

APPENDIX J

Updated 2019 Economic Significance Report



Estimated Economic Significance of Potential Resort Expansion Mission Ridge Ski & Board Resort

Prepared for Mission Ridge Ski & Board Resort, WA

Prepared by RRC Associates, Boulder, CO

UPDATED December 2019

EXECUTIVE SUMMARY

This brief report provides a high-level summary of the estimated economic impact of future expansion plans of Mission Ridge Ski & Board Resort. This report is updated as of December 2019 based on revised application numbers.

Mission Ridge Ski & Board Resort's proposed expansion is to have the following economic impacts over a 10-year period:

- More than double its current total economic output in the Wenatchee/Chelan County region, from \$13.3 million today to \$33.5 million in Year 10 (up from \$29.5 million in the original report)
- Generate 669 full-time equivalent jobs in Year 10 (up from 590 FTE jobs in the original report)
- Add \$11.7 million in personal income for the region by Year 10 (up from \$10.3 million in the original report)

The most growth is expected to be seen in the first five years of the expansion as the resort transitions from a day-use area to overnight accommodations.

The proposed expansion is expected to go beyond the ten-year period projected in this analysis; however, estimations beyond this mark are difficult due to a lack of data.

The table below represents a summary of key economic activity indicators attributable to visitor expenditures (winter and summer) at Mission Ridge Ski & Board Resort in 2016/17 and through ten years of the proposed expansion.

Table 1
Regional Economic Activity Attributable to Visitor Expenditures at Mission Ridge,
2016/17 Season and Projected Village Expansion Years

Category	2016/17	Year 1	Year 5	Year 10
Total Direct Ski Area Visitor Expenditures	\$11,581,810	\$14,787,844	\$23,446,178	\$28,841,952
Total Winter/Summer output (direct and secondary)	\$13,291,790	\$17,153,899	\$27,197,566	\$33,456,664
Total FTE Jobs Attributable to Visitor Expenditures	266	343	544	669
Personal Income Attributable to Visitor Expenditures	\$4,652,126	\$6,003,865	\$9,519,148	\$11,709,832

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Economic Significance of Mission Ridge Ski & Board Resort

2016/17 Season



Prepared for Mission Ridge Ski & Board Resort, WA
Prepared by RRC Associates, Boulder, CO
December, 2017

INTRODUCTION

This report provides a brief summary of selected economic and operational measures of Mission Ridge Ski & Board Resort, prepared by RRC Associates. This report uses economic figures from the 2016/17 from Mission Ridge Ski & Board Resort and the Northwest region from 2016/17 and 2015/16.

This report primarily draws on ski resort operator survey data and ski visitor survey data collected by the National Ski Areas Association (NSAA), along with selected other economic data sources. In addition, where data specific to Washington and Mission Ridge Ski & Board Resort is not available, RRC Associates has utilized documented economic factors for the Pacific Northwest region or the U.S. generally, as described in the report.

This analysis focuses on the economic activity associated with downhill skier/snowboarder expenditures during skiing/snowboarding trips. Expenditures associated with non-trip-related spending on skiing/snowboarding, such as purchases of equipment not occurring during a ski trip, are excluded. Additionally, expenditures associated with snowsports participation other than downhill skiing and snowboarding (e.g. expenditures associated with cross-country skiing and snowshoeing trips) are excluded.

RRC Associates, an 18-person firm based in Boulder, Colorado and founded in 1983, specializes in providing market research and consulting services to the ski industry, with experience conducting economic and demographic research for individual ski resorts and ski industry organizations such as the following:

- NSAA (including the annual Economic Analysis of United States Ski Areas)
- Canadian Ski Council
- Canada West Ski Areas Association
- Quebec Ski Areas Association
- Colorado Ski Country USA
- Ski Utah
- Pennsylvania Ski Areas Association
- Ski Lake Tahoe

- Pacific Northwest Ski Areas Association
- Ski Areas of New York
- North Carolina Ski Areas Association
- Ski New Hampshire
- Minnesota Ski Areas Association
- Wisconsin Ski Areas Association

CHARACTERISTICS OF VISITORS TO PACIFIC NORTHWEST SKI AREAS

- **Total visits:** Based on data from resorts in the Pacific Northwest (Washington, Oregon and Alaska) region participating in NSAA's Kottke National End of Season Survey and/or National Demographic Survey in 2016/17 or in recent past seasons, approximately 2.0 million skier visits were recorded last season, an increase of 7.7 percent from 2015/16.

Washington as a state ranks seventh in terms of skier visits, ahead of New Hampshire, Michigan, and Oregon, but trailing Pennsylvania/New Jersey, New York, Vermont, Utah, California, and Colorado.

- **Geographic origin:** Based on data from the Pacific Northwest region resorts participating in NSAA's National Demographic skier/snowboarder survey in 2016/17 or in recent past seasons, approximately 93 percent of visitors to Pacific Northwest ski resorts live in-region. Roughly 3.6 percent of international visitors skied in the Pacific Northwest.

Geographic origin is also important from an economic impact standpoint. Out-of-state visitation provides a particularly important economic boost, since it brings new dollars into the state, much like other "base" industries. However, the ability of Pacific Northwestern ski areas to serve in-state residents is also important in keeping associated economic activity within the state. If Washington did not have ski areas, many Washington skiers would likely travel to other states to ski and snowboard, and Washington would consequently lose the benefit of the associated economic activity.

LESSONS AND FAMILIES OF PACIFIC NORTHWEST SKI AREAS

- **Lesson volume:** Based on data from Pacific Northwest ski areas providing statistics in 2016/17, an average of 5.8 percent of skier/snowboarders take a lesson during their trip to the slopes.

For comparative purposes, it is estimated that 7.5 percent of visits nationally included lesson in the 2016/17 ski season. The Pacific Northwest had a lower participation rate than the national average, but tracks closely with Pacific Southwest resorts (5.9 percent).

The issue of lesson participation, particularly at the entry level, has been an area of focus for the ski industry (including NSAA), especially as a key element of the strategy for attracting newcomers to snowsports and converting first-timers into committed, long-term participants. Snowsports visitation models demonstrate that long-term, sustainable growth in the ski industry will be strongly tied to improving the retention of entry level skiers, in large measure through improved and upgraded lesson programs.

- **Ability level:** Based on skier surveys, 15 percent of visitors at Washington ski areas are participating in snowsports classify themselves as first-time or beginners, 42 percent as intermediates, and 43 percent as advanced/experts. This ability profile is generally more skilled than regions such as the Midwest, Southeast, and Pacific Southwest. It is also similar to the overall national profile, at 13.8 percent first time/beginner, 42.8 percent intermediate, and 43.5 advanced/expert. The results speak to Pacific Northwest ski areas' relative niche in serving a wide range of skiers and snowboarders, on par with the national average.
- **Household status (adult participants):** Based on skier surveys, most adults participating at Pacific Northwest ski areas are in households with children at home (41 percent), while 29 percent are singles without children at home, 16 percent are couples without children at home, and 14 percent are empty nesters (children grown). This household profile speaks to the importance of family-friendly offerings, but also includes a larger proportion than most regions of singles who do not have children.

ECONOMIC IMPACT METHODOLOGY

The economic activity associated with Mission Ridge Ski & Board Resort can be segmented into two major areas:¹

1. **Direct economic activity** associated with skier spending: i.e. economic activity derived from skier purchases during their trips, e.g. lift tickets, lessons, rentals, retail sales, dining, lodging, gasoline, etc. (It should be noted that this excludes expenditures made in support of skiing, but not during a ski trip, e.g. purchases of snowsports equipment and clothing when not on ski trips.)
2. **Indirect and induced economic activity** associated with ski trips: i.e. the “secondary” or “multiplier” effects attributable to the re-spending of dollars generated by skier spending, e.g. purchases by businesses that directly serve skiers from their suppliers (indirect effects), and the re-spending of income earned by employees working for businesses that directly or indirectly serve skiers (induced effects).

Estimates of economic activity are provided in the sections below, for visitor expenditures, industry output (sales), employment, and income. For industry sales, employment and income, estimates are generated for both direct and secondary economic effects.

The estimates of economic activity described below utilize consumer expenditure and resort operator revenue factors collected via NSAA research. Additionally, to derive output, employment, income, and secondary effects, generalized ratios and multipliers were used, based on published norms in the tourism economic impact literature.²

¹ A third category of economic impact encompasses capital investments made by ski resorts (e.g. ski lifts, on-mountain facilities and support, real estate, etc.) and other businesses which directly serve skiers. However, these impacts are not reported here due to insufficient available data.

² Stynes, D.J. (2010), as quoted in Crompton, J.L. (2010), *Measuring the Economic Impact of Park and Recreation Services*, National Recreation and Park Association, Ashburn, VA, p. 37.

SALES (OUTPUT) IMPACTS OF SKIING

- Expenditures by skiers:** Table 1 to follow summarizes the estimated expenditures by downhill skiers and snowboarders at Mission Ridge Ski & Board Resort in the 2016/17 season. In total, skiers and snowboarders were estimated to spend approximately \$11.5 million in the 2016/17 season, or an average of approximately \$100.13 per skier visit. Overnight visitors staying in commercial accommodations are estimated to have significantly higher expenditure levels on a per-skier-visit basis (\$168.11) than day visitors (\$70.61) and visitors staying overnight with friends/family or in vacation homes (\$134.49) based on NSAA Demographic survey research of skiers/snowboarders interviewed at Pacific Northwest resorts. Winter season visitors represent 99% of the spending at \$11.3 million with summer visitors contributing \$114k (Table 2).

Table 1
Estimated Expenditures by Skiers/Snowboarders at Mission Ridge Ski & Board Resort, 2016/17

	Percent of Snowsports Visits	Number of Snowsports Visits	Estimated Spending per Snowsports Visit	Aggregate Skier/Snowboarder Spending
Day/local visitors	68%	77,816	\$70.61	\$5,494,622
Overnight - commercial accommodations	27%	30,898	\$168.11	\$5,194,293
Overnight - friends/family or second home	5%	5,722	\$134.49	\$769,525
TOTAL	100%	114,436	\$100.13	\$11,458,439

Source: Visitor mix at Mission Ridge Ski & Board Resort is estimated at 68 percent day visitors and 32 percent overnight visitors. Of the 32 percent overnight visitors, an estimated 5.0 percent stayed overnight with friends/family or in vacation homes, while 27 percent stayed in paid lodging, based NSAA Demographic survey research. Average spending per skier visit is based on NSAA Demographic survey research for the Pacific Northwest region in 2016/17 dollars.

Table 2
Winter and Summer Spending at Mission Ridge Ski & Board Resort, 2016/17

		Aggregate Ski Area Visitor Spending
Winter	99.0%	\$11,343,855
Summer	1.0%	\$114,584
TOTAL	100.0%	\$11,458,439

- Share of expenditures accruing to resort operators and other businesses:** Table 3 below illustrates the approximate share of skier expenditures at Mission Ridge Ski & Board Resort that are estimated to be captured by the resort. Mission Ridge is estimated to garner an average of approximately \$41.07 in winter-season revenue per skier visit. Mission Ridge ski area operators are estimated to have grossed approximately \$4.7 million in revenue in 2016/17, or 41.0 percent of total skier expenditures. The remaining 59.0 percent of expenditures, or approximately \$6.8 million, are estimated to have accrued to other businesses, illustrating that many of the economic benefits of ski trips are captured by the wider business community. Because Mission Ridge does not own or operate any on-mountain lodging facilities, the larger percentage of visitor expenditures is distributed to businesses spread out throughout the local area, particularly expenditures on

overnight lodging. Mission Ridge does capture the primary share of spending by day visitors, with overnight visitors having a larger contribution to community businesses in the region.

Table 3
Share of Skier Expenditures Captured by Mission Ridge Resort Operators
and Other Businesses, 2016/17

	Spending per Visit	Aggregate Ski Area Visitor Spending	Share of Visitor Spending
Estimated resort operator revenues	\$41.07	\$4,700,000	41.0%
Estimated revenues accruing to other businesses	\$59.06	\$6,758,439	59.0%
Total visitor direct expenditures	\$100.13	\$11,458,439	100.0%

- **Direct, secondary and total output effects:** Table 4 to follow illustrates the estimated direct, secondary, and total output effects attributable to skiing at Mission Ridge. Direct output, estimated at approximately \$9.2 million, is calculated by multiplying skier expenditures by 0.8 (a generalized adjustment factor which reflects typical retailer margins). This step is necessary to omit the cost of goods sold which are made outside of Washington, and thus appropriately reflect the economic output captured in Washington.

Secondary ("multiplier") economic effects, as defined earlier, are roughly estimated at approximately \$4.1 million. Secondary effects are calculated by multiplying direct output by 0.45, an adjusted factor which is also based on national averages in the tourism industry.

Total output attributable to skiing is estimated as the sum of direct and secondary effects, or approximately \$13.3 million.

Table 4
Direct, Secondary, and Total Output Effects Attributable to Skiing at Mission Ridge Ski & Board Resort,
2016/17

	Aggregate Effect
Total direct ski area visitor expenditures	\$11,458,439
<i>Direct output ratio (margin adjustment)</i>	<i>0.80</i>
Direct output effect	\$9,166,752
<i>Secondary output ratio (statewide)</i>	<i>0.45</i>
Secondary output effect (statewide)	\$4,125,038
Total output (direct and secondary)	\$13,291,790

Note: Direct output ratio (0.8) is an approximate average for visitor spending effects as cited as by Stynes, D.J. (2010), as quoted in Crompton, J.L. (2010), *Measuring the Economic Impact of Park and Recreation Services*, National Recreation and Park Association, Ashburn, VA, p. 37. Secondary output margin (.45) was adjusted to reflect a smaller scale impact than statewide figures. Actual ratios in Washington may differ from these averages.

EMPLOYMENT AND INCOME IMPACTS OF SKIING

As illustrated in Table 5 below, approximately 266 FTE jobs in Washington are estimated to be directly or indirectly attributable to Mission Ridge skier expenditures. This calculation utilizes a generalized ratio of 20 FTE jobs per \$1 million in output, based on rough national norms.

Additionally, snowboarding/skiing at Mission Ridge is estimated to directly or indirectly generate approximately \$4.7 million in income. This calculation uses a generalized income to sales ratio of 35 percent, again based on approximate national norms.

Table 5
Jobs and Income Attributable to Skier Expenditures at Mission Ridge Ski & Board Resort, 2016/17

	Direct effect	Secondary effect	Total effect
Sales (output)	\$9,166,752	\$4,125,038	\$13,291,790
Jobs / \$1M in sales (approx.)	<u>20</u>	<u>20</u>	<u>20</u>
Jobs	183	83	266
Sales (output)	\$9,166,752	\$4,125,038	\$13,291,790
Income:sales ratio (approx.)	<u>35%</u>	<u>35%</u>	<u>35%</u>
Income	\$3,208,363	\$1,443,763	\$4,652,126

Note: Jobs:sales ratio and income:sales ratio are approximate national averages for rough estimation purposes, as cited as by Stynes, D.J. (2010), as quoted in Crompton, J.L. (2010), *Measuring the Economic Impact of Park and Recreation Services*, National Recreation and Park Association, Ashburn, VA, p. 37. Actual ratios in Washington may differ from these averages.