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**December 5, 2007**

**TO: Missoula Area Economic Development Corporation and Missoula Area Chamber of Commerce**  
**FROM: Terry Moore and Robert Wyman**  
**SUBJECT: RESPONSE TO PUBLIC COMMENTS CONCERNING THE BITTERROOT RESORT EIA**

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The purpose of this memorandum is to respond to public input received by the Missoula Area Economic Development Corporation (MAEDC) regarding the *Bitterroot Resort Economic Impact Analysis* prepared by ECONorthwest (ECO, November 8, 2007). We organize the comments and our responses into six categories:

- Construction employment
- Wages
- Tourist expenditures
- Data
- Origin/nationality of Resort workers
- Measurement of other impacts

## **CONSTRUCTION EMPLOYMENT**

Some respondents believe the level of construction employment is “unrealistically high.” One notes that compared to estimates from the Montana Department of Labor and Industry our estimates of new construction employment equal roughly one-third of the total construction employment in Missoula and Ravalli Counties.

Our construction employment estimates (Table 2) are not cumulative totals: they are static estimates for years 10 and 20 after construction has begun. We estimate the number of seasonal and part-time workers for the entire Resort on page 21. Our report is explicit on pages 23 and 38 that our job estimates are not on a full-time equivalent (FTE) basis. The inclusion of part-time workers in the job estimates is an inherent calculation made by IMPLAN and we understand the confusion this may have caused. The employment estimates from IMPLAN and in our report do not consider the size or duration of the job. For example, a specialized welder or heavy-equipment operator might be brought in to work for a few weeks: IMPLAN counts that as one construction job. In fact, some construction employment impacts may include workers who already have jobs; the Resort’s presence, however, will surely cause the intensity of their employment to increase.

Nonetheless, by any measure the economic impacts of construction will be large because of the large scope of the project. The Resort scope calls for the development of: sewer and road infrastructure; skiing facilities and supporting structures; almost 3,000 housing units; two golf courses; a hotel; and buildings designed for retail and commercial uses. While all of the final Resort structures will certainly not be under construction during year 10, a lot of construction would be taking place at this time, including ski infrastructure, part of the village, and single and multi-family residences. At year 10, maintenance and repairs, and engineering and design costs will be on-going. These types of costs are representative of the types of jobs that are included in Table 2.

Comparisons made in the public comments are to current levels of construction, not future levels. If the two-county area grows (as it will), perhaps substantially (as it might), then the share of employment noted would decrease, all other things equal. We make this point on page 20 of the report.

We, too, compared Resort construction jobs with the total in the area to lend some perspective, but the comparison unfortunately requires a lot of fine print to be correctly interpreted. For the reasons above, the likely impact will be less than the one-third figure cited in the public comments. A better, but less quantified, interpretation, is that the Resort as proposed would be a very large development with large construction impacts relative to historical construction levels.

Our construction employment estimates relied on numerous Montana-based resources, including those cited by some respondents, as well as national figures (see Appendix B of the report).

## WAGES

One respondent attempted to calculate the average annual wage (or, “total employee compensation” where benefits are involved) of all direct and secondary employees hired due to the Resort’s presence. The respondent did this by dividing the wage and employment figures in Table 12, noting that the resulting compensation figures are roughly half of the area’s average wage (estimated by the Bureau of Economic Analysis, using the full- and part-time workforce). While calculating an average compensation is a valid exercise, that calculation fails to consider three important factors: (1) our employment figures include the self-employed (see page 12), so any calculation of compensation must consider business income (found in Table 12); (2) the ski and amusement operations at the Resort will have a much higher ratio of part-time to full-time employment than that of the entire two-county area (the BEA’s compensation calculation uses every job in every industry sector in a given county); and (3) the direct wages reported do not include benefits while the secondary wages do.<sup>1</sup>

We believe the correct way to measure monetary benefits that will be awarded to the employees estimated in Table 12 is a personal income calculation (wages plus business income). Many employees, especially those in the construction industry are sole-proprietors. The income received by a self-employed contractor who is employed by the Resort to install carpet, for example, will be reported as business income. Further, income received by private-practice

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<sup>1</sup> Admittedly, the point we make in (3) is not clearly documented on page 12 of the report, where it should be. Payroll and wage data provided by the Resort and analyzed and modified by ECO do not include benefits (these are the direct impacts). Secondary wages impacts estimated by IMPLAN do include benefits.

doctors and dentists who enter into business in Missoula as a result of increased demand for their services (secondary impacts induced by the Resort's presence) is also reported as business income. The contractor, doctor, and dentist jobs are accounted for in Table 12.

To clarify: the secondary employment would be created by the Resort's presence, but the wage would be set by the other businesses conducting the hiring. Most of these secondary jobs would be in the service and retail sectors, and would be primarily (but not exclusively) relatively low-paying. IMPLAN estimates that these secondary jobs, including benefits, would pay roughly \$30,000 annually—a figure lower than the average wages per job (benefits included) reported by the BEA for 2005 and calculated by one respondent.

Since the jobs reported in Table 12 are not FTEs, any unqualified comparison of total employee compensation from our figures to those of the BEA is misleading. The BEA data aggregate jobs from all industry sectors to report average wage. However, according to the BEA, the ratio of full- to part-time jobs varies greatly by industry sector.<sup>2</sup> Due to the nature of the work, construction and resort (especially ski resort) related industries have a higher rate of part-time employment. We assume (based BEA and Resort payroll data) that the ski and amusement operations at the Resort would employ almost twice the rate of part-time employees as that of the two-county area.

Thus, total employee compensation would be higher than \$23,394 (calculated by summing wages and business income and dividing by jobs in Table 12 for year 10) because of the inclusion of a large number part-time workforce in the employment estimate. The monetary value of benefits also must be included in the calculation. We do not estimate the ratio of full- to part-time workers for direct and secondary employment. However, on page 21, we estimate the number of seasonal workers at the Resort—about 32% and 41% of all employees in year 10 and 20.

We estimate a \$24,000 yearly wage figure for Resort employees (not including benefits) from payroll data supplied by the Resort (which we adjusted—see footnote 22) and our own estimates of seasonal and part-time workers.

## **TOURIST EXPENDITURES**

Some respondents said that our tourist expenditure figures seemed high, noting that they were the equivalent of one-third to one-half of the total non-resident expenditures in the two-county area. As for construction, the comparison is made to current levels of tourism expenditures, not future levels. In estimating tourism expenditures, our analysis took this factor into consideration. Regardless of the Resort's presence, tourism in the area will likely increase.

The scope of the project suggests that tourism impacts will be high relative to any individual venue and the two-county totals. Based on our research of area tourism, most visitors engage in hiking, hunting, fishing, and other outdoor recreation activities, in addition to some skiing. In terms of visitor expenditures, these are generally low-impact activities (economically speaking, in terms of expenditures). For instance, a hiker or a fisher may come to the area for a couple of

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<sup>2</sup> Bureau of Economic Analysis, National Income and Product Accounts. Table 6.5D: Full-time Equivalent Employees by Industry. Table 6.4D: Full- and Part-time Employees by Industry.

days, stay in a hotel (or camp), and may eat at a couple of restaurants. Other expenditures may include maps and snacks. After a couple of days, these visitors may move to another area in Montana or near Yellowstone National Park to further engage in these activities. These visitors are likely to pack their own equipment into and out of the area.

Compare that to a family who travels to the Resort. Not only would such a family stay at hotels and eat at local restaurants, but they would also spend money on lift tickets, other skier services (lessons, rentals, etc.), golf, other entertainment, and shopping. Even if the hiker/hunter/fisher were interested in spending money for resort-style amenities, they would currently not have as many options to do so in Missoula. The types of visitors attracted to the Resort would likely have different spending patterns than the area is historically accustomed to hosting.

Several respondents said (and rightly so) that the impact of the Resort on local infrastructure (the highway, the sewers, the schools, etc.) will be large. Such claims also imply that the impact of non-local visitors will be large as well. Such a comparison can be made because in addition to the permanent Resort residents, non-local visitors will place a lot of demand on all area infrastructure through their use of hotel accommodations and rental properties. In other words, the number and size of many of the expected negative impacts presume that a large number of visitors are coming.

A lot the critique and our response is technical. When we step back from the details of the analysis, however, the sense of our conclusion seems reasonable to us: the full Resort would be a relatively big tourist facility; if successful, one should expect it to have a relatively big impact on tourism originating from outside the two-county area.

## **DATA**

Some respondents were concerned that we used data from the Resort and Vail Resorts, Inc. to derive many of our estimates. We used data provide to us from the Resort to get an accurate sense of the type and scope of development the proponents hope to build. We evaluated those estimates and even modified them (see footnote 22). It would not make sense to ignore these data: no other source could give us a detailed description of the proposed destination Resort development outside of Missoula.

Further, Vail Resorts, Inc is a corporation that owns five ski resorts in the U.S. West (not just the resort commonly known as Vail). Since this corporation is public, its revenue and visitor data are publicly accessible and well organized. We feel that the five established four-season resorts provide a broad base for comparisons of other destination ski resorts.

In addition to these data, we used various state and local sources, including data from Montana ski areas. All of these sources are listed in Appendix B of the report.

## **ORIGIN/NATIONALITY OF WORKERS**

A couple of respondents contend that some of the Resort workers would be recruited from foreign markets (Europe, Australia, South America). Anecdotal evidence can support that claim. The Resort has publicly stated that it will fill as many jobs as it can with locals. Our report acknowledges that, given the labor force participation rate and unemployment rates, some of the

future workers may not currently live in the two counties and may migrate from other areas, but we did not try to make an estimate (see page 21).

As a counterpoint, the local economy could benefit from hosting guest workers. Many may stay only during the winter season to take advantage of the extra employment and the opportunity to experience American life. These people would essentially be foreign tourists who are contributing to the local tax base but who are not using various social services. Such an arrangement would bring extra net spending to the economy, and widen the area's cultural base.

Regardless of the number of foreign workers who take seasonal jobs at the Resort, residents of the two-counties will realize a net gain in jobs over their current levels. Moreover, many of the ski-related jobs will likely be taken by high school and college-aged workers (local residents who are able to withstand the seasonality of the work, enjoy the mountain atmosphere, and would enjoy the types of benefits these jobs normally offer: ski passes).

Another respondent wrote that the Resort would attract illegal aliens to the area, presumably because there will be many jobs in the service sector that might be low paying and require low skill. We have no data to comment on that possibility, or what its overall impact would be. However, we have no reason to believe that the Resort would employ people who are ineligible to work in the U.S.

## **MEASUREMENT OF OTHER IMPACTS**

Several respondents commented that we did not include impact estimates of various other factors (affordable housing, property taxes, the environment, etc.) that may be affected by the Resort. Our short answer is: the quantitative impact estimates on infrastructure and the environment are important, are not quantified in our study, and were not part of our scope of work.

The report is clear about what, exactly, is being estimated and what is not. Many impacts are very hard to measure monetarily. There are clear economic methods for estimating jobs, income and revenue—all factors that are more or less monetary in nature. The proper economic calculations are less straightforward for natural resources and the services they provide. Stands of trees used to be valued based only on their harvested value as lumber. More recently people are asking that they be valued for the ecosystem services (e.g., cleaner air, water quality), recreational services, and aesthetic value they provide. Economists and others continue to explore methods calculating such quality of life benefits; such estimates were not part of our scope of work.

The report does state in several places that there will be other impacts and community members should weigh these when discussing the merits of the Resort. We explored some of these issues through a qualitative analysis in the report. Nonetheless, the report states that we did not fully evaluate the range of costs and benefits to the Missoula area (see the second to last paragraph on page 39). Our report is one piece of many that people should consider when evaluating the Resort. We believe that the impacts we were charged to measure, though approximate, are defensible.

During the approval process that will accompany the Resort's application to use Forest Service lands, an environmental impact study will be required. Such a study would go more deeply into issues that our report only briefly discusses. At the meeting Terry Moore attended in November,

one person commented that water on the resort site was scarce and that the developers were overestimating the ability of their water rights to handle the water demand. We did no research on that issue, and do not have an opinion on it.

In addition to the comment regarding water access, other respondents mentioned that we did not consider that current zoning regulations on the developer's property are not consistent with a Resort development. Our exercise was not to discuss the probability that such issues are resolved and the project is approved. We considered the impacts of the Resort development if it were approved. In such a scenario, the zoning and water rights issues will be a foregone conclusion.

Another comment was that climate changing (warming) and gas prices (increasing) would increase costs of and reduce demand for resort services. That may be, but the magnitude of those changes and their effects on visitor days (relative to all the other factors affecting visitor days) is uncertain. For instance, skier visits may decrease on warm days where there is little snow, but the slopes may become more crowded on good ski days. The Resort developer has an incentive to not ignore those variables: they are risks to his bottom line.