multipliers were significantly higher than the multipliers that Seidman found for Tempe—which were even lower than the 1.24 multiplier applied by GCI.

2. **Table 2 includes a hit and a miss.** The following table, from the Seidman Research Institute analysis, looks specifically at the economic impact of the proposed arena. As can be seen with the “Seidman Tempe” column, CSL significantly overstated the arena’s economic impact on Tempe due to using too large of a multiplier, a finding largely consistent with GCI. But in the county effects, Seidman misses. The Coyotes have been in the Phoenix MSA since 1996, so outside of perhaps some new visitors who come to a small incremental increase in non-hockey events, the impact on Maricopa County is essentially zero. Putting up a larger number for Maricopa County is a miss when assessing the arena’s impact on the larger region.

Table 2: Arena Impacts (2023-2054)

Economic Impact Metrics	CSL Tempe	Seidman Tempe	Seidman Maricopa County
Direct Spending	\$7.0 billion	\$7.0 billion	\$7.2 billion
Total Output	\$15.5 billion	\$7.2 billion	\$17.1 billion

Adapted from “An Independent Review of a \$2.1 Billion Arena and Multi-Use Development in the City of Tempe,” by D. Hoffman, A. Evans & E. Madly, April 16, 2023, page 5. Copyright 2023 by the Seidman Research Institute, Arizona State University.

3. **GCI emphasized that people do not visit Tempe because a hotel is built, nor do they start a business because office space is created.** Table 3 looks at the economic impact of the Tempe Entertainment District development project outside the arena/music venue. It has some miraculous multipliers, otherwise known as “pie in the sky!” The “too high” CSL multiplier of Table 1 is suddenly trounced by the Seidman multipliers on steroids. So Table 3 illustrates exactly why GCI only focused on the arena and music venues—as going beyond that can lead to economic fantasyland. Suddenly the multiplier for Tempe is over 3 and the multiplier for Maricopa County exceeds 6. This indicates that Seidman places a much higher economic value on just the Tempe Entertainment District separate

from the arena. If this is where the growth is—why even build an arena? And why would the Coyotes plug this study?



Table 3: Entertainment District Economic Impacts (2023-2054)

Economic Impact Metrics	CSL Tempe	Seidman Tempe	Seidman Maricopa County
Direct Spending	\$6.1 billion	\$6.1 billion	\$5.5 billion
Total Output	\$12.1 billion	\$19.2 billion	\$33.5 billion
Multiplier	1.98	3.15	6.09

Adapted from “An Independent Review of a \$2.1 Billion Arena and Multi-Use Development in the City of Tempe,” by D. Hoffman, A. Evans & E. Madly, April 16, 2023, page 5. Copyright 2023 by the Seidman Research Institute, Arizona State University.

How does that happen?

First, GCI emphasized how speculative and fairly arbitrary the office, residential, retail and hotel part of the calculus is.

Second, GCI noted that an external force is needed to fill office space, so why did Seidman get such huge numbers? “This is possibly because Seidman’s modeling places greater emphasis on the impact of high-end Class A office **employees.**” (Seidman, p. 6, emphasis added). By that logic, economic development efforts should have been trying to encourage building Class A office space rather than manufacturing facilities or encouraging tourism.

Third, If a business opens in or moves to the Phoenix MSA, the TED would be a location option, but within the county there is nothing special about TED over other locations. Economic impact studies are best when they focus on the forces behind a region’s economic growth and not the benefactors of it. Yes, businesses need space, but the space does not create the growth.

4. Seidman notes, “CSL’s basic approach to estimating fiscal impacts based on net new revenues is sound” (Seidman, p.1) and at times considers CSL’s

estimates somewhat conservative. If that is true, then Hunden Strategic Partners' estimates may be too high. If both are reasonable, then that affirms GCI's concern that the estimates are highly speculative and fairly arbitrary (see Table 4 reproduced from GCI's [paper](#)).

Table 4: Net New Estimates

Use Type	Hunden Strategic Partners		Convention, Sports and Leisure		Grand Canyon Institute	
	% Net New	% Substitution	% Net New	% Substitution	% Net New	% Substitution
Multi-family	70%	30%	27%	73%	not appropriate	
Office	70%	30%	27%	73%	not appropriate	
Retail	75%	25%	59%	42%	93%*	5%
Hotel (Stabilized)	65%	35%	40%/27%	60%/73%	95%**	5%
Music Venue	80%	20%	46%	54%	71%	29
Arena	98.10%	1.90%	46%	54%	89%	11%

*93% is for arena/music venue visitors only.

**95% is for arena/music venue overnight visitors only in Tempe.

- All Seidman figures are nominal, not adjusted for inflation, and therefore place greater value on economic results 30 years in the future than those occurring in the near future.** By contrast, GCI emphasizes using Net Present Value, which discounts future results to what they would be worth now. In other words, Seidman's "Total Output" numbers look bigger than they really are.
- In the weeds.** Seidman repeatedly notes that the 37% taxable portion of induced and indirect expenditures used by CSL is too low and states that 42.2% of state GDP falls under taxable categories. This adjustment would raise Tempe's 30-year nominal return by \$34 million. However, Seidman fails to note that a significantly larger portion of indirect and induced expenditures occurs in categories involving business services and the wholesale trade that are not taxed. In the diagram below from the [Cleveland Playhouse Study](#), only 30% of the indirect and induced effect would be subject to city transaction privilege tax (sales tax). So while GCI used 37% to determine taxable induced and indirect expenditures, similar to CSL, GCI considers it to possibly be too high, not too low. In other words, Seidman fails to distinguish that the distribution of induced and indirect spending differs from the distribution of state GDP.

PLAYHOUSE SQUARE BUSINESS SALES IMPACTS (\$ MILLIONS)
BY INDUSTRY (2019) ✓ =TPT applies

	Direct Impacts	Indirect Impacts	Induced Impacts	Total Impacts
Total, all industries	\$225.7	\$76.1	\$57.3	\$359.1
Recreation and Entertainment	\$75.0	\$4.8	\$1.1	\$80.8
Finance, Insurance and Real Estate	\$22.8	\$24.3	\$19.2	\$66.4
Food & Beverage	\$45.5	\$2.3	\$3.7	\$51.4
Retail Trade	\$32.8	\$0.7	\$3.6	\$37.2
Business Services	\$7.8	\$22.3	\$5.6	\$35.7
Other Transport	\$12.7	\$4.3	\$1.2	\$18.2
Lodging	\$16.1	\$0.0	\$0.0	\$16.1
Education and Health Care		\$0.5	\$11.5	\$12.0
Gasoline Stations	\$11.1	\$0.1	\$0.3	\$11.4
Personal Services	\$2.0	\$2.1	\$3.6	\$7.6
Communications		\$4.4	\$2.2	\$6.6
Construction and Utilities		\$4.5	\$1.2	\$5.7
Wholesale Trade		\$3.0	\$2.5	\$5.5
Government		\$1.5	\$0.8	\$2.2
Manufacturing		\$0.9	\$0.3	\$1.3
Air Transport		\$0.4	\$0.4	\$0.8
Agriculture, Fishing, Mining		\$0.1	\$0.0	\$0.1

Source: Tourism Economics (2021)

For more details on GCI’s economic impact analysis of the proposed Arizona Coyotes arena and music venue and the Tempe Entertainment District see the report [Tempe Subsidy of Proposed Coyotes Arena Not Covered by Economic Returns](#).

Contact: Dave Wells, Research Director, 602-595-1025, Ext. 2. dwells@azgci.org.

Dave Wells holds a doctorate in political economy and public policy and is the Research Director for the Grand Canyon Institute.

The Grand Canyon Institute, a 501(c) 3 nonprofit organization, is a centrist think tank led by a bipartisan group of former state lawmakers, economists, community leaders, and academicians. The Grand Canyon Institute serves as an independent voice reflecting a pragmatic approach to addressing economic, fiscal, budgetary and taxation issues confronting Arizona.

The Grand Canyon Institute (GCI) is dedicated to informing and improving public policy in Arizona through evidence-based, independent, objective, nonpartisan research. GCI

makes a good faith effort to ensure that findings are reliable, accurate, and based on reputable sources. While publications reflect the view of the Institute, they may not reflect the view of individual members of the Board.

Grand Canyon Institute
P.O. Box 1008
Phoenix, Arizona 85001-1008
GrandCanyonInsitute.org