

SALT LAKE CITY INTERNATIONAL AIRPORT AIRPORT REDEVELOPMENT PROGRAM

ECONOMIC IMPACT ANALYSIS

APRIL 2024



I. INTRODUCTION

The Salt Lake City International Airport (Airport) was built in the 1960s to serve approximately 10 million passengers. As a result of the growth in passengers, the addition of a hub airline and aging, obsolete facilities, the Salt Lake City Department of Airports began assessing whether to expand, renovate or rebuild. The decision was made to rebuild in the late 1990s.

The Airport is currently undergoing a \$5.1 billion redevelopment program. Phase 1 of the program opened in the fall of 2020 and Phase 2 opened in the fall of 2023. Phase 3 is scheduled to open in fall of 2024 and Phase 4 by late 2026. The project is funded by user fees--primarily by airlines serving Salt Lake City--as well as airport cash, car rental fees, passenger facility charges and airport revenue bonds. No local tax dollars are being spent on the project.

An analysis of the economic impact of the initial Terminal Redevelopment Program (TRP) was completed in 2013 as part of a broader analysis of the impact of passenger services at the airport. The 2013 analysis was based on estimated costs and construction schedules. A follow-up analysis of the project, referred to as the Airport Redevelopment Program (ARP) since 2016, was completed in 2018 when the overall project passed the half-way point.

Phase 4 of the project was initiated in 2023 and is expected to open in late 2026. This most recent update to the analysis estimates the economic impact of actual project expenditures through 2023 and estimated expenditures for 2024 through 2027. Construction projects include:

- Airfield improvements
- Terminal improvements
- Parking and roadway improvements
- Support building improvements including the rental car center and the Convenience Store
- Central utility plant construction

In addition to the direct costs of construction, the project includes soft costs such as architectural and engineering services.

STATE OF THE UTAH ECONOMY AND SALT LAKE CITY INTERNATIONAL AIRPORT'S ROLE

Utah's economy continued its strong performance in 2023. Although the economy tapered from 2022 preliminary estimates show the highest labor force participation rates since 2010. The economy has shown remarkable resiliency despite challenges in the real estate, banking, and tech sector. Tourism, along with public construction, oil and gas extraction, and health care grew at a healthy rate.

The outlook for 2024 has been characterized as "Unsettled Normalcy" in the 2024 Economic Report to the Governor. This means that although many economic relationships seem to have returned to pre-pandemic levels - including air travel at the Airport - some still haven't fully stabilized. Several questions regarding the future remain, including whether inflation will continue its downward trend, when interest rates will decline, and whether labor markets will remain tight.

Utah's travel and tourism industry is a key contributor to the state's economy. The industry classification includes private and public groups that promote and provide services to both leisure and business travel to the state. Visitor spending reached a record \$11.98 billion in Utah's economy in 2022. This spending generated 99,300 direct travel-related jobs and \$1.37 billion in direct and local tax revenue.

The Airport is a critical part of Utah's travel and tourism industry infrastructure. The Airport is the 21st busiest airport in the United States and the 70th busiest in the world. More than 300 flights depart daily to 90 nonstop

destinations. In 2023, the SLC saw a record 26,952,754 passengers travel through the airport. This is comparable to pre-pandemic levels. However, the record number of passengers traveled through a post-pandemic airport, aided by the completion of Phase 2 of the ARP, which completely opened on October 31, 2023, with a total of 22 new gates and 19 new restaurants.

Phases 3 and 4 of the ARP are expected to have similar positive impacts on the travel and tourism sector in Utah.

PAST STUDIES OF THE AIRPORT'S ECONOMIC IMPACT

Several previous studies set the stage for the current analysis of statewide economic impacts of the SLC. They include three studies specific to the economic impacts of the facility and a report that considers the economic impact of the air system in Utah in its entirety. In 2013, GSBS Consulting completed the TRP Economic Impact Analysis for the Airport. The original analysis was updated in 2018 to include Phases 2 and 3 of the ARP. The current study updates the assumptions from the original report and includes Phase 4 of the ARP. Consistency with previous studies allows comparison of impacts over time.

II. METHODOLOGY AND FINDINGS

The IMPLAN® model was used to estimate overall statewide economic ARP impact for 2013 through 2027. IMPLAN® is an economic impact modeling system that measures the economic benefit of new investment on local and regional economies.

Inputs to the model were actual and projected expenditures for ARP construction. Statewide impact was chosen as the unit of analysis due to the large scale and radius of economic influence of the Salt Lake City International Airport. Annual impacts of each subproject of the ARP are broken out and discussed by impact type. The benefits are measured using a complex set of matrices that reflect the interrelations of economic activities in a community and are derived from data provided by the Census Bureau, Bureau of Labor Statistics, and the Bureau of Economic Analysis. The multipliers will vary depending on the spending activities and industrial sectors involved. The multipliers and relationships are regionally and industry-type specific, so the impact of \$1 million in new investment in Utah is different from the impact of \$1 million in another state. IMPLAN® estimates three different types of benefits: direct, indirect, and induced.

DIRECT: Direct benefits are the expenditures made within the local economy from ARP activities.

INDIRECT: Indirect benefits include purchased goods and services from the other local industries. The impacts are calculated on the multiplier relationships between industrial classifications. The effects are payments made by the project to other business entities that are then used to pay employee wages, owner income and sales and property taxes to local and state jurisdictions.

INDUCED: Induced revenue benefits are generated by the expenditure of payments and salaries by individuals in the state of Utah.

NOTE ON TERMINOLOGY:

“Payroll” is all forms of employee compensation, including wages and proprietor income. *“Contribution to GDP”* is gross receipts or operating income minus intermediate inputs such as goods and services purchased from other industries or imported. Contribution to GDP includes compensation, taxes, and operating surplus. *“Output”* represents the value of production. For manufactures, this is sales plus/minus inventory change. For service sectors, output is sales and for retail and wholesale trade output equals gross margin, not gross sales. For the Salt Lake City International Airport, output is the value of the infusion of new funds into the economy less locally subcontracted and purchased services and resources. The locally purchased services and resources are measured in other categories.

DATA SOURCES

Airport construction expenditure data by project by year was provided by the Salt Lake City Department of Airports Finance Department. These data are:

- Actual Expenditures 2013-2023, and
- Budgeted Expenditures 2024-2027.

AIRPORT REDEVELOPMENT PROGRAM

When completed in late 2026, The New SLC Redevelopment Program will provide passengers with one central terminal and a total of 94 gates on Concourses A and B, including 6 international gates. The concourses were initially connected by the Mid-Concourse Tunnel—built in 2004—until Phase 3 opens, after which the Central Tunnel adds another connecting point between Concourses A and B.

New features include separate arrival and departure levels, a parking garage with 3,600 public parking stalls, one central terminal and security checkpoint, and a UTA Airport TRAX line adjacent to the terminal entrance. A Rental Car Service (RSS) and Quick Turn Around (QTA) Facility are also a part of the ARP. Prior to opening, the South Concourse was renamed Concourse A and the North Concourse was renamed Concourse B.

IMPACT OF AIRPORT REDEVELOPMENT PROGRAM

This analysis is an assessment of how ARP expenditures circulate in the local economy, stimulating spending and supporting full time jobs. The induced and indirect effects are estimated using IMPLAN© for actual project expenditures for the years 2013 through 2023 and estimated project expenditures for the period of 2024 to 2027. This report provides a broad estimation of the impacts of ARP construction and related soft cost spending on the economy of the state of Utah. The overall cost of the ARP is estimated at \$5.1 billion.

Impacts specific to the ARP address activity directly associated with airport construction for the new SLC International Airport. This analysis focuses on the induced and indirect effects of ARP spending. For a description of Induced and Indirect effects see the call-out box above.

As seen in Table 1, the overall direct construction and soft cost expenditures for the ARP result in an average annual impact on local related production and service sectors (Indirect Effect) of \$137.3 million. The Induced Effect, the effect of households spending a portion of the income earned from spending on this project, and further iterations of production spending, is over \$182.9 million annually.

Although the economic contribution identified in this report (and prior reports) is significant, it is only a portion of the overall economic benefit of the airport. A successful airport is a region’s primary means of competing in a global economy through travel, provision of services and transport of high value goods. This report does not attempt to quantify the economic benefit and importance to local businesses resulting from access to airport passenger and cargo services or to identify the businesses and sectors that would not be present in our statewide economy if the airport was not available.

Table 1 identifies the annualized estimated impact of the ARP assuming that the impact is evenly distributed over the 14-year period of the project.

TABLE 1: ANNUALIZED IMPACT

IMPACT TYPE	FULL-TIME JOBS	PAYROLL	CONTRIBUTE TO GDP	OUTPUT
Direct Effect	2,370	\$165,967,480	\$183,447,658	\$328,664,944
Indirect Effect	657	\$41,969,358	\$67,765,037	\$140,005,168
Induced Effect	1,064	\$53,667,986	\$105,354,997	\$186,112,240
Total Effect	4,091	\$261,604,824	\$356,567,692	\$654,782,353

Annually, the ARP will support an estimated 4,091 full time jobs with \$261.6 million in wages and income; \$356.6 million value contributed to the GDP; and \$654.8 million in total economic output.

DIRECT, INDIRECT AND INDUCED IMPACTS OF THE AIRPORT REDEVELOPMENT PROGRAM

DIRECT

Direct benefits are the expenditures made within the local economy from a new activity. The Direct Effect row in Table 1 shows that, when annualized, approximately 2,370 jobs will be supported in direct relation to the ARP. The direct benefit from the ARP spending is \$166 million in payroll annually and \$183.4 million annual contribution to GDP. The annual direct output, or the airport’s average direct spending on the ARP by year, is roughly \$328.7 million.

INDIRECT

Indirect effects result from purchasing goods and services from other local industries to support direct ARP activities. Table 1 shows 657 full-time jobs are indirectly created and supported annually in local industries that contribute to ARP construction activities. Indirect total annual labor income is more than \$42 million and the indirect output total annual impact on the local economy is more than \$140 million.

These impacts are calculated based on the multiplier relationships between industrial classifications. The effects are payments made by the project to other business entities that are then used to pay employee wages, owner income and sales and property taxes to local and state jurisdictions. Benefits will be felt throughout the state of Utah depending on where various purchases are made. The likely impacts from ARP spending are limited to the Greater Wasatch Front (Davis, Salt Lake, Summit, Tooele, Utah, and Weber counties).

INDUCED

Induced benefits measure the economy-wide impact of spending in a region generated by the expenditure of payments and salaries by individuals working in indirectly impacted industries. Table 1 provides the annualized induced economic impacts of the ARP for the period 2013-2027. This measure recognizes that employee compensation and income recirculate through the regional economy and creates additional value.

More than 1,000 jobs are supported in industries where direct and indirect workers buy goods and services locally. These induced workers will earn approximately \$53.7 million annually over the life of the project. The total annual induced output from the ARP is \$186.1 million.

INDIRECT AND INDUCED

Table 2 combines indirect and induced effects to demonstrate the total additional average yearly impact of ARP expenditures on the Utah economy. The average yearly ARP expenditure of over \$328.7 million generates an estimated \$326.1 million in additional economic benefit.

TABLE 2: INDIRECT & INDUCED ANNUALIZED IMPACT

IMPACT SOURCE	FULL-TIME JOBS	PAYROLL	CONTRIBUTE TO GDP	OUTPUT
Indirect Effect	657	\$41,969,358	\$67,765,037	\$140,005,168
Induced Effect	1,064	\$53,667,986	\$105,354,997	\$186,112,240
Total Effect	1,721	\$95,637,344	\$173,120,033	\$326,117,409

Table 3 is the ARP total induced and indirect effect from 2013 through 2027.

TABLE 3: TOTAL INDUCED & INDIRECT IMPACT 2013-2027

IMPACT SOURCE	FULL-TIME JOBS	PAYROLL	CONTRIBUTE TO GDP	OUTPUT
Indirect Effect	657	\$629,540,371	\$1,016,475,553	\$2,100,077,527
Induced Effect	1,064	\$805,019,791	\$1,580,324,949	\$2,791,683,602
Total Effect	1,721	\$1,434,560,161	\$2,596,800,502	\$4,891,761,129

The infusion of \$5.1 billion in hard and soft costs for the ARP is estimated to result in more than \$1.4 billion in payroll, a \$2.6 billion contribution to GDP and \$4.9 billion in output over the life of the project. New Full-Time Jobs are shown as the average annual as many of the jobs carry over from year to year.

Table 4 identifies all impacts resulting from the ARP over the duration of the project. Direct impacts of construction during the redevelopment program include nearly \$2.5 billion in payroll, with an approximately \$2.8 billion in contribution to state GDP. With the additional induced and indirect effects, the original expenditure of \$4.9 billion in hard costs over the 14 years of the ARP generates more than \$4.9 billion of additional output in Utah.

TABLE 4: TOTAL IMPACT PHASE 2013-2027

IMPACT SOURCE	FULL-TIME JOBS	PAYROLL	CONTRIBUTE TO GDP	OUTPUT
Direct Effect	2,370	\$2,489,512,203	\$2,751,714,874	\$4,929,974,165
Indirect Effect	657	\$629,540,371	\$1,016,475,553	\$2,100,077,527
Induced Effect	1,064	\$805,019,791	\$1,580,324,949	\$2,791,683,602
Total Effect	4,091	\$3,924,072,365	\$5,348,515,376	\$9,821,735,294

For every dollar spent on the ARP, an additional \$1.99 dollars are generated in the economy as a result of the indirect and induced effects of the original expenditure.

ESTIMATED BENEFIT BY INDUSTRY

Implan© estimates the benefit to specific industry types based on the multiplier relationship between the type of new spending and the structure of the specific regional economy. For instance, a new investment through construction will impact the economy in a different way than new investment through additional manufacturing production. Table 5 identifies the economic sectors within the State of Utah with the highest percentage of new economic output from the ARP.

TABLE 5: TEN INDUSTRIES IMPACTED STATEWIDE BY TOTAL ECONOMIC OUTPUT

INDUSTRY
Construction of new commercial structures, including farm structures
Architectural, engineering, and related services
Other concrete product manufacturing
Flat glass manufacturing
Construction of other new nonresidential structures
Brick, tile, and other structural clay product manufacturing
Other millwork, including flooring
Metal window and door manufacturing
Concrete pipe manufacturing
Wood windows and door manufacturing

III. CONCLUSIONS AND IMPLICATIONS

The Salt Lake City International Airport has been an economic catalyst for decades. It has generated opportunity for individuals and businesses throughout the state. Historically, studies have focused on the economic impact from the Department of Airports overall operations, the operations of on-airport tenants and business and leisure visitors arriving in the area through the airport.

This analysis has focused on quantifying the economic impact that the ARP will and does have on the state of Utah. The ARP will result in a significant economic benefit of nearly \$9.8 billion in addition to providing a state-of-the-art facility to the state of Utah. This is a benefit of \$1.99 for every construction dollar invested. It is important to note, as well, that all expenditures for the ARP are being paid for entirely by airport cash, federal grants, passenger facility charges, rental car user fees, and airport revenue bonds.

It is not easy to quantify the vital impact of the business environment resulting from the presence of the airport. Many businesses would not be in the state if the Salt Lake City International Airport did not provide an opportunity to move customers, business partners, products, and materials between Utah and the rest of the world. The ARP will help maintain Utah's current competitive position for attracting and retaining business and investment in a highly competitive environment.

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