ENTERTAINMENT VENUES IN THE INLAND NORTHWEST:
A STUDY OF THE TRADED ENTERTAINMENT CLUSTER IN SPOKANE COUNTY

Research Conducted By

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March 17, 2014
EXECUTIVE SUMMARY

This report was completed to analyze the business competitiveness and economic development of Spokane County, WA and Spokane’s entertainment venue sub cluster. The report is broken down into two main parts. The first outlines a regional profile of Spokane and the clusters found within the region. The second builds upon Spokane’s cluster development while focusing in on the entertainment cluster within the area, specifically the sub cluster of entertainment venues. Within both major components of the report, recommendations are made.

Spokane, an isolated city and the second largest in Washington State has a rich history. While Spokane’s long term goal has been to create economic stability and growth, the regional analysis profiled in the report below has shown that it is still lagging. Economic performance, overall business environment, and Spokane’s cluster development of six main clusters is profiled. Recommendations for further economic and cluster development are given in closing.

The second section of the following report builds upon the discussion of cluster development found within the first segment with Spokane’s Entertainment Cluster as the focus of analysis. Specifically we have focused our examination into the sub-cluster of Entertainment Venues found within Spokane. As a part of our analysis we look into the history and economic performance of some of the different entertainment venues found within the region. We further detail the complementary and overlapping clusters and industries that have helped develop the entertainment venue sub cluster in Spokane. Competitive issues and the economic impact of the sub cluster within the region are identified and based on the analysis recommendations for Spokane’s entertainment venues are explored.
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Spokane County Regional Performance

Profile of the Spokane County Region

Spokane County\(^1\) has a rich history that may even surprise the homegrown citizens of today. It is the most populous county in mainly rural Eastern Washington and home to the second largest city in the state (Colford, 2006). Spokane contains 1,763 square miles and is the average county in terms of geographical size in Washington State (Spokane County History, 2013). After settlement in the 1870s, Spokane became the hub for the mining, agriculture, timber, and railroad industries of the Inland Northwest (Colford, 2006). Due to both its isolation and urbanization, Spokane developed into the center of commercialization for many industries, including medical and financial, east of the Cascade Mountains. Today, Spokane is continuously working toward stimulating and stabilizing its economy.

Brief History of Spokane County

Spokane’s first inhabitants were the Native Americans, for which the area got its name that means “Children of the Sun” (About Spokane - History). The Spokane River, with its series of falls, provided some of the natural resources and reason for inhabitation. Fur traders and missionaries were the first people of European descent to traverse the broader area (Arksey, 2005). The 1880’s were a time of progress and affluence for Spokane. The City of Spokane, which was at the center of industrialization, was incorporated and wealth flowed in from the nearby mining and railroad industries (Colford, 2006). These industries helped develop the economic history of Spokane. Spokane’s emerging infrastructure was necessary to support industrial workers, which gave opportunities to real estate and business developers. Hotels, stores, and mills were built (City of Spokane History). After suffering from a devastating fire in 1889 that destroyed 32 city blocks, the City of Spokane was forced to rebuild both its businesses and its spirit. In addition to the city

\(^1\) Throughout the paper, references to just “Spokane” are referring to Spokane County.
development, Native Americans were also cultivating the surrounding agricultural lands from the east, and European immigrants, primarily from Russia, Germany, and Scandinavia, settled in the area (Colford, 2006). The first agricultural commodities to flourish were cattle, wheat, and later, timber. These products helped stimulate Spokane’s economy and dominated until the demand for metal expanded due to World War II. In fact, agriculture is still very important to Spokane’s economy, and wheat is still the primary commodity produced (Agriculture–A Cornerstone of Washington’s Economy).

During the 1920’s, Spokane entered a period of stagnation and limited growth partially due to prohibition and the Great Depression (Colford, 2006). Going forward, these events also caused people to seek economic opportunity in different regions. Between 1930 and 1940, Spokane County netted approximately 14,000 new residents, which was the highest rate of growth since the mining boom years of 1900-1910 (Colford, 2006).

Over the course of the next several decades, many developments were made that would later become important features of Spokane’s economy. Geiger field was completed and utilized by the Army Air Corps during World War II. This would later become the Spokane International Airport, which is vital to the economy for providing air transportation (Colford, 2006). The Galena aircraft maintenance and supply depot was formed in 1943 by the War Department. It would later become Fairchild Air Force Base, which to this day significantly influences Spokane’s economy by drawing people to the area, and is the county’s largest employer (Colford, 2006).

Another important event for Spokane’s economy was Expo ’74, which was put on in response to environmental concerns from river pollution and the decline in the City of Spokane’s downtown area (Arksey, 2005). This world fair had an environmental theme, and was held on land deeded to the city by various railroad companies. The City of Spokane was the smallest city to be privileged enough to hold a world fair event (Wilma, 2003). The building and development that
took place to prepare the city for this event included some permanent structures still standing and utilized today. These include Riverfront Park, the Opera House, the old convention center (now known as the INB Performing Arts Center), and the IMAX Theater. Expo ’74 ran for six months; more than five million people attended it, and it was considered a huge success, resulting in an improved city (Wilma, 2003).

Unfortunately for Spokane, the economic success from Expo ’74 was set back in the next two decades. There was a nationwide slump in the 1980’s, which had a local impact causing increased unemployment and a stagnant real estate market (Arksey, 2005). Soon to follow, major downtown department stores, such as the legendary Crescent, closed because of the uprising of a suburban shopping mall, and theoretically secure companies, such as Kaiser Aluminum, had a change in ownership, which caused a reduction in its workforce and pensions (Arksey, 2005).

In an attempt to revitalize the entire Spokane economy, city leaders created a new organization called Momentum. There were several proposals put forth by the group, some of which were defeated by voters opposed to tax increases, but eventually resulted in the building of a new sports arena called the Coliseum, and the start of a cooperative higher education center (Arksey, 2005).

Spokane has since been recapturing its optimism. The subsequent sections of this paper will discuss the current economic, political, and industrial conditions for Spokane in an effort to describe the insight and knowledge used to provide policy recommendations to increase the competitiveness of both the region and a specifically examined industry cluster.

**Economic Performance**

In order to see where Spokane County stands and how well it is doing economically, our study will begin by offering a statistical comparison between Spokane County and Salt Lake County—a county that shares many basic similarities with Spokane.
Population and Labor. Spokane County has a total population of 475,735, which is half the size of Salt Lake County, sitting at 1,063,847. Demographically, the population of Spokane County is not particularly diverse, with a population primarily comprised of “white alone, not Hispanic or Latino.” In 2010, this segment of the population represented 86.3% with the next highest segment being “Hispanic or Latino” coming in at a mere 4.9%. Salt Lake County, by comparison, has a population of “White alone, not Hispanic or Latino” at 73.4% but a “Hispanic or Latino” population of 17.5%. The percentage of persons who fall below the poverty level is similar between the two counties. In Spokane County, the percentage is 14.8% and in Salt Lake County, it is 12.0% (U.S. Department of Commerce, 2014).

Looking at the average per capita income for 2012, Spokane County sits at $25,891, which is almost the same average per capita as in Salt Lake County ($25,905). The median household income in Salt Lake County is $59,626, which is approximately $10,000 more than that of Spokane County (U.S. Department of Commerce, 2014). Compared to Washington State in general, which has an average per capita income for 2012 of $33,661 and a median household income of $59,374, Spokane County lags far behind. The total primary jobs in Spokane County number 200,701 and jobs specifically tied to the NAICS industry sector “Arts, Entertainment, and Recreation” total 3,264. This accounts for only 1.6% of total jobs in the area. Although there are a larger number of total jobs in Salt Lake County (529,269) the percentage of employment in the NAICS industry sector “Arts, Entertainment, and Recreation” is nearly the same, sitting at 1.1% with a total of 5,903 jobs (U.S. Department of Commerce, 2014). Real GDP per capita in 2012 in Spokane County is $32,756, which is more than $20,000 less than in Salt Lake County ($55,210). This, in turn, makes Spokane County not a particularly attractive location for people and business to settle (Regional Data. GDP & Personal Income, 2014). The unemployment rate is 7.3% for MSA Spokane, which has declined since 2010; this is a higher rate than the United States as a whole (6.6%) and is a wide
margin higher than that of MSA Salt Lake, which sits at only 3.5% (Local Area Unemployment Statistics Map, 2014).

Looking at skilled labor in Salt Lake County, 88.7% of the “population 25+” are high school graduates and 30.8% have a bachelor’s degree or higher. While Spokane County has a slightly higher number of high school graduates, with a rather notable percentage of 92.8% of the population in this segment, the same cannot be said of those with bachelor’s degree or higher. This segment of the population sits at a somewhat lower number than Salt Lake County, with only 28.7% of the population represented. This is also notably lower than the percentage of persons in this segment for Washington State as a whole, which sits at 31.6% (U.S. Department of Commerce, 2014). Despite the many colleges and universities in the area, Spokane is nonetheless statistically behind.

All of the data show Spokane County is lagging behind in almost every measure and has a good deal of room for improvement.

**Innovation – Patents.** When looking into the number of patents from 2000 to 2011, Salt Lake County has an accumulated number of 3,960 patents whereas Spokane County only has 772 patents total in this time frame. This is comparatively significant and shows Spokane County is less innovative than Salt Lake County (U.S. Patent and Trademark Office, 2014).

**Institutions for Collaborations and Public Policy Process**

There are quite a few institutions in the Spokane area for collaboration, such as Greater Spokane Incorporated (GSI)—a collaboration between the Chamber of Commerce and the Economic Development Council—the City Council, the Spokane Convention Center, and the Spokane Sports Commission—a non-profit coalition of regional government with businesses and volunteers committed to recruiting and developing sports events. GSI’s public policy is “to promote policies that enhance our region’s business climate through economic and workforce development
initiatives, facilities and infrastructure improvements, and capital and operating budget funding for regional programs and projects” (Public Policy, 2014). The City Council has a standardized format for administrative policies and procedures, departmental policies and procedures, executive orders, and public rules and regulations (Standardized Formats for Policies & Procedures, 2014).

**Quality of the National Business Environment**

**Factor Conditions.** Looking into natural endowments, we find in Spokane there is little of note. The biggest natural endowment cluster is metal mining with 467 people employed (Employment by Natural Endowment Cluster, 2010, 2014).

One of the most important factor conditions is a skilled workforce. As mentioned earlier, only 28.7% of the population have a bachelor’s degree or higher. There are four main universities in Spokane: Gonzaga University with around 6,900 students, Eastern Washington University with 10,700 students, Whitworth University with 2,600 students and Washington State University with 1,350 students. In 2013, at Eastern Washington University, 19.6% of the Master’s degrees awarded were in the area of Social Work, followed by those in Business Administration at a notably lower 9.5%, and with those in Music representing only 1.3% of the Master’s graduates (EWU, Factbook Level I, 2014). The majority of graduates at Gonzaga received their degrees in 2012 in Arts and Sciences (57%) with the largest portion of these represented by Biology (8%) and the next largest in Political Sciences (4.2%). Business is the second largest degree with a percentage of 23.2%. Cumulatively, Theater Arts, Music Education, Music, and Art all together count for only 1.4% of the graduates (Gonzaga University Factbook, 2014, pp. 34-35). As can be seen, there is not a significant number of graduates in highly specialized fields, such as high tech, which, in turn, does not support the development of the county in notable ways.

Looking into Spokane’s infrastructure, we find there are two rail services in the area: Burlington Northern Santa Fe and Union Pacific/Southern Pacific. However, the railroad system has
significantly decreased in size in the last few decades. (Map of Spokane Railroad Past and Present, 2014). Travel into Spokane is facilitated by its central ties to the longest Interstate Highway in the U.S. (I-90), an Amtrak station in the downtown area, and the nearby Spokane International Airport.

**Context for Firm Strategy and Rivalry.** Spokane focuses on clusters and tries to support certain clusters such as Health Science, Manufacturing, and Aerospace. Spokane has, for example, “more than 500 manufacturing businesses powered by a workforce that exceeds 15,000; the manufacturing industry includes companies focused on aluminum casting, metal products for the semiconductor industry, pharmaceutical products, and devices for the medical industry” (Manufacturing, 2014). The environment for these clusters is good and there is competition. As will be discussed later, there are incentives in place to attract companies to support these clusters. From a political perspective, the government of Spokane County is business friendly.

**Related and Supporting Industries.** In Spokane there are not many “related and supporting industries that are internationally competitive” (Porter, 2008, p. 192). The manufacturing industry, however, leads in this area. The growing aerospace industry sector, for example, is comparatively strong in Spokane “with more than 80 manufacturers, suppliers, distributors, and service organizations providing products to the industry” (Manufacturing, 2014). Another important industry is in health science. Spokane “is a vital hub for comprehensive health care services, for medical research, education and training opportunities, and for developments of new leading-edge medical products and technologies” (Health Science, 2014). Surprisingly, these examples are limited and do not significantly compete on an international basis.

**Demand Conditions.** Largely because of the lack of highly skilled workers and the comparatively low income in Spokane, we do not find highly sophisticated demand conditions.
State of Cluster Development

According to Greater Spokane Incorporated (GSI), the economic development team focuses its business recruitment and expansion work on six industry cluster segments: Manufacturing and Aerospace, Health Science, Information Technology, Clean Technology, and Digital Media. However, only Manufacturing/Aerospace and Health Science can be seen as developed clusters. The other clusters are less developed and still struggling, at least in part because of the lack of a skilled workforce.

Social Infrastructure and Political Institutions

In general, the political environment tends toward politics that are more conservative, and the region is interested in promoting a business friendly environment. Overall, the political institutions can be considered stable.

Spokane provides the community with a very advanced and accessible health care system. There are seven hospitals in Spokane County (Hospitals by County, 2014) and Spokane is the “health care hub of the Inland Northwest, with the largest concentration of medical services in a four state region and into Canada” (Health Science, 2014).

Public school spending shows the commitment of a society to the education of its youth and is an important factor in Spokane’s competitive economic position. Washington State funds its public education through a mixture of local, state, and federal taxes, as well as other sources. As shown in Graph 1, Spokane County has been funding schools at the same amount as Washington State, except for the year 2011-2012 where it spent slightly less. Overall, the school system seems to be well funded.
Macroeconomics

Spokane makes efforts to intensify industry—there are tax credits, waivers, and deferral programs in the State of Washington, each of which apply to Spokane County. These programs and incentives are available to certain industries such as manufacturing, warehousing and distribution companies, high technology, and R&D (Industry Incentives, 2014). The State of Washington does not have a corporate income tax and this, in turn, offers a distinct advantage to Spokane. This means that, unlike in other states, as the profitability of the company increases, the taxes it must pay do not. It is also worth noting Washington State does not levy a tax on personal income, on intangibles assets, or on retirement income earned from another state. There is, however, both a sales tax and use tax which sits between 8.1% and 8.7%, for the Spokane area. Washington State also has property taxes, the amount of which varies based on voter-approved special levies; the current rate is approximately $13 per $1,000 of the assessed value of the real property (Taxes, 2014). Altogether, there is a very low state and local tax burden per capita in Washington State—it ranks 13th in the country with an average of $4,261 per capita in 2010, and an overall ranking of 6th in the state business tax climate (Facts&Figures, 2014). However, there is a comparatively high Business
and Occupation Tax (B&O) which has the potential to be highly counterproductive in the effort to attract new businesses (Taxes, 2014).

In terms of income, as shown in Graph 2, Spokane has a lower overall average annual wage than that of Washington State.

**Graph 2: Spokane County, Overall Average Annual Wage**

![Graph 2: Spokane County, Overall Average Annual Wage](image)

Source: Community Indicator Initiative of Spokane, 2014

This will not likely attract high skilled workers to Spokane, but it might attract some businesses to the area, because of the low wages they would be expected to pay.

**Competitive Issues and Restrictions**

Looking at the analysis of competitiveness given above, we find quite a few competitive issues and restrictions. However, what attracts businesses and people most to the region is the quality of life in Spokane County. There are many lakes, rivers, mountains, and recreation possibilities in the area, and there are four definable seasons to be had in Spokane County. The cost of living, furthermore, is very low, schools are generally of very high quality, and the commute distances between work and home are, in general, very short. Despite this, Spokane County is facing quite a few competitive issues. As mentioned earlier, there is a rather high B&O tax for
companies in the area and that tax is paid on gross revenue, not profits. This means a company will have to pay this tax even if it did not make any profit. This, in turn, makes it challenging for businesses, especially for new businesses and R&D type of businesses (i.e. any business that may have a delay before they are profitable). Another potential issue is the sales tax, which has the potential to affect consumer demand. The state rate is now at 6.5% and the local rate is 2.2% for Spokane County, and a little less for Spokane County Unicorporation Areas (1.6%) (Local Sales and Use Tax Rates by City/County, 2014).

Another competitive concern for Spokane County is that it is a border county to North Idaho. This creates a number of problems: To begin, taxes are a good deal lower in Idaho than in Spokane County; combined with the fact that there is also no B&O tax in Idaho, this makes it harder for Spokane County to attract businesses. In addition, Idaho is generally more business friendly and has the perception of being a state that imposes few restrictions on businesses.

Transportation is an additional issue, as a functioning and diverse transportation system is vital for both economic viability and for promoting future economic growth. Spokane should address transportation issues in response to current growth, and should plan to account for and predict future changes. This implies Spokane needs to invest carefully into its infrastructure.

Spokane County’s development plan has been focused on clusters, but the county seems unable to commit to a particular long-term strategy and has changed its focus several times in the last few decades ("Industry Clusters" Assigned to Spokane, 2014). This ultimately is counterproductive and works against continuous development. The current trend has been to focus on one main cluster—Health Science. This cluster admittedly draws quite a few people into town, which, in turn, brings a good deal of money with it, but the focus of the industry is on clinical trials rather than on basic research, which would be much more lucrative for the county (Health Science,
However, focusing on certain clusters may discourage the growth and arrival of businesses that are not related to the cluster.

A final issue is the lack of skilled workers in the region, especially in the field of High Technology. The Milken Institute ranked MSA Spokane 138 for a community in where to start a technology business (2007 Metro Ranks, 2012); although this was in 2007, not much has changed.

**Recommendations for Improvement**

Spokane County is mainly factor-driven, living primarily off the advantage of cheap labor; in order to improve, it needs to focus first on efficiency and then, later, on innovation. To move into an efficiency driven economy, Spokane needs to concentrate on highly skilled labor, such as is needed in the high technology industry. Universities should promote these studies strongly. Also, in order to become more efficient, transportation will play a major role. A well-developed infrastructure is essential to attract value added national and international companies. Such companies need the ability to travel and ship from Spokane with ease. One important issue is to finish the North/South Freeway; current legislation is already underway to acquire the $750 billion in funding needed to finish it (Spokane County, 2014). In addition, investing in a light rail system, or a cheaper version of this form of transportation, should be seriously considered. Connecting Coeur d’Alene with Cheney opens the door to growth and makes the city even more livable (STA sets aside light rail proposal, 2008). Improved train routes to Seattle should also be considered.

Spokane should attempt to reign in urban sprawl and focus growth on developing within its urban borders. The more expansive the urban areas become, the more expensive it is to manage the county infrastructure, and, ultimately, the more thinly spread-out county resources must be. Spokane County should enhance what is already in place. Examples like the U-District, the Perry-District, and the Garland-District stand as obvious models. This makes a city more livable, and has the potential to bring more people and resources to the area.
Entertainment Venue Cluster in Spokane County

Profile of the Entertainment Market

Entertainment plays an important role in the activities of many people, allowing for relaxation and amusement, and serving as a pleasant distraction from the turmoil of everyday life. Through utilizing entertainment, individuals can take a break from the pressures of daily obligations. There are numerous forms of entertainment available today, including movies, music, sporting events, and live performances. Spokane offers many forms of entertainment, and has a healthy record of attendance to cultural and sporting events. In 2010, 52.2% of Spokane’s population attended a cultural event, and 48.6% of its population attended a sporting event (Culture and Recreation, 2014). Spokane’s entertainment opportunities also attract individuals from outside the city. In 2010, hotel room demand sat at 1,532,000 room nights and held 59% total occupancy (Culture and Recreation, 2014).

Entertainment within Spokane has the potential to be a viable source of economic growth for the region. Many people choose to come to Spokane because of its favorable way of life, so entertainment opportunities within the region may play an important role in that favorability. A better understanding as to that role can be obtained by studying the impacts to Spokane from entertainment, leading to recommendations for improvement and change. The following sections describe the level of competition among clusters in Spokane, how entertainment venues developed in this region, the performance of the entertainment venue cluster, and recommendations for change going into the future.

Competing Clusters within Spokane County

Spokane’s most known competing clusters in the region include Manufacturing and Aerospace, Health Services, Information Technology, Clean Technology, and Digital Media; however, Manufacturing, Aerospace and Health Services appear to gain the most attention from
GSI. When looking at employment levels between these clusters, including the entertainment cluster, health services provides 31,688 jobs in Spokane, entertainment provides 3,297 jobs, metal manufacturing 1,928 jobs, and aerospace vehicle and defense 810 jobs. Looking at jobs created from 1998 to 2010, health services increased 7,255 and are expected to add an additional 5,737, entertainment increased 2,250 with expected growth of 213, aerospace vehicle and defense increased 50 but is expected to lose 185, and metal manufacturing lost 1,591 with additional expected losses of 1,350. Looking at wage levels, health services average wage is $48,123, metal manufacturing $33,976, entertainment $21,161, and aerospace vehicle and defense is not listed (US Cluster Mapping, 2014). From these statistics, health services are the top performing cluster in Spokane; however, entertainment appears to be second in the region, except for wage level.

**History of Spokane Entertainment Venues**

Many of the entertainment venues in Spokane today contributed to the rich history of the city. Spokane’s Fox Theater is one of the city’s oldest live entertainment venues. The Fox is historically known for its “palace-like” art décor, and was the first theater to have air-conditioning. Opened in 1931, the Fox Theater was one of a chain of movie theaters that were opening in large cities. The Fox’s original vision and primary form of entertainment was through film and stage productions. Throughout the 1950’s, movies, live touring theatrical acts, variety shows, and musicians performed at the Fox Theater (About the Theater, 2014). With the invention of television, and the ability for families to own their own home TV, the Fox took a downturn. Attendance and sales were down, and by the 1970’s, the Fox decided the only way to save the old Theater was to patrician it into a multiplex. By 1989, the Fox was a discount movie house, and in 2000, the Fox was put up for sale. Old tenants of the Fox, the Spokane Symphony, starting a campaign to “Save the Fox” and in September of 2000, days before it was set to be demolished, took over ownership of the historical theater (Kershner, 2008).
Over the next 7 years, the City of Spokane and the Spokane Symphony raised enough money to restore the Fox Theater to its original glory, and the Martin Woldson Theater at the Fox was reopened on November 17, 2007. Its restoration helped bring nearly 200 jobs over the 18-month restoration period and sits on an entire city block in one of the lowest income census tracks in Spokane City. By housing the Spokane Symphony and other performing art shows, the Theater brings an economic impact of nearly $16 million into the City of Spokane annually, and continues to contribute to the vibrancy of the heart of Spokane (The Restoration, 2014).

The Spokane Symphony was housed at the Fox Theater from 1968 to 1974, when it moved venues to the Opera House, which opened to accommodate the World’s Fair, Expo ’74. The Opera House was built over a two-year period before the World’s Fair and is still standing today. After Expo ’74, the ownership and operations of the Opera House, and the convention center’s operations, were transferred to the City of Spokane. The Opera House in known today as the INB Performing Arts Center and is owned and operated by the Spokane Public Facilities District (About the INB Performing Arts Center).

A third historical entertainment venue in Spokane is the Spokane Veteran’s Memorial Arena, which opened in 1995 to replace Spokane’s Coliseum. Spokane’s Coliseum opened in 1954 to accommodate major sporting events and live performances that would typically be help in Spokane area schools, theaters, and the Armory. The City of Spokane voted “no” to the Coliseum twice before agreeing there was need for additional seating in a central place. After the Spokane Public Facilities District was formed in 1989, they soon began research on what was needed to replace the Coliseum with a larger arena and seating capacity. The Spokane Veteran’s Memorial Arena, Spokane’s largest Entertainment venue, opened in September of 1995. In April of 2012, it was approved by a 56% vote to add seats to the existing arena; the facility is now able to fit more than 12,000 people at one event (District History).
Components of the Entertainment Venue Cluster

Clusters can be defined as “a geographically proximate group of interconnected companies and associated institutions … linked by commonalities and complementaries” (Porter, 2008, p. 215). Included in that structure are end product companies that typically receive the greatest level of acknowledgement. However, other numerous interlinking components make up the cluster formation, including various suppliers of inputs, downstream industries categorized as customers, and producers of complementary products. Also included within the cluster are trade associations, government agencies specializing in information and education, specialized infrastructure providers, standard setting agencies, and financial institutions. Finally, related industries and overlapping clusters are included within this structure. Below is the relationship between components in Spokane’s entertainment venue cluster.

Figure 1: Spokane Entertainment Venue Cluster Map
At the core of Spokane’s Entertainment Venue cluster are the venues themselves. These include places specializing in music, sports, theater, and art. These venues provide a wide array of entertainment options for both the people living within the Spokane area, as well as for visitors to the region. Following is a list of some of the prominent entertainment venues in Spokane.

**Table 1: Spokane Area Entertainment Venues**

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<td>Plantes Ferry Sports Complex</td>
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<td>HUB Sports Center</td>
<td>Spokane Convention Center</td>
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<tr>
<td>INB Performing Arts Center</td>
<td>Spokane Falls Community College</td>
</tr>
<tr>
<td>Joe Albi Stadium &amp; Dwight Merkel Sports Complex</td>
<td>Spokane Interplayers Playhouse</td>
</tr>
<tr>
<td>Knitting Factory</td>
<td>Spokane Opera House</td>
</tr>
<tr>
<td>Magic Lantern Theater</td>
<td>Spokane Polo Fields</td>
</tr>
<tr>
<td>Martin Woldson Theater at The Fox</td>
<td></td>
</tr>
</tbody>
</table>

Suppliers of the entertainment venue cluster provide the basic inputs needed to operate and service the various entertainment sites, and are an important piece of adding value to consumers. These suppliers hold many areas of expertise, including support services, concession services, booking agents and promoters, media and advertising services, and liability services. Support services provide venues with administrative personnel for daily business activity, ushers and security for crowd control during events, and custodial services for clean-up and general maintenance. Concession services provide food and refreshment opportunities during events. Booking agents and promoters supply venues with various groups that consumers come to see, such as sports teams, entertainers, and performers. Liability services make sure that medical support and law enforcement is on hand, and venues have adequate insurance in case of accidents.

Various downstream industries within the entertainment venue cluster include such areas as audiovisual services, merchandising and souvenir suppliers, event planners and coordinators, ticket services, and parking services. These companies rely on events at entertainment venues to supply
their organizations with business. Audiovisual services contract necessary lighting and sound systems to make events seen and heard. Among the audiovisual services, stagehands and labor crews provide technical and physical effort. Also in this service group are related recording and production companies that create purchasable copies of the events taking place. Merchandising and souvenir suppliers benefit by selling items that event-goers can take home as memories of their chosen event. Event planners and coordinators rent space and time from entertainment venues to promote their own event. Ticket services, such as Ticket West, provide tickets to events. Parking services benefit by charging event-goers for a place to park their vehicles.

Numerous trade and non-profit organizations exist within the Spokane entertainment venue cluster. These associations are important links between entertainment opportunities and performers, as well as to the Spokane area. Spokane Regional Sports Commission brings valuable sporting opportunities to the region in an effort to generate entertainment and media attention, as well as benefit the area economically. The commission is involved in event development and recruiting, promotion, marketing, sponsorship, and facility development and improvement (Spokane Sports Commission, 2014). Downtown Spokane Partnership is a membership organization working to create an exciting and productive downtown through employment, living opportunities, entertainment, cultural, and recreational activities. The organization’s strategic initiatives include enhanced public services, public policy, planning and design, and business development (Downtown Spokane Partnership, 2014).

Additional governmental agencies in Spokane related to the entertainment venue cluster include Greater Spokane Incorporated, the Spokane Public Facilities District, and Spokane County Department of Building and Planning. These agencies promote cluster development through funding, research, and educational opportunities critical to economic growth. Greater Spokane Incorporated is the local chamber of commerce that connects Spokane businesses with resources
necessary to spur economic development, education, and public policy vital to the success of the region (Taxes, 2014). Numerous Spokane entertainment venues are members of Greater Spokane Incorporated, including: INB Performing Arts Center, Northern Quest Resort & Casino, Spokane Arena, Spokane Civic Theater, Spokane Convention Center, and Spokane Interplayers Playhouse.

Spokane Public Facilities District (PFD) is also a member of Greater Spokane Incorporated. PFD is a vital piece of the entertainment venue cluster as it is responsible for the creation, maintenance, and operation of the three largest entertainment venues located in Spokane: the Spokane Arena, the Spokane Convention Center, and the INB Performing Arts Center. The importance of PFD is made clear through its mission statement; “The Spokane Public Facilities District's mission is to operate the finest public assembly facilities and provide the highest quality of Guest Services in a manner that ensures profitable operations and financial sustainability, returns value to the stakeholders, and maximizes economic impact to the Inland Northwest” (Spokane Public Facilities District, 2014). PFD was originally created through Washington State legislature in 1989 and appropriated $500,000 for initial establishment. Since then, operations are funded through various tax levies and bonds, voted on and approved by regional citizens, and managed by the District Board of Directors (Spokane Public Facilities District, 2014). The Spokane County Department of Building and Planning works directly with PFD to guarantee compliance with county and state building codes, such as necessary permits, zoning restrictions, and planning measures (Department of Building and Planning, 2014).

Very closely related to the entertainment venue cluster is Spokane’s tourism and hospitality cluster. The Spokane Convention and Visitors Bureau plays an important role in this cluster, as it coordinates visitor packages for people looking to travel to Spokane for various events and forms of entertainment (Visit Spokane, 2014). Important components of the tourism and hospitality cluster that intersect with the entertainment venue cluster include travel agents who organize trips into the
Spokane area, hotels that provide lodging for visitors attending events, transportation to and from events as well as other entertainment opportunities, and restaurants that feed visitors to the region. Each of these areas of commerce brings “new dollars” into the Spokane area, having important impacts and contributions to the Spokane economy.

**Development and Economic Performance of Entertainment Venues**

The Spokane Public Facilities District (PFD) plays an important role in the health and economic success of the Spokane entertainment venue cluster in that it oversees the three largest venues within the region: the Spokane Arena, the Spokane Convention Center, and the INB Performing Arts Center. These venues bring large events to Spokane, such as national sporting events, concerts, musicals, as well as other forms of entertainment. These large events attract visitors from outside the Spokane region, and have the potential to create an influx of value into the local economy, making the entertainment venue cluster a traded cluster.

In 2008, PFD contracted with the EWU Institute for Public Policy & Economic Analysis (IPPEA) to analyze the economic effects of large events offered through its facilities (Jones, Wagner, & Bunting, 2010). The events of this study were chosen for inclusion based on an assumption they represented a “typical set of event types over all three buildings.” The events chosen for inclusion were the Lion King, the Nutcracker, the National Veteran Wheelchair Games, the Spirit Convention, Disney on Ice, Keith Urban, and the U.S. Figure Skating Championship.

Through this analysis, PFD hoped to understand which type of events had the potential to create economic growth within the region. With data gathered through surveys of event participants from February 1, 2009 to January 31, 2010, the IPPEA projected levels of impact and contribution to the Spokane economy through the usage of a national input-output model called IMPLAN. To assess potential impact of “new dollars” into the economy, the study estimated spending levels by individuals traveling into Spokane for events, as well as Spokane residents who would be willing to
travel out of the area for the same event. Including the latter group of attendees is important, because those dollars may have been spent outside the regional economy had the attended events not been offered locally, so the end result is equal to new dollars spent with the region.

The IMPLAN input-output model uses direct, indirect, and induced impacts to determine economic effects, whereby dollars spent in one industry have an effect on other related industries. The idea is initial money spent in one sector (direct impact) contributes to the revenue in another sector (indirect impact), and allows for additional spending from those revenues (induced impact). Snowballing occurs, resulting in a potential impact to the economy. Measures of economic impact are commonly expressed as labor income, employment levels, output, and value-added dollars (Jones, Wagner, & Bunting, 2010, pp. 6-9).

The IPPEA study showed a positive impact to the Spokane region based on new dollars injected into the economy from both visitors to the region for PFD events, as well as residents willing to travel outside the region for the same events. According to the study, these impacts accounted for 0.4% of the Spokane economy during the period from February 2009 to January 2010 (Jones, Wagner, & Bunting, 2010, p. 2). Additional results from the study can be seen below.

**Table 2: Economic Results from IPPEA Study on PFD Events**

<table>
<thead>
<tr>
<th>Spending Levels of Attendees</th>
<th>Attendee Days</th>
<th>Direct Spending (M)</th>
<th>Est Spending per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out of county visitors</td>
<td>385,917</td>
<td>$ 47.2</td>
<td>$ 114.36</td>
</tr>
<tr>
<td>Locals willing to travel</td>
<td>111,689</td>
<td>$ 36.8</td>
<td>$ 354.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>497,606</strong></td>
<td><strong>$ 84.0</strong></td>
<td><strong>$ 468.65</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic Impact</th>
<th>Employment</th>
<th>Labor Income (M)</th>
<th>Value Added (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>993</td>
<td>$ 22.0</td>
<td>$ 34.8</td>
</tr>
<tr>
<td>Indirect</td>
<td>205</td>
<td>$ 836.0</td>
<td>$ 13.5</td>
</tr>
<tr>
<td>Induced Impact</td>
<td>213</td>
<td>$ 8.3</td>
<td>$ 14.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,411</strong></td>
<td><strong>$ 866.3</strong></td>
<td><strong>$ 63.0</strong></td>
</tr>
</tbody>
</table>

Source: IPPEA, 2010
Competitive Issues and Restrictions

Although the economic study from above appears promising for the Public Facilities District, recent information brings into question the reliability of that study. Reported on a website called WordPress, a blog from December 20, 2013 argues that the PFD deceives local taxpayers as to its success in bringing visitors to Spokane and increasing jobs. Although the PFD states it must expand its facilities to meet a growing attendance record, and hence receive more taxpayer funding to do so, attendance at the PFD facilities has declined over the past 10 years (Spokane Economic and Demographic Data, 2014). The above study was performed over a period when Spokane hosted unusually large events, particularly, the National Skating Championships. These events in 2007 and 2010, brought in many visitors; however, they do not constitute normal annual impacts due to their limited appearance in the Spokane area.

Using data from the Community Indicators of Spokane, the following graph shows an overall decrease in PFD attendance at the Convention Center, the Arena, and the INB Performing Arts Center.

Graph 3: PFD Attendance 2001-2012

This trend is disturbing for the entertainment venue cluster, as it appears it is not as competitive within the Spokane area as the PFD would like. If this is in fact true, Spokane taxpayers are throwing good money after bad to support a cluster that is not currently creating value.
Community Indicators (Annual Attendance at Spokane Area Public Facilities, 2014) verifies that in 2007, the PFD spent $92 million to expand the Convention Center, arguing that it can now compete with other regional convention centers in cities such as Seattle and Portland. However, combined attendance at PFD facilities was down 18.6% in 2011 compared to 2001. This decline held true for various components of the facilities district, as can be shown in the table below.

**Table 3: PFD Events Attendance from 2001 to 2011**

<table>
<thead>
<tr>
<th>Entertainment Venue</th>
<th>2001 Attendance</th>
<th>2011 Attendance</th>
<th>Percent Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arena</td>
<td>708,378</td>
<td>639,081</td>
<td>9.8%</td>
</tr>
<tr>
<td>Convention Center</td>
<td>259,451</td>
<td>247,678</td>
<td>4.5%</td>
</tr>
<tr>
<td>INB Performing Arts</td>
<td>281,081</td>
<td>157,285</td>
<td>39.4%</td>
</tr>
</tbody>
</table>

Source: Annual Attendance at Spokane Area Public Facilities, 2014

The decline in attendance can clearly be seen, and overall attraction of visitors to the area is suffering. As shown by number of passengers through the Spokane International Airport, visitors to Spokane have been in a decline since 2007 (Air Statistics and Passenger Data, 2014).

**Graph 4: Passengers into the Spokane International Airport**

Source: Air Statistics and Passenger Data, 2014

PFD arguments for expansion include job creation. In fact, employment within the Entertainment Venue cluster has increased since 1998. Total new jobs created within that timeframe specifically related to entertainment venues are 1,767, ranking Spokane 36th among other
metropolitan statistical areas for the same cluster (Entertainment Cluster, 2014). While this increase may not appear largely significant, it is the third largest traded cluster in relation to employment within the Spokane area, behind Business Services and Education/Knowledge Creation, and second largest behind Business Services in job creation. Therefore, it would appear that the PFD hold some responsibility for creating jobs within the region.

**Recommendations for Improvement**

While the information on entertainment attendance is conflicting, increasing attendance to entertainment venues should be a priority in order to bring a significant economic impact to Spokane through the entertainment cluster. It appears from our study that Spokane has the resources to bring people into the city. It has many entertainment venues that can accommodate small to large crowds for a variety of different entertainment mediums. From the PFD’s research, large events do very well to bring people from across the region and other bigger cities into Spokane. There should be a conscious effort to bring large event opportunities, like the NCAA Basketball tournament, Figure Skating Championships, Broadway’s The Lion King, and other large events, to Spokane on a more consistent basis.

Spokane is the largest city near many of the small towns surrounding it and east into Idaho and Montana. While being a border city may impact its business environment negatively, the entertainment cluster could capitalize on this fact to become the “entertainment hub” for residents from the smaller surrounding cities and towns. Working with surrounding cities like Pullman, Coeur d’Alene, Colville, and Ritzville, and marketing the different entertainment opportunities and great historical entertainment venues that are within a short driving distance, would be a way to bring people into the city. All of the aforementioned cities are home to Universities and colleges with large populations of students. Focusing on entertainment opportunities that appeal to a younger
demographic may be a way to attract the surrounding area’s college students and families that would drive to Spokane for entertainment not offered in their hometown.

During our study many of the people within the entertainment cluster, as well as peers that we spoke to, use the word “cool” either to define Spokane or to define what it needs to become. A descriptive term, “cool” was typically used in the same breath as a comparable city, and often that city was Seattle or Portland. Spokane was either becoming cool or needed to become cool… like Seattle or Portland. The problem may lie in the way Spokane is trying to compete with two large cities that are not a good comparable, because of demographics, income differences, or a better developed entertainment cluster. As a final recommendation we propose that Spokane and Spokane's entertainment cluster think like a big city while identifying its uniqueness. Spokane and the types of entertainment offered are different from Seattle and Portland, and rather than trying to be the same, the city and the cluster should own what sets it apart.
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